

3rd Quarter 2015, 10/16/2015

MARKET CORRECTION

China's sluggish economy, plus a surprising (though modest) devaluation of the yuan currency, helped trigger a sharp drop in global equity markets in late August. The S&P 500 fell 12% from its high one month earlier.

It is the first 10+% correction for the U.S. market since 2011—an unusually long stretch, since corrections usually occur roughly once a year. (There have only been two longer stretches without a correction, in the early to mid-1990s and the mid-2000s.) The S&P 500 has had a 10+% correction 52 times since the end of World War II. Albeit difficult on the nerves, corrections are not unusual.

Bear markets (decline of at least 20%) occur on average once every five years. We have not had one for six-and-a-half years. The longest period without a bear market lasted 12+ years ending with the dot-com bust in 2000.

The S&P 500 was down 6.5% for the third quarter—the first down quarter since 2012; again, an unusually long span of positive quarters.



Published with permission

market fluctuations, please let us know and we'll send you a link or meet in person. We would welcome the opportunity to review your portfolios or update your financial plan.

Inside This Newsletter

- ◆ MARKET CORRECTION
- ◆ TO RENT OR TO BUY— THAT IS THE QUESTION
- ◆ IN CASE OF DISASTER
- ◆ PENDING INCREASE - PART B MEDICARE PREMIUMS
- ◆ AMAZING TECHNOLOGY TRENDS

HAPPY ANNIVERSARY!

Jill and Brian have worked together for 15 years. To celebrate this anniversary they visited the Monterey Bay Aquarium and enjoyed a seafood lunch.



TO RENT OR TO BUY—THAT IS THE QUESTION

It used to be that the rule of thumb was housing costs should be 25% of your income. That number no longer seems realistic.

According to the Zillow Group, which tracks rental housing's affordability, the typical renter making the median income in the U.S. spent 30.2% of income on a median-priced apartment. This is the highest rate since Zillow started tracking statistics in 1979. Factor in the Bay Area's market, and even that would not be enough—San Francisco renters were paying 47% of their income on apartments!

Stricter lending requirements for mortgages force more people into the rental market, creating more demand than supply.

If you can qualify for a mortgage with today's low interest rates, you may be better off owning than renting. According to Zillow, homeowners are paying an average of 15% of their income on their mortgage, well below the 21% average since 1979. Although Zillow didn't offer a reason, we assume it is due to low interest rates. This is well below the recommended housing expense of 25% of income.

FINANCIAL CONNECTIONS GROUP, INC.

This newsletter is written quarterly by Financial Connections Group, Inc. Please contact Financial Connections Group, Inc. if there are any changes in your financial situation or investment objective(s). Remember, past performance may not be indicative of future results. Different types of investments involve degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this newsletter, will be profitable, equal any corresponding indicated historical performance level(s) or be suitable for your portfolio. Information herein should not be construed as tax or legal advice.

Jill D. Hollander, CFP®, CRPCSM, ADPATM, Financial Advisor

Brian Pon, EA, CFP®, Financial Advisor

Financial Connections Group, Inc.
21 Tamal Vista Blvd., Suite 105
Corte Madera, CA 94925
415.924.1091

Berkeley Office:
2608 Ninth Street, Suite 302
Berkeley, CA 94710
510.849.4667

EMAIL: client@FinancialConnections.com
WEBSITE: <http://www.FinancialConnections.com>



IN CASE OF DISASTER

The recent fires bring up the issue of how to identify what's been lost. Insurance companies and the IRS alike require a detailed list.

It is much easier to inventory your property before a loss rather than try to piece it together once a disaster occurs. Or you may also value it before and after a loss.

United Policyholders (a nonprofit organization) offers a free app that can be used on your smartphone, tablet, or computer.

You can build your inventory of furniture, collections, artwork, jewelry, electronics, etc. Information is stored on a website that lacks personal information to be "hacked," United says.

Download from iTunes or Play store: UP Help

<https://itunes.apple.com/us/app/uphelp-home-inventory/id848877899?mt=8>

<https://play.google.com/store/apps/details?id=com.encircle.upinventory>

For more information, you may view the video:

<https://www.youtube.com/watch?v=Q53AbDMm7Q0>

PENDING INCREASE - PART B MEDICARE PREMIUMS

According to law, Medicare requires that 25% of its expenses be covered by premiums. For those who are now collecting Social Security, a Medicare premium will increase only if Social Security benefits increase too. Since no cost of living increase for Social Security checks is scheduled for 2016, only people on Medicare but not collecting Social Security will face higher premiums.

