

The Double Whammy: Rising Interest Rates, and Less Robust Stock Market Performance

By Sarah Ruef-Lindquist, JD, CTFA



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Over the past weeks, my colleagues and I have been having many conversations with our clients who are investors. Yes, the stock market performance has been recently negative – 2018 could be flat compared to 2017, which was a post-recession ‘banner year’. Many are wondering whether they will lose more value in their portfolios, be flat, or just see a slower rate of growth in the coming months and years as compared to the impressive run-up that began almost 10 years ago and lasted through early 2018. Many got accustomed to double-digit returns, even if income was not what it had been before the 2008/2009 Great Recession.

Even more surprised, however, have been the investors whose portfolios are more modestly allocated in the stock market, and have generally between 60 and 80 percent in the ‘fixed income’ area of mostly bonds and bond funds. What those investors expected is that the majority of their portfolios would be insulated from a market downturn. What they did not expect is that as interest rates rise, the value of their existing bonds and bond funds would go down, at least on paper. When bond rates

rise, the value of existing bonds with lower yields goes down. Of course, holding a bond until maturity, while you collect the income it pays through yield, generally means you will recover your investment, plus the interest paid over time. However, it requires patience to wait for those maturities to occur, and in the meantime, your statement shows a lower value of those bonds, until you are able to redeploy their proceeds into higher yielding, and higher valued, bonds.

What these investors feel is the reduction – at least on paper – of the value of their fixed income assets, as well as the loss in value (or lack of growth) of their smaller allocation of stocks. The combination comes as a bit of a surprise to those who otherwise consider themselves (at least relative to those with higher stock allocations) conservative investors.

What's an investor to do? The best advice might be "as little as possible, for as long as possible." In other words, if you don't need those funds in the short term, wait for those bonds to mature and allow your portfolio to redeploy their proceeds into higher yields and values. Don't overlook that the bonds are producing some yield in the meantime, while you're waiting for them to mature. Eventually, the fixed-income portion of the portfolio should recover its value and while it does, pay yields for income while you wait.

As always, consult your financial and tax advisors before making any decisions concerning your investments or financial plans to be sure they fit within your overall, long-term financial and estate planning goals.

Secure Holiday Shopping: New Tips for 2018

Although the holiday season is known for gift giving and good cheer, it's also known for an increase in cybercrime and identity theft. Before you get a jump start on your holiday shopping, follow these four tips to ensure that you're protecting yourself this season.

1. Watch out for gift card scams.

Lately, there's been an increase in gift card phishing scams. Typically, an attacker pretends to be someone you know and asks you to purchase a gift card on his or her behalf and e-mail back the redemption code. Don't fall for this common scam.

2. Make smart decisions about your smart device.

Internet-connected home devices (e.g., smart security cameras, smart light bulbs, smart speakers, Amazon Echo, Google Home) are all the rage this year, but they may not be as secure as your typical "up-to-date" computer, potentially leaving them vulnerable to attacks. When setting up your new device, be sure to check out the settings or manual to enable any helpful security features it comes with.

3. Check your online accounts manually—without clicking on links.

Holiday season is peak time for fake delivery notifications, order confirmations, and password reset e-mails. Rather than clicking on links from within the confirmation e-mail, open a new browser window and log in to your accounts that way.

4. Consider freezing your credit.

Don't let identity theft ruin your holidays. Now that credit freezes are free, it may be worth placing a freeze on your credit file to prevent any unauthorized accounts from being opened.

What Will 2018 Charitable Giving Look Like?

By Sarah Ruef-Lindquist, JD, CTFA



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In June 2018, the Chronicle of Philanthropy, in an article by Megan O'Neil, predicted a \$16.3 billion drop in charitable giving due to the tax laws enacted in late 2017. That prediction was echoed throughout the news media, sending chills down the spines of executive and development directors in the non-profit sector.

Nine out of 10 wealthy households gave to charity in 2017, according to the 2018 Study of US High Net Worth Philanthropy conducted in partnership with the Indiana University Lilly Family School of Philanthropy by US Trust/Bank of America Private Wealth Management, released October 24, 2018. [\(link for reference, new window\)](#) The average amount given to charity by these households was slightly more than \$29,000, an increase of 15% over 2015.

The biennial report is in its seventh edition since the series began in 2006.

There has been much concern expressed about the impact on philanthropy of the 2017 tax law changes, specifically a predicted negative impact on charitable donations because of the

increase in the standard deduction to \$12,000 per person and reduced reliance on itemized deductions.

