

# The Light

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## Wills, Trusts, and Medical Directives

By Tim Rowsey, CPA, Investment Advisor Rep.



There are four important legal documents that almost everyone should have in place. These documents help give direction relating to the ultimate disposition of your assets, and medical and financial decisions that would be made on your behalf if you were unable to make them yourself. Here is a summary of the basic documents and their purpose.

**Will:** Everyone who has assets that they wish to pass on to someone else, or who has children should have a will in place. If you die without a will, Ohio Law will determine who inherits your property and it may not coincide with your wishes. A will is the legal document that directs the disposition of your assets according to your wishes. In a will you can name an Executor who is responsible to ensure that your wishes relating to the disposition of your property are completed. Another important function of a will is nominating a guardian for your children. A will does not control the disposition of assets that pass to a named beneficiary or a co-owner at the time of death. Examples of these assets would be IRA's and retirement benefits with a named beneficiary, or accounts owned jointly with rights of survivorship with another person.

**Durable Financial Power of Attorney:** This document would allow the person you name to conduct your financial affairs if you were incapacitated and unable to perform these duties yourself. Having this document in place is preferable to a court process that could be cumbersome and time consuming. The person whom you name has requirements to act in your best interest,

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## Stock Market Hits New Highs. What is next?

By Tim Rowsey, CPA,  
Investment Advisor Rep.

On June 19<sup>th</sup> of 2017 the Dow Jones Industrial average hit a new all-time high reaching 21,528. This was the 22<sup>nd</sup> record close in 2017 following up on 26 new record highs in 2016. On the same day the S&P 500 also set a new record high closing at 2,453. What do these new record high equity records tell us about what might be coming next? The obvious answer is that no one can know for sure.



However, it can be interesting and informative to look back at history to see if we can learn from what has happened in the past.

The first significant Dow record to review was set on Nov. 23, 1954. On this date the Dow hit 382 and broke the previous high set 25 years earlier right before the 1929 stock market crash. From this new high it continued to climb for the next seven years peaking at over 700 in 1961.

In the early 70's there was a significant growth in the Dow that culminated in a new record on Jan 11, 1973, when the Dow topped out at 1,051. Soon afterward the country went into recession, inflation rose, and the Dow dropped 45% to 577.

In August of 1989 the Dow broke another record closing at 2,734. It continued to gain for almost a year peaking at 2,999 in July of 1990.

In the bull market of the 1990's the Dow broke through multiple barriers crossing the 4,000 and 5,000 marks in 1995. On October 14 of 1996 it went over 6,000 for the first time. In 1997 the 7,000 and 8,000 marks were surpassed, and in 1999 for the first time ever the Dow broke 10,000. Three years later however it would once

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**Four important documents to have in place:**

1. Will
2. Living Will Declaration (Advance Medical Directive)
3. Durable Financial Power of Attorney
4. Health Care Power of Attorney



***Wills (continued from page 1)***

keep your property separate from theirs, maintain accurate records, and avoid conflicts of interest. This document can be a great benefit as we age and other family members take on tasks such as paying bills or taking care of basic financial needs. Without this document in place, a court would have to appoint someone to handle financial needs of an incapacitated person.

**Living Will Declaration:** This document may also be known as an advance health care directive. It is a set of written instructions that specifies what actions should be taken for the health of the individual, if they are unable to make those decisions for themselves due to illness. Typically it would provide the course of treatment to be followed by health care providers including life-sustaining measures you do and don't want. It may forbid the use of some types of medical treatment such as mechanical breathing or tube feeding or resuscitation. It only comes into play when the individual is unable to give informed consent due to incapacity. Under Ohio law the Living Will only applies to individuals in a terminal condition or in a permanently unconscious state.

**Health Care Power of Attorney:** This is a document that allows you to appoint someone you trust to make any health care decisions for you if you are unable to do so for yourself. This designation can help alleviate confusion as to who is authorized to make medical decisions on your behalf. It is usually good to have both the living will and the health care power of attorney in place. The living will helps your health care power of attorney to know some of your specific wishes regarding your end-of-life care.

Another document that is not necessary for everyone, but may be beneficial in some circumstances is a trust. A trust can continue after the life of the creator and may give direction for distribution of assets over time for children or even adult children who are not the best

stewards of money. There are increased costs in creating a trust and several other methods of transferring assets may accomplish some of the same goals more economically.

