

# KACHKOVSKY & FISHER

REGISTERED INVESTMENT ADVISOR

Fall 2019

In a letter to Harrison Gray Otis Blake in 1865, Henry David Thoreau wrote, “I am thankful for what I am and have. My thanksgiving is perpetual.” As you celebrate Thanksgiving this year, we hope you not only reflect on what you have to be thankful for – whether that means those around your dinner table, your health or simple pleasures – but that you find ways to remain grateful year-round. While it can be tricky to dedicate time to appreciate the good things in life amid the hustle-bustle of our routines, there are simple steps you can take to regularly practice gratitude. Here are a few tips to get you started:

**Stop and smell the roses** - Before going to bed, write down three good things that happened during the day and explain what resonated with you. It may seem simple, but this daily practice has been shown to help promote gratefulness and happiness time and again.

**Lend a helping hand** - Studies led by Christina Karns, a doctor of neuroscience, have shown that altruism and gratitude activate the same reward centers in the brain. This means that volunteering your time to a cause you care about will allow you to help others, while enhancing your own happiness and gratitude.

**Spread the love** - One of the secrets to having consistently happier and more grateful mornings is to make a habit of sending thank you messages. Not only will this help strengthen your relationships and help those you care about feel appreciated, it’ll also encourage you to make a conscious note of the people for whom you’re grateful.

Let’s take a look at the numbers.

	(As of 6/30/19)
Dow Jones Industrials	+ 14.03 %
S&P 500 Index	+ 17.35 %
NASDAQ Composite	+ 20.66 %
Russell 2000	+ 16.17%
MSCI EAFE Index	+ 11.77 %
MSCI Emerging Markets	+ 10.58 %
<b>Major Bond Indexes</b>	(As of 6/30/19)
Barclays U.S. Aggregate Intermediate-Term	+ 4.73 %
Barclays U.S. Aggregate Short-Term	+ 3.58 %
Barclays Global Aggregate Government	+ 5.08 %

**Source: The Wall Street Journal and Barron’s**

\*Inclusion of these unmanaged indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor’s results will vary. Past performance does not guarantee future results.

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# FINANCIAL AND INVESTMENT PLANNING

*“Spend each day trying to be a little wiser than you were when you woke up. Day by day, and at the end of the day - if you live long enough-like most people, you will get out of life what you deserve.”*

... Charles T. Munger

While slowing, the U.S. economy continues to expand. The current economic expansion is now at 125 months, the longest on record. Raymond James expects GDP growth of 2.2% in 2019 and 1.7% in 2020. PIMCO also believes the economy will cool in 2020 to an expected GDP growth rate in the range of 1.25% - 1.75%. Slower global growth and trade tensions are expected to depress investment and export growth. Manufacturing has also seen a downturn here and overseas. In the states, manufacturing has less of an impact on our economy compared to years past. It now only accounts for 11% of our economy as we have shifted to a services economy. The dominant force driving our economy is the U.S. consumer, accounting for nearly two thirds of it. Consumer confidence remains strong, unemployment is at a 50 year low and wages are growing. Other metrics like truckloads, air cargo freight and miles driven remain healthy. In addition, the Fed is likely to cut interest rates again in December, which will help with the ongoing expansion. Economic expansions don't die simply because they are old. Australia has managed to avoid a recession for a record-breaking 28 years.

Looking to the bond markets, global central banks continue to ease amid slowing global economic growth. In Europe, the European Central Bank (ECB) lowered its deposit rate by 10 basis points and announced that it would restart its quantitative-easing program later this year despite winding it down only last year. Christine Lagarde is set to become the first female president of the ECB taking over on November 1<sup>st</sup>. Global interest rates have continued to move to unprecedented low levels. We would expect that U.S. yields will remain low due to the negative yields (nearly \$17 trillion in foreign bonds) driving fund flows into U.S. bonds. Turning to the equity markets, the expected economic growth should provide an environment for positive earnings growth next year. Interestingly, earnings growth has actually been declining in 2019. Currently, valuations are not yet stretched. Many corporations continue to increase dividends. Seasonally, the fourth quarter over the past 30 years has been the strongest quarter of the year, with the S&P being up 4.8% on average, and positive 80% of the time. When equity markets rally at the end of the year, it's often referred to as the Santa Claus rally. Another interesting statistic looking at the presidential cycle seasonality bodes well for the equity markets next year (historically speaking). Since 1929, the S&P 500 has an average return of roughly 11% in a president's fourth year and is positive 91% of the time. Volatility will likely climb higher - the recent headlines include the prolonged trade war with China, possible impeachment proceedings, Brexit, Hong Kong protests turning violent and continued tensions in the Middle East after attacks on two large Saudi oil facilities.

The Social Security Administration has announced a cost of living adjustment (COLA) to recipients' monthly Social Security and Supplemental Income (SSI). Nearly 69 million Americans will see the 1.6% increase in their payments beginning in January 2020. The increase – moderate, in comparison to last year's 2.8% adjustment – is tied to the Consumer Price Index for Urban Wage Earners and Clerical Workers and was put in place to ensure the purchasing power of these benefits isn't eroded by inflation. It marks the smallest increase since 2017, when the COLA was 0.3%.

According to the Social Security Administration, on average, retired workers currently collect \$1,479/month in Social Security payments, or roughly \$17,748. The 1.6% COLA will add about \$24/month to those payments or \$288/year. A 1.6% COLA in 2020 will increase the maximum retirement benefit, currently \$2,861/month, by \$150/month to \$3,011.

