

Financial Focus

A Publication of Fortune Wealth Management, LLC

How Much Risk Can You Take?



Many market shocks are short-lived once investors conclude the event is unlikely to cause lasting economic damage. Still, major market downturns such as the 2000 dot-com bust and the 2008-09 credit

crisis are powerful reminders that we cannot control or predict exactly how, where, or when precarious situations will arise.

Market risk refers to the possibility that an investment will lose value because of a broad decline in the financial markets, which can be the result of economic or sociopolitical factors. Investors who are willing to accept more investment risk may benefit from higher returns in the good times, but they also get hit harder during the bad times. A more conservative portfolio generally means there are fewer highs, but also fewer lows.

Your portfolio's risk profile should reflect your ability to endure periods of market volatility, both financially and emotionally. Here are some questions that may help you evaluate your personal relationship with risk.

How much risk can you afford?

Your capacity for risk generally depends on your current financial position (income, assets, and expenses) as well as your age, health, future earning potential, and time horizon. Your time horizon is the length of time before you expect to tap your investment assets for specific financial goals. The more time you have to keep the money invested, the more likely it is that you can ride out the volatility associated with riskier investments. An aggressive risk profile may be appropriate if you're investing for a retirement that is many years away. However, investing for a teenager's upcoming college education may call for a conservative approach.

How much risk may be needed to meet your goals?

If you know how much money you have to invest and can estimate how much you will need in the future, then it's possible to calculate

a "required return" (and a corresponding level of risk) for your investments. Older retirees who have sufficient income and assets to cover expenses for the rest of their lives may not need to expose their savings to risk. On the other hand, some risk-averse individuals may need to invest more aggressively to accumulate enough money for retirement and offset another risk: that inflation could erode the purchasing power of their assets over the long term.

How much risk are you comfortable taking?

Some people seem to be born risk-takers, whereas others are cautious by nature, but an investor's true psychological risk tolerance can be difficult to assess. Some people who describe their personality a certain way on a questionnaire may act differently when they are tested by real events.

Moreover, an investor's attitude toward risk can change over time, with experience and age. New investors may be more fearful of potential losses. Investors who have experienced the cyclical and ever-changing nature of the economy and investment performance may be more comfortable with short-term market swings.

Brace yourself

Market declines are an inevitable part of investing, but abandoning a sound investment strategy in the heat of the moment could be detrimental to your portfolio's long-term performance. One thing you can do to strengthen your mindset is to anticipate scenarios in which the value of your investments were to fall by 20% to 40%. If you become overly anxious about the possibility of such a loss, it might be helpful to reduce the level of risk in your portfolio. Otherwise, having a plan in place could help you manage your emotions when turbulent times arrive.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

Fortune Wealth Management, LLC

Sonja White, CLU®, ChFC®
President

12222 Merit Drive
Suite 1050

Dallas, TX 75251
972-716-8002 x224
800-288-6845

sonja@fortunewealthmanagement.com
www.fortunewealthmanagement.com

Fortune Wealth Management, LLC (FWM) is registered with the Securities and Exchange Commission as a Registered Investment Advisor. FWM takes a team approach to investment management services. We believe that a successful financial journey is uniquely defined by each individual. Our ability to understand the intricacies of your family's goals, dreams, risk tolerance and timeframes is the cornerstone for us to build a well-defined plan. Our personalized approach in the management of your assets enables us to partner with you and guide you along a successful path.

This material is for informational purposes only, and should not be construed as an offer to sell or solicitation of an offer to buy any security. The information in this material is not intended to be personalized investment advice and should not be solely relied on for making investment decisions.

February 2018

Don't Wait to Ask Aging Parents These Important Questions

What Is Cyber Insurance and Should Your Business Have It?

Why is it important to factor inflation into retirement planning?



FORTUNE
WEALTH MANAGEMENT LLC



The best time to start a conversation with your parents about their future needs and wishes is when they are still relatively healthy. Otherwise, you may find yourself making critical decisions on their behalf without a roadmap.

Note: There are costs and ongoing expenses associated with the creation of trusts.

Note: A complete statement of long-term care insurance coverage, including exclusions, exceptions, and limitations, is found only in the long-term care insurance policy. It should be noted that carriers have the discretion to raise their rates and remove their products from the marketplace.