According to most reports, the Medicare premium increase will be 52% next year! If you are new to Medicare, you may pay a higher standard premium of approximately \$159.30 per month. If you are part of the group that also pays the surcharge (AGI for a married couple of more than \$214,000), your 2016 premium may increase to \$509.80 compared to \$335.70 in 2015.

The Obama administration is reviewing options that might reduce this increase. The actual increase is scheduled to be announced sometime in October.

Social Security benefits increase 8% each year after Full Retirement Age (FRA). For clients of ours who are waiting until age 70 to collect Social Security and who called about the Medicare premium increase, we calculated that it is still beneficial for them to wait until age 70. An 8% risk-free increase of benefits is hard to beat.

If you would like to review your Social Security benefit options, please, give us a call.

AMAZING TECHNOLOGY TRENDS

How frequently do you buy the latest gadget or gizmo? The pace of “newer and better” seems to be picking up.

Did you know:

- ◆ The microprocessor in today's TomTom Go GPS system, which we take for granted, is 244 times faster than NASA's Apollo Guidance computer, which navigated the first trip to the Moon?
- ◆ The latest Sony PlayStation 4 has 150 times the computing power of Deep Blue, the 1997 computer that beat chess grandmasters?
- ◆ If someone buys you a birthday card that sings when you open it, the music chip contains more computing power than what the entire Allied forces used in WW II
- ◆ If the iPad 2 had been released in 1988 instead of 2015, it would have been the most powerful computer in the world

Some services are less costly:

- ◆ A 2.7 megapixel Nikon D1 camera introduced in 1999 cost \$5,580. The Samsung Galaxy S3 mobile phone costs about \$300 (when it first came out) and included an 8 megapixel camera
- ◆ A video editing suite cost \$2 million in 1990. Today you can get Instagram Video for free
- ◆ A 32 gigabyte iPod Touch holds the same amount of music as 1,500 vinyl records

It is hard to imagine what the next decade will offer!

Based on information from The Big Picture

http://www.ritholtz.com/blog/2015/09/a-supercomputer-in-your-pocket/?utm_content=buffer70d09&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer



Jill D. Hollander



Brian Pon





Introduction to Medicare

Medicare is the federal health insurance program for people who are 65 and older.

Medicare Coverage Choices

Original Medicare

1. Part A – Hospital Insurance

- ◆ What it covers: Inpatient hospital stays, care in a skilled nursing facility, hospice care and some home health care
- ◆ What it doesn't cover: Long-term care or custodial care
- ◆ What it costs: Free if you paid Medicare taxes while working

2. Part B – Medical Insurance

- ◆ What it covers: Medically necessary doctor services, outpatient care, home health services, durable medical equipment, many preventative services
- ◆ What it doesn't cover: Vision, dental, hearing aids and exams for fitting them, cosmetic surgery
- ◆ What it costs: Standard premium amount is \$104.90 for 2015

Medicare Advantage Plans

- ◆ A private company, usually an HMO or PPO, contracts with Medicare to provide all your Part A and Part B and often Part D prescription drug benefits (Kaiser's Senior Advantage plan, for example, includes Part D)
- ◆ May offer extra coverage like vision, dental and hearing
- ◆ What it costs: The cost of Part B plus an additional premium for the added benefits provided by the Medicare Advantage Plan

Two Major Ways to Supplement Medicare Coverage

1. Original Medicare Supplement Plans (Or Medigap Plans)

- ◆ Pay for your share of the costs of Original Medicare (deductibles, co-pays, and co-insurance)
- ◆ Can't purchase a supplement plan if you have a Medicare Advantage Plan
- ◆ Do NOT cover long-term care, vision, dental or private duty nursing
- ◆ Plans are standardized but price varies

2. Part D- Prescription Drug Coverage

- ◆ For Original Medicare plans and for Medicare Advantage Plans without drug coverage
- ◆ Costs vary according to plan

Enrollment

- ◆ If you are already receiving Social Security Benefits, you will automatically be enrolled in Medicare Parts A and B
- ◆ Otherwise, you must sign up by going to www.medicare.gov or by calling 1-800-772-1213. YOU WILL NOT RECEIVE ANY NOTICES FROM SOCIAL SECURITY
- ◆ You can enroll as early as three months before you turn 65
- ◆ Your effective date for Medicare will be the 1st of the month of your birthday. If your birthday is on the 1st of the month, your coverage will be effective the 1st day of the *PRIOR* month
- ◆ You can't enroll in a Medicare Supplement or Medicare Part D prescription plan until you are enrolled in Parts A and B

Additional Information

- ◆ www.medicare.gov
- ◆ If you have questions about Medicare, please contact us and we will refer you to our Medicare Consultant (we pay for this service, there is no charge to you).