ARK ROYAL
WEALTH MANAGEMENT

Helping Successful People Make Smart Decisions About Money

SPRING **2019**

IS HAVING A TRUSTED ADVISOR MORE IMPORTANT AS YOU AGE?

People hire a financial advisor for a variety of reasons. Some come to the decision to work with an advisor at a relatively young age (30s) while some wait until a bit later in life as they near retirement (50s or 60s). For most of our clients, a secure and independent retirement is the primary financial goal. Yet, one of the biggest and least discussed risks associated with retirement is the issue of cognitive decline as we age—and specifically, how it impacts one's financial decision-making.

It is an uncomfortable reality thinking about aging. And it is coupled by the fact that physical and mental decline often don't occur at the same pace. I've had clients who were in remarkable physical shape well into their eighties, but who experienced significant mental decline a decade prior. Of course, the opposite can also be true.

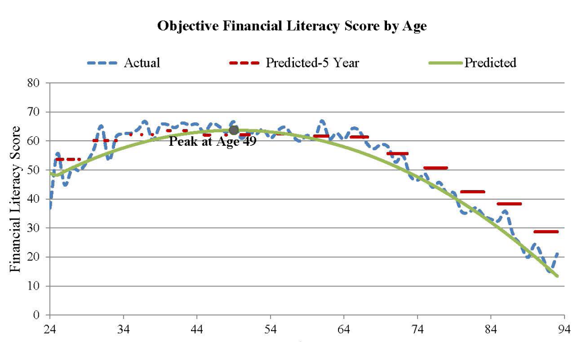
What are symptoms of age-related judgment decline and what are ways to reduce its impact? A 2016 research paper by Finke, Howe and Hutson indicates **financial literacy declines an average of 1.5% per year after age 60.** Their research also found that while seniors' cognitive abilities decline, their ability to recognize their own decline is elusive, resulting in an overconfidence that leaves them susceptible to the ploys of unscrupulous actors.

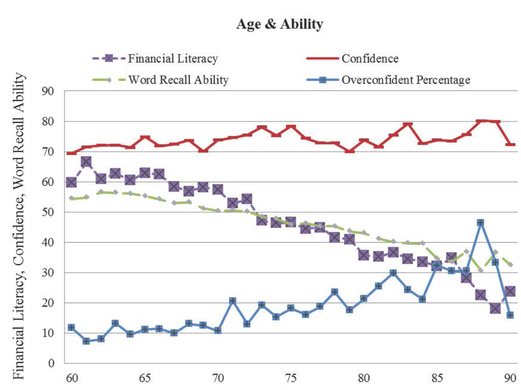
Cognitive financial decline can appear in a multitude of ways. For example, phone scammers (claiming to be from the IRS or law enforcement) routinely target seniors, demanding bank account information to clear up a bogus claim. Vacation and timeshare companies also target seniors, many with offers that are either outright scams or are exorbitantly priced.

Seniors are also inundated with charitable requests. Many years ago I had a client (in her eighties) that made over 300 individual charitable contributions (albeit small in size) in a single year. Working with her children, we were able to put a strategy in place to stop this, while still maintaining her lifelong philanthropic support.

Working with a trusted advisor can provide some protections against financial cognitive decline. We have a "trusted contact" for all our clients (usually a family member) that we are authorized to communicate with in the event we notice unusual behavior or receive requests that are out of the norm for the client. We have established these lines of communication before they are needed, which is both reassuring to our client and their family and an added safeguard. In many cases we meet periodically with both the client and their family, often before any symptoms of cognitive decline occur.

We see tremendous benefits to having an established relationship with a trusted advisor well before cognitive decline becomes an issue. Having a plan, a valued professional and a caring family member working in concert provides peace of mind to many of our valued clients.





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5 FINANCIAL TIPS FOR RECENT COLLEGE GRADUATES

I am the proud parent of a recent college grad. Like thousands of other graduates he will soon have his first "real money." Hopefully, between his undergraduate business degree and having the benefit of a father who is a financial advisor, he has a solid grasp of personal finance. As thousands of college grads go forth into the working world, here are a few tips I'd like to share to get them on a path of financial independence.