However, as we've opined previously about the degree to which tax benefits drive charitable give, the fear among this demographic cohort is likely unfounded. The vast majority of wealthy households expect to maintain (84 percent) or increase (4 percent) the amount they give to charity in 2018 under the new federal tax law passed late in 2017.

Receiving tax benefits is generally not a prime motivation for giving. Just 17% of those surveyed said this was always a motivation, and 51% indicated it sometimes did...which means for 49% it doesn't and for the 51 % who indicated it did sometimes, that would imply that for 51% it doesn't always.

The important take-away here is that for high net worth individuals, those often making the largest charitable gifts, charitable intent motivates their giving more than any tax benefit, which is good news in an era of decreasing tax benefit. What we've discussed above is charitable support to operating or annual budgets of organizations that would often appear on an itemized income tax return of the donor. These gifts are often given from income, as contrasted with gifts from wealth, which are often deemed "planned gifts" through estates.

Indeed, even the elimination of estate taxes would cause only 5% of HNW individuals to reduce their planned giving according to the US Trust Study of the Philanthropic Conversation, examining the perspective that advisors have compared to their HNW clients on charitable giving. [\(link for reference, PDF, new window\)](#)

This study, released earlier in 2018 done in conjunction with The Philanthropic Initiative, also found that just 42% of high net worth individuals would reduce their charitable giving if income tax benefit was removed.

The sampling for the study was of approximately 1,600 households with net income of over \$200,000 and/or assets of \$1M or more, not including principal residence.

So perhaps this is some “good news” that organizations from which to gain hope for our society, as philanthropy continues to address some of the critical issues of our time through the work of the non-profit sector.

As always, consult your financial and tax advisors before making any significant gifts or changes to your financial plans to be sure they fit within your overall, long-term financial and estate planning goals.

Sharing Knowledge with Members of the Maine Planned Giving Council

Allen Insurance and Financial hosted a lunch & learn for the Maine Planned Giving Council on Tuesday, Oct. 23. The topic was “Exploring Key Elementary of Successful Planned Giving Programs,” and the presenters were Sarah Ruef-Lindquist, JD, CTFA, of Allen Financial and David Warren of Maine Coast Heritage Trust.



Pictured, from left: David Warren, Emily Peckham, Points North Institute; Michael Rayder, Avesta Housing; Katie Spencer White of Boothbay Region Community Resource Council and Sarah Ruef-Lindquist, Allen Financial.

Welcoming New Employee Jane Harford



Jane
Harford

Jane Harford has joined Allen Insurance and Financial as a receptionist based in the company's Camden office.

A native of Belfast, Jane brings with her more than two decades of experience in customer service at Bank of America.

Jane lives in Swanville with her husband Steve. Outside of work, she leads the children's ministry at her church which lately has involved remodeling the Sunday School room. In addition, she enjoys spending time with her extended family, including three grandchildren.

Sarah Ruef-Lindquist Addresses Maine Planned Giving Council



Sarah Ruef-
Lindquist,
JD, CTFA

Sarah Ruef-Lindquist, JD, CTFA, a financial planner at Allen Insurance and Financial in Camden, recently spoke on Women and Philanthropy at Maine Planned Giving Council's conference held in South Portland attended by approximately 150 professionals involved in the gift planning industry.

Attendees included development professionals and executives from non-profit organizations, and professionals who advise donors in estate or financial planning, including attorneys and accountants, from across the state.

Ruef-Lindquist has had a role in planned giving as an attorney, former trust officer and philanthropic advisor and consultant to non-profits across New England. She previously served as vice president for Southern Maine of the Maine Community Foundation and CEO of the Maine Women's Fund.

Ruef-Lindquist highlighted some of the data that indicates the motivations for women's philanthropy, as well as some of the ways in which women tend to demonstrate a higher level of generosity than their male counterparts.

Planned gifts often support building the long-term funds of organizations, including their endowment, and serve as a means of providing financial sustainability for the long term. Because of the projected intergenerational transfer of a vast amount of wealth occurring now in the U.S., the topic is of great interest to organizations and the advisors working with their donors.

Let's Talk About Flood Insurance



The very first thing you need to know about flood insurance is that it is not included in a standard homeowners insurance policy.

Sometimes a property is in a flood zone and a lender requires flood insurance. Perhaps the flood maps in your area have changed and your property (or part of it) has been mapped into a flood zone. We can help with flood insurance as well as share some resources to help answer questions about the new map.

But also consider that for the purposes of insurance, flood losses include those resulting from water overflowing rivers or streams, heavy or prolonged rain, storm surge, snow melt, blocked storm drainage systems, broken dams or levees or other similar causes.

