

# the BENCHMARK

Newsletter



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# Analysis of the First Quarter of 2019



By Nathan Goodwin

With the markets posting negative returns in 2018 (DJIA down 5.6%, S&P 500 down 6.2%), it was nice to see a strong rebound in the first quarter. The Dow Jones Industrial Average was up 11.2%, and the S&P 500 increased 13.1%.

Let's take a look at some of the highlights:

- The S&P 500 had the best first quarter since 1998.
- Technology stocks led the way with the NASDAQ gaining 16.5%.
- Healthcare and Financials lagged behind but still posted positive gains, 6.1% and 7.9% respectively.
- The Fed took a dovish stance on interest rates. Some analysts predict the next move could be a decrease instead of an increase in rates.
- The 10-year Treasury yield dipped below the 3 Month T-Bill for the first time since 2007. Many argue as to whether this signals an upcoming recession. However, the inversion quickly turned positive and has not crossed again.
- News of a possible U.S. and China trade resolution provided a catalyst for higher markets.

It's exciting to see the rebound to near all-time market highs, but what now? Are we at the end of this long economic cycle? This seems to be the

question on everyone's mind. While no one knows the answer, many are looking to earnings for guidance. Earnings estimates have been decreasing, but lower interest rate expectations have supported market levels. Another reason earnings revisions have not caused lower markets is the fact that revenue growth is still projected to be positive, with estimates between 4.3% and 4.8% for all four quarters of 2019. Slowdown fears persist outside the U.S. as well, with global manufacturing PMI hovering close to contraction levels. Keep in mind, however, that a slowdown does not mean the economy has stopped growing, at least not at this point.

We say it often, but in uncertain and volatile times it's important to stick to your plan and stay the course. History shows that investors lose far more in the long run by trying to avoid the market drops, compared to staying invested. This is why studies have shown that the average investor does not earn the returns of the market in general. Think about that.

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. While there is no guarantee that the rarity of consecutive market declines will continue, this shows that more times than not the market does move in our favor.

As we put tax season in the rear view mirror, stayed tuned for exciting news from us for upcoming events and upgrades we're making to better serve you.



Major Stock Indexes	1st Quarter 2019	Year End 2018
DJIA	11.2%	-5.6%
Nasdaq Composite	16.5%	-3.9%
S&P 500	13.1%	-6.2%
Russell 2000	14.2%	-12.2%
Global Dow	9.7%	-12.1%
Japan: Nikkei 225	6.0%	-12.1%
Stoxx Europe 600	12.3%	-13.1%
UK: FTSE 100	8.2%	-12.0%
Major Bond Index	1st Quarter 2019	Year End 2018
Bloomberg Barclays US Aggregate (Total Return)	2.9%	0.0%



## Nick Clay Earns AIF® Designation

Nick Clay has been awarded the Accredited Investment Fiduciary® (AIF®) designation from the Center for Fiduciary Studies®, the standards-setting body for Fi360. The AIF designation signifies specialized knowledge of fiduciary responsibility and the ability to implement policies and procedures that meet a defined standard of care. The designation is the culmination of a rigorous training program and

exam. To receive the AIF Designation, the individual must meet prerequisite criteria based on a combination of education, relevant industry experience, and/or ongoing professional development, complete a training program, successfully pass a comprehensive, closed-book final examination under the supervision of a proctor and agree to abide by the Code of Ethics and Conduct Standards.



## Paul Hoilman Earns CFP® Designation

Paul Hoilman has been awarded the Certified Financial Planner™ (CFP®) designation by the Certified Financial Planner Board of Standards, Inc. The CFP® designation is largely recognized as the highest standard in personal financial planning. To attain the certification, the candidate must complete the required educational, examination, experience and ethics requirements set forth by CFP Board. Certain designations, such as the CPA, CFA and others may satisfy the education component, and

allow a candidate to sit for the CFP® Certification Examination. A comprehensive examination tests the candidate's ability to apply financial planning knowledge to client situations. Qualifying work experience is also required for certification. Qualifying experience includes work in the area of the delivery of the personal financial planning process to clients, the direct support or supervision of others in the personal financial planning process, or teaching all, or any portion, of the personal financial planning process.

## BCS Wealth Welcomes Scott Hoilman and Carolyn Kerr



Scott Hoilman has joined BCS Wealth Management as an Insurance Consultant. Scott graduated Summa Cum Laude from East Tennessee State University in 2017 with a Bachelor of Science Degree in Mathematics with a Statistics Concentration and a Minor in Economics.

Scott played baseball in college. He played baseball for Surry Community College then transferred to ETSU to play and finish his degree. He is

currently a private instructor and head coach for RBI Tri-Cities.

Scott is eager to combine his passion for helping people and his strong analytical background. Scott is a member of Central Church of Christ in Johnson City and enjoys baseball, hiking, ping-pong, and snowboarding.



Carolyn Kerr has joined BCS Wealth Management as an Administrative Assistant. Carolyn has been in office administration for over 30 years in the medical field. She received her Associates of Science in Medical Assisting from Bristol College.