1 PAY OFF CREDIT CARD DEBT IN FULL EACH MONTH.

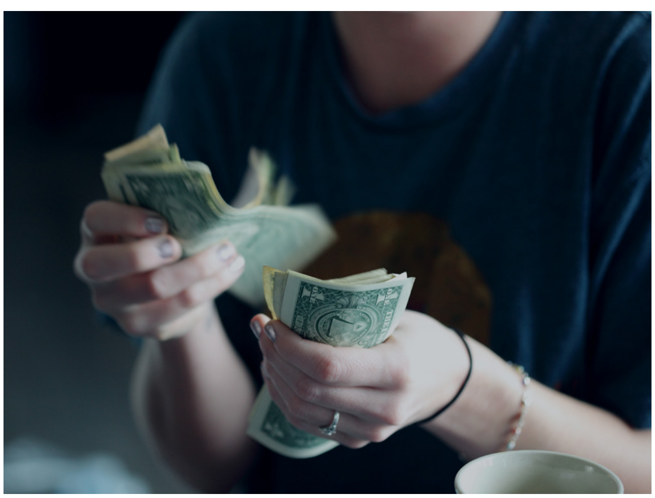
Credit cards are convenient and a necessity in the world today. Just make sure to pay off the balance each month. Think of it this way—paying off the balance is the equivalent of having an investment that yields between 14%–18%, a return that is guaranteed and unequaled in the investment markets.

2 SAVE FOR RETIREMENT—TODAY!

The beauty of compound interest is greatest when leveraging a long time period. We encourage the adult children of our clients to participate in company savings programs (like 401k or 403b plans) to the maximum amount they can afford. Starting early establishes good habits and puts the power of compounding to work for you. It may also make sense to direct your investments into a Roth 401k.

3 ESTABLISH AN EMERGENCY FUND.

Life is full of unexpected events—many of which have financial implications. Create a savings or money market account with 3-6 months of living expenses. It may only earn 1–2%, but having this cushion when facing a major car repair or other unexpected expense will be invaluable.



4 EDUCATE YOURSELF ON FINANCIAL MARKETS.

Most kids leave college with little understanding of investing or personal finance. You must be your own advocate when it comes to all matters financial. Educate yourself on investing, credit and financial markets. We've created a brief, one-hour series of YouTube videos that provide a basic overview on investing. We're glad to share it with you—just email us!

5 HELLO TAXES!

One of the realities of the working world is a paycheck that is a lot smaller than your actual salary. A recent college grad with a $70,000 starting salary quickly realizes their take home pay is likely $4500 / month before health insurance or 401k contributions. Take a few minutes to review your pay stub to understand FICA, tax withholdings, etc. and I suggest doing your own tax return the first year out of school so you have some idea how the tax system works.

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UNDERSTANDING INVESTING IN CHINA

It's hard to miss China in the news these days. Whether it's the President's escalating trade war or Chinese investment in our markets, what happens with China has an impact on one's pocketbook. But should you invest in China?

Last June the MCSI Emerging Markets Index (MSCI EM) announced it would include China "A" shares for the first time. The MSCI EM had Chinese exposure before through other investment vehicles. Chinese companies offer ownership through a variety of share classes traded on different exchanges, the most notable being the following:

- "A" shares are denominated in Renminbi and trade on mainland exchanges.
- "B" shares are denominated in foreign currency and trade in Shanghai.
- "H" shares are denominated in Hong Kong dollar and trade on Hong Kong exchange.
- "Red chips" are mainland companies incorporated outside mainland China listed on the Hong Kong exchange.

A major concern facing investors in foreign markets is security of property rights and rule of law. In China, foreign investors face limits on their ability to move money out of the market, and the stock exchanges often institute arbitrary trading suspensions.

The MSCI EM announced in February that Chinese "A" shares will gradually become 3.3% of the index, occurring in stages starting in May 2019. The Wall Street Journal reported the move by MSCI followed heavy pressure from the Chinese government. According to the report, China's two national exchanges threatened to withdraw MSCI access to market pricing data. MSCI makes millions of dollars from licensing its indexes to ETFs and mutual funds.

Presently, the MSCI EM index has a 33% weight in China, more than any other country. We believe this highlights a key advantage of the approach we use through DFA Emerging Markets Core Equity mutual fund (DFCEX).

DFCEX is not compelled to follow an index, and thus has a much lower allocation on its Chinese exposure (18%). In addition, because of the property rights concerns outlined above, DFA only invests in China through "H" shares and "red chips." This strategy provides much stronger investor protections of property rights and ensures trading on stock exchanges with a history of sound governance and efficient settlement and clearing.

