

The Light

Summer 2014

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What is Your Plan?

By Tim Rowsey, CPA, Investment Advisor Rep.

Summer is the time of the year when many families take a vacation and spend some relaxing time away from home. Most don't just get in the car and start driving. They follow a plan that they may have spent considerable time preparing in advance. They know where they are going, where they are staying, and may have things they want to see, either at their destination or along the way. For many, the planning process and anticipating the trip is almost as much fun as actually going.



Planning is a big part of life. Many things that we do today are important for our future, but have a short term cost in either time or resources. Taking time to brush or floss your teeth is an investment in your future dental health. Exercising is another example of something that takes time and dedication but can provide benefits for your future health. Warren Buffet once famously said, "Someone's sitting in the shade today because someone planted a tree a long time ago." Our present actions can have future benefits, either for us or for others.

When it comes to finances, it is very important to have a plan. This is true whether we are talking about retirement planning, college planning, or planning for some other future financial goal. It has been said that if you don't know where you are going, any road will get you there. For most people, taking some time to plan for the future can make an enormous difference in the ultimate destination. We spend a lot of time helping individuals look at their lives and helping them to

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What is an ETF?

By Tim Rowsey, CPA/ Investment Advisor Rep.

One of the relatively newer options available to investors is Exchange Traded Funds or ETFs. As these become more prevalent and as we use them as a component of many clients' investment strategies, I thought it might be worthwhile to discuss and explain exactly what an ETF is.

An exchange traded fund is a security that tracks an index or a group of assets like an index fund, but trades like a stock on an exchange. Since it is traded like a stock it has a constantly changing market value and can be traded at any time throughout the day. In contrast, mutual funds are only valued once a day at the closing of the market. One advantage of ETFs is that they have extremely low expense ratios. The expense ratio is the cost of running a mutual fund or ETF. Since ETFs trade like stocks there is usually also a commission charged upon the purchase and sale. These tend to be relatively small costs, however. The settlement time on an ETF is also three days like a stock while mutual funds settle on the next business day.

Exchange Traded Funds were first introduced in 1993 when the S&P 500 Depository Receipt (known as "spider") was introduced. Its ticker symbol is SPDR. Since then, there has been a tremendous growth in the offering of ETFs. Traditionally, ETFs were index funds, but in 2008 actively managed ETFs were authorized. Today, if you can think of an index or a market sector, there is probably an ETF that would cover it. There are over 1,600 ETFs currently available.

One of the main uses of an ETF is to gain exposure to a narrow segment of the market and track that specific index, asset type or commodity. If

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Helping individuals navigate their financial lives.

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see where they want to go and how we can help them get there. There are some wonderful financial planning tools that we can use to help you along this path.

“If you don't know where you are going, you'll end up someplace else.”
— Yogi Berra

Here are a few ideas to consider when thinking about your financial plan for the future:

First write down your plans and goals. We work with many people in developing their plans for the future. Having a written documented plan is a major first step toward accomplishing your goals. This can serve as a road map and help track your progress toward your goal. Are you on track after one year, three years, five years? If not, what adjustments can be made to help you reach your goal?

Secondly, start now! I can't tell you the number of people I have met with who say **“I just wish I had started earlier”**. They may be talking about putting money in a savings account, or into their 401(k) plan or their IRA, but an almost universal regret is not starting earlier. If you are young and able to do it, start saving toward your goal today. There are many vehicles to use for this, including Roth IRA's, company 401(k) plans and general investment accounts.

Make your actions automatic. There is nothing better than payroll withholdings or an automatic withdrawal from your checking account to fund an IRA to help keep you on track. You don't miss the money that you never see. If you make the funding of your plan automatic, it takes away the temptation to use those funds for other purposes. We work with many people who use a monthly deduction from their checking account to fund their IRA contributions. Once it is set up you no longer have to remember or choose to plan, you have already set the action in motion.

Finally, check up on your plan periodically. It is usually good to see if you are on track with your plan at least every other year, if not more often. Are your

beneficiaries correct? Do you need to adjust your insurance coverage? You may also need to adjust your investments, increase funding, or, if things are going well, move up your retirement date to sometime sooner!

And, if you didn't start as early as you would have liked, it is never too late to try to improve your financial future. Even in retirement there are strategies you can use to maximize your income. If you are interested in talking further about your own financial plan for the future, give us a call. We would love to help you reach your intended financial destination. ■



Give Back Lighthouse Wealth Management

believes in giving back. In addition to supporting several local charities, we partner with CURE International. CURE International's passion is to heal the developing world's 100 million children suffering from curable orthopedic and neurological deformities. They are neglected and isolated and don't have access to the specialty care that could transform their lives forever. Cure International wants to change all this. Today, CURE International is the largest provider of pediatric specialty care in the developing world. Join us in supporting their mission.

www.cure.org

Look for the hot air balloon we are sponsoring at Ashland Balloonfest, “Shining Light”, piloted by David Seekell. Tim has ridden in a balloon, so now it's Cheri's turn! She'll be taking off Friday night, July 4th at 7 pm. Wish her luck!



