Flournoy Wealth Management

Pam Flournoy, CFP® CDFA(TM)
LPL Financial Advisor
CA Insurance License # 0E58750
1165 Lincoln Ave #330
San Jose, CA 95125
408-271-8800
408-887-8704
pam.flournoy@lpl.com
www.flournoywealthmanagement.com

Happy Thanksgiving!

I love this holiday. Whether or not turkey is served, whether or not we are with family and friends for the holiday, we can each celebrate Thanksgiving. We can give thanks for the good that we have received, even if it was for a moment during an incredibly hard year. I learned through the early widowhood years the value of filling my mind, or at least a piece of paper, with the things, people, thoughts or events, that I had to be grateful for. I did not always feel grateful, but I could not write down a family member or friend's name for whom I felt so grateful, without having a brooding sense of fear, sadness, etc. being erased from my thinking.

I wish that all of you have many things/people/events/ that you are grateful for.

I am grateful for you!

Warm regards,

Pam

November 2015

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Your Financial Future

Don't Forget About Year-End Investment Planning

As the year draws to a close, there might be a slew of tasks on your to-do list. One task to consider is setting up a meeting with your financial professional to review your investments. If you take the time to get organized now, it may help you accomplish your long-term goals more efficiently. Here are some steps that might help.

Evaluate your investment portfolio

During the meeting with your financial professional, review how your overall investment portfolio fared over the past year and determine whether adjustments are needed to keep it on track.

Here are some questions to consider:

- How did your investments perform during the year? Did they outperform, match, or underperform your expectations?
- What caused your portfolio to perform the way it did? Was it due to one or multiple factors?
- Were there any consistencies or anomalies compared to past performance?
- Does money need to be redirected in order to pursue your short-term and long-term goals?
- Is your portfolio adequately diversified, and does your existing asset allocation still make sense?

Addressing these issues might help you determine whether your investment strategy needs to change in the coming year.

Aim for balance

During the portfolio review process, look at your current asset allocation among stocks, bonds, and cash alternatives. You might determine that one asset class has outperformed the others and now represents a larger proportion of your portfolio than desired. In this situation, you might want to rebalance your portfolio.

The process of rebalancing typically involves buying and selling securities to restore your portfolio to your targeted asset allocation based on your risk tolerance, investment objectives, and time frame. For example, you might sell some securities in an overweighted asset class and use the proceeds to purchase assets in an underweighted asset class; of course, this could result in a tax liability.

If you own taxable investments that have lost money, consider selling shares of losing securities before the end of the year to recognize a tax loss on your tax return. Tax losses, in turn, could be used to offset any tax gains. When attempting to realize a tax loss, remember the wash sale rule, which applies when you sell a security at a loss and repurchase the same security within 30 days of the sale. When this happens, the loss is disallowed for tax purposes.

If you don't want to sell any of your current investments but want to change your asset allocation over time, you might adjust future investment contributions so that more money is directed to the asset class you want to grow. Once your portfolio's asset allocation reaches your desired balance, you can revert back to your previous strategy, if desired. Keep in mind that asset allocation and diversification do not guarantee a profit or protect against loss; they are methods used to help manage investment risk.

Your financial professional can help you understand how your investments may be affected by capital gains and other taxes. You can learn more about current tax laws and rates by visiting www.irs.gov.

Set goals for the coming year

After your year-end investment review, you might resolve to increase contributions to an IRA, an employer-sponsored retirement plan, or a college fund next year. With a fresh perspective on where you stand, you may be able to make better choices next year, which could potentially benefit your investment portfolio over the long term.

Note: *There is no assurance that working with a financial professional will improve investment results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.*

Periodic Review of Your Estate Plan

An estate plan should be reviewed periodically, especially after a major life event. Here are some ideas about when to review your estate plan and some things to review when you do.

An estate plan is a map that explains how you want your personal and financial affairs to be handled in the event of your incapacity or death. It allows you to control what happens to your property if you die or become incapacitated. An estate plan should be reviewed periodically.

When should you review your estate plan?

Although there's no hard-and-fast rule about when you should review your estate plan, the following suggestions may be of some help:

- You should review your estate plan immediately after a major life event
- You'll probably want to do a quick review each year because changes in the economy and in the tax code often occur on a yearly basis
- You'll want to do a more thorough review every five years

Reviewing your estate plan will alert you to any changes that need to be addressed.

There will be times when you'll need to make changes to your plan to ensure that it still meets all of your goals. For example, an executor, trustee, or guardian may die or change his or her mind about serving in that capacity, and you'll need to name someone else.

