



## Wealth Care LLC May 2017 Commentary

### Incapacity

We have had a couple of families that are coping with some incapacity issues (in this case, memory loss), which prompts us to bring up the topic for general discussion. Any of us can lose the capacity to think clearly and take care ourselves and family due to accidents, illness, or general aging. This incapacity can be mild to severe, and can occur suddenly (illness and accident) or gradually.

When we do financial planning together, we always address these issues in the estate planning section. We also discuss the outcomes of death at the same time.

If you are a client of ours, please review your planning and see if it still “fits” with incapacity issues that may arise. If you have any questions or concerns, please call us to discuss.

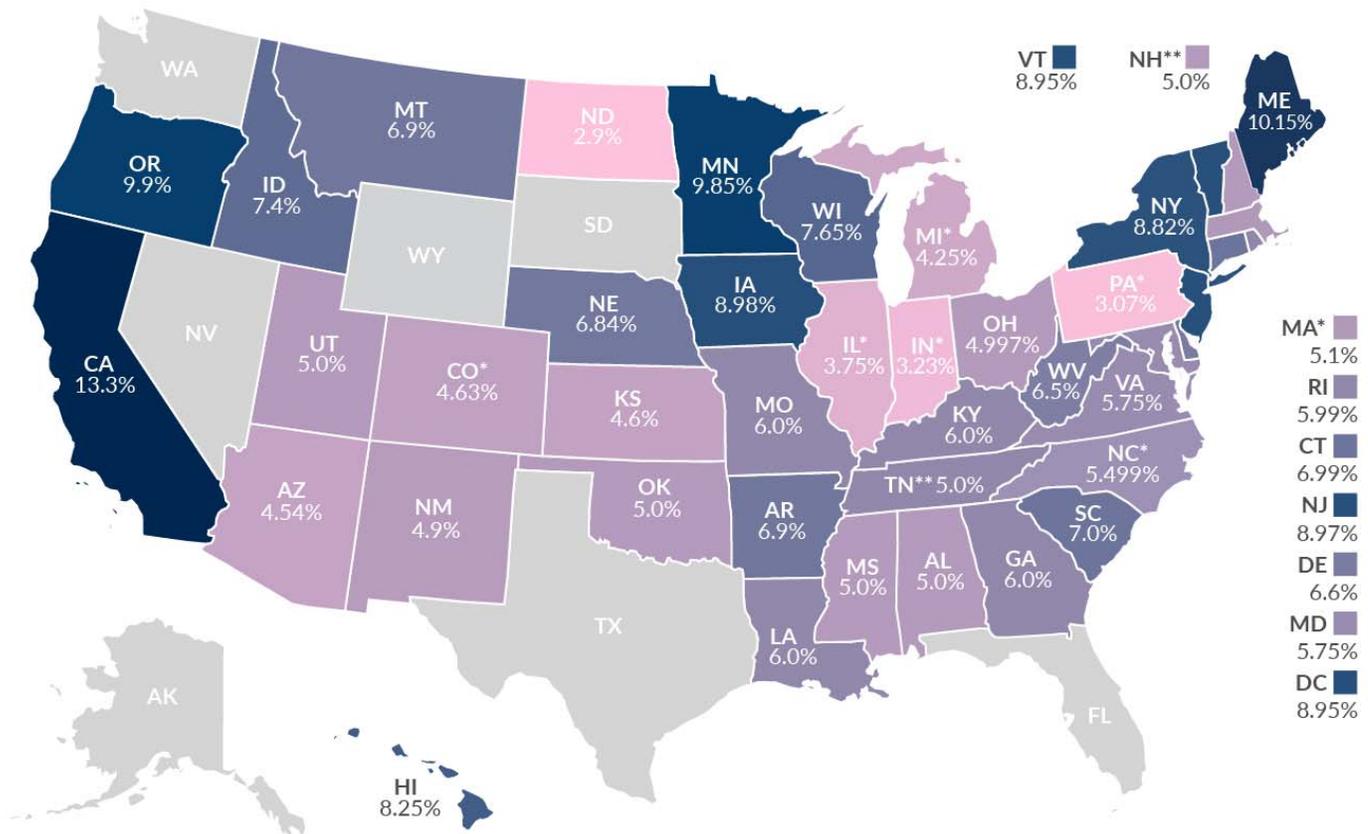
There is an article I wrote on the subject published in Wealth Management magazine at <http://wealthcarellc.com/in-the-news> Go to the archives and look at June 2014 for the link.



Nice to Live in Florida!

## How High Are Income Tax Rates in Your State?

Top State Marginal Individual Income Tax Rates as of January 1, 2017



Note: (\*) State has a flat income tax. (\*\*) State only taxes interest and dividends income. Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective marginal tax rates, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included.

