Financial Decision Partners
Financial Planning & Investment Management

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Three Tips for Surviving Market Turbulence

Most stock market investors are looking for the same result: strong and steady gains of their investments. Dealing with a period of sustained falling stock prices is not easy. All too often, investors react to a sharp drop in prices by panic selling or digging in their heels despite deteriorating fundamentals. But more thoughtful investors see a correction or downturn as an opportunity to review the risks in their portfolios and make adjustments where necessary.

When confronted with any adverse market event -- whether it is a one-day blip, a more lengthy market correction (a decline of between 10% to 20%), or a prolonged bear market (a decline of more than 20%) -- take time to review your portfolio. Dealing with volatility can be difficult. Here are some suggestions to help you and your portfolio survive market turbulence.

Tip 1: Keep a long-term perspective. The only certainty about the stock market is this: It will always experience ups and downs. That's why it's important to keep emotions in check and stay focused on your financial goals. A buy-and-hold strategy -- making an investment and then holding on to it despite short-term market moves -- can help. The opposite of buy-and-hold investing is market timing -- buying and selling investments based on what you think the market will do next. Market timing, as most investment professionals will tell you, is risky. If your predictions are wrong, you could invest when the market is on its way down or sell when it's on its way up. In other words, you risk locking in a loss or missing the market's best days.

Tip 2: Maintain your balance. Over time, your asset allocation is likely to shift as your assets appreciate and depreciate.[1] Rebalance regularly to help ensure your assets are properly allocated. Also periodically reexamine your risk tolerance. Has anything changed in your life that has made you more or less risk averse?

Tip 3: Talk with a professional. A financial professional can help you separate emotionally driven decisions from those based on your goals, time horizon, and risk tolerance. Researchers in the field of behavioral finance have found that emotions often lead investors to read too much into recent events even though those events may not reflect long-term realities. With the aid of a financial professional, you can sort through these distinctions, and you'll likely find that if your investment strategy made sense before the crisis, it will still make sense afterward.

It's important to remember that periods of falling prices are a natural part of investing in the stock market. While some investors will use a variety of trading tools, including individual stock and stock index options, to hedge their portfolios against a sudden drop in the market, perhaps the best move you can make is reevaluating and limiting your overall risk position.

Source/Disclaimer:
[1]Asset allocation does not ensure a profit or protect against a loss.

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Investing Responsibly: Aligning Your Money With Your Values

Whether the focus is on advancing environmental causes, building healthy communities, or promoting corporate ethics, investors interested in making a difference in the world are spurring interest in socially responsible investing (SRI), also known as sustainable and responsible investing.

Sustainable and responsible investing traces its roots to religious concerns, and it expanded in scope in the 1970s and 1980s as investors joined other protestors against apartheid by choosing not to invest in companies involved in South Africa. From there, the definition of SRI evolved to include the avoidance of "sin stocks" -- stocks of companies that derive earnings from gambling, alcohol, and tobacco. More recently, the concept has expanded further to include any number of social and environmental issues as well as a growing concern with "corporate character" -- seeking out companies that have commendable records on corporate governance.

Sustainable and responsible investments accounted for more than $3.7 trillion in assets under management as of 2012.[1] Depending on a particular portfolio and its investment directive, SRI criteria are broad and potentially can include:

- Corporate governance, or how a company's management team shares rights and responsibilities with shareholders.
- Environmental practices, such as forestry, mining, waste disposal, or hydraulic fracturing.
- Employment policies, including diversity.
- Practices of global suppliers.
- Health issues, including products that could contribute to addictions or obesity.
- Military use of a company's product or service.
- Products that are inconsistent with certain religious beliefs, such as use in abortions.
- Geopolitical factors, such as a presence in a country where the government has supported war or genocide.

For example, environmental investment factors are incorporated in the management of 551 investment vehicles with $240 billion in assets under management.[1]

SRI has both advocates and critics. Those with a skeptical eye contend that investment decisions should be made solely on the basis of investment criteria. But advocates point to examples of SRI initiatives that have shifted traditional notions of investing to include a greater emphasis on the environment and a corporation's impact on society.

Factors to Consider

If you are interested in SRI, it may be worthwhile to take the following into account:

- Because socially responsible funds are actively managed, their performance will not necessarily mirror broader market trends.
- Actively managed mutual funds, including a socially responsible fund, are likely to have higher expenses compared with a passive investment.
- It is difficult to compare socially responsible funds with one another because, in many instances, criteria for stock screening are different.
- Using a socially responsible selection screen will not necessarily rule out a large portion of the investment universe.

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If you are interested in SRI, there are mutual funds whose investment criteria correspond to various types of SRI screens. It is possible for investors to screen individual securities on their own, but this could be very time consuming. SRI may not be for everyone, but it presents an additional way of viewing the investment universe.

Source/Disclaimer:
[1]Source: The Forum for Sustainable and Responsible Investment, *Report on Sustainable and Responsible Investing Trends in the United States*, 2012.

