

# BEDEL FINANCIAL CONSULTING, INC.

Financial Planning and Investment Management

## Winter 2017 Dow Jones: 20,000

By: Austin Stagman  
Investment Analyst

Let's face it. Investing in the stock market can be stressful. People often lose sleep worrying about their hard-earned cash dropping in value, especially with The Great Recession of 2008 still fresh in their minds.

Since 2008, other events have given investors reasons to pull their money out of the stock market. However, one aspect of the stock market has remained consistent—it has continued to rise. Not all the time, and certainly not in a straight line, but it has gone up.

In late January 2017, the Dow Jones Industrial Average reached 20,000! This reinforces our oft-repeated mantra: A long-term approach to investing, combined with patience and calm nerves, gives you the greatest chance to build wealth. Even during times of fear and volatility, it's important to stay calm and stick to your investment plan.

### Stay Calm...

Money is an emotional topic, and too many of us let our emotions take over when investing. Trying to determine the timing of the market highs and lows is dangerous. Take the 2008/2009 financial crisis, for example. On March 9, 2009 the Dow experienced its lowest close of the Great Recession at 6,547 points. At that time the future looked uncertain.

Now, just eight years later, the Dow has reached 20,000. If you had acted on your fears and stayed out of the market during that time period, you would have missed one of the largest bull markets in history. Even with this massive bull market run, it's still been a bumpy ride.

We've experienced the Fiscal Cliff (2013) and the threat of a government shutdown, Crimea and the standoff between Ukraine and Russia (2014), the Oil Collapse (2015) and Puerto Rico's Default (2016). Here's a look at some of the other major stock market threats over the last eight years.

### U.S. Debt Downgraded (2011)

One of the largest drops in the market occurred in the summer of 2011 when Standard and Poor's downgraded the United States' debt from a AAA rating to AA+. This may not seem like much of a change, but it was the first time since 1941 that the U.S. had not held a triple-A rating. At the same time, a potential European sovereign debt crisis added to concerns and market volatility. Still, after a brief pullback the market recovered, stabilized, and continued to rise.

### European Union Uncertainty (2015)

In 2015, Greece became the first developed country to default to the International Monetary Fund. Fear that this default would spread to other European Union (EU) nations again boosted uncertainty and we saw a short, but sharp, market correction. The Dow had its worst year in 2015 since The Great Recession (down -2.2 percent) with many people wondering if the bull market had run its course.

### Brexit (2016)

On June 23, 2016 the UK unexpectedly voted to leave the EU, a move referred to as Brexit. The surprise result was followed by a sharp decline in world markets because no one knew what the repercussions would be. Countries were

concerned that there could be a potential trade war between the UK and its former EU partners or a domino effect as other EU countries followed suit. But just as quickly as the concerns cropped up, they dissipated. Two days later, markets resumed their upward trajectory.

### President Trump (2016)

Perhaps the biggest surprise of all was the election of Donald Trump to President of the United States. The uncertainty surrounding Trump caused most analysts to predict a decline in the markets. This was evident the night of the election when Dow futures began plummeting as the election results came in. But after the initial sell-off (Dow futures bottomed at -5 percent) markets quickly fought back and were positive on Wednesday. Currently, we remain in what is being called the "Trump Rally" with the Dow reaching 20,000 points.

Times of volatility, uncertainty, and downturns are inherent with investing. It will test your patience! The key is to always stay focused on your long-term goals. Composure during these tough times has historically paid off.

Contact Austin if you have questions or would like additional information regarding this topic.



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Don't forget to sign up to receive our weekly blog at [www.bedelfinancial.com/subscribeblog!](http://www.bedelfinancial.com/subscribeblog!)

# From Elaine

## Exciting Times!



Most of you have heard by now, but for those of you who haven't... On January 5, 2017, Governor Eric Holcomb appointed me to the position of President of the Indiana Economic Development Corporation (IEDC). While I will miss being in the offices of Bedel

Financial every day, I am honored and excited to be chosen to participate in the Governor's cabinet and to lead this important effort.

For those unfamiliar with IEDC, its sole focus is to elevate the economic health of our State and create job opportunities for Hoosiers. It accomplishes this by attracting new business operations and headquarters to Indiana. It also removes barriers to business expansion so our existing firms can thrive and grow. The State has been on a great trajectory and I'm looking forward to continuing this positive trend of more jobs for Hoosiers.

As Bedel Financial clients, you already know I have a great staff! I could consider this appointment only because our firm is in such a great place. Over the past few years, our senior management team and I have worked diligently to prepare a "contingency plan." We've set in place roles and responsibilities that allow the firm to function in all areas if I am not able to participate on a day-to-day basis. Now, the team is prepared to initiate that plan and I am confident all will perform at the highest level.

