THE ADVISOR

conquer the complex

in this issue:

COUNTING ON SOCIAL SECURITY IN RETIREMENT? LET'S RUN THE NUMBERS

SELL IN MAY & GO AWAY?

LIFE BEYOND THE OFFICE

YHB Wealth Advisors

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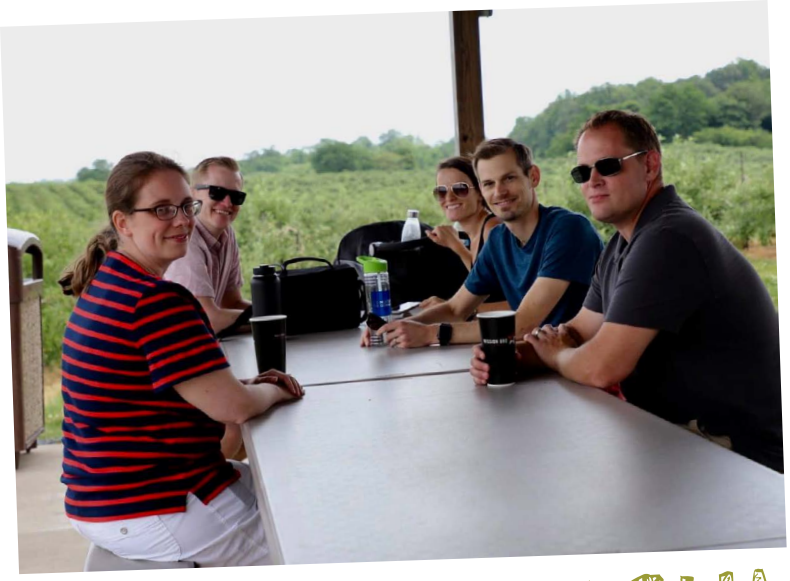
We completed our first annual summer family social event and everyone in attendance had a great time at Marker Miller Orchards. For those who weren't able to make it to our Summer Event, we missed you and hope to see you next year!



FAMILY SUMMER EVENT

2019

should you

"SELL IN MAY & GO AWAY?"

Should you follow the oft-cited market adage that says investors should "Sell in May, and Go Away"? - Probably not.

But there are some interesting strategies that could be employed by active investors to best take advantage of the potential total return impacts that seasonality has on the equity markets, and long-term investors are wise to consider more important factors that should influence investment decisions—including individual investing objectives, risk constraints, and tax circumstances.

This stock market adage was born from what the Stock Trader's Almanac calls the "best 6 months of the year." Long term historical data reveals that the top performing 6-month rolling period, on average, has been November through April. Hence, the saying investors should "sell in May and go away"—and come back in November.

Since 1945, the S&P 500 has returned a cumulative 6-month average of just 1.4% from May through October on a price return basis. That compares with a stronger 6.7% average gain from November through April. Additionally, the S&P 500 has generated positive returns only 64% of the time from May through October, and 77% of the time from November through April. This outperformance is seen not just in large-cap stocks (as measured by the S&P 500), but also small-cap stocks (as measured by the S&P SmallCap 600) and global stocks (as measured by the S&P Global 1200).

Of course, it should be obvious that there are many caveats to this calendar-based trading pattern, and the "sell in May" adage doesn't account for the uniqueness of each period: the economic factors, business cycle, and market environment that differentiates now from the past. For instance, returns have varied widely, not only between the November through April and May through October periods, but also within these time frames. It should also be noted that rigidly following any investing philosophy without considering your unique investing goals and risk constraints is not a wise strategy.

According to a study done by Stock Trader's Almanac, the seasonality factor may provide an opportunity for sector rotation, especially for investors willing to be a bit more nimble. Rather than exit the market, you could factor in seasonal patterns that have developed in recent years to your decision-making process.

Since 1990,there has been a clear divergence in performance among sectors between the two time frames—with cyclical sectors out pacing defensive sectors during the "best 6 months." Consumer discretionary, industrials, materials, and technology sectors have notably outperformed the rest of the market from November through April.

Alternatively, defensive sectors have outpaced the market from May through October over the past 29 years. For example, the health care and consumer staples sectors have recorded an average increase of 4.9% and 4.4%, respectively. That compares with a 1.8% gain for the S&P 500.

The seasonal aspect of "sell in May" has received some additional attention this year as we have just completed the "best 6 months" period. Trade disputes, the Fed indicating that rate cuts do not appear on the horizon, and some softer earnings results have pushed stocks off their April highs by roughly 5%, as of the end of May. That follows a 5% rally for stocks from November 1, 2018 to April 30, 2019.