Events that should trigger a periodic review include:

- There has been a change in your marital status (many states have laws that revoke part or all of your will if you marry or get divorced) or that of your children or grandchildren
- There has been an addition to your family through birth, adoption, or marriage (stepchildren)
- Your spouse or a family member has died, has become ill, or is incapacitated
- Your spouse, your parents, or other family member has become dependent on you
- There has been a substantial change in the value of your assets or in your plans for their use
- You have received a sizable inheritance or gift
- Your income level or requirements have changed
- You are retiring
- You have made (or are considering making) a change to any part of your estate plan

Some things to review

Here are some things to consider while doing a periodic review of your estate plan.

- Who are your family members and friends? How do you feel about them?
- Do you have a valid will? Does it reflect your current goals and objectives about who receives what after you die? Does your choice of an executor or a guardian for your minor children remain appropriate?
- In the event you become incapacitated, do you have a living will, durable power of attorney for health care, or Do Not Resuscitate order to manage medical decisions?
- In the event you become incapacitated, do you have a living trust, durable power of attorney, or joint ownership to manage your property?
- What property do you own and how is it titled (e.g., outright or jointly with right of survivorship)? Property owned jointly with right of survivorship passes automatically to the surviving owner(s) at your death.
- Have you reviewed your beneficiary designations for your retirement plans and life insurance policies? These types of property pass automatically to the designated beneficiary at your death.
- Do you have any trusts, living or testamentary? Property held in trust passes to beneficiaries according to the terms of the trust.
- Do you plan to make any lifetime gifts to family members or friends?
- Do you have any plans for charitable gifts or bequests?
- If you own or co-own a business, have provisions been made to transfer your business interest? Is there a buy-sell agreement with adequate funding? Would lifetime gifts be appropriate?
- Do you own sufficient life insurance to meet your needs at death? Have those needs been evaluated?
- Have you considered the impact of gift, estate, generation-skipping, and income taxes, both federal and state?

This is just a brief overview of some ideas for a periodic review of your estate plan. Each person's situation is unique. An estate planning attorney may be able to assist you with this process.

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Give Your Retirement Plan an Annual Checkup

As you reconsider your retirement income needs, it might also make sense to check your expected Social Security benefit and any other potential sources of income. To get an estimate of your future Social Security payments, go to socialsecurity.gov and select "my Social Security."

Asset allocation does not guarantee a profit or protect against a loss; it is a method used to help manage investment risk.

All investing involves risk, including the possible loss of principal. There can be no assurance that any investment strategy will be successful.

Financial professionals typically recommend that you review your employer-sponsored retirement savings plan annually and when major life changes occur. If you haven't revisited your plan yet in 2015, the end of the year may be an ideal time to do so.

Reexamine your risk tolerance

This past year saw moments that would try even the most resilient investor's resolve. When you hear media reports about stock market volatility, is your immediate reaction to consider selling some of the stock investments in your plan? If that's the case, you might begin your annual review by reexamining your risk tolerance.

Risk tolerance refers to how well you can ride out fluctuations in the value of your investments while pursuing your long-term goals. An assessment of your risk tolerance considers, among other factors, your investment time horizon, your accumulation goal, and assets you may have outside of your plan account. Your retirement plan's educational materials likely include tools to help you evaluate your risk tolerance, typically worksheets that ask a series of questions. After answering the questions, you will likely be assigned a risk tolerance ranking from conservative to aggressive. In addition, suggested asset allocations are often provided for consideration.

Have you experienced any life changes?

Since your last retirement plan review, did you get married or divorced, buy or sell a house, have a baby, or send a child to college? Perhaps you or your spouse changed jobs, received a promotion, or left the workforce entirely. Has someone in your family experienced a change in health? Or maybe you inherited a sum of money that has had a material impact on your net worth. Any of these situations can affect both your current and future financial situation.

In addition, if your marital situation has changed, you may want to review the beneficiary designations in your plan account to make sure they reflect your current wishes. With many employer-sponsored plans, your spouse is automatically your plan beneficiary unless he or she waives that right in writing.

Reassess your retirement income needs

After you evaluate your risk tolerance and consider any life changes, you may want to take another look at the future. Have your dreams for retirement changed at all? And if so, will those changes affect how much money you will need to live on? Maybe you've reconsidered plans to relocate or travel extensively, or now plan to start a business or work part-time during retirement.

All of these factors can affect your retirement income needs, which in turn affects how much you need to save and how you invest today.

Is your asset allocation still on track?

Once you have assessed your current situation related to your risk tolerance, life changes, and retirement income needs, a good next step is to revisit the asset allocation in your plan. Is your investment mix still appropriate? Should you aim for a higher or lower percentage of aggressive investments, such as stocks? Or maybe your original target is still on track but your portfolio calls for a little rebalancing.