Carolyn is active in our community. She currently serves as Youth Program Director for Piney Flats United Methodist Church and helps with children's

programming and Family Promise. She also has volunteered with United Religions Initiative, Habitat for Humanity, the Appalachian Fair, the Girl Scouts, the American Red Cross, the International Friendship Program through ETSU, and the Remote Area Medical Free Healthcare Clinic.

She and her husband have been married for 31 years and have one daughter.

# Client Spotlight: A Local Restaurant Owner Makes a Difference

We opened our first two stores (Barberitos Peoples St. and Zaxby's Greeneville) fifteen years ago followed by our State of Franklin Barberitos in 2014. Most recently, we've opened Barberitos of Bristol in March of this year. My wife, Pam, handles the majority of accounts payable, as well as impromptu counseling sessions with teens and early twenty-somethings trying to sort out that tough stage of life. My sister, Tracy, a former educator in Georgia came on board late 2018 and is doing outstanding work in the catering and marketing departments of our business. Also, each of my 5 kids have worked in some capacity in the restaurants either by choice or "forced labor" since restaurant work is such a great place to pick up valuable life skills.

What's changing in my biz? The greatest change I've seen in the past 15 years is the millennial generation asking, in so many ways, why we're doing what we're doing. Fortunately, the answer to that question lies somewhere around our sweet spot. We have little corporate influence on the Barberitos side, so we've been left to our own devices to define the what and whys.

I feel the answer to that question will determine the health of every facet of our business. We spend quite a bit of time and money communicating the importance of creating God-honoring, memorable experiences for every guest, vendor, and team member that walks through our doors. The millennials, as well as those with us outside of that generation, appreciate that there's much more at play. We like to say it's "bigger than the burrito."

As for our community, we've partnered with several organizations over the years, but lately I've been more prone to connect with individuals I know who are grinding it out in the trenches with the broken and not getting a lot of attention for it. If I'm completely transparent, I'm really not that plugged in to our community. I don't make the social publications very often and here's why. During one of our leader meetings 8 years ago, our young management team charted out on graphs their highs and lows of life from as far back as they could remember to the present. The intent was just a simple relationship building exercise. Turns out I was shocked, humbled, and deeply saddened by



the stories that were shared. By their outward appearances I'd assumed most of our teen and twenty-something leaders had led normal, uneventful lives. I couldn't have been more wrong. Each took turns sharing, and by the end there wasn't a dry eye. Abuse, death, divorce, guilt, and shame dominated the points on the graphs. At that point the Lord - however He communicates - said I'll take care of the business, you take care of your people. For us that's meant learning to be honest with each other, growing in humility, constantly improving our skill sets, and building relationship skills. Without question the process is frustrating, life-giving, discouraging, moving, even exhausting, at times. The grand hope is that we'll launch our people into healthy relationships and see those graph results flipped for the remainder of their lives. This is where my community lies, and it's why we do what we do.

I am incredibly grateful for my friend Mike Eddy with BCS. He's helped with so much more than accounting. Over the past 15 years Mike has come alongside to coach me professionally through some highs and pretty extreme lows. He's as solid and steady as they come. I've always been coached to operate in my strengths, and numbers isn't one of them! Trusting Mike, Nick, and the BCS team has afforded us the opportunity to focus on keeping it "bigger than burritos." -Andy Osbolt





## Get Your House in Order: Financial Spring Cleaning

By Jeff Burgess

It is a typical American tradition to participate in spring-cleaning projects around the house. The spring season is a time to reorganize and de-clutter your personal space to ensure it is comfortable and represents your goals/ambitions. As you get your house in order, consider extending the same productive zeal to your finances – there is no time like the present!

Rather than buckets and mops, all you need are your bank and investment statements, quality time, and maybe an advisor. An annual review of your finances helps keep your plans sensible and protects you from making dire financial mistakes. Below are a few areas to consider for your spring cleaning.

### Review Retirement Planning

Are retirement savings one of your financial priorities? If not, this is a great time to catch up if you're still working. In addition to the motivation that's floating in the spring air, the Internal Revenue Service (IRS) made some adjustments to retirement contribution limits that may be an advantage to your plans. Here's a breakdown of a few 2019 changes for retirement contributions:

- The contribution limits for the 401(k),

403(b), most 457, and Thrift Savings Plan will increase to \$19,000 from \$18,500 in 2018 and \$18,000 in 2017.

- For the first time since 2013, the maximum amount you can put in an individual retirement account increased from \$5,500 to \$6,000 in 2019.
- Catch-up provision amount remains unchanged at \$6,000 (employee plans) and \$1,000 (IRAs) if you're 50 or older.
- SIMPLE IRA contribution limits increased to \$13,000 from \$12,500 in 2018 while the catch-up allowance remains unchanged at \$3,000.
- The Social Security Administration increased retirement benefits by a 7-year high of 2.8%.

The above changes mean that you can now save more for retirement. So, are you maximizing your contributions? How much are you contributing to your workplace retirement plans? Do you have the right mix of assets? These are all important questions to reflect upon during this spring period. Secure your future by making appropriate decisions and investments.

