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Quotes

Deciphering and mastering the investment world isn't about quant models and mathematical genius. It's about having profound respect for Mr. Market's ultimate weapon of choice: human behavior.
Robert Leahy

The investor's chief problem – and even his worst enemy – is likely to be himself.
Benjamin Graham

Know what you own, and know why you own it.
Peter Lynch

Overconfidence is a very serious problem. If you don't think it affects you, that's probably because you're overconfident.
Carl Richards

Form ADV Annual Offer

Each year, the SEC requires that we notify clients when we have updated our disclosure brochure, known as the Form ADV Part II. You can download the updated document from our website by entering the following URL into a browser:
firestonecapital.com/docs/FCM Form ADV Part II.pdf

If you would like a copy sent to you directly, please call our office. We will be happy to mail or email you one.

Economic Recovery Turns 10

Where are we, where have we been, and where are we headed? After the jitters and volatility of last December and January, we're still in the same economic recovery that started 10 years ago. The recovery has generally been slow and steady, with GDP growth averaging about 2%. Aggressive cuts to regulation and major tax reform have helped push GDP to 3% and corporate profits to record highs in 2017 and 2018. Over the last few months, however, momentum has faltered and the US is downshifting back to a lower rate of growth.

Although leading economic indicators still point to further expansion ahead, the story is becoming more complex. The Dow swooned in December before recovering. Employment levels remain steady, but there has been a slight uptick in the number of new applications for unemployment benefits. Corporate profits remain strong, but CEOs are wary of a possible global economic slowdown. Consumers aren't buying as many new cars or new homes, but businesses are splurging on new trucks.

As a result of the slowing economic momentum, the Federal Reserve announced in March that it would take a pause from raising interest rates further, after implementing four rate hikes in 2018, when the economy was accelerating quickly. The US stock market cheered the Fed's announcement, relieved to see a flexible, cautious approach from Fed Chairman Powell, and is now at near all-time highs. US stocks aren't alone either: all asset classes are enjoying gains this year, and as a result our diversified portfolios are too. While this could all be taken as good news, the rise in bond prices is actually causing some concern.

Bond investors tend to be glass-half-empty types, cautious and prone to worry. Instead of being cheered by the Fed's prudence in matching its policy to changing market conditions, the bond market took the Fed's action as a signal that the economy is showing signs of weakness and economic growth is faltering. The demand for long-term 10-year US treasury bonds became so strong that the yield briefly dropped below that of much shorter-term bonds, a phenomenon known as an "inverted yield curve."

Index	3/31/2019	YTD
Dow Industrials	25,928.68	11.2%
S&P 500	2,834.40	13.1%
S&P Small-Cap	939.30	11.2%
MSCI EAFE	1,875.43	9.0%
Bloomberg US Bond	2,106.83	2.9%
US Treas 10-yr yld	2.42%	

When the yield curve inverts, it tells us that the bond market believes the Federal Reserve is more likely to cut interest rates in the years ahead than raise them. An inverted yield curve is worth noting because it is an observable event that has preceded most prior recessions. As investors, it's wise to take this opportunity to assume a more cautious outlook.

However, we do not believe it is prudent to treat the yield curve inversion as a trigger to prepare for an immediate recession, or a collapse in stock prices: timing the stock market and economic cycle is still beyond anyone's grasp. Although a yield curve inversion is touted as the most reliable recession indicator, it is far from perfect, and there is generally a lag of 12-18 months between the warning and the actual start of a recession. We also find that the stock market is up 8% on average in the 12 months following a yield curve inversion, making hasty action even more likely to produce worse results.

Long-term investments in the stock market remain our best vehicle for positive inflation-adjusted returns. For short-term investments and near-term cash needs, we are taking a more defensive posture and paying close attention to the changing economic signals.

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Safety in Numbers: From phishing to smishing

In IT security, the goalposts are *always* moving – as solutions are found to existing threats and users learn to avoid attacks, the hackers and scammers hurry to develop new attacks and vectors. The newest target area is always the one where we are most vulnerable.

