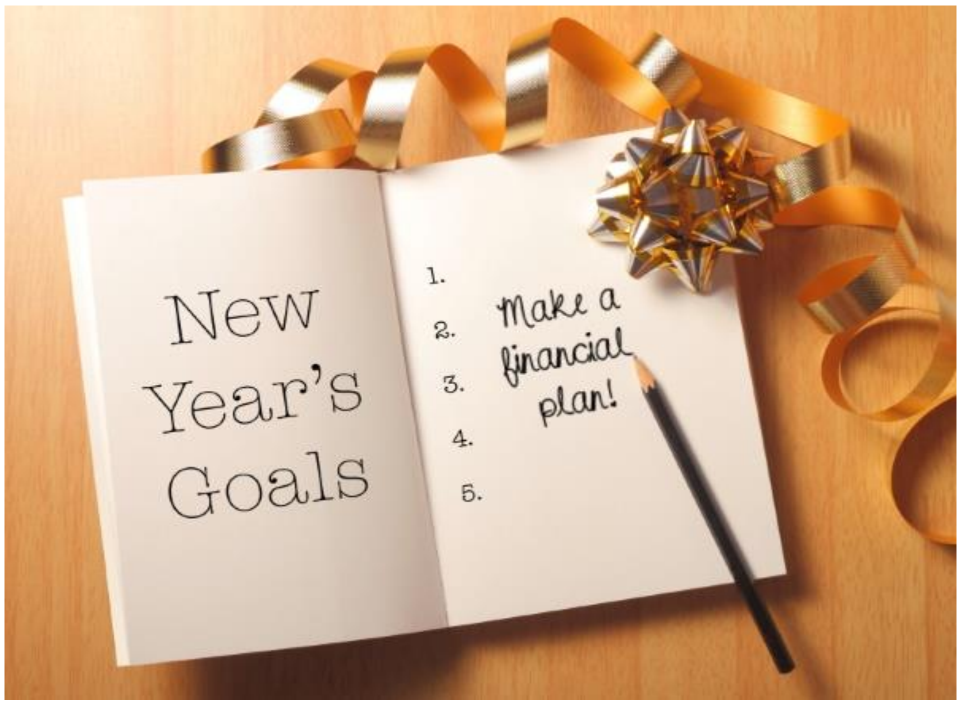
NEW YEAR'S FINANCIAL RESOLUTIONS



1/31/17

What Each Generation Needs to Know

As investment professionals who specialize in helping families meet their financial goals, we understand that each generation has their own set of unique challenges that will require a thoughtful plan of action to address and overcome. This special report was designed to identify what we feel are the most important areas that each generation needs to address in the New Year to stay on track with their financial goals.

WWW.STONEHEARTHCAPITAL.COM
199 ROSEWOOD DRIVE, SUITE 200 • DANVERS, MA 01923 • (978) 624-3000

New Year's Financial Resolutions

WHAT EACH GENERATION NEEDS TO KNOW

INTRODUCTION

Each of us have unique stories that help to define who we are. While the details might be unique, the circumstance upon which we find ourselves are often times anything but unique. Lots of college graduates leave school with student loans. Many couples decide to have children. Most people want to stop working someday. And at some point we all pass on. It is with these broad strokes that we will address the most important issues that each generation faces.

This special report is not designed to be all inclusive. There are a whole host of issues that we purposefully left off to keep this whitepaper short and concise. The areas that we highlighted below will have a handful of issues that apply to most people. This is a great start towards meeting your financial goals, but it is only the beginning. Each of you need to access your own personal situation and seek help as needed.

Each month our firm is hosting a webinar on the subjects that our clients have told us they want to learn more about. To view a list of the subjects please visit our website at: www.stonehearthcapital.com. These webinars are free to attend and you can sign up for them directly through our website.

1. IGEN, GEN-Z, OR CENTENNIALS: BORN 1996 AND LATER (0 TO 20 YEARS OLD)

Summary Points

- The earlier you save, the easier it is to meet your goal.
- Compounding growth is your friend.
- Keep track of your checking account and keep it balanced. No bounced checks!
- Be mindful of credit card offers. Only put expenses on a credit card you can pay in full.

Money is a tool. It helps you do the things that you want to do in life. The more you want, the more you need. Most people want to retire someday. This will require years of discipline and sacrifice. The good news is that the earlier you start to save towards a goal, the easier it is to reach.