### Always Have a Budget

All sound financial decisions start with setting a target. A budget reduces the risk of unexpected expenses and helps you achieve your financial goals. It ensures that

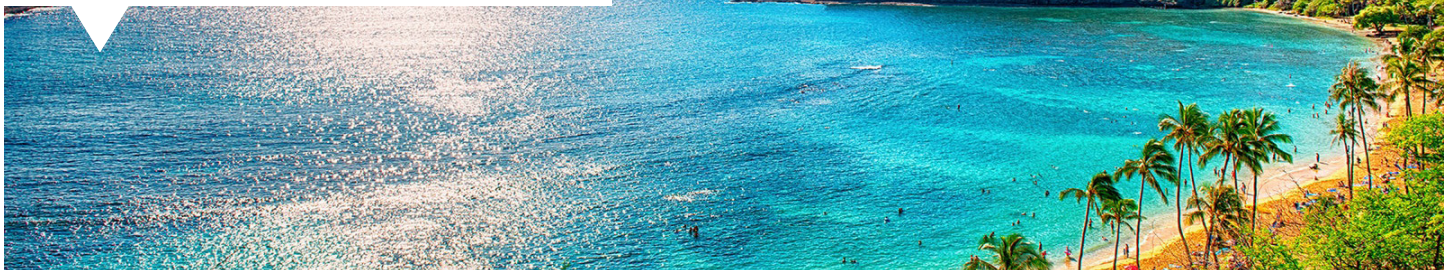
you have enough income to cover your expenses, enough savings to cover emergencies, invest, and even go on vacation. If you don't have a budget, spring is an ideal season to sit down with your family and/or financial advisor to formulate a budget for various spending goals. Philip Bachman discusses this in more detail on page 7.

However, you should not “set and forget” your financial plans. Depending on your longer-term retirement plans, tax-optimization strategies, investment strategies, and ability to save, you may need to adjust your budget to reflect the changes in your life situation. Take a moment to review your financial needs and ensure that they align with your financial goals and circumstances.

Cleaning-up your finances this spring should leave you feeling confident and refreshed that your physical and financial houses are in order.



# The Basics of Successful Budgeting



By Philip Bachman

Spring and summer are my favorite seasons of the year. The green leaves and warm weather bring me gladness. I also look forward to summer vacations. But unlike budding trees and warm temperatures, a summer vacation takes a lot of planning.

One of the questions about a vacation is: what's in the budget?

Perhaps the single most fundamental part of financial planning is having a budget – not only for vacation expenses but everything else too. A budget is a written plan that helps you keep track of how much you earn (your income) and how much you spend (your expenses). It clarifies exactly where your money is going.

Whether you're a low-earner or a high-earner, budgeting is important if you want to have a handle on your finances. Here are some basic steps to creating and sticking with a budget:

## Record all of your sources of income.

If your income is in the form of a regular paycheck where taxes are automatically deducted, then using the net income (or take-home pay) amount is fine. If you are self-employed or have any outside sources of income, be sure to record these as well.

## Make a list of fixed monthly expenses.

Write down all of your non-discretionary monthly expenses. These are things such as mortgage or rent, car payments, other loan payments, utilities, insurance,

groceries, and gas.

## Make a list of variable monthly expenses.

Write down your discretionary spending. Examples of these expenses are club dues, subscriptions, travel, entertainment, dining out, and gifts. Since some of these expenses fluctuate, a convenient way to average them is to review credit card statements and bank statements over the past 12 months.

Tip: For both fixed and variable expenses, don't forget to include quarterly, semiannual, or annual expenses. These include things like any insurance payments not paid monthly, annual car registration renewals, and annual property taxes. You can divide up these expenses into monthly numbers to add into your budget.

## Add up the totals, and study your list.

Are the total expenses more than or less than your income? If you're in a situation where expenses are higher than income, begin by looking at your variable expenses to find areas to cut. Since these expenses are typically non-essential, it should be easy to shave a few dollars in some categories to improve your budget.

Tip: For example, a few ways people trim variable expenses are by stopping unused gym or club memberships, eating out less often, and cutting back on attending concerts or sporting events.

How much to budget in different categories? Everyone's situation is different. However, here's a rule of thumb:

Housing:	25-35%
Transportation:	10-15%
Insurance:	10-20%
Investments/Savings:	10-20%
Food:	10-15%
Giving:	10%
Utilities:	5-10%
Entertainment:	5-10%
Personal/Misc.:	5-10%

## Review Your Budget Monthly.

The end result should be a realistic budget that helps you to stay disciplined. Therefore, making a budget is just the beginning. The budget's true benefit comes from following it and tracking your progress over time. You could use the pen-and-paper method, make a spreadsheet, or use a budgeting app like Mint or Dave Ramsey's EveryDollar.

Remember: what we don't spend, we can save. A good budget promotes saving, whether it be for building up an emergency savings fund, investing for retirement, or saving for anything else.

Budgeting is not about limiting the fun in life. Rather, it's about being efficient with our money so that we have the flexibility to have more fun. So... let's save for an awesome summer vacation!



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