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Quotes:

Wealth is not the same as income. If you make a good income each year and spend it all, you're not getting wealthy. You're just living high. Wealth is what you accumulate, not what you spend.

Thomas J. Stanley & WIlliam D. Danko,
The Millionaire Next Door

Money makes people rich. It is a fallacy to think it makes them better, or even that it makes them worse. People are what they do and what they leave behind.

Terry Pratchett,
Making Money

Even if we know what should happen, it does not tell us what will happen.

Howard S. Marks,
Oaktree Capital

The sky is always falling somewhere.

Dani Hughes,
Divine Capital Markets

Headwinds for US Growth as Europe Is Poised to Recover

Despite lingering perceptions to the contrary, the US economic recovery has been robust for the last several years. New jobs continue to be added: there are almost 2.8 million more people employed today than at any other point in our nation's history.

US companies are selling more, corporate cash coffers are overflowing, home prices are rising, and household net worth is at an all-time peak. Americans are taking advantage of lower fuel costs to increase spending in other areas, reduce debt, and save. High-ticket items – such as travel, replacing older cars and appliances, and buying or improving homes – top the list of current and planned expenditures.

Until recently, three factors have buoyed corporate earnings: low wages, low interest rates, and a weak dollar. Conditions are changing. First, tighter labor markets are shifting bargaining power back to employees who, after 15 years of stagnation in real wages, are demanding a higher share of the corporate profits. This is great news for the economy long-term, but is a short-term drag on shareholder profits.

Second, the US dollar has dramatically appreciated from the start of 2015 to mid-March. Our goods have become more expensive to foreign customers, rendering US manufacturers less competitive on the global market.

Third, the Federal Reserve is on the verge of raising interest rates for the first time in more than six years. This change could strengthen the US dollar still further, as well as spooking the markets.

Risk used to be defined as the potential for big losses, but over the last few years, the risk haunting most investors has been that of missing out. Three key variables – interest rates, currency, and inflation – are in flux. The market is struggling to digest what all this means. We expect that all three will put downward pressure on the pace of corporate profit growth.

Index	*3/31/2015*	*YTD*
Dow Industrials	**17,776.12**	**-0.3%**
S&P 500 Index	**2,067.89**	**0.4%**
Russell 2000	**1,252.77**	**4.0%**
MSCI EAFE	**1,849.34**	**4.2%**
Global Bond Index	**447.76**	**-1.9%**
10-Year Treasury yld	**1.93%**	

Hockey's Wayne Gretzky reminds us that to be successful, we should "skate to where the puck is going, not to where it's been." We see more potential earnings growth abroad, especially in developing markets, than we do here in the US. European and emerging markets ' profits have been depressed, Europe having only just escaped from full-blown recession last year.

European stocks are attractive, because they are cheap in dollar terms and also pay higher dividends than US companies. Eurozone exporters will benefit from a weaker currency. With improved exports and the European Central Bank finally committed to stimulating growth, international investors can look for increasing rewards in the future.

Nassim Taleb, author of *The Black Swan*, says, "Even if you know what's likely, many other things can happen instead." The popular predictions five years ago were that Quantitative Easing would quickly lead to rapid inflation, rising interest rates, and a falling dollar. Instead, we're worried now about possible deflation, low rates, and the dollar rising.

There is always something for investors to fret about. We can identify risks and opportunities, but even the best forecasts are subject to the uncertainty of the future. As we discover pockets of value in the world, we tilt towards those markets; alternatively, as we identify risks that offer unattractive returns, we tilt away. A diversified approach, tilted towards value, is not always in favor and has been disappointing

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1500 San Remo Ave., Suite 176
Coral Gables, Florida 33146
305.669.2119
www.firestonecapital.com

jack@firestonecapital.com
carol@firestonecapital.com
carlos@firestonecapital.com
anthony@firestonecapital.com

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Safety in Numbers: Phishing Season

Imagine a complete stranger stopped you on the street and asked you for the keys to your house and a blank check from your wallet. You'd send him packing.

Don't treat him any differently when he sends you an email.

Phishing scams are back, although they never went away. Newer versions have some newer tricks, from malware to network-tunneling trojans, but they all work the same: using social engineering to trick you, the recipient, into trusting them just enough, for one crucial moment, to click on a bad link or download a poisoned payload.

