

the BENCHMARK

Newsletter



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Myra O'Dell summarizes the market action of 2018 and offers perspective for long-term investors.



Negative Markets & Volatility Create a Perfect Storm for Investing Mistakes

By Nick Clay

The year 2018 provided plenty of market volatility with extreme moves up and down in both the stock and bond markets. Most analysts agree this trend will continue into 2019. The

first couple weeks of December were a microcosm of 2018. The stock market hit new lows for 2018 in December, although the year ended slightly above those lows.

As we enter 2019, an important topic comes to mind: timing the market.

If you have a crystal ball you may ignore this article, and now would be the time to pull it out. In fact, if you have a crystal ball, I would like to borrow it! For the rest of us, it is time for a reminder about the benefits of staying the course with your investment plan.



Welcome Jeff Burgess

BCS Wealth Management welcomes Jeff Burgess to our team as a financial advisor. Jeff joined our firm in November. He has over 20 years of experience as a financial advisor. He previously worked with several teams in the banking industry, and he is excited to bring that knowledge and experience to BCS Wealth Management.

Jeff holds his Series 7, 66, and 26 securities licenses. He also holds Life and Health Insurance licenses. Jeff started his career at First Union National Bank in Virginia. After leaving First Union, Jeff worked for several large national banks in wealth management.

Jeff attended ETSU and Milligan

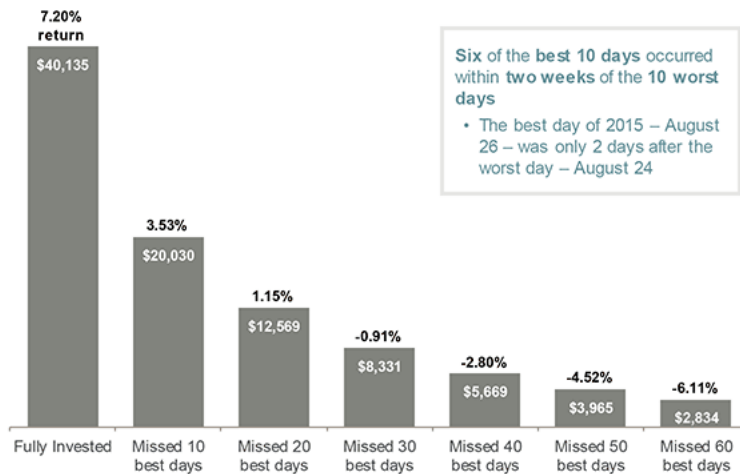
College. He is a lifelong citizen of Johnson City. He is passionate about helping individuals and families in his hometown reach their financial goals. One aspect of financial planning that Jeff particularly enjoys is retirement planning. He believes retirement is an ever-changing goal. He believes an advisor with experience in this area can help create and implement a meaningful plan.

In his free time, Jeff enjoys spending time with Jennifer, his wife of 24 years; Carly, his adult daughter; and his five dogs. Jeff and Jennifer advocate for homeless animals in the area and enjoy working with the Humane Society. He loves running, boxing, and working out in his home gym.

Impact of being out of the market

Returns of the S&P 500

Performance of a \$10,000 investment between January 1, 1998 and December 29, 2017



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In periods of heightened volatility it is common to get emotional about your investments. However, sometimes being too emotional can lead to making mistakes. One common area of concern during negative market trends and during market volatility is many people check their account balance(s) more than usual – often daily. Checking your account balance(s) on a more regular basis often prompts you to think you need to make changes. Checking numbers too often makes it difficult to accurately interpret trends; it puts too much focus on the “now” and takes the focus off of your long term investment goals.

During periods of volatility, a natural response can be to sell out of your riskier investments and seek safety in safer investments or cash. Unfortunately, this can be a big mistake because often the best days occur close to the worst days during periods of market volatility. Here are some statistics to keep in mind:

- S&P 500: eight of the 10 best days in the past 10 years occurred within one month of the 10 worst days.*
- If an investor missed the five best

days over the past 10 years, they may have lost 32% of their total return.*

- Since January 1, 1998, six of the best 10 days occurred within two weeks of the 10 worst days.**

Take a look at the chart above. This chart shows data from January 1998 to December 2017, assuming you made a \$10,000 investment on January 1, 1998. It shows the consequences of trying to time the market.

- Some of the events that triggered fear for many investors in this time period include the tech bubble and bust, 9/11, the wars in Iraq and Afghanistan, the housing boom and bust, and the Great Recession and recovery.**
- After an initial \$10,000 investment in the stock market, this investor stayed the course and in 20 years of being invested the account grew to \$40,135.**
- If an investor got out of the market and missed only the 10 best days in the last 20 years, their investment return was slashed in half! Remember, the best days are often on the heels

of some of the worst days, so this was unfortunately a common mistake for many investors.

- The chart illustrates the devastating outcome of missing out on more than the 10 best days by sitting on the sidelines for a prolonged period of time.

