

Mammen Financial Services, Incorporated

An Insider's View

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To our readers...
Welcome

It has been quite some time since we produced one of our newsletters. Recent market volatility has required more attention to be spent on portfolio management. But now that year end tax loss harvesting and IRA Required Minimum Distribution work is done, we had some time to focus on the newsletter project.

One of the most difficult tasks in producing a newsletter is that there is a wealth of information to share and it is hard to select items from the huge stacks of paper we collect.

Build The Wall?

Numbers are hard to understand. \$57 billion for a wall had been in the news a lot. Whether you are for or against the project, the cost seems huge. The Wall Street Journal reported the numbers in four interesting ways. \$5.7 billion amounts to:

1. .03% of the US Gross Domestic product.
2. \$17 for each person in the US.
3. 100 times what it costs to staff the White House each year.
4. 5% of the estimated wealth of Jeff Bezos.

Facts and Figures

- Paper money is not made out of paper. It is made up of 75% cotton and 25% linen.
- 85% to 95% of American currency has traces of drugs on them
Source: Dartmouth University study

Bonds & Interest Rates

A bond is an IOU with a company, government or municipality. The interest rate they pay is dependent on several factors, among them the issuer's ability to pay the interest and return the principal at maturity.

As of January 30, 2019, one can purchase a ten-year bond issued by the U.S. Government that yields 3.04%. It's a safe bet that you'll get your money back at maturity. You can also get a 30-year bond that would yield 3.39%. Again, a safe investment, but what if interest rates go up? If you are holding a new 30-year bond at 3.39% and I can buy a new 30-year bond at a higher rate the value of your holding will go down in the marketplace. However, if you keep it

until it matures you will get full value from the issuer.

The measurement of risk has a name and formula. It is called duration. If you hold a bond with a measured duration of 4 it is basically telling you that if interest rates go up one full percentage point the market value of your bond would go down 4 full percentage points. During times of rising interest rates, it may be best to keep the maturities relatively short and the duration low.

There is one other interesting type of bond that has an interest rate that adjusts with general interest rates. They are called floating rate bonds and could be useful in rising rate environments.

Government Retirement Plan

There was a retirement plan launched by the government in 2014 called myRA. It was created to help low to middle class income earners save for retirement. It was similar to conventional IRA's with the exception that the money would be managed by the government. They felt that they could do a better and less costly job than the private sector.

How's it going so far? The Treasury recently announced that the program is being shut down. Why? First, it was unpopular. There were over 10,000 accounts opened but never funded and over 20,000 accounts holding less than \$500. Second, it cost more to manage than they projected. The total cost to run the program each year was 34 million dollars of taxpayer money. There was a total of 70 million dollars invested in ac-

counts. That means that the management fees were 48.6% of the total money invested. This didn't leave anything for growth. Now that it is up and running it will cost the taxpayer a mere 10 million dollars per year to manage. That's less, but still 14.3%, far too much to allow anything for investment returns.

The myRA website closed on September 17, 2018. It is going to be difficult for holders of these accounts to transfer them and meet minimum balance requirements. If they are not properly transferred the balance is subject to taxes and early withdrawal penalties. The penalty is 50% of the amount withdrawn for those under age 59 1/2.

Minimum Wage

There is an ongoing fight to raise the minimum wage. Some people make more per hour for the same work others do. Did you ever wonder who makes the most per hour? This information is from Moneyish.com. It translates the persons annual income into a normal work week in hours.

Person	Income Source	Hourly Income
Jeff Bezos	Amazon	\$4,474,885
Mark Zuckerberg	Facebook	\$1,712,328
Alice Walton	Walmart	\$1,392,694
Warren Buffet	Berkshire Hathaway	\$958,904
Larry Page	Alphabet (Google)	\$924,657
Elon Musk	Tesla	\$684,931
Bill Gates	Microsoft	\$456,621
Jack Dorsey	Twitter	\$205,479
Meg Whitman	Hewlett Packard/eBay	\$102,739

Allowance

How much allowance do you give your kids? Is it what others get? There was a survey done by Rooster Money. The numbers are averages of 10,000 people who responded to their survey. The amount goes up with age. Here are the findings. The raises in years are strange.