For example: we aren't used to malware attacks on our cell phones.

Scam emails and phishing attacks are familiar, but the newest threat targets text communications. Cell phone texts with "live" content, such as internet links, clickable phone numbers, or attachments, use a protocol called SMS: "smishing" attacks try to leverage this feature and catch the user off-guard.

If you receive a text from any source with a live link, whether a phone number or an internet link, think before you click. The most common attacks involve offers to download apps, or warnings about account issues or service charges – which you can avoid by using a handy link and entering your personal information! The link, of course, feeds your data straight to the Dark Web.

There are call blocking and security apps for both Android and iOs . But be careful before you install: scrutinize reviews and verify the app on a third-party site. The last thing you want on your phone is a bogus app that's a malware bundle itself.

Medicare Costs and Pitfalls

When we are forecasting retirement income and expenses for clients, we segregate health insurance costs as a separate line item. Most of us know that if we retire before age 65, we'll pay a hefty amount for private health insurance. What is less well-known – until it hits you – is that maintaining coverage through Medicare can also be costly and goes up over time.

The first key decision when you sign up for Medicare is whether you want to enroll in traditional Medi-care or a Medicare Advantage plan. With the traditional plan, hospital stays are mostly covered via Part A, prepaid by your history of payroll taxes. For Parts B and D, which cover outpatient care, medical equipment, lab expenses, and prescription drugs, your monthly premiums are based on your last income tax return – in other words, on your income from two years earlier. Premiums currently range from $136 to $538 per person per month.

Deductibles and co-pays add to the costs of Parts A and B, which is why it's important to purchase a Medigap supplemental policy to cover variable out-of-pocket costs. Most Medigap policies cost between $2000-$3000 per year, but plans offering higher deductibles can be much cheaper. Because even paying the deductible for a significant health issue can cause financial hardship, Medigap coverage can be an important addition to the traditional Medicare plan.

Medicare Advantage (Part C) is usually a less expensive option. It functions like an HMO, where you need a primary doctor's referral for specialists and must stay within a prescribed network of health care providers. A clear benefit is that some Advantage programs cover dental, vision and hearing; a drawback, especially for active travelers, is the limited coverage network.

But the primary downside is that once you sign up for Advantage, you can't simply switch to traditional Medicare if you change your mind – if your health deteriorates, or you want more options, or if you are not satisfied with the providers in your network. You can enroll in regular Medicare, but you must show insurability to add Medigap coverage – and it may be much more expensive.

Keeping Active in Retirement

Many busy, career-oriented people dream of retirement as a relief from deadlines, schedules, and the tension of commuting. But for many people, career means identity, time discipline, and a social network of co-workers and clients. If all of these defining factors suddenly disappear, new retirees risk serious anxiety or depression.

Here are some steps to make the Golden Years really golden:

1. ***Have a schedule.*** Staying on a regular program of activity leads to healthy sleep cycles.
2. ***Keep learning.*** Most universities have Lifetime Learning programs that not only keep your brain active (reducing cognitive decline), but also provide social opportunities. Embracing new hobbies or diving deeper into existing ones brings the same rewards.
3. ***Give back.*** Find a charity, non-profit or religious institution where you have a strong connection. Giving back to the community yields personal validation and valuable social interaction.
4. ***Exercise.*** With no more excuses like early conference calls or late meetings, join a gym or simply walk with friends. Many health plans provide discounted or free memberships at health clubs. Physical health builds better emotional health.
5. ***Be social.*** Studies show that socially active retirees have better physical and mental health and live longer. Having more time to spend with friends and family isn't just a perk of retirement: it's a major health benefit.
6. ***Keep working.*** If health and personal situation permit, continue working reduced hours. This could be a fulfilling opportunity to mentor younger colleagues, sharing your professional experience with the next generation. And the extra income would preserve some savings.

The best recipe for a happy retirement is to stay occupied mentally, physically and socially. Avoid stress whenever possible. You may never be completely worry-free when it comes to your money, but we are here to help minimize your financial concerns and make sure your portfolio fits your goals.