

# FINANCIALink

Your Money Management Newsletter

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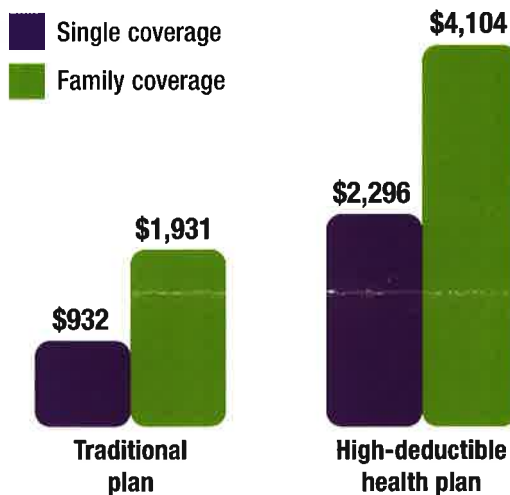


**Gregory Taranto, CPA**

## How Does Your Deductible Compare?

The average deductible in 2018 for workers enrolled in employer-sponsored health plans was \$1,491 for single coverage and \$2,788 for family coverage, up from around \$1,300 and \$2,500, respectively, in 2016. Data for 2019 is not yet available, but preliminary information from employers suggested that any increases would be moderate.

Average deductible by type of health plan



Source: *Employee Benefit News*, September 13, 2018



Record-low percentage of Americans who cited economic issues as the most important problem facing the United States in September 2018, surpassing the previous low of 13% in May 1999 at the height of the dot.com boom. The record high was 86% in February 2009, just before the end of the Great Recession.

Source: Gallup, 2018



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# Taking a Team Approach to Retirement Savings

Now that it's common for families to have two wage earners, many married couples accumulate assets in separate accounts. They might each have savings in an employer-sponsored plan and perhaps one or more IRAs as well.

Even when most of a couple's retirement assets reside in different accounts, it's still possible to craft a unified savings and investment strategy. Communication and teamwork are good for a marriage in general, and working together could help create a stronger financial future.

## Mars and Venus

Research has consistently shown that men and women have different investment approaches. Individual strategies vary, of course, but in general men tend to be more aggressive and trade more frequently, while women tend to be more methodical and embrace a buy-and-hold strategy.<sup>1</sup>

Over the long term, women may be more successful investors — one study found that their returns outpaced

men's by about 0.4%, while another found a difference of 1.2%.<sup>2</sup> But women do not invest as much or as early in their lives and may be overly cautious. A recent survey found that women keep more assets in cash than men do, which will result in the loss of purchasing power over time.<sup>3</sup>

## Shared Strategies

These differences suggest that a married couple might have much to gain by discussing their goals and philosophies for savings and investments, and by considering their accounts holistically. This does not mean that every decision must be made together. But it could be helpful to look together at the larger picture.

Tax-deferred retirement accounts such as 401(k)s, 403(b)s, and IRAs can be held only in one person's name, although a spouse is typically listed as the beneficiary. Taxable investment accounts, on the other hand, may be held jointly.

Owning and managing separate portfolios allows each spouse to choose investments based on his or her individual risk tolerance. Some couples may prefer to maintain a high level of independence for this reason, especially if one spouse is more comfortable with market volatility than the other. Employing different investment strategies might also increase the diversification of family assets as long as the approaches are not completely contradictory.

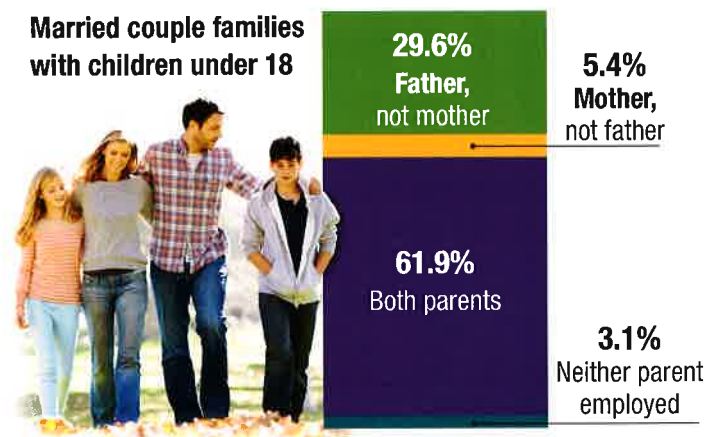
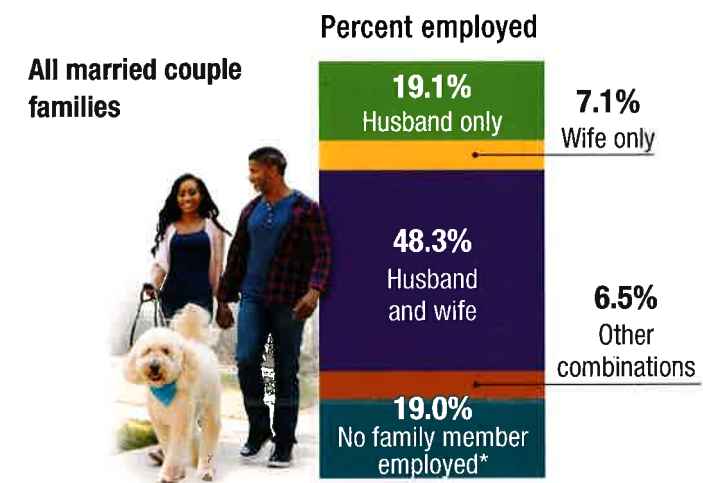
On the other hand, coordinating investments might help some families build more wealth over time. For example, one spouse's employer may offer a better match for employee contributions, so it might be wise to prioritize contributions to that plan in order to obtain the full match. One workplace plan might offer a broader and/or more appealing selection of investment options, while the offerings in another plan may be limited. With a joint strategy, both spouses agree on an appropriate asset allocation for their combined savings, and their contributions are invested in a way that takes advantage of each plan's strengths while avoiding any weaknesses.

Whether you make investment decisions separately for individual accounts or share decisions for all of your accounts, keep in mind that retirement assets generally belong to both of you. You may benefit by talking as a couple with your financial advisor.

*Asset allocation and diversification are methods to help manage investment risk; they do not guarantee a profit or protect against loss. Although there is no assurance that working with a financial professional will improve investment results, a professional who focuses on your overall financial objectives can help you consider strategies that could have a substantial effect on your long-term financial situation.*

## Two Wage Earners

Nearly half of married couples include two wage earners. The percentage is higher for families with children under age 18.



\*This large unemployed percentage likely reflects retired couples.

Source: U.S. Bureau of Labor Statistics, 2018

1-2) *Investor's Business Daily*, July 16, 2018

3) *Money*, February 12, 2018

# IPOs: Consider the Risks Behind the Hype

An initial public offering (IPO) is the first public sale of stock by a private company. Companies tend to schedule IPOs when investors are feeling good about their financial prospects and are more inclined to take on the risk associated with a new venture. The U.S. IPO market was strong in 2018, reflecting the surging stock market and the robust economy.<sup>1</sup>

## Inside Out

Although IPOs can sound enticing to an average investor, company insiders may have the most to gain from a public offering. The higher the price set on IPO shares, the more money the company and its executives, employees, and early investors stand to make.

Even so, the IPO process is important to the financial markets and to investors in general, because it helps fuel the growth of young companies and adds new stocks to the pool of potential investment opportunities.

## Pop or Fizzle

When IPO share prices shoot up on the first day of exchange trading, it's referred to as a "pop." A significant first-day gain may suggest that investor demand for the company's shares was underestimated. Of course, this doesn't mean that the company will outperform its peers in the long run.

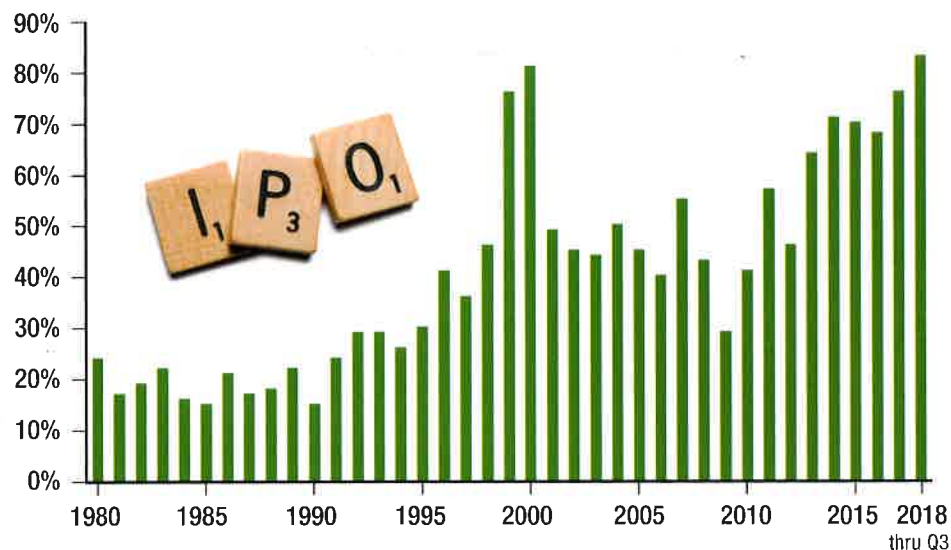
One catch is that it is often difficult to obtain "allocated" shares that can be purchased at the IPO offering price, the price at which insiders are selling to the market. Investors who don't have the opportunity to buy shares at the offering price can buy the stock after it starts trading on the exchange. However, much of an IPO's pop can occur between its pricing and the first stock trade. This means investors who buy shares after trading starts often miss out on a large part of the appreciation.