Age	Weekly Allowance	Raise Percentages
4	\$3.76	
5	\$4.21	12.0%
6	\$5.24	24.4%
7	\$6.69	27.7%
8	\$7.24	8.2%
9	\$7.80	7.7%
10	\$8.10	3.8%
11	\$9.40	11.8%
12	\$9.85	16.0%
13	\$10.79	4.8%

In The Market

What difference does it make if you are out of the market for a few days? It doesn't seem like it should make much difference but take a look at a study done by DataStream at Wellington Management. This study covers 29 years from January 1, 1990 to December 31, 2018.

The numbers reflect the total days being out of the market in the whole 29 years, not days per year.

Here is the dollar value of \$100 invested in the Standard & Poors 500 Index – an index of 500 large companies.

Days Missed	Value
0	\$1,313
1	\$1,177
2	\$1,062
3	\$992
4	\$928
5	\$871
6	\$819
7	\$770
8	\$728
9	\$691
10	\$655
15	\$512
20	\$406

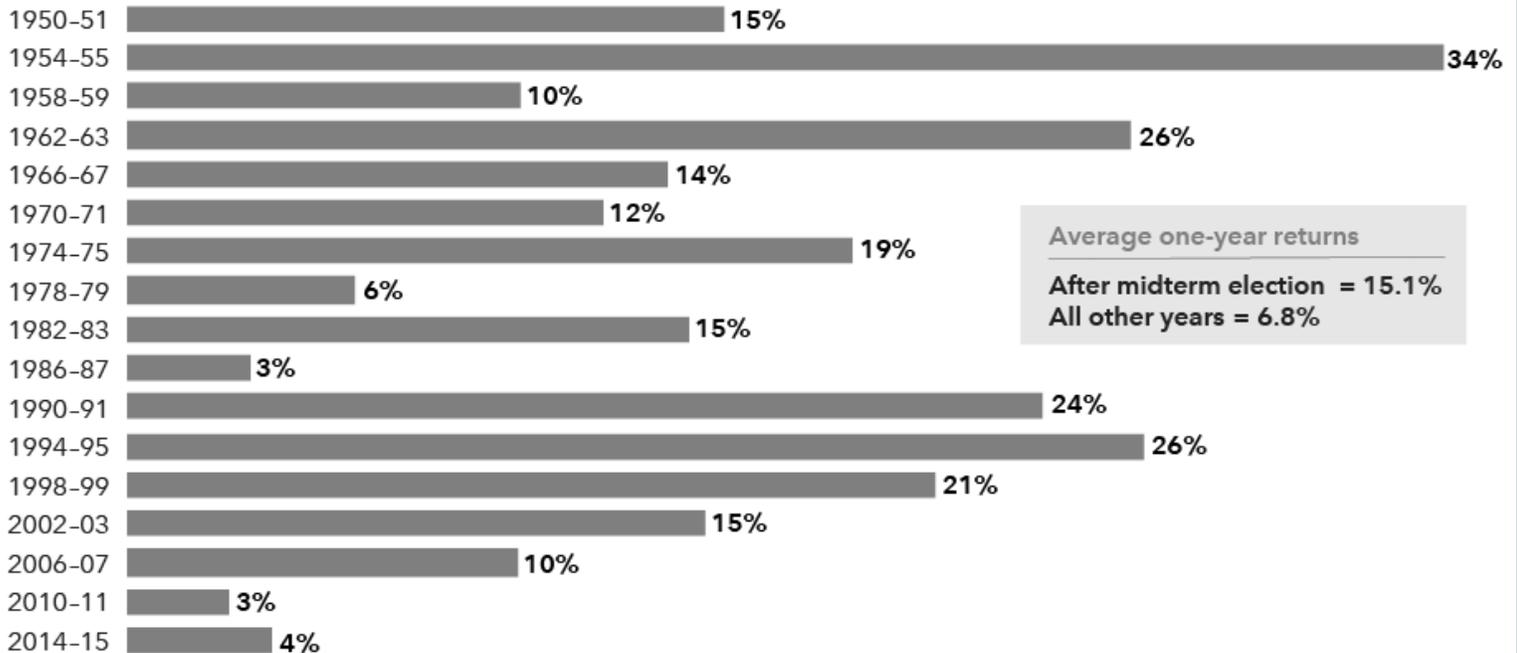
Missing just the best 3 days resulted in a loss. You have to be present to win.

Notes & Quotes

- “More people should tell their dollars where to go instead of asking where they went.” *Roger Babson*
- Nearly one third of Americans pay the minimum due on their credit card according to *FINRA’s National Financial Capability Study*.
- 52% of Americans are spending more than they earn every month. *Blue Water Credit Company*.
- The number of people in the US over age 60 with student debt has quadrupled over the last decade.. *Consumers Financial Protection Bureau*.

Does History Repeat?

While it is always appropriate to point out that past history doesn't guarantee future results, there are some patterns that are hard to ignore. In the investing world there is one pattern of stock market returns that has repeated over 66 years. That pattern is that the stock market measured by the Standard & Poors 500 has not experienced a down year the year after a mid-term election since 1950. The lowest return was 3% and the highest was 34%. The average return was 15.1%. Here are the statistics.



Sources: Capital Group, RIMES, Standard & Poor's

What Is A Fiduciary?

A word that you may be encountering more and more in the financial world is "fiduciary". What is it and why is it important?

A fiduciary is an individual who has a legal and ethical obligation to always work with another persons' best interest first. Surprisingly, that is not always a requirement.

There is a more common standard known as the suitability obligation. This requires a broker or insurance agent to recommend product that generally fit the client's current situation. They do not have to put their client's interests before their own. This means they can suggest products that aren't necessarily in your best interest or products that pay them more even if there are other less costly products available.

On the other hand, a fiduciary must always act in your

best interest. If a product is available with various cost structures, they are obligated to recommend the one with the least cost. Fees are sometimes hard to find and are not always clear.

A fiduciary usually charges a fee for assets under management. If there is a commission attached to a product it is waived. If there are internal costs on a product that can be classified as a commission, they are returned to the clients account. These are sometimes called 12b-1 fees. Under such a structure there are no conflicts of interest or incentive to recommend one product over the other.

In almost all cases working with a fiduciary will be more favorable to the client than working with a commissioned salesperson. It is appropriate to ask if your advisor is a fiduciary.

Factoids and Numbers

Government At Work

- **Long Term Guess** – When President Franklin D. Roosevelt proposed the Social Security retirement program in 1935, FDR's financial people projected that total Social Security expenditures would reach \$1.3 billion in 1980 or 45 years into the future. Actual outlays in 1980 were \$149 billion. Thus, the analysts' 1935 estimate represented less than 1% of actual Social Security expenditures. Source: Social Security.
- **Significant** – 19% of the US population is currently receiving a monthly benefit payment from Social Security, i.e. 61 million out of 326 million Americans. Source: Social Security.
- **In 1938, a wallet manufacturing company, wanting to boast about their wallet's usability, inserted a cardboard Social Security card in each wallet. Instead of making a fake card, they copied Hilda Whitcher's card, an employee who worked as a secretary at the time. Since then, the social security number, 0778-05-1120 has been claimed by over 40,000 people. Source: SSA.GOV**
- **More out than in** – The total cost of the Social Security program in 2018 (\$1.003 trillion) is projected to exceed its total income (\$1.001 trillion), resulting in the program's first deficit since 1982. Source: Social Security.
- **Blank Check** – An estimated 44.4% of all US individual taxpayers will legally pay zero federal income tax for tax year 2018 on their Tax Form 1040 that is due 4/15/19. Source: Tax Policy Center.
- **That would hurt** – Individual income taxes paid by American taxpayers would have to increase by +46% in order to eliminate our \$779 billion deficit from fiscal year 2018. Source: Treasury Department.

Living Space

- **The average American spends 93% of their life inside—they spend 87% of their time indoors and another 6% in automobiles. Source: Environmental Protection Agency.**
- **Urban areas make up just 3.6% of the total land in the 48 contiguous states, but now 80% of Americans live in these areas—and the numbers continue to grow at a rapid rate. Source: Bloomberg, July 31, 2018.**
- **“50% of the US population lives in just 143 counties in the US, i.e., just 4.6% of the 3,142 counties throughout the nation are home to half our citizens.” Source: Census Bureau**
- **“Jackson, Wyoming has 27 parking spots for every household in the city. Seattle has 5.2 spaces, Philadelphia has 3.7 and the city of New York has less than one.” Source: Citylab, July 24, 2018**
- **“It just depends – The median rent for a 1-bedroom apartment in San Francisco is \$3,400. The median rent today for 1-bedroom in Omaha, NE is \$825. The median rent for a 1-bedroom in Charlotte, NC is \$1,275.” Source: GOBankingRates**
- **“The cost of living has become so expensive in Northern California counties of San Francisco, San Mateo, and Marin, families earning up to \$117,400 annually qualify as low-income.” Source: CNBC, June 28, 2018**
- **“The San Jose area was once again the most expensive Place in the US. To buy a home in 2017, with a median price of \$1.27 million.” Source: Marketwatch, February 13, 2018**
- **“Due to the Soaring housing prices, many people are moving away from the San Francisco Bay area. Because of this, a one-way U-Haul rental from San Jose to Las Vegas now costs roughly \$2,000, compared to just \$100 going the other direction.” Source: Newsweek.com, February 2, 2018**