There are many types of trusts. One of the most common is the Revocable Living Trust. This is a trust created during your lifetime, rather than at your death. With this type of trust the creator of the trust can name themselves as trustee and keep full control of their assets during their lifetime. Any assets held in the trust are taxed as if they are still held by the individual. This type of trust would give directions for disposition of the assets once the grantor of the trust dies. Assets held in trust do not have to go through the probate process. Upon death of the grantor, a new trustee (named by the creator of the trust) controls the assets and follows the instructions of the trust document.

A common alternative that we are seeing to the use of a living trust is using a Transfer on Death TOD or Payable on Death POD designation on an asset. This can be used for bank accounts and brokerage accounts to name a direct recipient of the asset. Typically a simple form can be completed naming a beneficiary of the specific account. This process will also keep that asset out of probate. Retirement accounts do not need this designation because they have a beneficiary designation. They also would not go through the probate process. Ohio also allows a TOD designation affidavit for Real Estate that can keep Real Estate out of probate as well. ■

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## What is next? (continued from page 1)

again drop to a closing low of 7,286 near the end of the 2002 bear market and recession with a loss of nearly 28% from its most recent highs.

In October of 2006 the Dow broke another record closing at 11,727. It continued to climb for the next year and once again peaked at 14,165 on October 9 2007. It was here that the most recent financial crisis was beginning to unfold and home prices began to decline. From the last Dow all-time high in October of 2007 there was a tremendous decline in the Dow until it bottomed out 17 months later at 6,547 for a 53% decline.

It took over five years for the Dow to recapture the previous record high but in March of 2013 it once again started hitting new highs. Since 2013 there have been 144 new record highs for the Dow. In a like manner the S&P 500 closed over 2,000 for the first time in 2014 and in May of this year closed over 2,450 for the first time ever.

In reviewing the past we can see that there is no universal pattern after new market highs. Sometimes the growth has continued for many years, and sometimes there have been dramatic 40% to 50% declines that have followed new highs. There are two possible lessons we may learn from this information. One is that the market can be volatile, and if other economic indicators are negative, it may be prudent to be more cautious in exposure to equities, especially after new all-time highs. The other lesson, however, is that the long term trend continues to be up. Dow 300 became Dow 1,000 which then surpassed 10,000 then 14,000 and most recently 22,500. Over time the market does continue to grow and it is important for long term investors to have at least some stake in the market.

Predicting the future is really impossible, but keeping the past in mind may help us to navigate the uncertainty that may be ahead. ■



## Market Recap

How the major indices performed in the 2nd Quarter 2017:

### DOW JONES INDUSTRIAL AVERAGE

2nd Quarter return 3.3%      YTD return 8.0%

### S & P 500 COMPOSITE

2nd Quarter return 2.6%      YTD return 8.2%

### RUSSELL 2000

2nd Quarter return 2.1%      YTD return 4.3%

### BARCLAYS AGGREGATE BOND

2nd Quarter return 1.4%      YTD return 2.3%

## Market Update

By Tim Rowsey, CPA  
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### The second quarter of 2017 continued to be good for equities.

Stocks set multiple new records in the first half of the year with strong earnings from S & P 500 companies helping the rally. The Dow Jones Industrial Average increased 3.3% for the quarter bringing the first half growth to 8%. The S & P 500 was also up and gained 2.6% for the quarter while setting 24 new closing records. Small cap stocks as represented by the Russell 2000 had the smallest growth with a 2.1% gain for the quarter.

### Bonds also increased for the quarter.

The Barclays aggregate Bond index grew by 1.4% for the quarter. The Fed did increase rates an additional 0.25% in June as was anticipated. Bond yields have actually fallen slightly on the 10 year treasury since the end of last year. This has helped overall bond performance.

### Political deadlock and falling oil prices have impact on the markets.

Investors are increasingly concerned about the ability of Congress to move ahead on their legislative agenda relating to tax reform. Multiple and conflicting congressional attempts to change health care laws have been slow. This brings into question the ability to actually pass significant tax reform legislation later this year. Oil prices fell lower in late June and may provide some buying opportunities in this sector. In spite of all of the potential negatives, the markets continue to set new all-time records. ■

*Helping individuals navigate their financial lives.*



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