It's easy to think "Does anyone really fall for this?" But *billions* of emails are sent every day, and the traps are getting harder to spot. Hoax emails may appear to come from your own friends, with links that lead to phishing websites, spoofed copies of legitimate sites we visit regularly.

What can you do?

You can doubt. Spam filters, firewalls, and other tools all help, but the best protection is plain common scepticism. Check links before you click. (This can usually be done by simply hovering over the link.) If your credit card account needs checking, don't use an email-based link: open a browser and go directly to the site. But your bank isn't likely to email you in the first place. And the IRS will *never* email you, or call you on the phone, or threaten you with arrest.

Economic Unknowns

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recently, but we believe it provides us the best chance of helping you accomplish your goals.

Where are we tilting today? We are finding more value in emerging market stocks than in US or developed European markets. We are finding more value in corporate bonds than in government bonds. Beyond anything else, we are finding value in diversification. We don't know what will happen in the future: we look to capitalize on what is *likely* to happen. But if – or rather, *when* – the future surprises us, we must be prepared for that too.

Social Security Spousal Strategies

When should you start Social Security benefits? This is one of the most critical decisions a retiree will make and has significant income consequences. Social Security is highly complex, and the rules vary depending on age and marital status. Fortunately, we are trained to help and can guide you to the optimal solution for your specific circumstances.

One strategy we encourage clients to consider is using the spousal benefit, which generally entitles a non-working spouse to half the primary benefit of a working spouse, but can also be used by couples who have both worked. Either spouse can apply for this benefit, deferring his or her own benefit to age 70. The deferring spouse receives the spousal benefit, while also earning delayed retirement credits that increase the final benefit amount by 8% per year – an outstanding return! Consider this: each $1000 per month in added Social Security benefits is the equivalent of $240,000 of additional retirement savings (calculated as a 5% distribution from an inflation-adjusted annuity).

As an example, let's take Rob and Anna, married, both 66, who have reached their full retirement age in good health. They expect to receive similar benefits of $2200 a month each. To maximize their overall benefits, they both delay starting Social Security until age 70. But while they wait, Rob (or Anna, just not both) is entitled to the spousal benefit, since both have reached full retirement age.

To take advantage of this benefit, Anna will *File and Immediately Suspend* her benefit. Rob files a *Restricted Application*, starting his spousal benefit on Anna's record. He'll receive $1100 a month from age 66 to 70 while he waits to collect his own full benefits, which will grow to $2,904 monthly by the time both he and Anna start. Anna's benefit will also increase to $2,904 a month, giving them a total monthly Social Security income of $5,808 at age 70. Not too bad!

Other variations can be followed when the two spouses expect different final benefits, or when one spouse defers full benefits until age 70 and the other starts sooner. For example, let's look at Will and Sarah, also both 66.

At 66, Will expects to receive $2400 a month and Sarah expects to receive $2000. Since Will is the higher income earner, he will defer his benefit until age 70, while Sarah will start at age 66. Once she starts collecting her benefit, Will is entitled to half of Sarah's benefit amount, while he defers to age 70. As in the first example, Will files a Restricted Application at 66, collects a spousal benefit on Sarah's record for the next four years, and switches to his own benefit at 70. Since his was the higher amount to begin with, it will have increased more than Sarah's would have.

By implementing this strategy, the couple draws a total of $3000 monthly at age 66 ($2000 for Sarah and $1000 for Will), which leaps up to $5168 a month at age 70, with Will's deferral credits. In addition, if Will predeceases Sarah, she receives the survivor benefit, which is higher than her own: another reason for at least one spouse to defer to age 70.

Many people miss out on the spousal benefit because they just don't know about it, or think it's only for couples in which only one spouse has worked. The spousal benefit may be available even if you are divorced. If you were married for at least 10 years and are currently not married, you could be eligible to collect on a former spouse's work record. The rules of eligibility are different than for couples, but in some situations, it's even possible to claim the spousal benefit on an ex-spouse's record. And don't worry: the ex-spouse's benefit will not be reduced, and they do not control your access to these benefits. They don't even need to be informed that you are claiming a benefit on their record.

Determining when and how to elect Social Security benefits is rarely straightforward. Every family's Social Security strategy must be based on the family's unique circumstances. We encourage you to discuss your options with us before making any decisions on your benefits.