The reason why saving early is so effective is because of the benefits of compounding growth. Compounding growth is nothing more than growing upon last year's growth. Let's look at an example to see just how beneficial compounding growth can be. Let's assume you want to retire at age 65 with $1 million and you feel that you can grow your money at 7% per year. If you start saving towards this goal at age 25 then you need to save about $5K/year. If you delay until age 45 then you need to save about $25K/year. What a difference!

Gen Z will have a whole host of tools available to them to help them track their finances. One of the more important accounts that needs consistent monitoring is your checking account. In the early years as you begin your careers money will be tight and you will be living check to check. This is a vitally important time to pay extra close attention to ensure that you do not bounce checks. One of the tools our clients use is a software called eMoney. This tool has the ability to set up low balance alerts which will trigger a notification to its user if a particular account balance falls below a certain threshold. This is a good start. Another good idea is to start

tracking your expenses and constructing budgets to help you monitor where the money is going, and when. Once again, leverage the tools available to help you towards this lifelong exercise.

If there is one area of financial abuse that runs rampant in our society it is the improper usage of credit cards. Who doesn't want a free t-shirt when all you have to do is open up a new credit card account. If used correctly credit cards can be a blessing. If used incorrectly it can be a curse.

We all have close friends or relatives who have gotten themselves into trouble with credit card debt. Don't fall into this trap. Only put expenses on the card that you can pay in full, preferably monthly, but certainly no longer than three months. And sync your credit card with your budgeting software to see and track just where you are spending your hard earned money. You may be surprised.

2. MILLENNIALS OR GEN-Y: BORN 1977 TO 1995 (21 TO 39 YEARS OLD)

The Millennial generation is the largest in U.S. history and as they reach their prime working and spending years, their impact on the economy is going to be huge.

Source: Goldman Sachs

Summary Points

- Build an emergency reserve.
- Treat your finances as if you are running a business. Monitor what is coming in and what is going out.
- Start saving for retirement early.
- Take advantage of employer 401K plans, especially if they offer a match!
- Consider life, disability and health insurance.
- Don't forget the importance of an estate plan.
- Consider 529 plans.

Millennials should begin building an emergency reserve. Far too many people lack one, and when the car breaks down or medical bills are due, most people turn to debt to help cover these costs. Try to build reserves of 3-12 months of expenses that you can park in a high yielding money market. Use three months if your job security is high; twelve months if it is not. Funds within qualified *retirement* plans like 401k accounts do not qualify as emergency reserves. They should be reserved for…..retirement.

Budgeting is an important part of life. Treat your finances as if you are running a business. If you hired someone to handle your company's finances and he/she could not tell you where each dollar was going, then you would fire that person. There are plenty of online tools to help you monitor money coming in and money going out. As I mentioned above, we offer our clients a tool called eMoney that helps our clients build and monitor their budgets. This will help you monitor your finances and identify changes that you want to make to help you reach your goals.

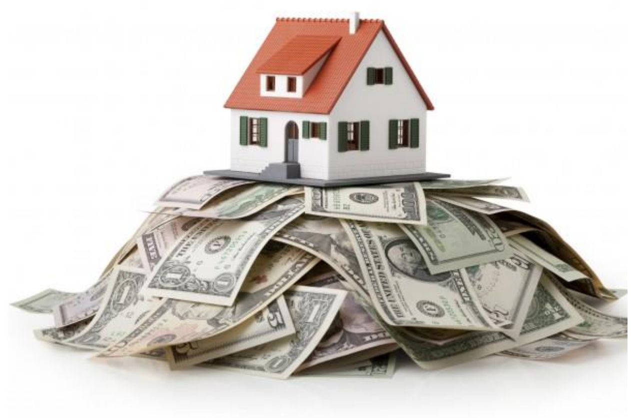
Hopefully you have learned from your parents that saving early for your retirement is a good idea. A reasonable goal should be to save 10% of your income towards retirement. Make sure to take advantage of employer 401K plans, which hopefully offer a matching employer contribution. This is free money that everyone should take advantage of. The later you start saving, the more you need to save, so start early.