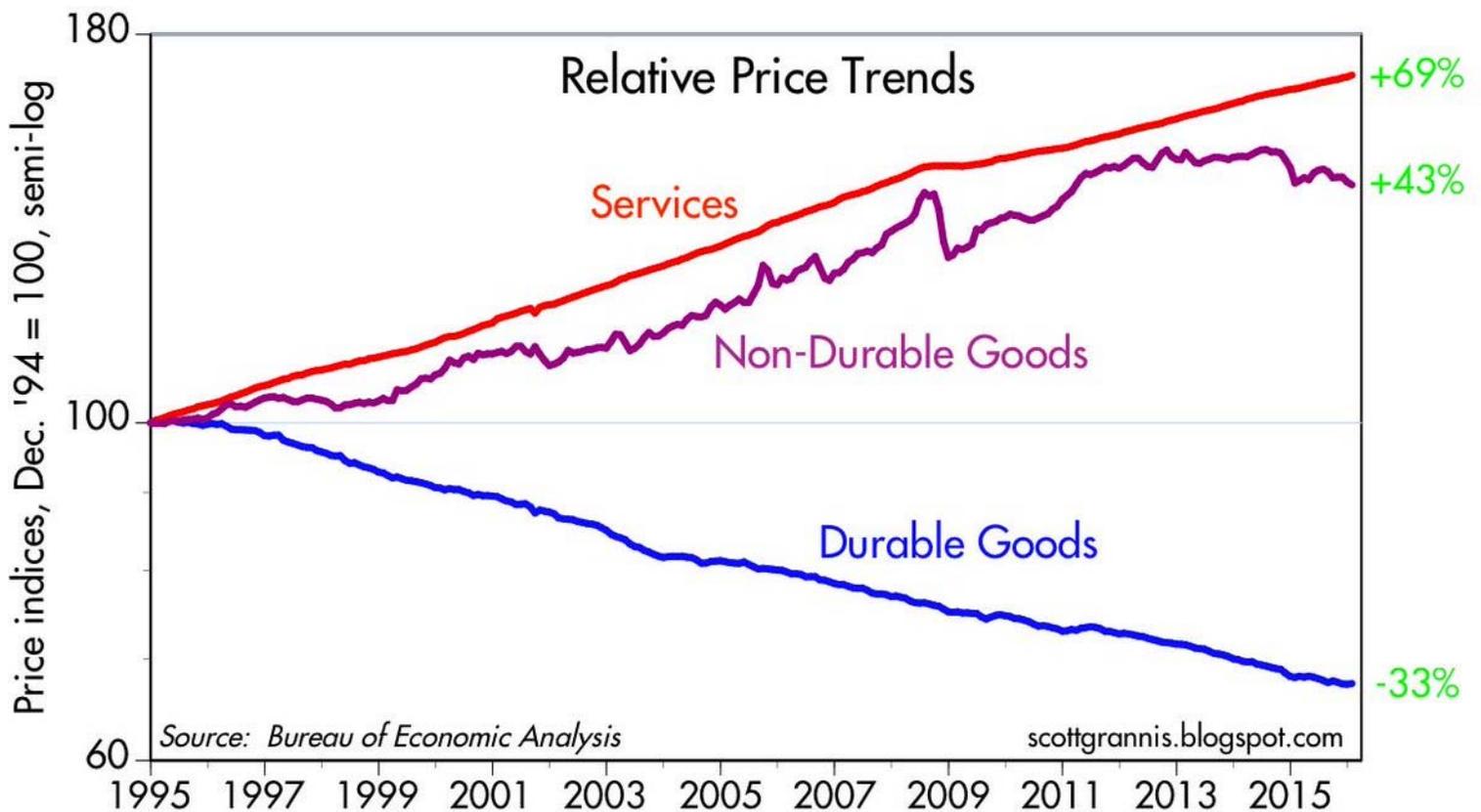
Source: Tax Foundation; state tax statutes, forms, and instructions; Bloomberg BNA.





## How High is Inflation?

See the chart below. Trying to figure out inflation (how much less our dollars buy each year) is difficult. It comes down to “what are you buying?”. If the basket of good you buy includes lots of services (labor), you’ve seen a lot of inflation. If what you are buying is durable goods (cars, computers, etc.), you are seeing actual deflation over the last twenty years.



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“Safe Bonds”

While we are on the topic of inflation, check out this chart of “real returns” (that is: after inflation) for “safe” intermediate term (10 yr) government bonds during the last bond bear market of 1940-1980 (forty years!).