## Investing in Potential

Eighty-three percent of U.S. companies that went public in 2018 (through Q3) had negative earnings before their IPOs. This was the highest percentage on record dating back to 1980. For the period from 2001 to 2016, average first-day returns for IPOs of unprofitable companies were almost the same as those for IPOs of profitable companies, but average annual returns over the next three years were about 6% lower.



Percentage of IPOs with negative earnings per share



Source: CNBC, October 1, 2018

Investors who buy IPO shares on the first day might even pay inflated prices, because that's when media coverage, public interest, and demand for the stock may be greatest. Share prices often drop in the weeks following a large first-day gain as the excitement dies down and fundamental performance measures such as revenues and profits take center stage.

## Back to Reality

A young company may have a limited track record, and an established one might have to disclose more information to investors after it becomes publicly traded. If you're

interested in the stock of a newly public company, you should have a relatively high risk tolerance, because shares can be especially volatile in the first few months after an IPO. You might consider waiting until you can evaluate at least two quarters of earnings. Careful research is important for all investments, but recent IPOs may require a higher level of scrutiny.

The return and principal value of all stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Investments offering the potential for higher rates of return also involve a higher degree of risk.

1) EY, 2018

# What Do You Know About U.S. Money?

Despite predictions of a cashless society, about 30% of U.S. consumer payments are still made in cash. The average value of cash transactions is smaller than noncash transactions (\$23.40 versus \$109.30), but currency and coins are likely to be a part of American life for some time.\* Take this short quiz to test your knowledge of dollars and cents.



- In what year did Congress first authorize the U.S. Treasury to issue paper currency?
  - 1791
  - 1812
  - 1861
  - 1876
- How much silver is in the U.S. quarter?
  - 0%
  - 1%
  - 2.5%
  - 8.33%
- Approximately how long does a \$20 bill last before it wears out?
  - 4 years
  - 8 years
  - 12 years
  - 16 years
- What is the largest-denomination U.S. currency ever printed?
  - \$1,000
  - \$5,000
  - \$10,000
  - \$100,000
- About how much does it cost to produce a U.S. penny?
  - 0.8¢
  - 1¢
  - 1.8¢
  - 2.2¢
- Which two denominations have the highest volume of bills in circulation?
  - \$1 and \$5
  - \$1 and \$100
  - \$5 and \$10
  - \$20 and \$100

\*Federal Reserve Bank of Atlanta, 2018

- Answers**
- C) 1861.** Demand Notes, essentially government IOUs payable in gold, were issued to help finance the Civil War. In the following year, the Treasury issued U.S. Notes, which were not payable in gold and became the foundation for modern U.S. currency.<sup>1</sup>
  - A) 0%.** Current quarters contain 8.33% nickel and 91.67% copper. Dimes and half dollars have the same metal content.<sup>2</sup>
  - B) 8 years.** The current \$20 bill lasts about 7.9 years. Lower-denomination bills have shorter lifespans, and higher-denomination bills have longer lifespans.<sup>3</sup>
  - D) \$100,000.** A Gold Certificate, featuring a portrait of Woodrow Wilson, was issued in 1934 only to Federal Reserve Banks. Denominations higher than \$100 have not been printed since 1945, but they are still legal tender.<sup>4</sup>
  - C) 1.8¢.** The cost was 1.82¢ in FY 2017. Producing the nickel also costs more than face value at 6.60¢.<sup>5</sup>
  - B) \$1 and \$100.** At the end of 2017, there were 12.5 billion \$100 bills and 12.1 billion \$1 bills in circulation. The next highest was the \$20 bill with 9.2 billion.<sup>6</sup>
  - 1, 4) U.S. Bureau of Engraving and Printing, 2018**  
**2, 5) United States Mint, 2018**  
**3, 6) Federal Reserve, 2017-2018**

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