FINANCIAL CONNECTIONS

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CASH BEGINS TO EARN INTEREST

For years, cash paid very little interest. The Federal Reserve raised interest rates three times in the last 16 months, and the changes are beginning to filter to the consumer. Previously, banks were paying more interest in their money market and savings accounts than mutual fund money markets did.

If you have money you want to keep out of the investment markets and yet earn interest on it, you might shop around. Some of the Internet banks offer good yields.

Peter Crane of money fund research firm Crane Data says, "things look better for cash investors than they have in a decade."

According to bankrate.com, PurePoint Financial offers a savings account yielding 1.25%, Popular Direct 1.15% and Everbank 1.11%. CAUTION: A minimum deposit may apply. AND read the fine print to see how long the offer is to last. Some banks use it as an introductory offer to get you to transfer money, and then they drop the yield after a specified period of time. Brian and Jill call this a "sale" by the bank. Deposits are FDIC insured.

Another alternative, and one frequently easier for many, is a money market at a mutual fund. Your money is readily available when you write a check. Until recently, the interest rate was not competitive with banks but that is changing. (Money market mutual funds are not insured or guaranteed.)

Fidelity Money Market Portfolio (FMPXX) yields above 1% but requires a $1 million minimum. Many money market funds are getting closer to the 1% yield. Peter Crane expects them to reach 1% with the Fed's current plan to continue interest rate increases.

Already, Vanguard Prime Money Market (VMMXX) yields 0.87% and Vanguard's California Money Market (VCTXX) yields 0.71%. Interest is tax-free to California residents though may be subject to alternative minimum tax. Please consult your tax advisor.

Inside This Newsletter

Enclosed is our disclosure statement—our ADV Part 2A and 2B. We are required to make it available to all clients annually. Please let us know if you have any questions.

THE GOOD AND THE BAD OF MILLENNIAL SAVINGS

Millennial Americans—75% of them—save their money at a higher rate than their Baby Boomer counterparts at a similar age, according to research from the Transamerica Center for Retirement Studies.

Half are putting away 6% of their income or more—the best savings rate since the Great Depression. Those who participate in their workplace retirement plans are saving an average of 7% annually. In the Transamerica survey, 25% of millennial respondents said they weren't sure how their retirement savings were invested. When they were prompted to check, reported higher allocations to bonds, money market funds, and other low-return investments than their Baby Boomer or Generation X counterparts.

Unfortunately, they put most of the savings in banks instead of investing them. The research suggests that many younger Americans are frightened and confused about the topic of investing, which is not taught in most high schools or colleges. And we cannot underestimate the impact of the Great Recession on their attitude.

The challenge for the financial services industry is how to educate the millennials. These young Americans need to learn about risk and understand that markets may go down from time to time but have always recovered and beaten their previous highs.

Financial Connections is developing a digital investment service with a planned minimum of $10,000. We hope to target Millennials to utilize our firm's expertise by investing in the models we create.

CLIENT ADVOCATE FORM

This form gives us permission to speak to someone you designate should we notice behavior different than our previous interactions. It does not replace your Power of Attorney.

If you have not completed this form, please give us a call. We'll mail it to you. Thank you.

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NEW MEDICARE CARDS—BEWARE OF SCAMS

For over a decade, federal agencies have recommended the removal of the Social Security Number (SSN) from Medicare cards because of the increased risk of identity theft. Yet Medicare recommends that people carry their Medicare card at all times. If a wallet or purse is stolen, thieves have access to the SSN!

Previously, the funds to make such a drastic changeover were not available. In 2015 President Obama signed and funded a bill requiring the Department of Health and Human Services (HHS) to issue new Medicare cards that do not display, code, or embed SSNs.

The bill gives HHS four years to issue cards without a SSN to new beneficiaries and an additional four years to convert current Medicare cards.

According to the Medicare website, the process has been accelerated. New cards will start going out in April 2019.

SCAM—A scammer calls a beneficiary claiming to be Medicare and says the individual must confirm the current Medicare number (which has the SSN) before it sends out a new card (without the SSN). Still others call saying there is a charge for the new card and for collecting beneficiaries' personal information.

There is NO charge for your new card and Medicare will NOT call for your information—it is already on record.

NEED A RIDE BUT DON'T USE A SMARTPHONE APP?

Not all seniors are comfortable with technology, and many who have smartphones may not be comfortable using applications.

Never let it be said that the entrepreneurial spirit isn't alive in our country! Someone has created a solution for anyone who doesn't use smartphones.

GoGoGrandparent is such a company! If you call 855-464-6872, you will hear, "Thanks for calling GoGoGrandparent." If you follow the instructions, you can request:

- A car to come to your home
- A car to where you were dropped off last
- A car to a custom pick-up location
- An exchange with an operator (yes —with a real person).

Thanks to our clients, Ruth and Tom, for sharing this service with us.

https://gogograndparent.com/

A LOOK AT THE INVESTMENT WORLD AS OF FIRST QUARTER 2017

Though reaction on a personal level to the political machinations of the White House and Congress is understandable, investors seem impervious. They did not react to the bombing in Syria as one would have expected, or to the election in Norway, or to the beginning of Great Britain's exit from the Euro, or even to the Fed's interest rate increase. The market remains remarkably sanguine.

Today's reality is that global economic growth is in sync and improving. According to many researchers, it should remain so over the next 6-12 months (barring anything unforeseen). This is positive news for stocks and bonds. As Janet Yellen, Fed chair, said, "The simple message is the economy is doing well."

The Economist noted that across the United States, Europe, Asia, and emerging markets, "all burners are firing at once, for the first time since a brief rebound in 2010."

By most measurements, the U.S. stock market is overvalued, with estimated returns in the low single digits over the next five years. Our stock market is the most expensive it has ever been in the last 50 years, except during the dot.com bubble in the late 1990s.

Alternatively, international stock markets have lagged domestic markets. Numbers now show international companies growing faster than domestic companies.

We have re-allocated portfolios to lower exposure to the U.S. stock market and increase investments in international and low-volatility funds. More than eight years have passed since the last major downturn, and we are all expecting a decline to occur. We just don't know when. Our goal in portfolio design is to limit the impact of such an event, though there are never any guarantees.

Please call us if you would like to discuss your portfolio, update, or create a financial plan.

WHERE TO FIND HAPPY PEOPLE

The World Happiness Report is out. A group of independent experts surveyed people in 156 countries, asking them to evaluate their lives on a scale of 1-10. They then looked at some of the factors that seem to contribute to happiness, and identified five: real GDP per capita (a measure of average wealth); healthy life expectancy at birth; freedom to make life choices; generosity; and whether or not they perceived their society to have elements of corruption.

Number One on the list is Norway followed by 2) Denmark, 3) Iceland, 4) Switzerland, 5) Finland, 6) The Netherlands and 7) Canada. Sweden comes in at number 10, rounding out the socialistic Nordic societies. In between are 8) New Zealand and 9) Australia.

The U.S ranks Number 14, behind Israel (11), Costa Rica (12) and Austria (13). The U.S. ranked poorly in social support and, interestingly, mental illness.

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