More importantly each of our clients is served by their own strong team of financial professionals who will continue to do the important work of meeting their planning and investment needs every day. At the core of our business, this is what we do. And that will not change.

As you are reading this, I've already started my new role as IEDC President. That journey began on February 1st! While I truly love this firm and the work we do for you, I also feel a strong commitment to Indiana. I see this opportunity to impact job creation as being crucial to the future

of our State. I'll be sure to keep you updated on the experience.

If you have any questions now, or at any time in the future, please feel comfortable emailing or calling me. I may not respond as quickly as in the past, but I will respond.

Sincerely,

Elaine E. Bedel, CFP®

*Be sure to find us on Social Media!*



## Industry News

### Dreaming of a Second Home?

By: Sarah Mahaffa, CFP®  
Wealth Advisor

We're just about midway through winter. As spring approaches, you may find yourself considering the purchase of a vacation home. According to the National Association of Realtors, in 2015 sales of vacation homes accounted for 16 percent of all transactions, with sales of investment properties representing another 19 percent. But before you buy, you should be aware of the costs, tax impact and estate considerations.

#### Total costs

The largest initial cost is the purchase of the home. Mortgages for non-primary residences typically require a higher down payment and may carry higher interest rates. And don't forget to include additional insurance premiums such as flood, earthquake and hurricane insurance. Insuring a vacation home can cost up to 20 percent more than insuring your primary residence. Some states also impose higher property taxes on non-residents than on residents.

Renting the property can offset some of these expenses. You may even generate a positive cash flow. However, renting also means carrying additional medical and liability coverage. Employing a property manager to address maintenance, marketing and emergencies also increases your costs.

#### Tax consequences

The tax treatment of rental income is based on the number of days the property is rented and the number of personal use days.

If the home is rented for less than 15 days in a calendar year, the rental income is tax-free and both property taxes and mortgage interest are deductible. In this scenario, rental expenses such as utilities, advertising and maintenance are not deductible.

If the home is considered an investment property, certain expenses and depreciation are deductible. However, annual personal use is restricted to 14 days or 10 percent of the total days rented, whichever is greater.

If you rent the home for more than 15 days each year and your personal use is greater than 14 days or 10 percent of total days rented annually,

your income tax benefits are limited. Rental income is taxable and rental expenses are only deductible up to the amount of rental income. Any excess expenses can be carried over to offset future rental income.

#### Estate issues

Review your situation with an estate attorney if your vacation home is in a different state than your primary residence. If the ownership is in your name only, the vacation home could be subject to probate in its respective state.

Selling the property while you are still living will generate a capital gains tax on the amount of proceeds in excess of your purchase price, plus the cost of any improvements.

As you can see, purchasing a second home should not be an impulse decision. It requires diligent research and financial commitment. While it would be enjoyable to escape to your vacation home at a moment's notice, it needs to fit into your overall financial plan.

*Contact Sarah if you have questions or would like additional information regarding this topic.*

# GenerationNeXt

## Taking Care of a Whole New Generation of Wealth Accumulators

By: Abby VanDerHeyden, CFP®  
Financial Planning Coordinator

For parents, the questions never stop no matter the age of your children. Perhaps your new college graduate needs financial direction on what to do with his or her first paycheck? Or your adult child has questions about goal prioritization, such as paying down existing debt versus saving for his or her first home. Maybe your newly married son or daughter has questions related to combining finances with his or her new spouse. Knowing how much things have changed since you were in their situation, would you know the answers? We do. At Bedel Financial, our GenerationNeXt™ Service can answer these questions, and more.

Seven years ago Evan Bedel, CFP®, started GenerationNeXt™. At the time, it was a one-person team. Since then it has grown into a group of young financial advisors led by Evan. Our team consists of Abby VanDerHeyden, CFP®; Anthony Bykovsky, CFA; Anthony Harcourt; Austin Stagman and Kate Arndt. You can learn more about the GenerationNeXt™ team members by visiting [www.bedelfinancial.com](http://www.bedelfinancial.com).

GenerationNeXt™ provides young professionals, between the ages of 20 and 40, guidance on

financial decisions. It is our goal to partner with these future wealth accumulators to assist them in building a strong financial foundation. Our aim is to make a positive impact on young individuals' financial lives and to create ongoing relationships that last over the years.

Like most generations, millennials are more responsive when receiving guidance from a peer rather than from a parent. Evan recognized this and created GenerationNeXt™ to fill this gap. It's a win-win for both generations. Millennials receive solid guidance from financial advisors who are knowledgeable about their needs and concerns—because they are often facing the same issues. And parents get increased peace of mind knowing their children have a trusted advisor to grow with through all their life stages.