Disclosure Statement

A copy of our Part 2 of Form ADV: Firm Brochure, which provides information about the qualifications and business practices of Lighthouse Wealth Management is available upon request. To request a copy contact Cheri Smeltzer at:

(419)496-0016 or csmeltzer@lightwealth.com



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you want to own a segment of the market there is an ETF by size (small-cap, mid-cap, large cap). There are ETFs for indexes (S&P 500, Russell 2000, Dow Jones Industrials). There are ETFs for bonds, commodities, currencies, leveraged indexes, real estate indexes. Do you want to own gold, coffee futures contracts, Chinese stocks, hogs and cattle? There is a separate ETF that would track each one of these.

Charles Schwab has been expanding its ETF offerings, and now offers over 100 ETFs with no commission cost. In addition, they have some of the lowest operating costs in the industry. This can allow for investment exposure to some diversified holdings at extremely small entry points and low cost.

One of the Schwab ETFs that we like is the Schwab U.S. Large-Cap Value ETF. This fund allows ownership of many blue chip large capitalization value stocks. Some of the top holdings in the fund would include IBM, AT&T, Pfizer, Verizon, JPMorgan Chase, Procter & Gamble, Chevron, GE and Exxon Mobil. The dividends paid out from these holdings also pass through to the holder of the ETF.

Another Schwab ETF is the Schwab US Aggregate Bond ETF. This can offer broad exposure to bonds in an investment that can be bought and sold at any time.

In general, ETFs would be a more passive investment strategy in that for most ETFs, the fund itself does not have a manager choosing and monitoring the investments. Instead, the fund is passively invested in the index or focus that makes up the fund. Mutual funds and ETFs both can be effective tools in an investment portfolio. In some cases, we believe that the use of ETFs can give some good diversification to a portfolio, and if specific asset classes are desired they can be a great way to pick up a focused holding. ■

Market Recap

How the major indices performed in the 2nd Quarter 2014

DOW JONES INDUSTRIAL AVERAGE

2nd Quarter return 2.2% YTD return 1.5%

S & P 500 COMPOSITE

2nd Quarter return 4.7% YTD return 6.1%

RUSSELL 2000

2nd Quarter return 0.3% YTD return 2.5%

BARCLAYS AGGREGATE BOND

2nd Quarter return 1.95% YTD return 3.9%

Market Update

By *Tim Rowsey, CPA*
Investment Advisor Rep.

The second quarter ended with moderate gains for equities.

During the second quarter the Dow Jones Industrial average posted eleven record highs and the S & P 500 had 16 record closes. Each finished the quarter just under milestone marks of 17000 and 2000. The Dow showed a gain for the quarter of 2.2% while the broader market, as represented by the S & P 500, fared even better, ending the quarter with a gain of 4.73%. The Fed continued their taper plan and bonds markets seem to have grown accustomed to the tapering. In contrast, at the same time the European Central Bank is actually increasing its stimulus. Smaller cap stocks, as represented by the Russell 2000, showed a small gain for the quarter with an increase of 0.3%.

Bonds had another strong quarter.

The Barclays aggregate Bond index increased by 1.95% for the quarter. PIMCO's flagship Total Return bond fund also showed a gain for the quarter with a 2.2% gain.

Market conditions remain positive but some caution may be appropriate.

While the first half of the year was positive, there are some questions about the ability of the market to continue to climb. Key indicators in the coming weeks will be the June unemployment report, and also the start of the second quarter earnings season. If companies can continue to show strong profitability the market may continue its climb into new record territory. A balanced exposure to bonds and equities continues to be a prudent choice for most investors. ■



Lighthouse Wealth Management
 1078 Commerce Parkway
 Ashland, Ohio 44805



Tim Rowsey, CPA
 Investment Advisor Representative
 Cell: 567-215-3015
 trowsey@lightwealth.com

Aaron Rowsey
 Associate
 Cell: 419-606-5239
 arowsey@lightwealth.com



Cheri Smeltzer
 Operations Manager
 Compliance Specialist
 csmeltzer@lightwealth.com

Phone: 419-496-0016
 Fax: 1-206-338-1393
www.lightwealth.com



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Subscriptions are free. Paperless delivery is available upon request. Call Cheri Smeltzer at 419-496-0016 or email her at csmeltzer@lightwealth.com to be added to our list or to change your subscription.

At Lighthouse Wealth Management, we want to help our clients reach their financial goals and have plenty of peace of mind along the way. We offer a holistic, full service approach. We start by getting to know and understand our clients' wants, needs, and dreams. We partner with them to help them navigate all the financial challenges of life. We can help answer financial questions, help with tax planning and preparation, and guide our clients with their investments to help them reach their ultimate financial goals.

Just as a Lighthouse provides guidance to passing ships, Lighthouse Wealth Management provides our clients with solid, trusted, conscientious guidance to help them navigate risks and lead them to their financial goals.

Lighthouse Wealth Management believes in giving back. We give 10% of our profits to charities, including CURE, International. www.cure.org

Our Services

- Investment Advisory Services
- Individual Portfolio Management
- Retirement Planning
- 401(k) Rollovers
- Individual Tax Preparation
- Financial guidance in all areas



Helping individuals navigate their financial lives.