

How to get your finances in shape for 2017

With a New Year comes new resolutions. Your financial health is a big part of your well-being and we have listed some resolutions that may help you feel more secure in your financial future. Seventy-two percent of Americans claim that money is a significant cause of stress in their life. Below are 5 resolutions that may help you achieve optimal financial fitness.

Resolution 1: Create a budget

Before making a budget, think about the different pieces of information you'll need to include:

Income: The money you earn each month, which can come from your paycheck, your partner's paycheck, investment interest, side jobs, social security, rental income, etc.

Necessary expenses: The bills and payments you must make in order to survive and avoid legal trouble. These expenses fall into three categories:

- *Fixed expenses* – Bills that are the same each month, such as mortgage or rent, minimum debt payments, phone bill, etc.
- *Irregular expenses* – Bills that don't recur monthly, such as medical expenses, subscriptions, etc.
- *Variable expenses* – Bills that fluctuate from month to month, such as energy bill, groceries, gas, etc.

Savings: Money you save to reach long-term goals, such as buying a house, paying for college or taking a vacation.

Once you've done this, you have what you need to complete your budget. Having documented your cash flow, you can start to see where you have money left over or where you can cut back so that you have money to put toward your goals.

Tip! Small savings can add up to a lot of money, so don't overlook the little things. You might be surprised at how much extra money you accumulate by making one minor adjustment at a time.

Resolution 2: Manage your debt

Debt is not inherently good nor bad, it's simply a tool. It's important to understand the difference between good and bad debt, how much debt you should have and how to make debt work to your advantage.

Bad Debt: Paying interest on an item that depreciates in value over time is the definition of bad debt. Most credit card debt, especially when used to purchase clothing, electronics or other everyday items, is bad debt. Using this definition, a car loan is also an example of bad debt. Your car loses value as soon as you drive it off the lot, yet you'll be paying interest on the car loan you took out for years.

Good Debt: On the other hand, student loans, business loans and mortgages are generally considered good debt. That's not to say you are in bad shape if you don't have these debts, but rather, it's not a bad financial move to take out a loan for educational expenses or a home if you can't afford to pay cash. What makes these purchases different? They all have the ability to increase your wealth over time. Many experts suggest that your monthly debt payments (including credit cards, auto loans and mortgage payments) should not exceed 36% of your monthly gross income. Experts also recommend that your housing expenses shouldn't exceed 28% of your income.

Resolution 3: Check-in on your portfolio

If you're like most investors, you have different types of assets. Because one type of asset behaves differently from another in terms of risk and return, it's important to strategically plan what portion of your investment portfolio you'll dedicate to each type of asset.

Review your overall investment mix: This positioning is called asset allocation. The asset allocation you choose for your portfolio is a personal decision based mostly on your investment objectives and constraints, including your investment horizon and risk tolerance. Asset

continued on page 3

the December market

at a glance



U.S. Large Cap
(S&P 500)

2,238.83

1.82%



U.S. Mid/Small
(Russell 2000 Index)

1,357.13

2.63%



Foreign Large
(NYSE International 100)

4,857.09

2.18%



Bond Market
(Barclays US Aggregate)

1,976.37

0.14%

December 2016 market data

in action

- Following months of speculation, the Fed increased the target interest rate for only the second time since 2009. Janet Yellen, chairwoman of the Fed, noted nationwide progress towards “maximum employment and price stability” as justification for the hike.
- The US trade deficit grew to \$42.5 billion in October, representing an 18 percent increase from the previous month. This marked the steepest one-month increase since March 2015.
- Gross Domestic Product increased 3.2% in the third quarter, which marked the largest single-quarter gain since Q3 of 2014.
- The FTSE 100 index, which tracks major stocks in the UK, had its best single-year performance since 2013 and closed at an all-time high on the final trading day of the year.
- The US unemployment rate fell to 4.6 percent in November, its lowest since August of 2007. However, a significant increase in the amount of Americans who exited the workforce dampened the optimism of the news.
- A recent report from JUST Capital indicates that only 15 percent of American retail workers make a living wage. The study cites “living wage” as the amount needed to cover all expenses for a working couple with one child.
- Venezuelan president Nicolás Maduro announced that the country will replace the bolívar dollar with higher-denomination bills. This decision comes as a result of the rampant hyperinflation Venezuela has endured recently.
- Following the worldwide success of Pokémon Go, Nintendo releases Super Mario Run for iPhone. Initial revenue reports were underwhelming, which led to share prices falling approximately 16 percent in the weeks following the release.
- Allstate Financial services was fined \$1 million by FINRA for not meeting standards regarding client communication, recordkeeping and supervision of transactions. Allstate announced that many of these issues were self-reported to FINRA.
- Peter Pan, a subsidiary of ConAgra, reached an \$11.2 million settlement for contaminated peanut butter that caused illness in hundreds of Americans nearly a decade ago.

allocation is not synonymous with diversification – asset allocation is the vehicle through which your portfolio can become diversified. However, you may choose to allocate your assets so they aren't diversified for various reasons. For instance, you could choose to hold 100% of your investment in stocks – here, you have allocated your assets but not diversified. An undiversified portfolio like this is not optimal because it takes on too much risk, so diversification is an important strategy in asset allocation.

