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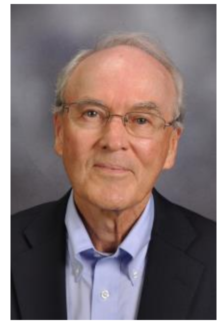

August 1, 2018

Dear Reader:

A few months ago, I started a new series of monthly letters called "BACK TO BASICS." In each letter we examine one of the basics of financial planning and investing. This month, let's look at:

Back to Basics #4: Important Estate Planning Documents

Many people, young and old, don't have a will, let alone a broader estate plan. Yet an estate plan is important, even for families who are not wealthy.

An estate plan serves four major purposes:

1) It directs who will receive your property when you die.
2) It minimizes probate costs and any estate taxes that might be owed on that property. It's the estate tax that people tend to think about when they think of an estate plan, and because many people believe they don't have an estate large enough to be taxed, they don't bother drawing one up.
3) It provides for care of minors (otherwise the state will become their guardian).
4) It provides for your care if you are unable to provide for yourself. A proper plan ensures that you get to pick the caregivers, not the state. This is critical for young people, singles, and older persons.

You may be thinking, "I have a will so I'm all set." While having a will *is* a very important part of your estate plan, it's not the only part. A will doesn't specify how you want to be treated should your health fail. It doesn't dictate who will carry out your wishes or handle your financial affairs should you ever become incapacitated. It doesn't help your heirs limit their tax burden

In other words, it doesn't cover all of the purposes of an estate plan as listed above.

To ensure that both you and your loved ones will be cared for, I've created a list of four key documents that should be in every estate plan:

Will: I mentioned that creating your will is an important aspect of estate planning, so let's cover that first. A will states how you want your belongings divvied up amongst your loved ones after you pass away. Otherwise, the government will determine how to distribute your property, which may even end up belonging to the state if you don't have an appropriate will stating otherwise.

Power of Attorney: Another crucial document is your power of attorney, which allows you to appoint someone to act on your behalf to make legal decisions about your property and finances. That person, usually referred to as an “agent”, could be a trusted friend, a family member, or an experienced, reputable professional.

Power of Attorney is crucial should you ever become ill or disabled to the point where you can no longer make important decisions yourself. Keep in mind, however, that granting someone power of attorney is a huge decision in and of itself. Give careful thought before making your choice. Whomever you select should be trustworthy, reliable, and mature enough to handle the responsibility.

Advance Medical Directive: A third document is your Advance Medical Directive. This catch-all term refers to health care directives, living wills, health care (medical) powers of attorney, and other personalized directives. All of these documents allow you to legally express your preference for continued health care should you become terminally ill.

A word of advice. As you finalize your Advance Medical Directive, make sure you have completed your HIPPA Release Forms as well. By having this special form completed, you enable the individuals named in your Advanced Health Care Directive to have access to your healthcare information. This way, they can deal with insurance matters on your behalf at a time when you cannot.

Letter of Instructions: Last, but not least, is a Letter of Instructions. This document gives your survivors information about important financial and personal matters to attend to after your passing. You don’t need an attorney to prepare it. Although it doesn’t carry the legal weight of a will, and is in no way a substitute, your Letter of Instructions will clarify any special requests you want carried out after death. It may include your funeral preferences, people to notify, account passwords, directions regarding certain possessions, or anything else you’d like your survivors to know.

The four documents listed above are all very important, and every adult should have them in their estate plan. Having each of these important documents prepared ahead of time can relieve your family of needless worry, speculation, and expense. Keep in mind however, that while this letter is a good overview of some important estate planning documents it certainly doesn’t cover everything. When it comes to planning for your financial future and those of your loved ones, remember that there are many factors to consider. If you haven’t yet completed the documents described above, or if your circumstances have changed and you haven’t updated your estate plan accordingly, it’s high time to do so. Because when it comes to planning, there’s no such thing as starting too early.

But there *is* such a thing as too late.

In my next “Back to Basics” letter, we’ll look at another financial topic centered on planning for the future.

The SITREP for the week ending 7/27/2018

The very big picture:

In the "decades" timeframe, the current Secular Bull Market could turn out to be among the shorter Secular Bull markets on record. This is because of the long-term valuation of the market which, after only eight years, has reached the upper end of its normal range.

The long-term valuation of the market is commonly measured by the Cyclically Adjusted Price to Earnings ratio, or “CAPE”, which smooths out shorter-term earnings swings in order to get a longer-term assessment of market valuation. A CAPE level of 30 is considered to be the upper end of the normal range, and the level at which further PEratio expansion comes to a halt (meaning that increases in market prices only occur in a general response to earnings increases, instead of rising "just because").

Of course, a "mania" could come along and drive prices higher – much higher, even – and for some years to come. Manias occur when valuation no longer seems to matter, and caution is thrown completely to the wind as buyers rush in to buy first and ask questions later. Two manias in the last century – the 1920's "Roaring Twenties" and the 1990's "Tech Bubble" – show that the sky is the limit when common sense is overcome by a blind desire to buy. But, of course, the piper must be paid and the following decade or two are spent in Secular Bear Markets, giving most or all of the mania gains back.

The CAPE is now at 32.78, up from the prior week's 32.58, and exceeds the level reached at the pre-crash high in October, 2007. This value is in the lower end of the "mania" range. Since 1881, the average annual return for all ten-year periods that began with a CAPE around this level have been in the 0% - 3%/yr. range.

Timeframe summary:

In the Secular (years to decades) timeframe, the long-term valuation of the market is simply too high to sustain rip-roaring multi-year returns – but the market has entered the low end of the "mania" range, and all bets are off in a mania. The only thing certain in a mania is that it will end badly…someday. The Bull-Bear Indicator (months to years) is positive, indicating a potential uptrend in the longer timeframe. In the intermediate timeframe, the Quarterly Trend Indicator (months to quarters) is positive for Q3, and the shorter (weeks to months) timeframe is positive. Therefore, with all three indicators positive, the U.S. equity markets are rated as **Positive**.[1]

Please do not hesitate to call me with any questions or comments at (502) 228-3900 or via email walt@wwafn.com. Referrals are always accepted and appreciated.

Sincerely,

Walt

W. Walter Anderson, AIF®
Accredited Investment Fiduciary

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Address: 10515 Meeting Street, Suite 105 | Prospect, KY 40059
Tel: 502.228.3900 | 866.320.4364 | Fax: 502.228.3400
E-mail: walt@wwafn.com
Website: www.wwafn.com