While diversification is important to a stable financial plan and future, you cannot reap the rewards of the market if you are not participating in it. Timing the market is not a prudent strategy for a financial plan, especially a retirement plan. Some of the best things you can do to weather the proverbial market storms are to save enough, diversify, rebalance, and stay committed to your plan by staying invested.

As we welcome the New Year and near the end of an economic cycle, I believe it is a great time to reassess your risk tolerance and make sure your investments line up with your risk tolerance appropriately. By reassessing your risk tolerance you might find it is time to rebalance your portfolio, especially if it has been more than a year or two. This rather simple exercise can provide peace of mind and confidence in your financial plan.

*O'SHARES Investments. Data from Bloomberg as of 11/30/2018.

**Chart and comments from JP Morgan's "Guide to Retirement". Data from Bloomberg as of 12/29/2017.



Nick is the managing partner of BCS Wealth.

Isaiah 117 House: A Success Story Expands

By Nathan Goodwin and Philip Bachman

BCS Wealth Management is proud to support the Isaiah 117 House. The Isaiah 117 House is a local nonprofit dedicated to meeting the needs of children who are awaiting foster care placement. The house provides a comforting place where children who have been removed from their homes can have a safe, friendly, and loving atmosphere. The house is a more comfortable environment than the Department of Children's Services offices, which is where the children generally otherwise would wait.

The Isaiah 117 House volunteers provide clean clothes, toys, blankets, and

– most importantly – smiles. They help the children to receive the comfort and care they need while DCS staff are able to do the necessary paperwork and identify a good foster placement. The house also provides comfortable overnight accommodations for the kids.

The organization began in 2017 under the leadership of Ronda Paulson, its Founder and Director. The name of the organization references Isaiah 1:17, which says: "Defend the cause of the fatherless." This scripture serves as the inspiration for the ministry. The Isaiah 117 House owns and operates a home in Elizabethton, Tennessee, which serves Carter, Unicoi, and Johnson Counties. The house is the result

of an outpouring of gifts and support from community members.

The organization has a vision to expand to serve Washington County, Tennessee and beyond. Ronda Paulson comments, "We would love to see a Washington County house open in the Jonesborough area in the next year. We are really praying that the right people step up and help us make this dream a reality!" Towards that end, fundraising is currently in progress to open a second home in Limestone, Tennessee to serve Washington and Greene Counties. For more information about the ministry, please visit isaiah117house.com.





Mind the Life Insurance Gap

By Paul Hoilman

The phrase that the London Underground made famous, “Mind the Gap,” warns subway passengers of the space between the train door and the station platform. Using the analogy of a subway, what is a “gap” that we financial planners believe is important to remind people about and bring into discussion?

It is the life insurance gap. The life insurance gap is the difference between someone’s current life insurance coverage and the amount their survivors would need in the event of a death. This gap places many families at risk of not attaining their financial goals if a family member were to die unexpectedly or prematurely. New York Life’s 2018 Life Insurance Gap Survey reports that a high proportion of people across age groups have a coverage shortfall.

The Survey finds that only 10% of Millennials (anyone born between 1980 and 1996) have enough life insurance in place to cover self-reported family protection needs should they die. Having an average of \$100,000 in life insurance protection but average self-reported coverage needs of \$452,000, the shortfall among Millennials averages over \$350,000. This

represents a 78% shortfall in life insurance coverage.

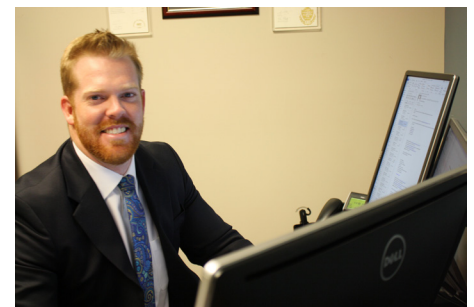
Gen Xers (born between 1965 and 1980) reported a 48% coverage shortfall. Their average amount of current life insurance coverage is \$272,000, compared with reported needs of \$525,000. Baby Boomers also reported a coverage shortfall of 37%. They reported having \$190,000 of coverage, while needing \$300,000 on average.

In order to evaluate your potential gap, first think about current circumstances, financial goals, lifestyle, and family. How much would your family need on a bi-weekly, monthly, or annual basis to remain on track towards your financial goals? Would your liquid assets plus current life insurance coverage, minus current debts, provide enough liquidity to meet this recurring income need? How long will your family need this income stream?

There are a lot of factors to consider when answering these questions. It can be overwhelming, not to mention morbid, to think about. One of the best places to start is with current income and future expectations. For most of us, when we “stop,” our income does too. Life insurance can be used to help replace the income

that we would no longer be able to generate from the grave.

While the size of this gap may seem significant, protecting it with life insurance is simple and usually inexpensive. For help with any of these questions, calculating your insurance needs, or reviewing your current life insurance policies, feel free to give us a call or send an email to insurance@bcswwealth.com. While these thoughts can be challenging to work through, the peace of mind that comes from “minding the gap” is almost always worthwhile.



Paul would be happy to review your existing policies, make recommendations, and answer your questions.