If/when you decide to get married, or raise a family, it is important to consider purchasing life insurance (10x-15x salary), health insurance and disability insurance (60%-70% of salary). These will ensure that you have resources available for your loved ones if/when problems arise. Also give consideration to establishing an estate plan, which should include language within the will identifying who should take care of your children in the event that you (and your spouse) pass away.

Finally, give consideration to saving for your children's education. 529 college savings plans are a great option.

3. GENERATION X: BORN 1965 TO 1976 (40 TO 51 YEARS OLD)

Many of the necessary items that Millennials need to focus on still hold true for Gen Xer's.



Determine if you are on track for each of your goals. For example, are you saving enough for your children's education? For most the answer is, probably not. College is so expensive these days which makes it challenging to save enough to fully cover the cost for them to attend. Do your best. You will get through it. In September, David will host a webinar focusing on education planning.

As you get older, the need for life insurance should wane as your retirement nest egg grows. Until then, continue to maintain life insurance coverage on both spouses. As a general rule of thumb, 10x-15x your salary should suffice. So if you make $100K, then you should consider getting a policy with a death benefit between $1m and $1.5m. Even stay-at-home mothers should maintain coverage (try finding someone who will perform all they do and see what they will charge you). We find that term insurance is the most appropriate type of insurance to utilize in most situations.

Approximately half of the states in the U.S. charge estate taxes. Massachusetts happens to be one of them. If/when you pass away and you leave money to a non-spouse for more than $1 million (including life insurance proceeds), then estate taxes may be owed. If your estate is greater than the exempt amount within your state, then you should schedule a visit with a local estate attorney to discuss ways to reduce your estate tax exposure. The federal government currently charges death taxes on estates greater than $11 million for a couple. In October, Jamie will host a webinar on estate planning which will include a more detailed discussion on estate taxes and how to reduce your exposure.

Gen X needs to make sure they take the time to teach their children about the value of money, saving, the benefits of compounding growth, balancing a checkbook, and how to responsibly use credit cards. If you are not talking to them about these things, then who is?

Summary Points

- Determine if you are on track for your goals.
- Do your best to assist your children with the cost of their education. Your savings may not be enough.
- Continue saving – the need for life insurance should wane as your retirement nest egg grows.
- Consult an estate attorney to discuss your personal situation to determine if any changes to your estate plan need to be made.
- Talk to your children about the value of money and saving early and often.

4. BABY BOOMERS: BORN 1946 TO 1964 (52 TO 70 YEARS OLD)

Can you see the light? Retirement is on the horizon!

For those on the younger side of this generation, take advantage of these final years before retirement to give it that final push to help prepare yourself for a successful retirement. Fortunately these are usually your highest earning years. You may still be dealing with the hangover of college expenses, but this too shall pass. In June, Jamie is hosting a webinar regarding retirement income planning which continues to be our number one question from prospective clients.

As we get older it makes sense to consider reducing your portfolio's risk profile. At our firm we discuss a client's risk profile at just about every meeting to ensure that we are taking a prudent approach to meeting their financial goals. We call it "know you risk score." Look to see how your current portfolio would have performed during a repeat of 2008. Are you okay with this? If not, consider making changes. If this is not an area that you are willing to commit time, energy, and resources to, then consider hiring a professional. In February our firm's chief investment officer, Chris Gauthier CFA, will host a webinar regarding risk scores.

You will have some very important decisions ahead that are not always black and white, but instead, shades of grey. For example, how will you pay for assisted living or nursing home care in the event that you or your spouse gets sick? Medical insurance will NOT pay for most of these expenses. If you want insurance to cover these expenses you need to consider long term care insurance. These policies are expensive and are not for everyone, but it is worth exploring to give you a chance to proactively decide for or against purchasing a policy. In March, Jamie will host a webinar on planning for nursing homes and how to protect your assets.

When it comes to claiming social security benefits the decision can be extremely complex. Commit the time, energy, and resources to do your homework on this subject or hire a professional to assist you. In April, David will host a webinar on social security planning.

At age 65, you will most likely need to sign up for Medicare. If you need help, you should check with your state to see what resources are available to help you weigh your options. Here in Massachusetts, we have a wonderful group called SHINE that you can meet with.