The Super Rich

- **“Really Rich - When measured in November 2017, the 3 wealthiest Americans (Bill Gates, Jeff Bezos, and Warren Buffet) were worth \$249 billion, more than the combined net worth of the bottom-half of the US population, i.e. 160 Million Americans.” Source: The Guardian**
- **“Very Generous – 184 of the wealthiest people in the world have agreed to donate the majority of their net worth at death. The idea, originally conceived by Bill and Melinda Gates, is known as “The Gibing Pledge”. The list of donors includes Warren Buffet, Larry Ellison, and David Rockefeller.” Source: Givingpledge.org.**

Factoids And Numbers

- “Bill and Melinda Gates have given away roughly \$35 billion in stock and cash since 1994.” – Private Wealth Magazine, August 16, 2017

Survival Rates

- The one year survival rate for business hit 79.16% in 2016. About half of all establishments survive five years or longer, and only one third survive ten years or more. Source: Small Business Administration.
- Small businesses generate three fifths of net new jobs, driving a big share of U.S. employment growth. In total, small businesses employ 58 million people or 47.8% of all private sector employers. Source: Forbes Magazine.
- The most risky of small businesses to start are restaurants, retail stores and direct sales. Source: Sageworks.

Business Facts

- “On average, mass marketing email “open rates” are only 20% while text messages are read 98% of the time and 95% are read within 3 minutes of receiving them with most being read within 5 seconds.” Source: Business2community.com, February 23, 2018
- “Three-quarter of the world’s food today is derived from only 12 crops and just five animal species.” Source: The Guardian, September 26, 2017
- “Bottled water is the No. 1 beverage product in the US (by volume) for the second year running. It grew to 13.7 billion gallons in 2017, a 7% increase over the previous year. Sales now total \$18.5 billion, an increase of 8.8%.” Source: Beveragedaily.com
- “The ice cream industry in the United States contributes more than \$39 Billion to the national economy and creates more than 188,000 jobs to communities across the country, according to Dairy Deliver, International Dairy Foods Association’s (IDFA’s) economic impact tool.” Source: IDFA

Investing

- “On average, since the early 1800’s, stocks have returned 6.7% after inflation. Bonds came in at 3.5%, Treasury bills at 2.6%, gold at 0.5%, while the dollar actually depreciated by 1.4%. That means \$1 invested in stocks over that time would have turned into \$1.4 million while the same dollar

in bonds would have become \$1,599 and T-bills would be worth \$263. Gold clocks in at \$3.09 and if you held onto that dollar, it would now be worth 0.95 cents.” Source: Wharton, September 18, 2018

- “Few stocks, large impact – The 10 largest stocks in the S&P made up 21% of the total stock market capitalization of the index as of 6/30/18. Thus, 2% of the stocks in the index (i.e. 10 stocks out of 500) represent 21% of the total value of the index. The S&P 500 is a market-cap weighted index. "Source: S&P
- “Underperformed – CalPERS, the largest state pension fund in the country with assets of \$355 billion, gained +5.6% per year for the 10 fiscal years ending in 6/30/18. CalPERS lowered its assumed rate of return (i.e., its discount rate) from 7.5% in fiscal year 2017 to 7.375% for fiscal year 2018, a change that forced the fund to increase the state’s annual contribution to pensions by \$521 million to \$5.9 billion.” Source: CalPERS

No Place To Spend It

What if you made a lot of money each year but had no way to spend it? That’s the case of a number of celebrities who have died but continue to earn tons of money. Forbes magazine listed the top ten. Here they are in order of earnings.