Tips for Improving Your Credit Scores

Americans have become more informed about certain aspects of their credit scores, but many still don't know enough about the risks associated with low scores and alleged "credit repair" services.[1]

While a majority of consumers know some of the basics about credit scores, many are still unclear about some of the most important facts. For example, a majority of respondents knew that mortgage lenders and credit card issuers use credit scores. However, less than 40% knew that many other service providers also use these scores, including landlords, home insurers, utility companies, and cell phone companies. A sizable minority also falsely believe that credit scores are influenced by their age (43%) and marital status (40%).

What You Can Do
A typical credit score will range between 300 and 850 points. Although all lenders make decisions based on the particulars of the lending situation, generally speaking, the higher your score, the lower the perceived risk to the lender, and the more attractive the interest rate you will be offered. A score of 680 or lower will make it more difficult for you to get approved for credit and will probably increase the interest rate you are offered.

Here are some tips for raising or maintaining a higher credit score:

- **Pay your accounts on time.** Lenders are looking for a proven track record of making timely payments. Payment history determines about 35% of your credit score.
- **Keep your balances low.** About 30% of your score is determined by what the industry refers to as your "credit utilization ratio," which is the amount you owe in relation to the amount of credit available to you. If that percentage is more than 50%, your score will be lower.
- **Open a credit card account.** While many Americans are turning to prepaid credit cards or debit cards to help them better manage their finances, this can work against your credit score. Without any credit history, you could be considered "unscoreable" and may have difficulty in obtaining credit.
- **Don't open too many credit lines in a short period of time.** Each time you apply for a loan or credit card, the lender will make an inquiry into your credit score, which typically knocks points off of your score.
- **Hold on to older, unused accounts.** The longer an account has been open and managed successfully, the higher your score will be.
- **Don't default on your payments.** If you default on a loan -- such as when you file for bankruptcy or a bank forecloses on your home -- it can knock up to 100 points or more off of your credit score.

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- **Maintain a diversified credit mix.** If you hold an auto loan, a home mortgage, and credit cards that are well managed, you will generally have a higher credit score than someone whose credit consists mainly of finance companies.
- **Beware of credit repair companies.** The Consumer Federation of America warns consumers away from these companies, saying that they overpromise, charge high prices, and perform services, such as correcting credit report inaccuracies, that consumers could do themselves by simply contacting the lender and the credit bureaus.

Source/Disclaimer:
[1]Source: The Consumer Federation of America, *Credit Score Knowledge 2013*, May 2013.

When Should You Collect Social Security?

A growing number of Americans have been forced to delay their planned retirement date due to job and savings losses suffered during the most recent recession. According to a survey, nearly one-quarter of workers said they have resolved to retire later due to concerns about outliving their savings and fears of rising health care costs.[1]

Postponing retirement not only means working longer, but also delaying when you start collecting Social Security. Currently, workers can begin collecting Social Security as early as age 62 and as late as age 70. The longer you wait to start collecting, the higher your monthly payment will be. Your Social Security monthly payment is based on your earnings history and the age at which you begin collecting compared with your "*normal retirement age."* This *normal retirement age* depends on the year you were born.

Normal Retirement Age

Year Born	Age
• 1937 or earlier	• 65
• 1938	• 65 and 2 months
• 1939	• 65 and 4 months
• 1940	• 65 and 6 months
• 1941	• 65 and 8 months
• 1942	• 65 and 10 months
• 1943-1954	• 66
• 1955	• 66 and 2 months
• 1956	• 66 and 4 months
• 1957	• 66 and 6 months
• 1958	• 66 and 8 months
• 1959	• 66 and 10 months
• 1960 or later	• 67

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Those choosing to collect before their *normal retirement age* face a reduction in monthly payments by as much as 30%. What's more, there is a stiff penalty for anyone who collects early and earns wages in excess of an annual earnings limit ($15,120 in 2013).

For those opting to delay collecting until after their normal retirement age, monthly payments increase by an amount that varies based on the year you were born. For each month you delay retirement past your normal retirement age, your monthly benefit will increase between 0.29% per month for someone born in 1925, to 0.67% for someone born after 1942.

Which is right for you will depend upon your financial situation as well as your anticipated life expectancy. Consider postponing taking your Social Security benefits if:

- You are in good health and can continue working. Taking Social Security later results in fewer checks during your lifetime, but the credit for waiting means each check will be larger.
- You make enough to impact the taxability of your benefits. If you take Social Security before your normal retirement age, earning a wage (or even self-employment income) could reduce your benefit.
- You earn more than your spouse and want to ensure that spouse receives the highest possible benefit in the event that you die before he or she does. The amount of survivor benefits for a spouse who hasn't earned much during his or her working years could depend on the deceased, higher-earning spouse's benefit -- the bigger the higher-earning spouse's benefit, the better for the surviving spouse.

Consider taking your benefits earlier if:

- You are in poor health.
- You are no longer working and need the benefit to help make ends meet.
- You earn less than your spouse and your spouse has decided to continue working to help earn a better benefit.

Whenever you decide to begin taking your benefit, keep in mind that Social Security represents only 36% of the average retiree's income.[2] So you'll need to save and plan ahead -- regardless of whether you collect sooner or later.

Source/Disclaimer:
[1]Source: Employee Benefit Resource Institute, *2013 Retirement Confidence Survey*, March 2013.
[2]Source: Social Security Administration, "Fast Facts & Figures About Social Security, 2013."

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