This short term pattern however does not indicate in any way the future direction of the markets, and as always, you should evaluate each investment opportunity on its own merit rather than solely focusing on how it has performed in the past. Any decision you make should be made within the context of your specific investing strategy and you individual time horizon and risk tolerance parameters.

RANDY BEEMAN

COUNTING ON SOCIAL SECURITY IN RETIREMENT?

lets run the numbers

The Social Security (SS) system was created in 1935 with the objective of helping individuals and families cover their basic living needs once they reach retirement. Essentially, the program is a forced savings for retirement. However, there is growing concern about the current health of the system.

One reason for concern is demographics. Individuals are perpetually increasing their longevity either due to changes in genetics and/or advances in medicine. This may or may not have been efficiently considered at the creation of SS. However, now that there are more people living longer this means more benefits are being paid out for longer periods.

Each year the Social Security Administration releases their Trustee's report (https://www.ssa.gov/oact/TRSUM/) that addresses the financial status of SS. Contained in the 2019 report is a statistic detailing the reserves for the respected trusts: Old-Age and Survivor's Insurance Trust (OASI) as well as the Disability Insurance Trust (DI).

Currently, the SS taxes we pay into the system are sufficient to pay out all of the benefits as well as add to the reserves from which the trusts can pay future benefits. Yet, there is concern regarding how long these reserves will last into the future.

The report details that the combined reserves are anticipated to be depleted in 2035, at which point the SS taxes paid in will cover only 79% of the benefits expected to be paid out. When the reserves are considered separately the OASI Trust will run out in 2034 while the DI Trust will run out in 2052. Furthermore, the report forecasts that in 2020 the benefits to be paid out will exceed the SS taxes paid into the program for the first time since 1982. These factors are creating additional cause for concern.

In spite of the uncertainty, there are options to fix the system. Common strategies debated include: increasing SS taxes, increasing maximum salary taxed for SS and increasing full retirement age, among others. These changes would all require legislative intervention. Most experts believe the government will likely take action prior to depletion of the reserves; though what action will be taken and when remains to be seen.

On a positive note, SS is only one component of a recommended retirement plan. It is imperative to remember that SS was created with the intention of enabling survival in retirement. Thriving and surviving are on different ends of the retirement spectrum and the importance of saving towards retirement cannot be overstated.

One benefit of planning ahead for any projected changes in SS benefits is knowing that SS should not be the central focus of your retirement plan. Again, the system was designed to benefit those who have lesser average lifetime incomes than those with greater. For example, someone who averages $20,000 of income, may receive a $10,000 annual SS benefit whereas an individual averaging over $100,000 in income may receive a $30,000 annual SS benefit. This creates a difference in the benefit amounts as a percentage of income.

The smaller SS benefit is a greater percentage (50%) of the lower income. While the higher SS benefit is a lessor percentage (30%) of the higher income. This raises the responsibility of the higher income earners to save more money towards retirement if they want to replace a similar percentage of their income. This may be, in essence, another lesson in delayed gratification: The less you spend now, the more you can spend later (and not rely as heavily on a system facing uncertainty)!

Given the statistics discussed above, recent or soon to be retirees may receive over a 20% reduction in benefits after 2035. Additionally, younger workers may never see 100% benefits.

To provide some hard dollar perspective to the report projections, if you can expect to receive an annual SS benefit of $40,000 retiring in 2019 then by 2035 you can now anticipate an $8,000 decrease in your benefit. This of course ignores any cost of living adjustments along the way.

There is hope that the system will change in the near future as the cost is seemingly too great a burden but the extent of these changes remains to be seen. Having a financial plan to factor in the varied circumstances has never been more necessary. Proactively saving, delaying frivolous purchases, or even adjusting monthly budgets can have great impacts upon the likelihood of success in a financial plan.

In summary, SS can integrate into your retirement plan but it should not be your retirement plan's foundation if your goal is to thrive not survive. Reacting to a 20% decrease in your income stream is never enjoyable. Establishing a plan is the first necessary step to overcome any shortfall in SS benefits before or after retirement.

JT TRIMBLE

Want to learn more?

Join us in September for our Social Security Seminar

Preparing for Retirement:
When to take Social Security

learn more at YHBwealth.com

ADRIAN TAYLOR

YHB Wealth Advisors

Life Outside THE OFFICE

I had the fortune to visit the Italian city of Pisa during a recent trip to Europe and really enjoyed the opportunity to see the cathedral and the bell tower (the "Leaning Tower of Pisa"), which were constructed between the 12th and 14th centuries.