2018: A Recap of the Highs and Lows

By Myra O'Dell

With 2018 coming to a close and 2019 just beginning, it is time to take a look at what happened over this past year. The stock markets lost ground for the year. A popular gauge of the U.S. stock market, the Dow Jones Industrial Average, ended down 5.6%. Meanwhile, the year provided plenty of ups and downs.

2018 was a year of firsts... some good, some not so good.

- The Dow crossed 26,000 for the first time as U.S. equities rallied to start the year. Stocks gained 7.5% in the first three weeks of the year, which is one of the best starts on record. Another rally in the 3rd quarter led stocks to new highs, with U.S. equities posting a year-to-date gain of 11.2% by late September.
- After several years of below-average volatility, 2018 marked a change in that trend. The year included two corrections in one calendar year for the first time in more than a decade. Stocks dropped 10% in February as investors worried about rising interest rates, and then fell into correction again toward the end of the year due to worries over Fed rate hikes, trade disputes and a global slowdown.

- After big swings into both positive and negative territory, the U.S. stock market finished 2018 in negative territory, ending a nine year streak of annual gains. Since this expansion began in 2009, the S&P 500 has returned more than 350%, one of the strongest bull-market gains in history. Even with the recent drop, stocks have still posted gains of 15% over the past two years, 29% over the past three, and 50% over the past five.
- Interest rates were a key story in 2018 and will likely remain so in 2019. The

Fed hiked short-term rates four times this year, the most in one year since 2006. The 10-year yield reached 3.24%, the highest since 2011, early in the year before dropping back below 2.75% by year-end. Despite negative market reactions, there are some positives. First, Fed rate hikes are the result of a healthy economy. Second, 10-year rates are still historically low. Third, there may now be more wiggle room available in the event that rates need to be reduced again.

Did You Know?

Only four times in the past 92 years has the S&P 500 had consecutive yearly losses: 1929-1932 • 1939-1941 • 1973-1974 • 2000-2003

Market Returns

Major Stock Indexes	4th Quarter 2018	2018
DJIA	-11.8%	-5.6%
Nasdaq Composite	-17.5%	-3.9%
S&P 500	-14.0%	-6.2%
Russell 2000	-20.5%	-12.2%
Global Dow	-12.3%	-12.1%
Japan: Nikkei 225	-17.0%	-12.1%
Stoxx Europe 600	-11.9%	-13.1%
UK: FTSE 100	-10.4%	-12.0%
Major Bond Index	4th Quarter 2018	2018
Bloomberg Barclays US Aggregate (Total Return)	1.6%	0.0%

If you watch the news, you have likely heard the terms bear market, market correction, and recession of late. Here is what those terms mean. A bear market is typically considered to have begun when a major index falls by more than 20% from its recent peak, while a market correction is typically considered to have occurred when an index declines by more than 10% and less than 20%. A recession is a period of temporary economic decline during which trade and industrial activity are reduced, generally identified by a fall in GDP in two successive quarters.

There have been 22 market corrections since November 1974, and only four of

them became bear markets (which began in 1980, 1987, 2000 and 2007). Since 1966, the average bear market has lasted just under 17 months, far shorter than the average bull market at 73 months. And they often end as suddenly as they begin, with a quick rebound that is very difficult to predict. That is why long-term investors are usually better off staying the course and not pulling money out of the market.

We continue to monitor the current events but believe that you are more likely to reach your financial goals if you stick with your plan. That means staying invested according to your risk tolerance, time horizon, and target allocation. We are here

to help you stick with your plan during these volatile market conditions.



Myra, Nick, and Nathan attended the annual Schwab conference in Washington DC.



Wishing you good health and prosperity in the New Year!

BCS Wealth Management is an independent financial planning firm in Johnson City, TN. We help individuals, families, and businesses reach goals important to their financial wellbeing. We provide investments and financial planning, insurance, and group benefits.



2019 Sees an Increase in Contribution Limits

	2019	2018
IRA	\$6,000	\$5,500
Catch-up contribution age 50 and older	\$1,000	\$1,000
Defined contribution max employee deferral (401(k) or similar)	\$19,000	\$18,500
Catch-up contribution age 50 and older	\$6,000	\$6,000
SIMPLE IRA	\$13,000	\$12,500
Catch-up contribution age 50 and older	\$3,000	\$3,000
SEP IRA	\$56,000	\$55,000
Capped at 25% of pay, up to these limits		

Movie Event on February 20

BCS Wealth Management invites you to a private movie event on Wednesday, February 20! We have reserved an auditorium at Real to Reel in Johnson City. The movie will begin at 1:00pm. Guests are encouraged to arrive at 12:45pm. We will be showing the 2016 film "Collateral Beauty" starring Will Smith. Theater entrance and refreshments are compliments of us. If you or a guest plan to attend, please RSVP by Monday, February 18 to Kim at kblankenstein@bcswealth.com or 423-283-9821. Real to Reel is located at 130 W. Springbrook Dr. in Johnson City.

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