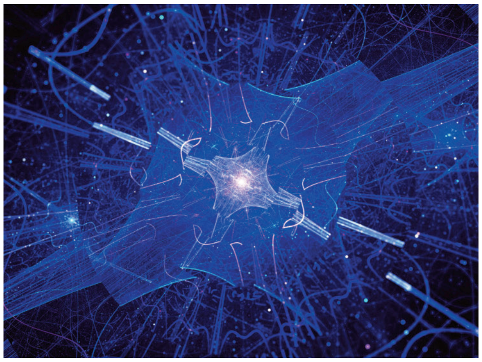
HCM WEALTH ADVISORS
HENGEHOLD FINANCIAL GROUP

Also In This Issue

Quarterly Newsletter July 2020

Three-Dimensional Planning



Today's COVID-laced, stimulus-stuffed economic environment highlights the importance of thinking in multiple time horizons when designing comprehensive wealth and retirement plans. At HCM, we believe every comprehensive wealth plan should, at a minimum, address three distinct timelines. Those focused on providing a legacy that will live on after the wealth creators are gone should consider a fourth, even longer-term, planning dimension. These planning segments involve:

1. Managing the outcomes of both the safety and growth strategies implemented five or more years earlier.
2. Dealing with financial risks resulting from current events that have no clear outcomes in the present time.
3. Taking advantage of predictable outcomes five or more years in the future
4. Planning for a period that focuses on the lives of children, grandchildren, generations you may never meet, as well as charities you choose to fund.

Our first timeline is important because enjoying a financially worry-free life today is wholly dependent on the decisions that were made five or more years ago. That is why HCM's long-term planning clients can continue living according to their plans, even during bear markets. In this forward-looking process we stress-test retirement income plans, actively adjust equity allocations to manage sequence risk, maintain actively managed distribution policies, utilize the HCM Safety Net™, build custom bond ladders, and regularly roll these strategies forward keeping a long-term planning focus.

Horizon two recognizes that it is critically important to stay in sync with current events and how the market is reacting to them. This allows us to stay aligned with long-term financial trends. We are now living in a stalemate between seemingly unlimited policy financial support from the government and an extremely weak mainstream economy. The future of the economy hangs in the balance between successful and profitable business re-openings and ongoing health risks to our citizens.

The third dimension recognizes that when we are designing the out-years of retirement income plans, the results become more reliable. This is because the impact of unpredictable short-term events (i.e. vaccine development) become known and manageable over time as those issues are resolved. We do not know what the path will look like because of short-term surprises, but we can describe the destination in fairly accurate detail.

Segment four emphasizes that no one should make investment decisions today for today, regardless of what you may see on CNBC. Actual people are planning decades into the future. HCM clients are at a stage where they are planning for their own 30- or 40-year retirements, passing money to their children, grandchildren, and favorite charities.

Enjoying a financially worry-free future depends on making good decisions now with respect to each of the time segments. By following this process, you will be able to enjoy predictable outcomes in an otherwise unpredictable world. This means allocating a proper amount of resources to each appropriate time segment. This holds a reserve of assets in safe keeping during unpredictable periods and allows long-term assets to grow over time to fund your dreams. Disciplined rebalancing of portfolios allows us to harvest gains when they arise unexpectedly and to utilize reserves when market conditions make it necessary.

Time to Fine-Tune Your Finances

The first part of 2020 was rocky for a myriad of reasons, but better days lie ahead. Taking a close look at your finances now will give you the foundation you need to keep moving forward toward your goals. Mid-year is an ideal time to do so because the planning opportunities are greater than if you wait until year-end.

Review Your Goals

We at HCM are big believers in setting goals and reviewing/updating goals regularly. That includes setting specific plans to achieve them.

At the beginning of the year, you probably thought about your financial situation, preparing for retirement, perhaps by saving more, spending less, or reducing your debt. Are these goals still important to you? If so, are you on track?

"A Goal Without a Plan is Just a Wish"

Antoine de Saint-Exupery

While it may be difficult to look at your finances during these turbulent times, a plan review may be helpful to determine whether you need to make any changes to keep your financial plan on track. HCM can help!

Take Another Look at Your Taxes

A review of your tax situation early in the fourth quarter may reveal planning opportunities that could save you money. The easiest way to do this is to start with last year's tax return, then factor in anticipated adjustments to your income and deductions for this year. Many clients utilize our sister company, HG CPAs to help with this process. If you would like some help, let your advisor know. If we have helped in the past, we will reach out to you – you don't need to do anything.

Check your withholding carefully, especially if you owed taxes or received a large refund. Doing that now, rather than waiting until the end of the year, may help you avoid a big tax bill, late-payment penalties, or having too much of your money tied up with Uncle Sam.

You can check your withholding by using the IRS Tax Withholding Estimator at irs.gov. If necessary, adjust the amount of federal or state income tax withheld from your paycheck by filing a new Form W-4 with your employer.

Review Your Investment Policy

Review your investment policy in light of the market volatility that we have experienced over the last few months. All clients go through this process in the early part of the planning process with HCM and then the process is repeated every few years. However, living through actual bear markets may give better results than those obtained "in the lab." Having your portfolio aligned with a fair assessment of your risk tolerance is an important part of the planning process and will go a long way in helping you achieve your goals. If you would like to refresh your investment policy ahead of our planning schedule, let us know, and we will send you the on-line assessment tool to start the process.

