



LASSUS WHERLEY

A Subsidiary of Peapack-Gladstone Bank

...a View from the Top

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## Headline News Is In Control

*Here's our current View from the Top. We provide our thoughts on recent happenings in the financial markets, a discussion of*

*Whealthcare Planning, and some important information on cybersecurity in the world today.*

The headlines have driven much of the market action over the last few months. The financial markets have moved up or down in any given day based on the latest news or sometimes rumors. We have seen headlines on impeachment hearings, the trade war with China, speculation on what the Federal Reserve will do next, and recently we have seen headlines about earnings and the fundamental value of corporations. Headlines certainly get our attention but the really important part of this discussion is the underlying value of corporations that make up the S&P 500 and other financial markets.

We expect volatility to continue for quite some time given the amount of uncertainty we are dealing with both in the US and around the world. Add the political uncertainty with the democratic primary and general elections, and it is no wonder people have been losing sleep lately.

One of the challenges that the US economy and the global economy continue to face is an economic slowdown. Countries with economies that rely heavily on international trade have felt the most significant declines, such as Germa-

ny, Japan, and Korea. One of the many things economists find to worry about is that as many of these international economies continue to slow, their deceleration could spread to the US economy.

The reality is we will experience a recession at some point in the future. How we choose to deal with the recession is more important. There are several things we can focus on to make sure we get through a slowdown in the finan-



cial markets. The first is making sure we have emergency reserves just in case we need additional cash. The second is reviewing our overall asset allocation to see that it is still in line with overall long-term objectives. Once you cover those two critical elements it is a matter of rebalancing periodically to take profits in those assets that have



done well and add to those that have fallen in value. If the volatility in the financial markets is keeping you awake at night it may be time to revisit how your portfolio is allocated and make adjustments to better manage the risk.

When you review the past year vs. year-to-date performance it still reflects the sell-off in the last quarter of 2018 and the negative impact on the overall performance of the equity markets. The last quarter of 2018 was pretty ugly resulting in annual performance for the year ending September 30, 2019 of 4.25% for the S&P 500, -8.89% for the Russell 2000 and -1.34% for the EAFE or international index. We also experienced -2.02% for the MSCI Emerging Markets index. Last but not least we saw a strong return of 16.40% return for the S&P Global REITs or real estate funds.

Annual returns reflect the negative returns experienced in that last quarter of 2018 with strong although volatile returns for 2019 YTD. Year-to-date performance as of September 30, 2019 was strong as shown with a 20.55% return for the S&P 500 while the Russell 2000 returned 14.18%. The MSCI EAFE international index returned 12.80% YTD and the Emerging Markets index returned 5.89%. The

S&P Global REITs continued strong performance with a 23.17% return YTD. Overall performance through September 30 was reasonably good including bond fund performance.

### **The Federal Reserve**

The Federal Reserve's (Fed) monetary policy continued to be the focus of the markets during the third quarter. The Fed is expected to cut interest rates at the next meeting but there is much discussion on what happens after that. Economists at JPMorgan are saying that we could see 0% interest rates while others are not expecting additional cuts anytime soon. The Fed continues to focus on following the data on the economy but we still see a diversity of opinion among the Fed policy makers. Some don't believe the last interest rate cut was needed while others believe the Fed needs to cut even more. It will be interesting to see what the language of the statement will be with the meeting this week. At this point the market appears to expect at least one more cut this year. Given the concern with a slowing economy it makes sense for the Fed to consider further action.

### **Recession**

Everyone seems to be talking about when we are going to experience the next recession. Before talking about the timing let's focus on what a recession really is and how we know

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when we get there. A recession is defined as two quarters of negative growth. Think about that for a minute. Our current economy is definitely slowing but there is a significant difference between slow growth and negative growth. As we mentioned above the Fed

is very focused on keeping the expansion going and reducing the risk of a recession by continuing to keep interest rates low. If interest rates are low what are the real risks that could slow the economy enough to move us to a recession. The first thing on the list is the trade war with China and second on the list is the consumer. The US consumer has continued to spend and to be relatively positive about the economy and job security. This has been an important part of the continued growth of the US economy. There are many moving parts in our economy and it is currently still growing even if the pace is continuing to slow.

