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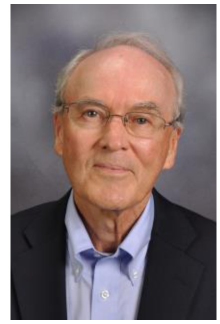


May 17, 2018

Dear Reader:

Michael Jordan, perhaps the greatest basketball player who ever lived, once said:

> *"Winners don't just learn the fundamentals, they master them. You have to monitor your fundamentals constantly, because the only thing that changes will be your attention to them."*

But fundamentals aren't just about succeeding on the court. They're crucial to our financial success, too. Understanding the basics of financial planning can be the difference between achieving *all* your goals, or none of them.

For that reason, I have started a new series of monthly letters called "BACK TO BASICS." Each month, we will examine one of the basics of financial planning. To start, let's look at:

Back to Basics #1: The Seven Most Important Retirement Dates

1. **Age 55.** When you turn 55, you can start making penalty-free withdrawals from your 401(k). Withdrawing money before this is possible, but it usually results in some pretty stiff fines. That said, making withdrawals at age 55 is usually *not* recommended. It's better to keep your money where it is or roll it over to an IRA. Unless you are retiring at a *very* young age, chances are you will have far greater need for that money later in life.
2. **Age 59 1/2.** This is when you can make penalty-free withdrawals from both your 401(k) and your IRA accounts. Again, I recommend holding off unless you plan on retiring right away.
3. **Age 62.** This is the earliest you can receive Social Security benefits. That said, your benefits will decrease if you receive them early. Are you noticing a pattern here?
4. **Age 65.** Age 65 is when you can sign up for Medicare. Tip: Applying three months *before* you turn 65 may help you save money on certain costs, like prescription drug coverage. This is also when people born before 1943 reach their **full retirement age**, or FRA. More on this in a moment.
5. **Age 66-67.** Those born between 1943 and 1959 reach their FRA at 66. For those born in 1960 or later, the age is 67.

What is your "Full Retirement Age"?

The Social Security Administration defines your full retirement age as "*the age at which a person may first become entitled to full or unreduced retirement benefits."*[1] As mentioned, you can start receiving benefits at age 62, but the amount will be reduced. On the other hand, if you wait until your full retirement age, you will receive the full amount of benefits to which you're entitled.

Assuming your FRA is 67, here's how it works[1]:

If you take benefits at age…	Your benefits will be reduced by around…
62	30%
63	25%
64	20%
65	13.3%
66	6.7%
67	No reduction

6. **Age 70.** While waiting until your full retirement age ensures unreduced benefits, waiting even longer can help maximize them. As the Social Security Administration puts it, *"Retirement benefits are increased by a certain percentage (depending on date of birth) if you delay your retirement beyond full retirement age."*[2] *However*, this only lasts until your 70th birthday. Once you hit the big 7-0, there's no point in waiting any longer, because your benefits won't go up.
7. **Age 70½.** This is the age at which you must take **required minimum distributions**, or RMDs, from any pretax retirement accounts like your 401(k) or IRA. This means you must start withdrawing money from these accounts to help pay for retirement. If you fail to withdraw at least the minimum amount, you will be required to pay a penalty.

It's important to remember dates because they can help you avoid penalties and maximize your savings.

Next month, we'll continue this series by going over some important financial terms everyone should know.

Meanwhile, In the Markets

An excerpt from The SITREP (Situation Report)
for the week ending 4/27/18

U.S. Economic News: The number of Americans seeking new unemployment benefits fell to their lowest level since 1969 last week, the latest indication that the roaring labor market is showing no signs of slowing. The Labor Department reported Initial Jobless Claims fell by 24,000 to 209,000 last week, far below economists' forecasts of a 230,000 reading. The less-volatile monthly average of new claims declined by 2,250 to 229,250. Continuing claims, which counts the number of people already receiving benefits, dropped by 29,000 to 1.84 million. Overall, the jobs market can be summed up as "excellent". Practically all workers who want a job can find one and companies are still hiring at a rapid pace. Companies' biggest complaint continues to be a shortage of skilled workers to fill needed roles.

Sales of existing homes continued to rise despite a worsening supply crunch, according to the National Association of Realtors (NAR). Last month existing-home sales were at a 5.60 million seasonally-adjusted annual pace, up 1.1% from February but still down 1.2% from the same time last year. The median sales price for a home sold in March was $250,400, up 5.8% compared to a year ago. Homes were on the market for an average of just 30 days, bringing the available supply of homes down to a very low 3.6 months of inventory. Six months of inventory is generally considered a healthy housing market. Sales were very mixed by region. In the Northeast, sales surged 6.3% and, in the Midwest, sales rose 5.7%. In the West, sales dropped 3.1% and, in the South, sales ticked down 0.4%.