Don't Wait to Ask Aging Parents These Important Questions

It's human nature to put off complicated or emotionally heavy tasks. Talking with aging parents about their finances, health, and overall well-being might fall in this category. Many adult children would rather avoid this task, as it can create feelings of fear and loss on both sides. But this conversation — what could be the first of many — is too important to put off for long. The best time to start is when your parents are relatively healthy. Otherwise, you may find yourself making critical decisions on their behalf in the midst of a crisis without a roadmap.

Here are some questions to ask them that might help you get started.

Finances

- What institutions hold your financial assets? Ask your parents to create a list of their bank, brokerage, and retirement accounts, including account numbers, name(s) on accounts, and online user names and passwords, if any. You should also know where to find their insurance policies (life, home, auto, disability, long-term care), Social Security cards, titles to their house and vehicles, outstanding loan documents, and past tax returns. If your parents have a safe-deposit box or home safe, make sure you can access the key or combination.
- Do you need help paying monthly bills or reviewing items like credit card statements, medical receipts, or property tax bills? Do you use online bill pay for any accounts?
- Do you currently work with any financial, legal, or tax professionals? If so, ask your parents if they want to share contact information and whether they would find it helpful if you attended meetings with them.
- Do you have a durable power of attorney? A durable power of attorney is a legal document that allows a named individual (such as an adult child) to manage all aspects of a parent's financial life if the parent becomes disabled or incompetent.
- Do you have a will? If so, find out where it is and who is named as executor. If the will is more than five years old, your parents may want to review it to make sure their current wishes are represented. Ask if they have any specific personal property disposition requests that they want to discuss now.
- Are your beneficiary designations up-to-date? Beneficiary designations on your parents' insurance policies, pensions, IRAs, and investment accounts will trump any instructions in their will.
- Do you have an overall estate plan? A trust? A living trust can be used to help manage an

estate while your parents are still living. If you'd like to learn more, consult an estate planning attorney.

Health

- What doctors do you currently see? Are you happy with the care you're getting? If your parents begin to need multiple medical specialists and/or home health services, you might consider hiring a geriatric care manager, especially if you don't live close by.
- What medications are you currently taking? Are you able to manage various dosage instructions? Do you have any notable side effects? At what pharmacy do you get your prescriptions filled?
- What health insurance do you have? In addition to Medicare, which starts at age 65, find out if your parents have or should consider Medigap insurance — a private policy that covers many costs not covered by Medicare. You may also want to discuss the need for long-term care insurance, which helps pay for extended custodial or nursing home care.
- Do you have an advance medical directive? This document expresses your parents' wishes regarding life-support measures, if needed, and designates someone who will communicate with health-care professionals on their behalf. If your parents do not want heroic life-saving measures to be undertaken for them, this document is a must.

Living situation

- Do you plan to stay in your current home for the foreseeable future, or are you considering downsizing?
- Is there anything I can do now to make your home more comfortable and safe? This might include smaller projects such as installing hand rails and night lights in the bathroom, to larger projects such as moving the washing machine out of the basement, installing a stair lift, or moving a bedroom to the first floor.
- Could you benefit from a weekly or monthly cleaning service?
- Do you employ certain people or companies for home maintenance projects (e.g., heating contractor, plumber, electrician, fall cleanup)?

Memorial wishes

- Do you want to be buried or cremated? Do you have a burial plot picked out?
- Do you have any specific requests or wishes for your memorial service?





Forty-eight states and the District of Columbia have laws requiring private or governmental entities to notify individuals of security breaches of personally identifiable information. In addition, the Health Insurance Portability and Accountability Act (HIPAA) requires HIPAA-covered entities and their business associates to provide notification following a breach of unsecured protected health information.

What Is Cyber Insurance and Should Your Business Have It?

Does your company use electronic data? Does it store or communicate potentially sensitive information about customers, employees, or competitors? If so, then a breach of that data could cost your company plenty. Some well-known organizations have experienced data breaches, including WalMart, JP Morgan Chase, Yahoo, eBay, Target, the IRS, and, more recently, Equifax. Unfortunately, just about any size company or organization that retains personal information can be hit with a cyber attack. One way to transfer some of the risk and costs associated with a data breach or network security failure is through cyber insurance.

What is cyber insurance?

Cyber insurance provides protection against potential costs and financial losses resulting from data breaches caused by cyber attacks, viruses, and other threats. It also helps cover third-party lawsuits filed against your company resulting from data breaches or your failure to adequately protect sensitive or confidential information.

What does cyber insurance cover?