### Trade Talks

The US and China appear to have made progress toward a phase one trade deal according to the Office of the US Trade Representative. We continue to be cognizant of the risks posed to economic growth both domestically and abroad by

the continued uncertainty and will stay tuned as new headlines announce the progress made in these talks.

### What's Next

We will continue to see the impact of headlines both positive and negative. The economy, the financial markets, Brexit, the impeachment hearings, and more. But right now let's pause and think about all the positives in our lives like the World Series. When all else fails to make us smile there is always a sport or a game or a rainbow, or a puppy. Keep that in mind along with the headlines.

### WHealthcare Rollout

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As many of you are aware, we began educating our clients concerning **WHealthcare** back in April. It has taken us a little longer than expected to be able to actively roll it out to our clients so we are providing a refresher on the why and what concerning this system. Those of you who have worked with us for a long time recognize that we are always looking for ways to assist our clients in planning for and dealing with potential challenges. Aging is often regarded as one of those challenges that we know we will need to deal with. Getting older means we are still here and en-

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joying life which is a very good thing. However, we often fear that changes to our body and mind may cause us to lose independence and even, perhaps, some control. Discussing these possibilities is not always comfortable for us as we age or the

people who may have to assist us or even care for us.

When to delegate financial decision-making, change living situations, quit driving, and seek assistance with health care decisions are the four major transitions we go through in life and all are difficult topics. They can be very emotionally and financially costly if plans are not put in place ahead of time. People may be forced to react to situations and make decisions under duress. This can lead to elders being neglected or not being able to get assistance when needed, and family fights may ensue.

Many people ask the question about why we really need to proactively plan and here are some of the reasons. Aging is not predictable and we all age differently. Plus there is always the possibility of accidents or other events that can accelerate the process. These events create stress and may lead to bad deci-

sions. Another challenge is that cognitive changes to our brain are pretty sneaky. As we age, our brain actually loses flexibility. According to Carolyn McClanahan, MD, CFP® proactive planning takes you through likely scenarios when you are not under duress. This means you are more likely to make better decisions. When you create a plan and revisit it periodically, the plan becomes hard wired in your long-term memory. This means that if something happens you are more likely to revert to action that was part of your plan.

Fortunately, we can utilize software tools that have been developed to help families prepare for the challenges associated with aging by thinking about and planning for these transitions. This planning can reduce the likelihood of having to make reactive decisions and the subsequent unnecessary costs that result from lack of preparation or not having plans in place. Our hope is this will provide you and your family with peace of mind as you age.

We will begin to implement the use of this program gradually beginning with the clients who have already expressed interest in working with us. The next phase will be to add more clients to the program based on requests and based on our annual re-

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view discussions.

There are three different areas of the plan for aging. For those clients who choose to participate we will send out the first of three questionnaires. Each takes about 15 to 20 minutes to complete. As we process each one we will send out the next one.

The **“Financial Caretaking Plan”** outlines steps you have taken to prepare for the transfer of bill paying, investment management, and estate planning, and the tasks you need to complete to get ready for the day you can no longer manage finances on your own. It will enable us to help you put the pieces in place to prepare for an orderly transition of financial management to your designated financial caretaker (s).

The **“Risk Profile”** is designed to identify traits that could place you at risk for bad financial decision-making. The questionnaire is based on a study conducted by geriatric psychiatrists. If any issues are identified, we can provide you with financial literacy education that will allow you to manage your finances longer. If there are any other concerns, we can speak with a family

member you designate as a trusted contact.

The **“Proactive Aging Plan”** addresses your desired living situation, transportation needs, and health care preferences. We estimate your potential long-term care and health care costs, and help you put plans in place to reduce unnecessary costs and age successfully in the living situation you desire.

After you fill out a questionnaire, the software will provide us a report indicating what you are doing now and what you need to do to optimize your situation. This report will contain a personalized list of to-do items, and information you can give to your family to inform them of your desires as you age. The reports also include links to educational materials to help you complete the tasks. We will send you the reports and assist you in implementing the tasks where appropriate.