Figure 9: Real Annualised 10yr Govt. Bond Return

	1940 -1949	1950 -1959	1960 -1969	1970 -1979
Australia	-0.20%	-3.10%	1.70%	-2.90%
Austria		1.50%	2.70%	2.00%
Belgium	-6.90%	2.20%	1.60%	-0.80%
Canada	-1.00%	-0.90%	1.00%	-0.70%
Denmark	0.30%	0.60%	-1.40%	0.50%
France	-22.40%	-0.80%	0.40%	-2.80%
Germany		3.60%	3.40%	3.00%
Greece				
Ireland	1.80%	-4.10%	-0.90%	-6.70%
Italy	-29.80%	-0.60%	1.30%	-5.60%
Japan	-32.70%	3.00%	6.40%	-2.00%
Netherlands	-3.00%	-3.40%	-1.90%	0.30%
Norway	7.80%	-8.20%	1.30%	-3.50%
Portugal				
Spain	-3.30%	-2.80%	-0.90%	-7.60%
Sweden	3.40%	-3.00%	-0.20%	-4.20%
Switzerland	-0.40%	1.50%	-0.30%	0.80%
UK	0.50%	-0.70%	1.30%	-3.20%
US	-2.50%	-1.80%	0.20%	-1.20%

The message is that a nice “conservative” portfolio of bonds can be a portfolio killer during times of rising interest rates.



### Shopping Tip

When I'm looking to buy something like running shoes/hiking shoes/etc. that I am ambivalent about as to brands, I will look for "last year's model."

For example, I wanted to buy some new hiking shoes this week. I googled "best hiking shoes of 2015 and of 2016" and checked out reviews and prices from that time. Usually, a year later, these have been replaced by new models and are discounted at Amazon by 30-50%. Just a suggestion.

### A Good Read

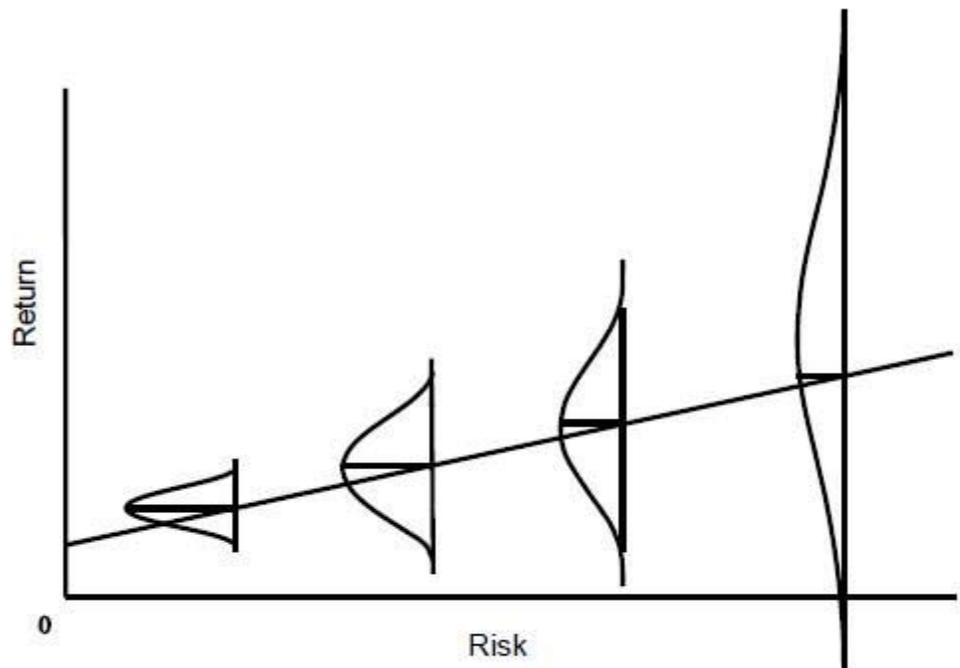
"The Tail End" <http://waitbutwhy.com/2015/12/the-tail-end.html>



## Random Notes

The worst time to have a heart attack is during a game of charades-anon

A nurse finds a rectal thermometer in her pocket and thinks “some a\*\*hole has my pen!”



As risk increases,

- the expected return rises,
- the range of possible outcomes becomes wider, and
- the worst outcome worsens and ultimately becomes negative.

**This is the way to think about the risk/return relationship.**

STEVEN PODNOS MD, MBA, CFP®

WEALTH CARE  
LLC



-Howard Marks

If you think today's purchase will make you happy forever, you need to spend more time looking through your closets.-Jonathan Clements

Steven Podnos MD CFP® for Wealth Care LLC 5-1-2017

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