In 2020, if you are collecting Social Security benefits and are under your full retirement age (FRA) for the full year, you will be able to earn \$18,240 without forfeiting any benefits. If your earnings are above that threshold, you would lose \$1 in benefits for every \$2 earned over the limit up to age 65, and \$1 for every \$3 after that until FRA is reached. The earnings cap does not apply to pensions or investments. The earnings restrictions disappear once a Social Security recipient reaches their FRA, which is currently 66 and will gradually increase to 67.

Many retirees should see a slight increase in their net Social Security benefits in 2020 even after factoring in their Medicare Part B premiums. These premiums cover doctors' fees and outpatient services and are typically deducted from a recipient's Social Security check. According to the Medicare Trustees' report, the average Part B premium will increase by \$8.80/month to \$144.30/month. High income retirees pay more for the same coverage. Individuals with modified adjusted gross income of \$85,000 or more and married couples whose joint income exceeds \$170,000 pay a surcharge for their Medicare Part B premiums and Part D prescription drug plans. The surcharge can be as high as \$460.50/month.

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## PERSONAL

Arms extended, hands together, toes on the edge of the block, horn goes off and Kora dives into the pool. She whips her arms around and kicks her legs as fast as she can. Soon, her hand hits the wall. Kora looks up and sees her mom and dad standing and cheering above her. The 8 year old can't stop smiling. A week earlier, she told her parents she wanted to try competing in the last swim meet of the year. She won her race and was only two seconds away from qualifying for state. Angie and Kris had no idea there was a state tournament for kids. Time will tell if Kora wants to swim in competitions for a full summer next year. For now, she enjoys doing handstands in the shallow end of the pool and teaching her little sister swimming strokes.

The Fisher family flew to Wisconsin to see Angie's mom get married. These days, a major part of flight preparation is deciding what stuffies (stuffed animals) make the trip. Macy and Kora were told they could each bring a stuffy on the plane. The instructions of only bringing one seemed cruel to the sisters. They eventually made the tough decision. Mr. Carrots (a bunny) and Penguin (a penguin) were the lucky winners. The wedding was in Door County in northern Wisconsin. It was a beautiful ceremony. Angie's mom is very happy and the family welcomed her husband with open arms.

The family of four spent a weekend in Breckenridge in early July. Saturday morning started with a walk in the woods, observing the incredible fairy gardens. The trail eventually ran into a fast flowing creek. Above the creek were two steel cables. Kora immediately stood on the lower cable, reached up and grabbed the upper cable. Slowly, she made her way across the creek. Next, little Macy used the cables and traversed across. Dad followed suite. Mom refused. She took her shoes off and carefully made her way across the slippery

rocks and fast moving water. Later, Macy panned for gold and Kora participated in a ropes course. The early morning walk turned into quite an adventure.



In April, along with their Adventure Guides Circle – the Yuroks - Garry and Ava spent the weekend in Joshua Tree National Park. The winter rains brought renewed life to the desert. Everything was in bloom. The desert floor was a carpet of reds, oranges, yellows, and whites, and clusters of white-green flowers sprouted on long stalks of the Joshua trees. Days were spent developing lasting friendships, scampering rocks, hiking, and stargazing. Although, only less than 80 miles from the sprawling city of San Bernadino, the skies in Joshua Tree are very dark.

Although Elle is not setting any state meet records yet, she learned to swim. Unlike most days, when getting to the pool and reaching for her floaties, she decreed, “I am going to swim on my own today”. That self-determination is really all it took. Within minutes she was treading water, practicing the breaststroke and cannonballing into the pool with her older sister. The next summer goal is bike riding without training wheels.

Winter snow continued to dump into May, so Garry, Emily and Ava snuck off to Mammoth for some late season skiing, while Elle had some quality one-on-one with grandma. The conditions were perfect. Ava worked hard on transitioning from “Pizza and French Fries” to going parallel. What better way to cap off the day on the slopes than relaxing in the outdoor Jacuzzi as the snow falls gently on the ground below. As of this writing, the Mammoth Ski resort is open through the end of July.

In June, the family spent a relaxing weekend beach camping at Marine Corps Base Camp Pendleton, the Corps’ largest West Coast expeditionary facility spanning more than 125,000 acres. Aside from holding the title of one of the busiest installations and training facilities for Marine, Army and Navy units, the base lays claim to some of the most pristine and beautiful beaches in California. Hard to beat falling asleep and waking up to the sound of waves crashing the shore steps away from camp. In addition to the usual hours of sandcastle building, cartwheels and playing in the surf, the weekend was highlighted by finding live starfish – perhaps the earliest specialists of disguise.

Also in June, Ava finished 1<sup>st</sup> grade. She is a strong reader, a developing writer and is showing some promise in math. She is attentive and respectful in school, often saving her rambunctiousness for the home. Elle continues to entertain us with her ongoing stand-up routine and melts our hearts with her sweetness. But, like most siblings, the girls test each other’s patience and ours. What we often notice is how slowly some days drag on, but how fast the weeks and months are flashing before our eyes. It’s hard to believe that we are deep into summer. We wish you the rest of the year at your pace.

Thank you for your trust, confidence and friendship.

*“Tact is the art of making a point without making an enemy.”*

— Isaac Newton



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T. Boone Pickens, the “Oracle of Oil,” and well known philanthropist, has died. He was 91.

Days after Pickens suffered “a Texas-sized fall” in July 2017, he wrote a LinkedIn post titled “[Accepting \(or Embracing\) Mortality](#).”

“Now, don’t for a minute think I’m being morbid,” he wrote. “Truth is, when you’re in the oil business like I’ve been all my life, you drill your fair share of dry holes, but you never lose your optimism. There’s a story I tell about the geologist who fell off a 10-story building. When he blew past the fifth floor he thought to himself, ‘So far so good.’ That’s the way to approach life. Be the eternal optimist who is excited to see what the next decade will bring.”