

Financial Planning • Corporate Benefits • Wealth Management

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Brexit. Trump. Obamacare. Federal Reserve. North Korea. China. Putin. Stock market rally..... all worthy topics to discuss in this note to clients. For now, I am choosing to tackle a less controversial topic that has been discussed in several client meetings over the last year. This is Part 1 of my assessment of the need for all of us to help our peers, our children and grandchildren develop a stronger financial foundation and improve the financial literacy in our society. Today's financial world is complicated and we need to help share our perspective, experiences and knowledge to arm the next generation with the tools necessary to navigate the complexity with confidence.

When I graduated high school I was jealous of my friend Dawn. As guests were leaving my graduation party I excitedly showed Dawn the envelopes with cash from relatives to use for college, a pen and pencil set to take with me to school, a typewriter (yes, that was a big deal) and most impressive was a \$100 savings bond. Wow. I was told that if I held onto this official looking United States Treasury EE Bond my aunt purchased for \$50 for about 7 years the bond would 'mature' and be worth \$100. It was amazing that just by sticking it in the drawer and forgetting about it for 7 years the value of the bond would magically double. President Carter was in office and EE bonds were issued with a floor interest rate of 7.5% in the 1980s!

As excited as I was about my Savings Bond, Dawn proudly paraded around with an even more magical piece of paper – 10 shares of Walt Disney stock her father had bestowed to her as a graduation gift. I can still picture her waving it quickly so my friends and I could see it for just a few seconds before flitting the certificate behind her. It had Mickey and Pooh and Donald Duck alongside Walt himself right there on the certificate. As a regular afternoon fan (ok, official member) of the Mickey Mouse Club I knew all the songs, characters and the story behind the Disney fairy-tale. And because of my show-off friend Dawn I found out you can even own a small piece of the enchanted kingdom!

The concept of owning shares in the Walt Disney Company was even more revolutionary than the idea of holding my EE bond for 7 years and having the value go from \$50 to \$100.

As you have already guessed, my financial IQ while in high school was quite limited. I had a regular job after school and was fortunate to have a local bank branch in the same parking lot as my employer so I could easily run over during break each Friday to cash my paycheck (didn't amount to much earning \$2.65 an hour!). To sum up my understanding of finances prior to graduation, I was familiar with passbook savings and checking accounts. One paid interest and the other did not. I remember having to bring my passbook to the bank and hand it to the teller who stuck it in a magic adding machine that printed in small print (and most of the time it printed crooked on the page) 0.25, 0.26, 0.26, 0.25, 0.26, 0.26 reflecting the interest I 'earned' on my passbook savings account over the last 6 months.

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I felt I was in complete control of my financial life knowing how to balance my monthly checkbook and how to present my passbook every few months to the teller. How much more complicated could my financial life get? You can imagine the eye-opening experience of learning at my graduation party there were bonds that over time grew and, even more stunning, was a way to own a sliver of a company as magical as Walt Disney. Dawn was only 18 and she already owned shares of stock. It seemed so unbelievable.

My exposure to financial instruments was restricted to what I learned from my parents, my aunt and my grandmother. Their financial knowledge was limited to four areas: passbook savings, checking accounts, mortgages and savings bonds. The only thing I remember about the mortgage was that it was the reason my Dad gave as to why he went to work each morning. My grandmother did not trust checking accounts because when she had to pay a bill with a check that usually meant putting it in the envelope with the bill and mailing it. She was so worried the mail would be delayed and her check payment would not be posted promptly (which would make her look like a late-payer in the eyes of the bill collectors) that she drove to SNET and CL&P and Sears, etc. to pay her bills in cash. I also think she didn't want to spend the money for a stamp! I was only 18 and I was already one step ahead of them because I knew someone that owned 10 shares of stock.

So when did our financial lives become so complicated? Why do we need so many more financial products to help achieve financial security?

- Online trading
- Hedge Funds
- Smart Beta
- Mutual Funds
- Exchange Traded Funds
- Target Date Funds
- Separately Managed Accounts
- Robo Advice
- Derivatives
- Zero-Coupon Bonds
- Reverse Mortgages
- Real Estate Investment Trusts
- Master Limited Partnerships
- Morningstar Ratings
- 529 Plans
- High Yield Municipal Bonds
- Variable Annuities with GMIB and GMWB benefits

In Part 2 on this topic I will share what is being done to help foster the development of better financial skills and identify the gaps. I would hope together we can train the next generation of savers/investors to improve their financial foundations so they can better navigate safely to rewarding and secure futures.

Enclosed is your current Asset Allocation Summary Report. Please review and give us a call with any questions or concerns.

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