Monitor and rebalance your portfolio: Evaluate your portfolio's performance at least twice a year using the right benchmarks. Remember that investing is about the long term, which is more important than short-term performance.

Resolution 4: Prepare for unexpected expenses

There's no way to predict a financial emergency – but you can be prepared for one. While no one expects to be affected by fire, flood, sudden illness, unemployment or any of the other hardships that life may bring, it's important to be prepared for the unexpected. By building up your financial reserve and using a variety of financial tools and tactics to protect your assets, you can help lessen the impact of a financial setback.

Build an emergency fund: It's easy to put off creating an emergency fund, especially if money is tight. However, if you have little to no emergency funds and a disaster strikes, you may be forced to take a loan, rack up credit card debt or withdraw retirement funds to make ends meet. Most financial experts recommend saving enough to cover six months of expenses. If this seems overwhelming, start with setting a weekly savings goal. Even saving \$50 per week can help build up your fund, and by automating these savings, you can make saving relatively effortless.

Protect your assets: Beyond building up additional funds, insurance can help hedge against a variety of financial hardships. Consider the following types of coverage to safeguard against potential loss due to unexpected circumstances:

- *Health insurance* – Whether you receive coverage through your employer or the health insurance marketplace, having health insurance is not only advisable—it's now mandatory.
- *Auto insurance* – Most states require drivers to have at

least liability coverage, which covers bodily injury and property damage. However, there are also additional types of insurance such as collision and gap insurance. To determine the best coverage for you, you'll have to assess your needs based on the value of your car as well as state legislature.

- *Long-term care insurance* – Health insurance and Medicare cover a limited amount of long-term care, such as a nursing home stay or the cost of having an in-home nurse. Long-term care insurance can cover you for several years and generally comes with a daily and lifetime maximum benefit limit. It can protect you from draining your retirement savings to pay for medical care.
- *Life insurance* – Having life insurance is especially important to protect your spouse and family should one of you die prematurely. Life insurance can help to replenish the income that your family would lose in case of your death. The more people that depend on your income, the more important it is to have life insurance.
- *Homeowners/renters insurance* – Both of these types of coverage can help protect your assets in case of damage or theft.
- *Disability insurance* – Disability insurance helps to replace your income if you become disabled and are unable to work. You can obtain disability insurance through your employer or a private insurance company, or you can apply for Social Security disability benefits.
- *Umbrella insurance* – Covers you in case your at fault in an accident or someone is injured on your property.

Resolution 5: Essential estate planning documents

By definition, an estate is simply the property under an individual's name. It can include everything from a home or business, to bank accounts and retirement funds. Taking steps to plan for the future of your estate can be one of the most important things you do.

Last Will and Testament: Often considered the most basic and essential aspect of estate planning, a will provides legal instructions for the division of property after the death of an individual.

Living Wills and Power of Attorney: A living will is a very simple document that is easy to overlook, but can be key to a family's well-being. A living will provides instructions

continued on page 4

for medical care in the event the you become incapacitated. Its goal is to not only ensure that your wishes are carried out, but also to alleviate your family from the responsibility of making a difficult decision.

Trusts: A variety of trust options exist for individuals who want to exert more control over their property than a will allows. A “trust” is simply a legal entity created to hold property.

Make sure you have a trusted friend or family member who knows the location of these important estate planning documents.

Finally, remember you don’t have to do everything at once. Take one step at a time to make progress towards your goals.

We hope these help you get on the right track to your financial fitness. Please contact either of us to discuss your personal financial plan in greater detail.

January

is a great month to . . .

January is National Blood Donor Month. In the U.S. someone needs blood every 2 seconds. Typically, blood donations are lower in the winter months due to the unpredictable cold weather while the need for blood remains constant.

Each pint of donated blood has the potential to help more than one person.

To find a blood drive near you or learn more about blood donations, go to redcross.org

planadviser's 2016
TOP100
RETIREMENT PLAN ADVISERS

The “PLANADVISER Top 100 Retirement Plan Advisers” list is compiled from responses to the PLANADVISER Retirement Plan Adviser Survey. The list is drawn solely from a set of quantitative variables and information in the survey supplied by the advisers themselves. H&H qualified under the small team category which is an advisor with 10 or fewer team members. Go to planadviser.com/Top100 for more information.

About Hooker & Holcombe Wealth Management

Contact:

Jonathan Gruber, RICP®, AAMS®
Director, Wealth Management
860.856.2128
JGruber@hhconsultants.com

Katerina Nikolaou, CFP®
Financial Advisor
860.856.2067
KNikolaou@hhconsultants.com

h&h
hooker & holcombe

This article was written by Advicent Solutions, an entity unrelated to Hooker & Holcombe Investment Advisors, Inc. The information contained in this newsletter is not intended to be tax, investment or legal advice, and it may not be relied upon for the purpose of avoiding any tax penalties. Hooker & Holcombe Investment Advisors, Inc. does not provide tax or legal advice. You are encouraged to consult with your tax advisor or attorney regarding specific tax issues. © Advicent Solutions. All rights reserved.

Contact your health care provider with health-related issues. You should never disregard medical advice or delay in seeking it because of information provided in this newsletter.

Investment advice is offered through Hooker & Holcombe Investment Advisors, Inc., an SEC Registered Investment Advisor.