



Blue Bell

PRIVATE WEALTH MANAGEMENT

SUMMER NEWSLETTER 2019

Investing for the Long-Term

As an investor for almost my entire life, and professionally for over 45 years, I find it easy to be a long-term investor. While I find it easy, I understand why so many find it difficult.

The equity markets were on easy street for the first four months of 2019, enjoying strong market returns. Then came May, when markets fell rather sharply over four consecutive weeks. Why? Its simple. In May, there were more sellers willing to accept lower prices. Much of this nervousness occurs when markets are about to reach a new low, but that doesn't necessarily disappear when markets are hitting new highs. Getting frightened out of the stock market, has always been a mistake. Many investors fled the market in 1987 when the Dow Jones Industrial Average was 1,116. Again, in 2009, investors panicked when the DJIA hit a low of 6,443. The Dow closed June 30th, 2019 at 26,599. Unfortunately, when it comes time to buy, many are not emotionally prepared.

My key to successful investing appears simple and straight forward in "good times", but any investment program must include a time-tested strategy. Remember, markets go up, and markets go down over the short-term, but it is usually just loud noise from many outside influences. Fearmongers are everywhere and get great exposure when markets are falling. Human nature is to react to these short-term exaggerations, but in my opinion the price of a company's stock and the stock market overall always falls back to earnings and earnings expectations. Those who have followed this approach have been greatly rewarded.

Naturally all investors are different, but with many common threads. Taking the wrong approach seems to be a path of failure rather than success over the long-term. While interviewing potential clients over the years, I can most often tell what investors will not be a fit for my investing style. Many of these people come to me with unrealistic expectations, which may succeed in the short-run, but successful investing requires a long-term commitment. Many come to me with questions about a "hot tip" they have received, and my answer is usually the same. Can you trust the expertise of the person providing the "hot tip"?

There are still individuals who believe that market timing is the answer, but statistics have proven this to be an unreliable course of action. The same goes for investing in something that you do not understand. There are so many complicated strategies investors are exposed to, while a simple approach may be the answer. If you can't understand the investment, don't buy it. I have come across many so-called experts in the field, who sell products that they do not fully understand. Many, if not most of these "products", come with high fees and commissions, many of which are hidden from the client. There are numerous examples, but be careful of mutual funds, annuities, and insurance products just to name a few. Just remember that things that sound too good to be true usually are.

Over or under diversifying is also a stumbling block for many. You have heard the adage, "don't put all of your eggs in one basket". For many investors, asset allocation is a wonderful strategy, but many are in "cookie cutter" programs where all investors are lumped in to a similar investment style without considering their individual needs. One area of potential concern are strategies which include long-term bond investing. It seems to be a long-term losing strategy (vs. many other investments) with interest rates near record lows and inflation under control. This does not mean that I am opposed to bonds.

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Investing for the Long-Term continued..

Frankly, in the early 1980's, a large portion of my client's portfolios were invested in AAA rated municipal bonds. While it was an excellent strategy with record-high interest rates at that time, adopting a similar program today is fraught with negatives. There are many other stumbling blocks that investors face, which seem to occur repeatedly. I have written about these mistakes in the past including but not limited to: being overly emotional, borrowing money to invest, as well as not truly understanding your investments. Many investors are their own worst enemy.

Why do I feel comfortable being a long-term investor? It is simple. Avoid the most common mistakes and keep in mind it is time in the market not timing the market that leads to investment success.

As always, we encourage questions. We are here to assist you in any way, as our objective is to have you reach your financial goals. Please call 610-825-3540.

Let's Talk Taxes

There is only one reason why anyone invests their savings, to earn a return on that invested capital. However not all gains are created equal; in fact two separate investments, both earning the same 5%, can have very different bottom lines. Why you may ask? Because of taxes. Taxable income and short-term capital gains are generally taxed at a higher rate than long-term capital gains and in many instances the difference is significant. To qualify as a long-term capital gain, an investment needs to be held for 1 year or greater prior to being sold. Investments that are held for less than 1 year and sold at a profit are considered short term capital gains and are taxed at your income level. Taxable income includes earnings such as salary, wages, and bonuses but also includes taxable fixed income.

Similar to income taxes, the rate paid on long-term capital gains is determined by adjusted gross income; please see the chart below.