While individual policies may differ, cyber insurance can help cover:

- Loss of data: Cyber insurance may help cover the cost of restoring or reconstructing data that was lost, stolen, or damaged.
- Losses from data breach or security failure: Cyber insurance assists in covering some of the costs of investigating how and where the breach occurred; expenses associated with regulatory fines; legal costs of defending against lawsuits and settlement of claims brought by victims whose information was inappropriately accessed, shared, or lost; expenses related to notifying victims of the data breach, such as customers and employees.
- Costs associated with extortion or ransom demands: That's right, often a cyber criminal will demand a ransom or try to extort money from your company in exchange for your data. Cyber insurance covers some of the costs of paying the ransom for the data or for the restitution to victims whose information was captured.
- Losses from business interruption: If your company must close while the data breach is investigated and resolved, cyber insurance can help offset the ordinary costs and expenses of your business during its down time.

Who needs cyber insurance?

Your company or organization may be a candidate for cyber insurance if it does any of the following:

- Sends or receives documents electronically
- Communicates with customers or third parties via email, text messages, or social media
- Stores third-party information on a computer network that may be considered sensitive or private, such as an individual's identity, tax information, income, address, Social Security and/or credit card numbers
- Stores confidential company information or data (e.g., tax documents, sales or marketing figures or projections, trade secrets) on a computer network
- Advertises company services or products via a website or social media

Aren't these risks covered by business insurance?

Unfortunately, most of the risks and losses resulting from data breaches or losses are not covered by standard commercial general liability insurance. In fact, many policies contain a specific electronic data exclusion. In addition, loss or damage to electronic data isn't considered property damage under a business policy, so coverage wouldn't apply.

Questions to think about

Cyber insurance has policy exclusions, terms, and conditions. When thinking about the purchase of cyber insurance, here are some questions to consider:

- What specific risks are covered, and what risks are not covered?
- What deductibles or coverage limits apply?
- Will the insurer require your company to undergo a security risk review?
- Are there security controls your company can adopt that will decrease the premium?
- Will the insurer identify security risks and offer alternatives to minimize or eliminate those risks?

Plan ahead

Cyber attacks and loss of data can be devastating to a business. Plan ahead before a cyber attack occurs. Evaluate your business and determine areas of particular vulnerability. Then create cybersecurity policies and procedures for company employees to follow. Finally, consider the purchase of cyber insurance to help cover at least some of the risks associated with a cyber attack.



**Fortune Wealth Management,
LLC**

Sonja White, CLU®, ChFC®
12222 Merit Drive
Suite 1050
Dallas, TX 75251



FORTUNE
WEALTH MANAGEMENT LLC

This information was developed by Forefield, Inc. an independent third party. It is general in nature, is not a complete statement of all information necessary for making an investment decision, and is not a recommendation or a solicitation to buy or sell any security. Investments and strategies mentioned may not be suitable for all investors. Past performance may not be indicative of future results.



Why is it important to factor inflation into retirement planning?

Inflation is one of the key factors you will need to consider when planning for retirement. Not only will the cost of living rise while you're accumulating assets for retirement, but it will continue to rise *during* your retirement, which could last 25 years or longer. This, combined with the fact that you will not likely earn a paycheck during retirement, is the main reason your portfolio needs to maintain at least some growth potential for the duration of your retirement.

Consider this: If inflation runs at 3% (which is approximately its long-term average, as measured by the Consumer Price Index), the purchasing power of a given sum of money would be cut in half in 23 years. If it averages 4%, your purchasing power would be cut in half in 18 years.

A simple example illustrates the impact of inflation on retirement income. Assuming a consistent annual inflation rate of 3%, if \$50,000 satisfies your retirement income needs this year, you'll need \$51,500 of income next year to meet the same income needs. In 10 years, you'll need about \$67,195 to equal the

purchasing power of \$50,000 this year. And in 25 years, you'd need nearly \$105,000 just to maintain that purchasing power!¹

Keep in mind that even a 3% long-term average inflation rate conceals periods of skyrocketing prices, such as in the late 1970s and early 80s, when inflation reached double digits. Although consumer prices have been relatively stable in more recent decades, there's always the chance that unexpected shocks could cause prices to spike again.

So how do you strive for the returns you'll need to outpace inflation by a wide enough margin both before and during retirement? The key is to consider investing at least some of your portfolio in growth-oriented investments, such as stocks.²

¹ This hypothetical example of mathematical principles is used for illustrative purposes only and does not represent the performance of any specific investment. Note that these figures exclude the effects of taxes, fees, expenses, and investment returns in general.

² All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.