The GenerationNeXt™ team creates financial plans geared specifically for future wealth accumulators. While the plans cover traditional topics—goal prioritization, debt reduction strategies, savings strategies, retirement planning, education funding, investment planning, life and disability insurance analysis, and basic estate planning—the GenerationNeXt™ approach takes into account the

priorities, current earning power and tendencies specific to young professionals.

We have additional resources for young adults. The GenNeXt Blog can be accessed on our website. It offers sound financial advice for young professionals on a variety of trending topics. Each quarter, our top blog posts can be found in this section of the Bedel Financial newsletter. So, parents, you can relax! We've got multiple ways for young adults to get their questions answered!

Contact [GenNeXt@BedelFinancial.com](mailto:GenNeXt@BedelFinancial.com) if you have questions or would like additional information regarding this topic.

### Save the Date!

Our annual BFC Shred Day will take place Saturday, April 29th, from 9:00 a.m. to noon. Join us to safely dispose of your old or unwanted documents. More details to follow!

## Q&A Adding Value

By: Ryan Jeffries, CFP®  
Manager of Financial Planning

Many of you already understand the benefits Bedel Financial brings to you in the form of comprehensive wealth management. However, you might not be familiar with the many other ways we provide value to our clients. Here are three of our favorites.

**Q:** What is My BFC Keeper (MBK)?

**A:** Our client vault (My BFC Keeper) is available for all clients who wish to participate. It ensures that private documents can be shared between our clients and their Bedel Financial team in a highly secure way. All communications pass through a secure channel, fully encrypted with keys embedded in a private certificate. It's more secure than email, especially web-based email programs such as Yahoo and Gmail. With MBK, your files are stored on our servers versus in the cloud. Investment reports, insurance policies and estate plans are ideal for safekeeping, but you could also

include copies of passports, real estate transactions or tax returns. And it's mobile friendly, so you can access it on the go!

**Q:** What client events does Bedel Financial host annually?

**A:** The BFC Forum (held each fall) and the Ladies Luncheon (held each spring) are our signature events. Each offers those who attend the opportunity to network and hear insight and opinions from experts in their field. Topics are typically related to wealth planning, investments and financial well-being. Past speakers include: Greg Valliere, chief global strategist at Horizon Investments; Charo Boyd, public affairs specialist at the Social Security Administration; Pamela Everhart, head of Regulatory Affairs for the Public Affairs and Policy Group at Fidelity Investments; and Kathleen Passanisi, speaker, humorist and author. Both events are well attended and often wait-listed.

**Q:** What is the Bedel Barometer?

**A:** In 2009, Bedel Financial identified key areas that have historically been strong indicators of the strength in the U.S. economy. They include:

- Stock market performance
- Consumer spending
- Manufacturing activity
- Consumer price stability
- Housing market
- Volatility
- TED spread (the difference between interbank loan interest rates and short-term U.S. government debt)

We use these indicators to determine what the economy will do in the year ahead. In the short run, the Bedel Barometer should be used as a measure of the overall health of the U.S. economy—not as an indicator of the health of the stock market. Since its inception, the Bedel Barometer has consistently shown a positive score. That suggests the economy was initially moving toward growth and has since sustained that growth.

Contact Ryan if you have questions or would like additional information regarding this topic.

- We'd like to extend a warm welcome to our newest team member, Kristina Dougan. She has joined the Operations Team as an Operations Specialist and Investment Assistant. We're happy to have her with us!
- Save the Date! Our Ladies Luncheon featuring speaker Linda Larsen will be held on Thursday, April 20th. Formal invitations will be mailed out shortly. We hope to see you there!

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## Corporate Calendar

**Bedel Financial Consulting will be closed  
for business on the upcoming days:**

<b>May 29</b>	<b>Memorial Day</b>
<b>July 4</b>	<b>Independence Day</b>
<b>Sept. 4</b>	<b>Labor Day</b>
<b>Nov. 23</b>	<b>Thanksgiving Day</b>
<b>Nov. 24</b>	<b>Day After Thanksgiving</b>
<b>Dec. 25</b>	<b>Christmas Day</b>

Please remember that past performance may not be indicative of future results. You should not assume that any information or any corresponding discussions serves as the receipt of, or as a substitute for, personalized investment advice from Bedel Financial Consulting, Inc. Portfolio Managers. The opinions expressed are those of Bedel Financial Consulting, Inc. and are subject to change at any time due to changes in market or economic conditions.

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