Taxable Income & Short-Term Capital Gains Tax Brackets			
Tax Bracket/Rate	Single	Married Filing Jointly	Head of Household
10%	\$0-\$9,700	\$0 - \$19,400	\$0 - \$13,850
12%	\$9,701 - \$39,475	\$19,401 - \$78,950	\$13,851 - \$52,850
22%	\$39,476 - \$84,200	\$78,951 - \$168,400	\$52,851 - \$84,200
24%	\$84,201 - \$160,725	\$168,401 - \$321,450	\$84,201 - \$160,700
32%	\$160,726 - \$204,100	\$321,451 - \$408,200	\$160,701 - \$204,100
35%	\$204,101 - \$510,300	\$408,201 - \$612,350	\$204,101 - \$510,300
37%	\$510,301 +	\$612,351 +	\$510,301 +

Long-Term Capital Gains Tax Brackets			
Tax Bracket/Rate	Single	Married Filing Jointly	Head of Household
0%	\$0 - \$39,375	\$0 - \$78,750	\$0 - \$52,750
15%	\$39,376 - \$434,550	\$78,751 - \$488,850	\$52,751 - \$461,700
20%	\$434,551 +	\$488,851 +	\$461,701 +

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Taxes Continued..

This is an advantage that you may not be aware of with our buffered structured investments. We invest in the buffered notes to provide partial protection vs declines in the equity markets. Each note typically provides a buffer of 10% versus declines in the underlying index such as the S&P500. We negotiate the terms of these notes with many of the large investment banks and part of that negotiation process is ensuring that the issuing banks believe that any gains would qualify as a long-term capital item as long as the notes are held for one year or greater.

Many brokers reduce risk using taxable fixed income mutual funds. Not only do we believe that over the long-term the structured notes will provide a superior return, the income derived from those mutual funds will be taxed at income rates, not long-term capital gains rates like the notes. In other words, you keep more of your earnings by investing in the structured notes.

Many factors contribute to your ultimate tax rates and some filers will be subject to a 3.8% net investment income tax rate as part of the affordable care act. Take for instance a married couple that files jointly and earns \$400,000 in income. IF that couple were to earn \$100,000 in long-term capital gains vs. taxable income, the tax savings would be approximately \$20,000. That is a major difference in after tax returns.

Are you making an informed decision about Social Security?

With the disappearance of pensions and longer life expectancy, Social Security benefits have become an increasingly important part of retirement planning. The problem is that the majority of people are not properly informed on how Social Security benefits work. If you have access to you social security statements we can help you with this. Just follow the simple steps below:

- 1) Visit www.bluebellpwm.com/ssi
- 2) Fill out the quick questionnaire using information from you SS statements
- 3) Within 24 hours we will email you a custom claiming strategy
- 4) Schedule a follow up call with us where we can discuss your options and help you make the best informed decision

If you need help locating your Social Security Statements or have questions about anything else please contact our office and ask for Alex.

VISIT bluebellpwm.com/ssi

1 Fill out form
SOCIAL SECURITY INTAKE

2 Review your custom strategy
DATA ANALYSIS CREATED
PDF
PDF EMAILED WITHIN 24 HOURS

3 Understand how to maximize your benefits
TRUST YOUR ADVISOR

Your Advisor
WILL SHARE A CALENDAR INVITE



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Martha's Choice Marketplace Food Drive

Blue Bell PWM has teamed up with Martha's choice Marketplace for their annual Christmas in July food drive. Martha's Choice is the largest food pantry in Montgomery County. During the month of July we will have a box setup on the first floor of our office building across from the elevator doors. If you happen to be stopping by the office and have any extra canned goods or toiletries you wish to donate, just place them in the box. Every little bit helps and would be greatly appreciated.



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Reminders

- If you mail a check, please make the check payable to "Charles Schwab & Co, Inc." with your account number written on the check.
- Talk to your children about the benefits of investing in a Roth IRA account.
- SAVE NOW! Please consider setting up online access to view your accounts online and to receive your statements and trade confirmations electronically.
- Mention to your friends and family about signing up for our weekly blog posts and personal weekly reads about retirement, investing and more on our website!

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this newsletter, will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Blue Bell Private Wealth Management LLC. Please remember to contact Blue Bell Private Wealth Management LLC if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services. Please also advise us if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. A copy of our current written disclosure statement discussing our advisory services and fees remains available for your review upon request.