Flood insurance is complicated. It's expensive only sometimes.

Each case is as unique as the property to be covered, which is why it's best to talk with your insurance agent. National Flood Insurance Program insurance can be purchased only with the help of an appointed insurance agent. We can help.

We can run a flood zone determination and a flood insurance quote. There is no charge for this. Even if your property isn't on the coast, or a lake or a pond, it's worth your time.

Sarah Ruef-Lindquist Joins Board of Directors at Rockland Savings Bank



Sarah Ruef-Lindquist,
JD, CTFA

Rockland Savings Bank, FSB, recently announced that Sarah Ruef-Lindquist, JD, CTFA, has been named to the bank's board of directors.

A financial advisor and wealth manager at Allen Financial in Camden, Ruef-Lindquist is the first female member of the board of the 130-year-old savings bank.

With Allen Insurance and Financial since 2016, Ruef-Lindquist is a trustee of Unity College, and vice president of the board of the Maine Planned Giving Council. She has served as president of the boards of the Maine Justice Foundation, formerly the Maine Bar Foundation, and of 75 State Street, a senior living facility

in Portland. She is a lawyer, and has worked as a senior administrative trust officer, was CEO of the Maine Women's Fund, and worked in donor services for the Maine Community Foundation's Portland office. She resides in Camden.

Established in 1888 and with Rockland and Waldoboro locations, Rockland Savings Bank, FSB is a small community bank that offers a personal banking experience, committed to exceptional customer service and giving back to the community.

The Financial Advisors of Allen and Insurance Financial are Registered Representatives and Investment Adviser Representatives with/and offer securities and advisory services through Commonwealth Financial Network, Member FINRA/SIPC, a Registered Investment Adviser. Allen Insurance and Financial, 31 Chestnut Street, Camden, ME 04843. 207-236-8376.

Sherree L. Craig Earns CEBS Fellowship



Sherree L.
Craig, CEBS

Sherree L. Craig, CEBS, Senior Account Executive in the Insured Benefits Division at Allen Insurance and Financial, has been awarded Fellowship standing in the International Society of Certified Employee Benefit Specialists.

Craig earned this distinction by successfully completing a national employee benefits continuing education exam developed

by the Wharton School of the University of Pennsylvania.

The International Society of Certified Employee Benefit Specialists is an educational association dedicated to serving the professional development needs of those holding the Certified Employee Benefit Specialist designation. Craig first earned her CEBS designation in 2004, and continues her commitment to the designation through the fellowship testing.

“Sherree’s efforts are emblematic of her commitment to continuing education,” said Mike Pierce, company president. “Continuing education is important to all of our insurance divisions but it is especially so in the always-changing field of employee benefits.”

Earlier this year, Craig earned an advanced certification in self-funding from the national Association of Health Underwriters.

Insurance Term: Insurance to Value

Imagine how devastating it would be to lose your home in a fire. Now imagine not being able to rebuild it completely because you didn’t have the correct amount of insurance.

Selecting the proper amount of coverage is the single most important decision you can make with your Homeowners policy. Without it, you may not have enough coverage to rebuild after a total loss. This is called “insurance to value.” Below are some explanations and tips to help you make the right choices for your needs – and remember, if you need help, we’re just a phone call away!

What is insurance to value?

Insurance to value is the relationship between the amount of coverage selected (typically listed as "Coverage A" or "Dwelling Coverage" on your policy declarations page) and the amount required to rebuild your home. Insuring your home for anything less than 100% insurance to value could mean you wouldn't have enough coverage to replace your home in the event of a total loss

Why is the cost to rebuild different from the market value?

A home's market value reflects current economic conditions, taxes, school districts, the value of the land and location, and other factors unrelated to construction cost. The cost to rebuild your home is based only on the cost of materials and labor in your area. It is important that you insure your home based on its reconstruction cost, NOT its current market value

Why is reconstruction more expensive than new construction?

New-home builders typically build many homes at once, and solicit bids from various sub-contractors to receive the best pricing. Their business model is based on economies of scale. For example, they may purchase 20 bathtubs at once, securing a lower unit cost. These economies of scale don't exist when building a single home.

How can I make sure I have the correct amount of insurance?

- Work with your agent to provide detailed information at time of purchase to be sure that you receive a thorough and accurate quote.
- Ask us about additional coverage options that may be available.
- Review your insurance to value calculation on a regular basis with your agent.
- Tell your agent about any changes or improvements that you make to your home.