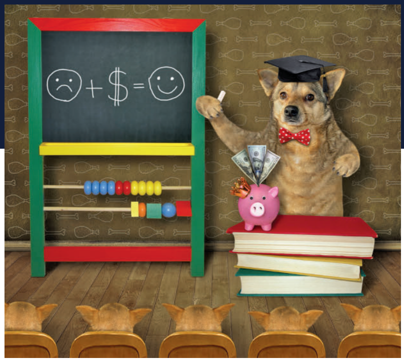
Check Your Retirement Savings

If you are still saving for retirement, look for tax-smart ways to increase retirement plan contributions. For example, if you receive a pay increase this year, you could contribute a higher percentage of your salary to your employer-sponsored retirement plan, such as a 401(k), 403(b), or 457(b) plan. If you're age 50 or older, consider making catch-up contributions to your employer plan. For 2020, the standard contribution limit is $19,500, but it is $26,000 if you are eligible to make catch-up contributions. Do not forget about funding traditional and Roth IRAs if that will advance you plan. If you are close to retirement or already retired, take another look at your retirement income needs and whether your current investment and distribution strategy will provide enough predictable and increasing income throughout your retirement years.

Review Your Insurance Coverage

What are the terms of your homeowners, renters, and auto insurance policies? Do you have umbrella coverage? How much disability or life insurance coverage do you have? Your insurance needs can change; make sure your coverage has kept pace with your income or family circumstances.

Teaching Kids About Money



It's never too soon to start teaching children about money. You can teach simple lessons today that will give them a solid foundation for making a lifetime of sound financial decisions.

Start with an Allowance. An allowance is often a child's first brush with financial independence. How much you give your children will depend in part on what you expect them to buy and how much you want them to save. Make allowance day a routine, like payday, by giving them a set amount on the same day each week or month.

Help Them Set Financial Goals. Children might not always appreciate the value of putting money away for the future. Help them set age-appropriate financial goals that will serve as incentives for saving money. Write down each goal and the amount that must be saved each day, week, or month to reach it. They'll learn delayed gratification with this plan, too, which will help them with bigger financial goals as they grow.

Let Them Practice. As children get older, they can become more responsible for paying other expenses. The possibility of running out of money between allowance days will help them think more carefully about their spending habits and choices and encourage them to budget more effectively.

Take It to the Bank. Piggy banks are a great way to start teaching young children to save money but opening a bank savings account will take it a step further by reinforcing lessons on basic investing principles such as earning interest and the power of compounding. When the time is right, HCM will be happy to open an investment account, so your child can continue to increase their financial savvy.

Spending for Your Future Health

When you create your retirement income plan, and look at how much you expect to spend on food, shelter, greens fees, cruises, and restaurants, what do you estimate you'll spend on medical and healthcare services?

Every year, Milliman, the insurance industry consulting firm, issues a report that estimates the average cost of health insurance and copays across the population of Americans. The most recent study looked at couples who are assumed to live to age 88 and 90, respectively, and takes into account premiums and out-of-pocket expenses for a Medicare Part D plan and Medicare Supplement Plan G, assuming that medical costs overall will rise 4.9% a year.

The result? A healthy 65-year-old couple retiring in 2020 would be projected to spend $351,000 in today's dollars on healthcare over their lifetime; $535,000 in future dollars. A healthy 45-year-old couple would be projected to spend $505,000 in today's dollars – $1.4 million in future dollars.

It is important to note that this is an average, which means for people who experience significant health conditions, the numbers will be higher. And for people who manage to stay healthy until the day they die in their sleep without requiring extensive medical care or hospitalization, the costs could be much lower. But the average expenses – 34% of a couple's Social Security benefits in their early years of retirement – might come as a shock to some people and should cause some to revisit their retirement spending assumptions.

HCM Out and About

Saying Farewell to Angelo

We want to wish Angelo a Happy Retirement, having finished a long and storied tenure with HCM at the end of June.

With over three decades of experience working with clients and in financial services, Angelo has had an immense and positive impact on the work we have done. He started with us in 2002 and is credentialed as a CPA and CFA.

Greg, a wealth advisor and partner with HCM, said, "Angelo has been very instrumental in my career. The knowledge and wisdom he has imparted on me has given me a deeper understanding of this profession. I have learned a great deal from him and will always appreciate everything he has taught me."

Congratulations to Casey and Doug on Becoming Partners!

Casey Boland

Doug Johnson

We're proud to announce that HCM has added two more partners to its Ownership Group, Casey Boland and Doug Johnson.

Casey is celebrating his 20th year here at HCM and has over 25 years of experience as a wealth advisor. For a long time he had a "Money Matters" radio spot on 700 WLW, dispensing financial advice to the public on the airwaves. He is currently the Vice President of HCM Wealth Advisors.

Doug Johnson is a Chartered Financial Analyst with over 15 years' experience in investment management. He joined HCM in 2017, when he became the Senior Investment Strategist in the Investment and Research Department. His invaluable insight is shared with our clients twice a month with his Market Insights.

We look forward to the vision and wisdom Casey and Doug will provide at the helm of HCM Wealth Advisors.

HCM Welcomes Kacidee Harrison to our Team

We welcomed Kacidee, our newest team member, in April of 2020, during our "working remote" time period. She is a graduate from the University of Cincinnati with a Bachelor's in marketing. She is engaged to Jacob, with an October wedding planned. They love to travel and enjoy all outdoor activities. Their favorites are skiing, camping, and taking their two dogs on long walks. She is a big fan of the Cincinnati Bengals and enjoys attending and watching games during the football season. Kacidee is a part of our Client Services Team, serving as our Front Desk Receptionist, so when you call or visit, you'll be sure to meet her.