We will send you a link to the Financial Caretaking Plan first. After you have completed that questionnaire, we will send you a link to the next one.

Please let us know if you have any questions concerning this new planning tool and how we can assist you with your planning.

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## Cybersecurity and Protecting Your Identity

Protecting your identity is another really important topic for discussion this month and one we pay significant attention to on a daily basis. It is important to review the areas of our exposure to cyber fraud. There are

many ways scam artists find to take advantage of us or a family member. Here are a few suggestions to help you keep you and your family's identities safe.

- Keep your computer operating systems updated and don't forget those smartphones and tablets.
- Update those antivirus systems. Most people are really good at taking care of this on their office computers but what about those home computers.
- Birthdays do not make strong passwords. There are so many software programs available today that can hack into our computers and/or phones.
- Don't keep your passwords to financial accounts written on notes or on your phone. Store them in programs that are encrypted and keep them secure.
- If you ever suspect that your email account has been compromised, change your password and call us immediately.

- If you suspect that one of your bank or brokerage accounts has been compromised, call us immediately. If it is after hours contact the institution directly. Schwab's Identity Theft Line is 877-862-6352 and Fidelity's Customer Protection Team can be reached at 1-800-FIDELITY. Advise them of the suspicious account activity right away.

Schwab and Fidelity both provide good educational information on how they safeguard your accounts and additional security measures you can take on your own:

SchwabSafe:

[https://www.schwab.com/public/schwab/nn/legal\\_compliance/schwabsafe](https://www.schwab.com/public/schwab/nn/legal_compliance/schwabsafe)

Fidelity Online Security:

<https://www.fidelity.com/security/overview>

- And don't forget to check those credit reports every year. You can also place a fraud alert with the major credit bureaus. Here are the major credit bureaus so you can check to make sure your information is secure.

Equifax: call 800-349-9960 or go to [www.equifax.com](http://www.equifax.com)

Experian: call 888-397-3742 or go to [www.experian.com](http://www.experian.com)

Transunion: call 888-909-8872 or go to [www.transunion.com](http://www.transunion.com)

Innovis: call 800-540-2505 or go to [www.innovis.com](http://www.innovis.com)

For additional information visit [www.fightidentitytheft.com](http://www.fightidentitytheft.com) or [www.idtheftcenter.org](http://www.idtheftcenter.org) which in-

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cludes information on how to protect, detect, and recover from identity theft.

Please let us know if you have any questions concerning protecting yourself from fraud.

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And as has been true over the last few years we will continue to review and rebalance as needed to keep portfolios in line with their strategic target asset allocations and maintain cash levels needed. Our crystal ball still remains a little hazy but we know diversification works and we know periodic rebalancing is a good strategy in uncertain financial markets.

## Compliance Disclosure

*If you are a Lassus Wherley (LWA) client, please remember to contact us if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services. Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by LWA, or any non-investment-related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from LWA. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. LWA is not a law firm and no portion of the newsletter content should be construed as legal advice. A copy of LWA's current written disclosure statement discussing our advisory services and fees is available upon request. Nondeposit investment products are not insured by the FDIC; are not deposits or other obligations of, or guaranteed by, Peapack-Gladstone Bank; and are subject to investment risks, including possible loss of the principal amount invested.*

Please keep in touch and remember that you are a long-term investor regardless of what happens in the financial markets in the short term. You know our mantra. We are long-term investors!!!!

Let us know if your cash needs have changed or there is something else we can help with. Please let us know if you have any questions. And remember to practice that deep breathing when the world starts to get to you.

Enjoy the fall with all the volatile weather!

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### *Investment Committee:*

*Diabann W. Lassus, CFP®, CPA/  
PFS, Chair*

*Dawn Brown, CFP®  
Senior Financial Planner*

*Jodi A. Cirignano, CFP®, CPA  
Senior Financial Planner & Tax Advisor*

*David Colby  
Investment Analyst*

*Patricia A. Daquila, CPA, CFP®  
Senior Financial Planner & Tax Advisor*

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