As your parents grow older new challenges will arise and you may be bearing the brunt of it trying to help them find solutions. Consider scheduling a family meeting while cooler heads prevail to make sure you understand their wishes. What are their feelings about moving into a retirement community or senior housing? Have they recently updated their estate planning documents, in particular their Health Care Proxy and Durable Power of Attorney? Do they have long term care insurance? See where this discussion takes you.

The SHINE Program assists elders and individuals with disabilities in understanding their Medicare and MassHealth benefits and other health insurance options.

1-800-AGE-INFO (1-800-243-4636)

Source: Mass Executive Offices of Elder Affairs

Summary Points

- Consider reducing risk in your portfolio.
- Create, review, and monitor your retirement plan.
- Begin thinking about claiming retirement Social Security benefits.
- Sign up for Medicare
- Address concerns with your aging parents.

5. TRADITIONALISTS / SILENT GENERATION: BORN 1945 OR EARLIER (71+ YEARS OLD)

It's time to grab that old dusty binder, a cup of coffee, and a comfortable chair because it is time to read through your estate planning documents. Yes, I know most of it will not make sense, but fortunately, the most important parts will.

- Review the names within each document to make sure that each person is still living and that you are comfortable with them fulfilling the role you have outlined for them.
- Make sure you also have successor individuals listed just in case.
- What about beneficiaries? Are they still living? What about your beneficiary designations on your retirement accounts and life insurance policies? Do you have successors on them as well?
- If you and your spouse have over $11 million then you may be subject to federal estate taxes. If you have over $1 million in Massachusetts you may be subject to Massachusetts estate taxes.
- Check the exemption amount in your state to see if your estate is over the amount. Don't forget to include your life insurance proceeds.
- Review your estate plan every 3-5 years, preferably with your estate attorney.

Trusts come in many different flavors. Some trusts are designed to help reduce estate taxes, while others are designed to shelter assets from a nursing home. The vast majority of people have neither of these, but instead have revocable trusts that help avoid probate. It all depends upon what your goals are. Your goals will help dictate whether or not a trust would be beneficial. In July, Jamie will host a webinar on the ABCs of trusts.

When you turn 70.5 you are required to take Required Minimum Distributions (RMDs). This means that you have to take a minimum amount out of your retirement accounts so that the IRS can tax you on the distribution. This is all about making sure that you pay taxes on these funds because up until this point you haven't. This is an annual requirement. It usually starts at about 4.5% of your portfolio's value, but increases each year. The penalties are steep if you fail to take the distribution, so don't forget!

Review your financial plan annually. In particular, you want to make sure that the withdrawals you take from your portfolio are still within a comfortable range so that your portfolio outlasts you. Your financial plan gives you a glimpse into the future to help you make informed decisions today. The earlier you address the need for change, the less dramatic the change will need to be. Once again, in June, Jamie will host a webinar on retirement income planning when he will address these concerns.

Finally, get together with your estate planning team to run through a dress rehearsal pretending that you pass away.

- Does your team know where to find your estate planning binder?
- Do they know who they should call?
- If your spouse is not financially savvy, does he/she know who to turn to for help?

Summary Points

- Review your estate planning documents (i.e. names and roles, successors, beneficiaries, etc.)
- Review your estate plan every 3-5 years with your estate attorney
- Begin taking your Required Minimum Distribution from your retirement accounts beginning at age 70.5
- Begin reviewing your Financial Plan annually
- Run through a dress rehearsal

Now is your chance to fill in the blanks because after you are gone, your team will only have your playbook to turn to. If something is not clear, they are going to have to make a judgement call themselves, which you may or may not agree with.

NEXT STEPS

We hope you've found this special guide interesting, informative, and, most of all, reassuring. While retirement and financial strategizing is complex, we wanted to present some reminders so you can begin answering important questions about your own journey based on where you are in your life. Most of all, we want to encourage and support you as you address each of these challenges and prepare for the next stage of your life.

We also want you to treat us as a resource to you and your family as you navigate through these important transitions. We would love the opportunity to meet with you to discuss your personal financial situation or future goals. The initial consultation is free.

If you have any questions about the information presented in this report, please contact us.

Sincerely,

Jamie A. Upson, CFP®, CMFC, AAMS
President & CEO
Jamie@stonehearthcapital.com

David Juliano CLU, ChFC, AIF, RICP
Senior Financial Advisor
David@stonehearthcapital.com

Required Disclosure: