FOUNTAIN FINANCIAL ASSOCIATES

BUILDING LONG-TERM RELATIONSHIPS THROUGH KEEPING PROMISES

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Sons of Liberty

Vinton Fountain

I was in Boston in May and had the opportunity to visit the Paul Revere House as well as the Old North Church. I was struck by our history and legacy as a country. This United States of America is a remarkable story. Without going back 250 years, I thought I would share some facts from our country's more recent history. Consider our collective progress in the last few decades as measured by the prosperity of our citizens. I hope Paul Revere can see how humanity has advanced and prospered from a free democracy.

1975

Saigon fell, Saturday Night Live debuted and President Ford escaped assassination. I was 17 and a student at Virginia Episcopal School in Lynchburg, Va. This decade was turbulent politically and economically. Sound familiar?

Global population = 4.1 billion (half of whom lived in extreme poverty)
U.S. Real GDP = $5.49 trillion
S&P 500 year-end close was 90.19

1985

Gorbachev became the Soviet leader, Microsoft Windows was published and the EPA banned leaded gasoline. I was 27, married and had been promoted to Branch Manager of the Wachovia University Office on College Road. One of the best jobs of my life and the office is still there.

Global population = 4.85 billion
U.S. Real GDP = $7.71 trillion
S&P 500 year-end close was 211.28

1995

A truck-bomb exploded outside the Alfred P. Murrah Federal Building in Oklahoma City, O.J. Simpson was on trial for murder and the Rock and Roll Hall of Fame opened. I was 37 and had joined the Centura organization as a Regional Executive. I was recruiting financial advisors to build our investment capabilities.

Global population = 5.7 billion
U.S. Real GDP = $10.28 trillion
S&P 500 year-end close was 615.93

2005

Hurricane Katrina landed, one of the deadliest hurricanes in U.S. history, Saddam Hussein was on trial for crimes against humanity and Pope John Paul II died. I was 47 and now the father of three beautiful daughters. In 1998, I founded Fountain Financial Associates.

Global population: = 6.5 billion
U.S. Real GDP = $14.37 trillion
S&P 500 year-end close was 1,248.29

2015

ISIS sparks a crisis in the Middle East and Yogi Berra died. I had my 57th birthday. Fountain Financial Associates employs 9 individuals and supports over 300 families. During the prior decade, we survived the greatest economic crisis since the Great Depression.

Global population = 7.29 billion (less than1 in 10 of whom lived in extreme poverty)
U.S. Real GDP = $16.39 trillion (based on the first 3 quarters of 2015)
S&P 500 year-end close was 2,086.59

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The Three Stages of Retirement

Chris Riley, CFP®

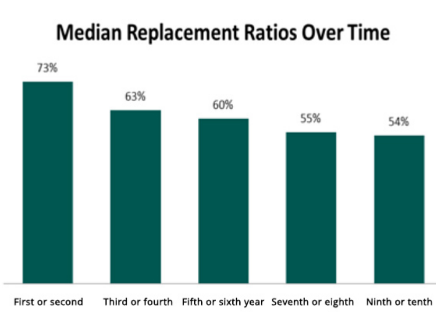
A question that often comes up when planning for income in retirement is "What should I expect to spend?" What we have learned is that while replacing 70-75% of pre-retirement income may be close to the national average people spend in retirement, it's not a great rule of thumb. Every retirees' circumstances are unique. So let's talk about income replacement ratios and how spending can change as you age during retirement.

Generally, we break retirement into three stages:

1. The Go-Go years, which include the early years of retirement when people are checking things off their bucket lists. In many cases, they might spend more money during their go-go years than they did during the years leading up to retirement. As a result, many of our clients' replacement ratios may be closer to 80%, 100% or even 110% of their pre-retirement income.
2. The Slow-Go years when people age in retirement, begin to travel less and spend more time at home and with family. These years become more about favorite hobbies and routines rather than bucket lists. Spending tends to drop into the 70-90% range.
3. The No-Go years or the years when retirees really choose to travel less and their health generally becomes a larger focus and or limits their activity. Monthly expenses and debt are generally lower, and there is less likelihood that there will be large fluctuations in spending needs. The average percentage of pre-retirement income tends to fall to the 60-70% level.

All of these amounts are adjusted for inflation, but many of us will have very different spending requirements during these stages. There's no one solution for us all. Some couples or individuals might skip a stage while others may stay in a stage for much longer.

Here is a graph that shows how replacement ratios nationally change by years in retirement:



This really helps illustrate that people spend less as they age. You will notice that the replacement ratio is around 73% during the first or second year of retirement. So you go through those go-go years in the first two years and then there's a big drop off to the third and fourth year from 73% to 63%. Then it gradually trends down over time, and by the ninth or tenth year you are looking at roughly 54% as a replacement ratio.

One of the mistakes that many retirement planners and online resources make is to assume that if you need $7,000 a month today, that $7,000 should increase for inflation every year for the rest of your life. Some retirees may not need to increase their spending for inflation every year, or they may need to assume a higher inflation rate early in retirement and much less later on. Over just the first 10 years, an average retiree has his or her replacement ratio drop from 73% to 54%, which is significant. So in dollar terms spending could be about the same 10 years into retirement as it was in the first year. That's a pretty critical factor to overlook and could certainly greatly affect your retirement lifestyle.

When creating a retirement income plan and reviewing monthly cash flow needs, the right plan may presume $7,000 a month for the first 5 years, $5,750 a month for the next 10 years and $4,600 a month after 10 years (Inflation adjusted dollars). Unplanned expenses will arise and planning will need to be updated. This is why regularly scheduled reviews are very helpful, as we are able to identify opportunities such as family gifting, charitable giving and other areas where clients may consider shifting spending when it makes sense. This is an important tenet of our planning work and could have a major impact over the course of your retirement.