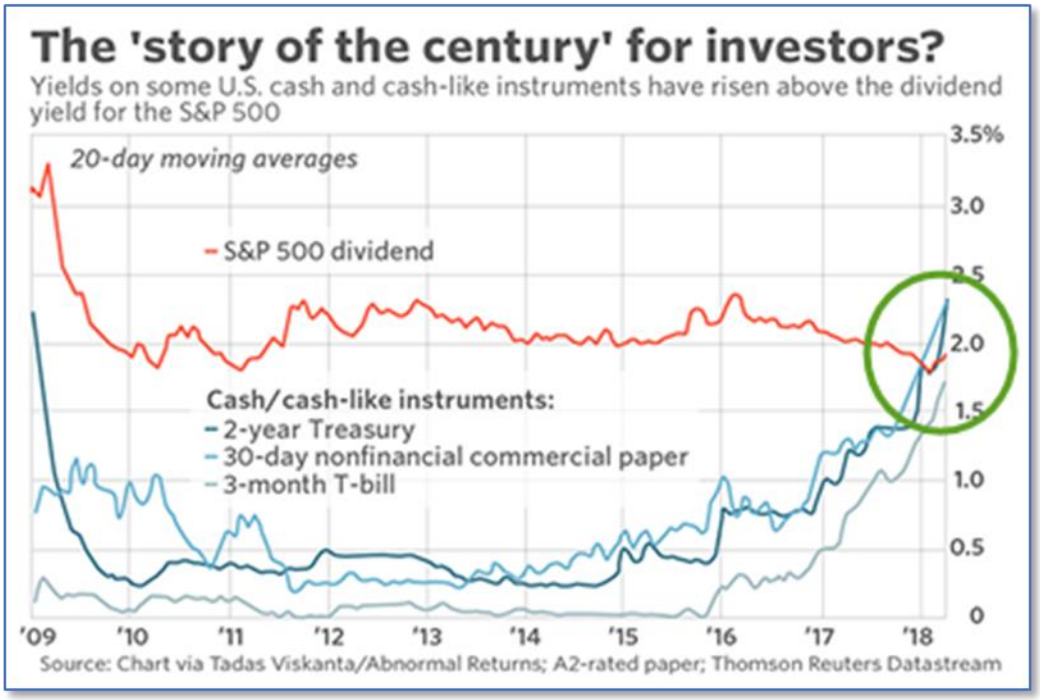
Supporting the NAR's report of rising home prices, the S&P/Case-Shiller national home price index for February rose a seasonally-adjusted 0.5%. On an annualized basis, home prices nationwide are up 6.3% from the same time last year. With the more narrowly-focused 20-city index, it took 12 years but prices regained their bubble-era peak, rising a seasonally-adjusted 0.8%. The 20-city index is up 6.8% from a year ago, its strongest reading since mid-2014. Lean supply and outsized demand are keeping home prices booming. No cities experienced monthly price declines in February.

Sales of *new* homes surged to a four-month high last month, running at a seasonally-adjusted annual rate of 694,000, the Commerce Department reported. The reading trounced economists' forecasts of a 630,000 annual rate and was at its highest level since November. The government is reporting a 5.2-month supply of new homes on the market, with the median sales price up 4.8% compared to the same time last year. The government's residential construction data is often volatile and subject to large revisions, nonetheless the data shows a housing market grinding slowly and steadily higher. David Berson, chief economist for Nationwide wrote in a note, "It is likely that the lack of supply of existing homes, and the resulting stagnant pace of sales in that sector, is pushing home buyers into the new-home sales market."

Finally: Following the financial crisis in 2008, central banks around the world responded by cutting interest rates to 0% or even lower. That resulted in the cry of "TINA, TINA, TINA!" by stock brokers everywhere – "**T**here **I**s **N**o **A**lternative" to buying stocks, they cried out.

But times have changed.

Tadas Viskanta of the financial blog 'Abnormal Returns' says the following chart tells "the most important story of the century." Tadas notes that yields on some U.S. cash and cash-like instruments have now risen above the dividend-yield for the S&P 500. The effect may be that the demand for U.S. stocks will fade as the Federal Reserve continues to hike rates, since, for the first time since 2009, there IS an alternative to stocks.



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,

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