There are two ways to rebalance your retirement plan portfolio. The quickest way is to sell investments in which you are overweighted and invest the proceeds in underweighted assets until you hit your target. For example, if your target allocation is 75% stocks, 20% bonds, and 5% cash but your current allocation is 80% stocks, 15% bonds, and 5% cash, then you'd likely sell some stock investments and invest the proceeds in bonds. Another way to rebalance is to direct new investments into the underweighted assets until the target is achieved. In the example above, you would direct new money into bond investments until you reach your 75/20/5 target allocation.

Revisit your plan rules and features

Finally, an annual review is also a good time to take a fresh look at your employer-sponsored plan documents and plan features. For example, if your plan offers a Roth account and you haven't investigated its potential benefits, you might consider whether directing a portion of your contributions into it might be a good idea. Also consider how much you're contributing in relation to plan maximums. Could you add a little more each pay period? If you're 50 or older, you might also review the rules for catch-up contributions, which allow those approaching retirement to contribute more than younger employees.

Although it's generally not a good idea to monitor your employer-sponsored retirement plan on a daily, or even monthly, basis, it's important to take a look at least once a year. With a little annual maintenance, you can help your plan keep working for you.

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Pam Flournoy, CFP® CDFA(TM)
LPL Financial Advisor
CA Insurance License # 0E58750
1165 Lincoln Ave #330
San Jose, CA 95125
408-271-8800
408-887-8704
pam.flournoy@lpl.com
www.flournoywealthmanagement.com

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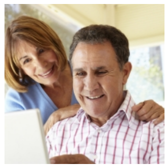

What is a phased retirement?

In its broadest sense, a phased retirement is a gradual change in your work patterns as you head into retirement. Specifically, a phased retirement usually refers to an arrangement that allows employees who have reached retirement age to continue working for the same employer with a reduced work schedule or workload.

A phased retirement has advantages for both employees and employers. Employees benefit from the opportunity to continue active employment at a level that allows greater flexibility and time away from work, smoothing the transition from full-time employment to retirement. And employers benefit by retaining the services of experienced workers.

There may be other advantages attributable to a phased retirement. When you work during retirement, your earnings can be applied toward living expenses, allowing you to spend less of your retirement savings and giving them a chance to potentially grow for future use. You may also elect to work for personal fulfillment--to stay mentally and physically active and to enjoy the social benefits of continuing to work with the same co-workers.

Not all employers offer a phased retirement option, but if it's available, you may want to consider whether you'll still have access to affordable health care during this period, especially if you aren't old enough to qualify for Medicare. Also, some employer-sponsored pension benefit formulas may place a higher weighting on earnings during the final years of employment. If you're lucky enough to have an employer-sponsored pension plan, will working a reduced schedule with presumably reduced pay negatively affect your pension benefit? Some employers offer life insurance to their full-time employees. However, this benefit might be reduced or eliminated if you work fewer hours, which can affect your dependents at your death.

Will a phased retirement affect your Social Security retirement benefit? The Social Security website, socialsecurity.gov, provides some calculators that can help you determine the impact a phased retirement may have on your benefits.

Before enrolling in a phased retirement program, consider its impact on your entire financial picture.

What is compound interest?

When Benjamin Franklin died in 1790, he left the equivalent of $4,400 each to the cities of Boston and Philadelphia in his will, under the condition that the money be loaned and invested. He stipulated that the cities would have access to a portion of the funds after 100 years and receive the remaining funds after 200 years. When the cities received their balances after 200 years, the combined bequest had grown to $6.5 million. How did such a small initial sum grow to such a large amount? Through the power of compound interest. (Source: Benjamin Franklin Institute of Technology, Codicil to Benjamin Franklin's Will)

There are two basic types of interest: simple and compound. The main difference between the two is that simple interest generates interest only on the initial principal amount, while compound interest generates interest based on both the initial principal amount and all accumulated interest. Here's an example of how each works.

Say you put $10,000 in an account that earns 2% simple interest per year. In the first year you would generate $200 and end up with a total of $10,200. In year two, you'd earn another $200, bringing your total to $10,400.

If you put that same $10,000 in an account that earns 2% compound interest per year, in the first year you would generate $200 and end up with a total of $10,200. At the end of the second year, however, interest builds on the interest from the previous year, and now you earn money on the amount in your account rather than the initial principal alone. Therefore, the interest earned in that second year is $204, bringing your total to $10,404.

While the interest may not seem like much at first, it can add up over time, especially when you invest an additional amount each month. For example, if you invest that $10,000 in an account that generates 2% compound interest per year, and then invest an additional $400 per month, your initial investment would grow to $214,943.55 after 30 years. In another 10 years, you would have $315,141.32. With compound interest, time is your friend, so the earlier you can start saving, the better.

Note: *This hypothetical example of mathematical compounding is for illustrative purposes only and does not represent any specific investment. Actual results may vary.*