China offers an intriguing investment opportunity, however investors need to understand the complexities of foreign markets as well as the limitations, political pressures and drawbacks of emerging markets investing.

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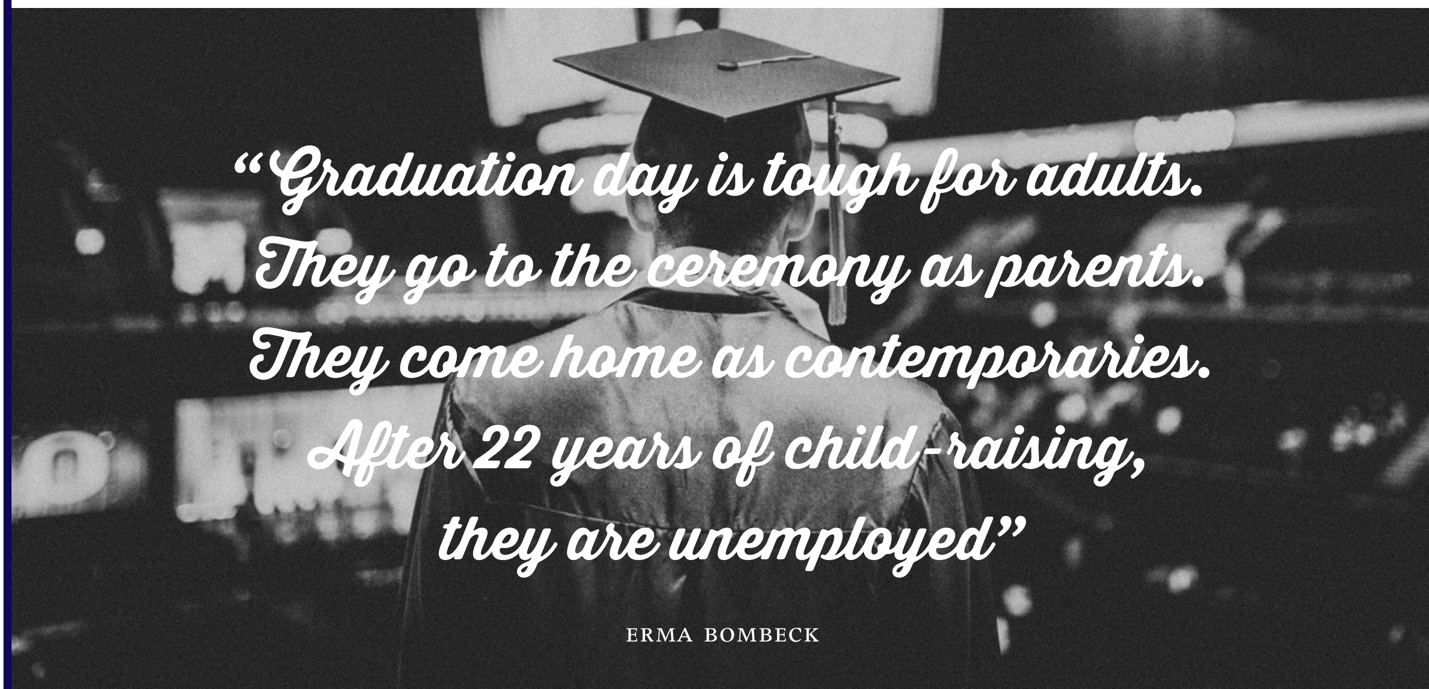
IN THE NEWS

Congratulations to Brooks Palmer, son of Mike & Meredith Palmer, on his graduation from UNC's Kenan-Flagler Business School. Brooks has accepted an Investment Associate position with *Dimensional Fund Advisors* in Austin, TX.



> *"Graduation day is tough for adults. They go to the ceremony as parents. They come home as contemporaries. After 22 years of child-raising, they are unemployed"*
>
> ERMA BOMBECK

The CORNERSTONES *of* ARK ROYAL WEALTH MANAGEMENT

To nurture a culture that puts our client's interest first—always

To be truthful at all times, to be intellectually honest with ourselves and with our clients, even if it isn't what they want to hear

A commitment to lifelong learning, and a passion for applying our wisdom efficiently and effectively every single day

Align what you say, what you do and what you think to honor yourself, your family and our firm