We spend time with clients specifically discussing their expected future income needs. In many cases, a good retirement plan actually assumes that spending increases are variable and are not properly illustrated simply by a fixed inflation rate. There is no one perfect answer, even if the data clearly reflects many families gradually reduce real spending over time.

Bottom line: There are many different ways to approach spending in retirement, but addressing the three stages of retirement should be a big part of the discussion. We are here to support your success!

Words Worth Repeating

"If you can't explain it simply, you don't understand it well enough"

ALBERT EINSTEIN

"I am a big believer that eventually everything comes back to you. You get back what you give out."

NANCY REAGAN

"Sometimes you will never know the value of a moment until it becomes a memory."

DR. SEUSS

"Spring is the time of plans and projects"

LEO TOLSTOY

Spring Cleaning to Simplify Your Financial Life

Brice Gibson

Spring cleaning season is a great time to clear out the clutter and get your home back in order, but what about your financial life? Does your financial life seem too complicated? I was reading an article recently about complexity. It seems that too many retirees have very complex financial lives. The problem is that the older you get, the more difficult it can become to follow all the moving parts of your finances. Most people are aware of the potential costly effects of having little pockets of money in many different places, but that problem is likely less of an issue than owning a variety of financial products that you don't understand. Simplifying your financial life can help you greatly improve your financial life. Here are five good reasons:

1. Simplicity unclutters your life. The more complex your financial situation, the more paperwork or systems are required to track all of the pieces. An uncluttered life is an unfettered life.

2. Simplicity gives you more time to relax and do the things you love. Complexity can also lead to many urgent tasks that are required of you personally during the year. Simplicity can free up some of your valuable time.

3. Simplicity improves focus. Narrowing the scope of your financial life will improve your focus on the remaining pieces. That doesn't guarantee better outcomes, but I would argue that better focus and understanding should improve long-term results.

4. Your heirs will thank you. Complexity can be more difficult to manage as you age. At some point you may have an heir keeping track of your financial life. If not, your executor will have to untangle your financial life after you pass away. Simplicity will make those jobs so much easier. We have all heard stories from heirs describing what a mess their parents' financial lives turned out to be.

5. Simplicity lowers stress and worry. When your financial life is complex, it may be difficult to have confidence in your financial well-being. Putting it all together and knowing that you are on a financial path that will lead to reaching your goals is a stress reducer. Our focus is always on helping you reach your goals and we're happy to talk with you about your path. Simplicity can improve your ability to see the path for yourself.

This spring take action and create a Spring Cleaning Checklist for your financial life. Start with the issues that you understand the least and are your biggest concerns. Here are a few actions to consider as you make your list.

Consolidate your accounts to one place. This gives you a clearer picture of your financial situation, reduces paperwork, and makes it easier to review your holdings. Consolidation also makes income and required minimum distributions easier for you and your advisor to calculate, as well as making sure that your entire portfolio is appropriately allocated to meet your goals and reduce risk.

Revisit your strategic goals to make sure that you are still on track. Life events occur no matter what stage you are in life, often altering the plan that you have put in place. Meet with your advisor to review your situation and determine if any changes need to be made to stay on track.

Review insurance policies to ensure that they are appropriate for the need that you are trying to address. Many times we find that policies are inadequate, unnecessary at your current stage of life, or are more expensive than a comparable solution.

Update Beneficiaries of IRAs and consider adding Transfer on Death registrations on non-qualified accounts to avoid probate where necessary. Review your will, or have one written if you don't already.

Take some time this spring to think about how you can simplify your financial life. If we can help, give us a call. Simple really is better.

Brice

Keeping Promises

Sons of Liberty
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That's a lot of information, but it's been an incredible time to be alive. In real terms (adjusted for inflation), the U.S. economy has tripled and poverty has been drastically reduced worldwide.

This growth has been accompanied by the U.S. stock market rising more than 20 times, despite many terrible and troubling events. My journey as a financial advisor, which is far from over, has been supported by these tailwinds and many people who place their trust in our firm.

Paul Revere died in 1818, age 83. He lived a remarkable life and contributed to the cause of American liberty and prosperity for our nation. The facts above demonstrate the world's greatest achievement ever known to humanity. I want to thank you for your support and doing your part.

I am looking forward to our next decade and sharing our continued success.

Vinton

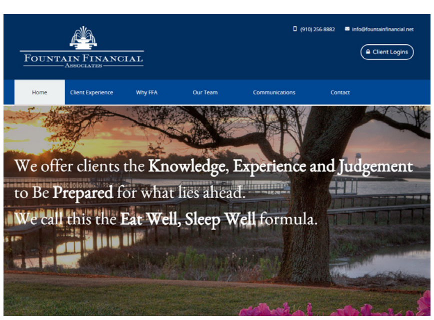
Latest FFA Happenings

CIS Polar Plunge

Jim Busby, Chris Riley and Buck Beam participated in the inaugural Polar Plunge for Communities in Schools on New Year's Day in Wrightsville Beach. Communities in Schools is the largest and most successful dropout prevention organization in America. The event was a huge success and raised over $12,000 for CIS!

Political Outlook with Charlie Cooke

Charlie Cooke of the Cooke Political Report spoke to a gathering of clients in February. Cooke shared his extensive experience and insights on the Presidential primaries and general election as well as local races. Pictured are Brice Gibson, Chris Riley, Charlie Cooke, Vinton Fountain and Buck Beam.



Updated FFA Website

Have you visited the updated Fountain Financial Associates website? From here you can access our recent and archived client communications, log-in to your accounts and communicate with us. If you are interested in online access for your accounts or setting up electronic statements, please let us know.

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