Personality	Profession	2017 Income
Michael Jackson	Musician	\$75 Million
Arnold Palmer	Golfer	\$40 Million
Charles Schultz	Cartoonist	\$38 Million
Elvis Presley	Musician	\$35 Million
Bob Marley	Musician	\$23 Million
Tom Petty	Musician	\$20 Million
Prince	Musician	\$18 Million
Theodore “Dr. Seuss” Geisel	Author	\$16 Million
John Lennon	Musician	\$12 Million
Albert Einstein	Scientist	\$10 Million
David Bowie	Musician	\$9.5 Million
Elizabeth Taylor	Actress	\$8 Million

More Factoids

- Over the past six years, at least 259 people around the world have died while taking selfies. Drowning was the leading cause, followed by incidents involving transportation – such as taking a selfie in front of an oncoming train. Other events included falling from cliffs, waterfalls, and buildings. Source: The Week, October 4, 2018
- Before 1800, no country in the world had an average life expectancy at birth beyond 40. Today there is not a country that does not. Source: The Economist, July 6, 2017
- I'm all done with my work – An average American worker has increased his/her productivity by +101% in the last 40 years, i.e., an average worker can complete in 1 hour as of 12/31/17 the same amount of work that it took him/her 2 hours to finish as of 12/31/77. Source: Department of Labor.
- You promised – The Western Pennsylvania Teamsters and Employers Pension Fund have filed in early November 2018 for an approval from the Treasury Department to reduce pension benefits by up to 30% to more than 21,000 current retirees. The pension fund, with more than 700 million of assets, is forecast to be insolvent by 2029 without the reductions. The pension cuts would begin 8/1/19. Source: Pittsburgh Post-Gazette
- Own a lot – The Federal Government owns 28% of the land in the United States, including 85% of Nevada and 65% of Utah. Source: Congressional Research Service.
- Shrinking – Detroit was the 5th largest city in the United States, in 1950 with 1.9 million people. Detroit is currently the 23rd largest city in the United States with 673,000 people. Source: Census Bureau.
- Growing – Phoenix was the 99th largest city in the United States in 1950 with 107,000 people. Phoenix is currently the 5th largest city in the United States with 1.6 million people. Source: Census Bureau.
- A Canadian psychologist is selling a DVD that teaches you how to test your dog's IQ. Here's how it works. If you spend \$12.99 for the DVD, your dog is smarter than you. Source: Jay Leno

The Most Productive

One of the measures of economic success of a country is Gross Domestic Product. That number represents the total value of everything produced in that country. This data is from Forbes Magazine 3-31-18. The numbers are in U.S. dollars.

Country	GDP (\$ Trillions)	Population	GDP Per Person
Australia	1.4	25 Million	\$56,000
Brazil	2.1	209 Million	\$10,048
Canada	1.6	37 Million	\$43,243
China	12.3	1.4 Billion	\$8,785
France	2.6	65 Million	\$40,000
Germany	3.7	83 Million	\$44,578
India	2.6	1.3 Billion	\$2,000
Indonesia	1.0	264 Million	\$3,787
Italy	1.9	61 Million	\$31,148
Japan	4.9	127 Million	\$38,582
Russia	1.6	144 Million	\$11,111
South Korea	1.5	51 Million	\$29,412
Spain	1.3	47 Million	\$19,697
United Kingdom	2.6	66 Million	\$39,383
United States	19.4	325 Million	\$59,692

Notes and Quotes

According to Albert Einstein:

“Logic will get you from A to B. Imagination will take you everywhere.”

“Science without religion is lame, religion without science is blind.”

“Anyone who has never made a mistake has never tried anything new.”

“Try not to become a man of success, but rather try to become a man of value.”

Wall Street Rewards

Have you joined the Wall Street Rewards Program yet? Maybe you haven't even heard of it. It has to do with buying and selling after certain moves in the market. We are going to illustrate this using the Standard & Poors 500 Index. This index is a capitalization weighted price index composed of 500 widely held common stocks. It is unmanaged and one is not able to invest directly in an index. The source of the numbers is the Hartford Group.

There are two ways to play the rewards program. To illustrate, you start with \$10,000 on 12/31/77. Every time the index moves down 8 percent or more in a month, you take an action. The first way to play is to move \$2,000 out of the index into US Treasury bills on each move down. The second way to play is to add \$2,000 to the market on each 8% decline.

Here are the results as of 12/31/18

1. The apprehensive investor who moved money out on the down moves ended up with \$376,371.
2. The opportunistic investor who moved money in on the down moves ended up with \$1,357,847.

Which rewards program do you prefer?

Facts and Figures

Security threads on bills glow in different colors in order to spot counterfeit money. Under U/V light the:

\$5 bill glows blue

\$50 bill glows yellow

\$10 bill glows orange

\$100 bill glows pink

\$20 bill glows green

Footnotes

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