- Randy

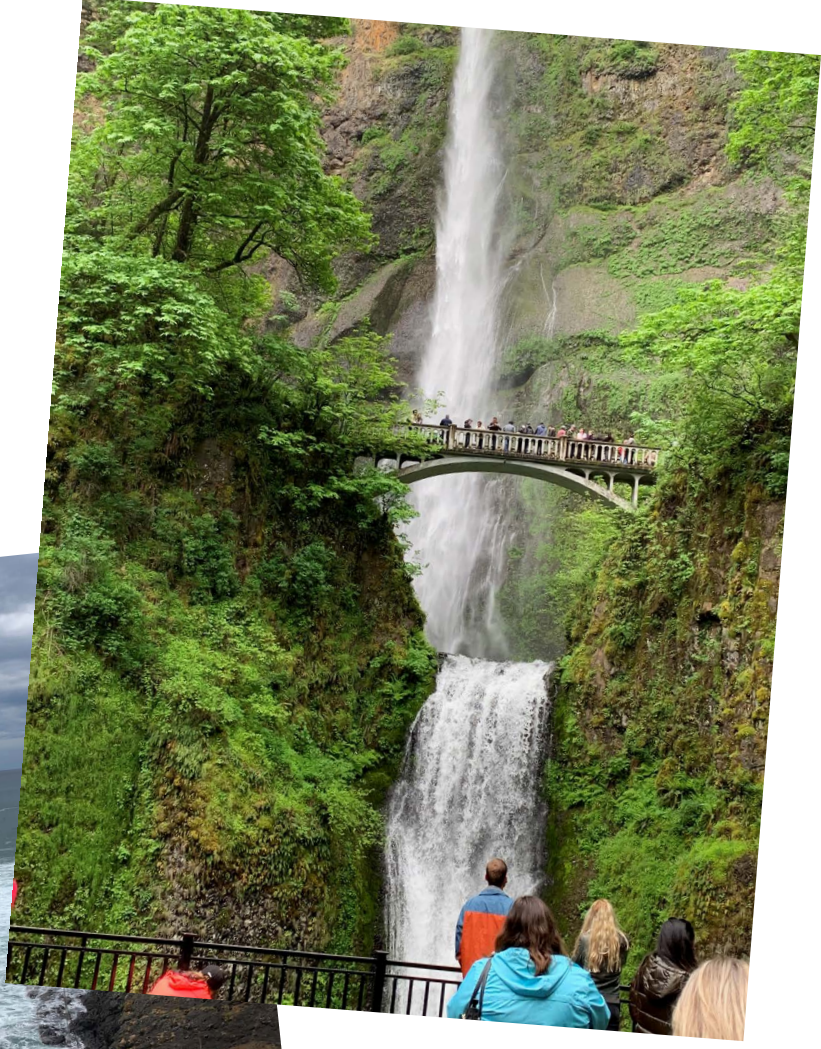
I have been blessed to be a part of the YHB Wealth team for nearly a year now! My family and I are officially Virginians and we are thoroughly enjoying and exploring all that the East Coast has to offer. Recently we took a trip down to Folly Beach, SC to introduce our newest child to the ocean while visiting some close friends. Pictured you'll find my wife Lindsay, Sullivan (3), Violet (1), and myself enjoying a river tour where we saw some bottlenose dolphins and learned more about river ecology.

I look forward to getting to know you and your family!

- JT

I love to travel and this summer took me to the state of Oregon. With its rugged coast and inland waterfalls, Oregon ranks at the top of my list of most beautiful states.

- Melinda



Summer is such a fun time! We all enjoy spending time with our friends and families, either vacationing, hanging at the pool or cooking out. When the heat of summer comes I know my daughter is always looking for something to cool her down and ice cream or popsicles always hit the spot. One of our favorite homemade treats that we make together, I learned from the Pioneer Woman. We love it so much, I thought I would pass it along.

- Jamie

Homemade Ice Cream Cookies

Ingredients:

1/2 package sandwich cookies (12 to 14 cookies), crushed
15 regular-size peanut butter cups, crushed
10 ounces candy-coated chocolate pieces (about 1 cup), crushed
1/2 gallon very good quality vanilla ice cream, slightly softened

Special equipment:

Fifteen 5-ounce paper cups

Directions:

1. Combine the crushed cookies, peanut butter cups and candy-coated chocolate pieces and add a spoonful to the bottom of each paper cup.
2. Scoop the ice cream into a large bowl of a mixer, then pour in the remaining chocolate-cookie mix. Mix gently with a paddle attachment. Spoon the ice cream into the cups and carefully insert a popsicle stick into each pop.
3. Freeze until the ice cream has solidified. Tear off the paper cups to serve.

As we head into the second summer here at YHB Wealth Advisors, big things are happening. As of May 31, 2019, we have $59.8 million assets under management. In addition to welcoming many new clients, our team has finished renovating its own space - see our logo on the door?

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