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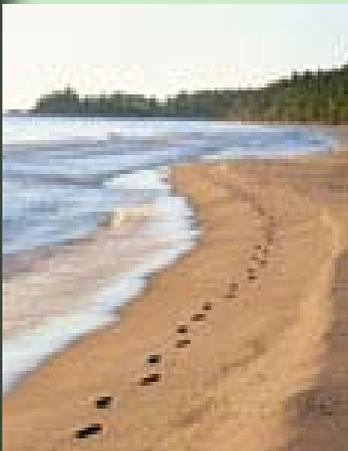
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Why Diversification Matters

When investing, particularly for long-term goals, there is one concept you will likely hear about over and over again — diversification. Why is diversification so important? The simple reason is that it helps ensure that your risk of loss is spread among a number of different investments. The theory is that if some of the investments in your portfolio decline in value, others may rise or hold steady, helping to offset the losses.

Diversifying within asset classes

For example, say you wanted to invest in stocks. Rather than investing in just domestic stocks, you could diversify your portfolio by investing in foreign stocks as well. Or you could choose to include the stocks of different size companies (small-cap, mid-cap, and/or large-cap stocks).

If your primary objective is to invest in bonds for income, you could choose both government and corporate bonds to potentially take advantage of their different risk/return profiles. You might also choose bonds of different maturities, because long-term bonds tend to react more dramatically to changes in interest rates than short-term bonds. As interest rates rise, bond prices typically fall.

Investing in mutual funds

Because mutual funds invest in a mix of securities chosen by a fund manager to pursue the fund's stated objective, they can offer a certain level of "built-in" diversification. For this reason, mutual funds may be an appropriate choice for novice investors or those wishing to take more of a hands-off approach to their portfolios. Including a variety of mutual funds with different objectives and securities in your portfolio will help diversify your holdings that much more.

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

Diversifying among asset classes

You might also consider including a mix of different types of asset classes — stocks, bonds, and cash — in your portfolio. Asset allocation is a strategic approach to diversifying your portfolio. After carefully considering your investment goals, time horizon, and risk tolerance, you would then invest different percentages of your portfolio in targeted asset classes to pursue your goal.

Winning asset classes over time

The following table, which shows how many times during the past 30 years each asset class has come out on top in terms of performance, helps illustrate why diversifying among asset classes can be important.

	Number of winning years, 1987-2016
Cash	3
Bonds	5
Stocks	10
Foreign Stocks	12

Performance is from December 31, 1986, to December 31, 2016. Cash is represented by Citigroup 3-month Treasury Bill Index. Bonds are represented by the Citigroup Corporate Bond Index, an unmanaged index. Stocks are represented by the S&P 500 Composite Price Index, an unmanaged index. Foreign stocks are represented by the MSCI EAFE Price Index, an unmanaged index. Investors cannot invest directly in any index. However, these indexes are accurate reflections of the performance of the individual asset classes shown. Returns reflect past performance and should not be considered indicative of future results. The returns do not reflect taxes, fees, brokerage commissions, or other expenses typically associated with investing.

The principal value of cash alternatives may fluctuate with market conditions. Cash alternatives are subject to liquidity and credit risks. It is possible to lose money with this type of investment.

The return and principal value of stocks may fluctuate with market conditions. Shares, when sold, may be worth more or less than their original cost.

U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest, whereas corporate bonds are not. The principal value of bonds may fluctuate with market conditions. Bonds are subject to inflation, interest rate, and credit risks. Bonds redeemed prior to maturity may be worth more or less than their original cost.

The risks associated with investing on a worldwide basis include differences in financial reporting, currency exchange risk, as well as economic and political risk unique to the specific country.

Investments offering the potential for higher rates of return also involve higher risk.

Charles Cheryl Matt

Four Ways to Double the Power of Your Tax Refund

The IRS expects that more than 70% of taxpayers will receive a refund in 2017.¹ What you do with a tax refund is up to you, but here are some ideas that may make your refund twice as valuable.

Double your savings

Perhaps you'd like to use your tax refund to start an education fund for your children or grandchildren, contribute to a retirement savings account for yourself, or save for a rainy day. A financial concept known as the Rule of 72 can give you a rough estimate of how long it might take to double what you initially save.

Simply divide 72 by the annual rate you hope that your money will earn. For example, if you invest your tax refund and it earns a 6% average annual rate of return, your investment might double in approximately 12 years (72 divided by 6 equals 12). This hypothetical example of mathematical compounding is used for illustrative purposes only and does not represent the performance of any specific investment. Fees, expenses, and taxes are not considered and would reduce the performance shown if they were included.

Split your refund in two

If stashing your refund away in a savings account or using it to pay bills sounds unappealing, go ahead and splurge on something for yourself. But remember, you don't necessarily have to spend it all. Instead, you could put half of it toward something practical and spend the other half on something fun.

The IRS makes splitting your refund easy. When you file your income taxes and choose direct deposit for your refund, you can decide to have it deposited among two or even three accounts, in any proportion you want. Qualified accounts include savings and checking accounts, as well as IRAs (except SIMPLE IRAs), Coverdell Education,

Savings Accounts, health savings accounts, Archer MSAs, and TreasuryDirect® online accounts. To split your refund, you'll need to fill out IRS Form 8888 when you file your federal return.

Double down on your debt

Using your refund to pay down credit card debt or a loan with a high interest rate could enable you to pay it off early and save on interest charges. The time and money you'll save depend on your balance, the interest rate, and other factors such as your monthly payment. Here's a hypothetical example. Let's say you have a personal loan with an \$8,000 balance, a 12% fixed interest rate, and a 24-month repayment term. Your fixed monthly payment is \$380. If you were to put a \$4,000 refund toward paying down your principal balance, you would be able to pay off your loan in 12 months and save \$780 in interest charges over the remaining loan term. Check the terms of any loan you want to prepay, though, to make sure that no prepayment penalty applies.

Be twice as nice to others

Giving to charity has its own rewards, but Uncle Sam may also reward you for gifts you make now when you file your taxes next year. If you itemize, you may be able to deduct contributions made to a qualified charity. You can also help your favorite charity or nonprofit reap double rewards by finding out whether your gift qualifies for a match. With a matching gift program, individuals, corporations, foundations, and employers offer to match gifts the charitable organization receives, usually on a dollar-for-dollar basis. Terms and conditions apply, so contact the charitable organization or your employer's human resources department to find out more about available matching gift programs.



¹ IR-2017-01, irs.gov

Giving to charity has its own rewards, but Uncle Sam may also reward you for gifts you make now when you file your taxes next year.



THE GOOD NEWS IS THAT YOUR MILEAGE DEDUCTION IS \$17 MILLION.
THE BAD NEWS IS THAT OUR TAX RATES ARE OUT OF THIS WORLD.

Don't Forget to Include Memory Loss When Planning for Retirement

When planning for retirement, an important factor that is often overlooked is the potential for declining cognitive skills associated with aging. Cognitive impairment (CI), often attributable to dementia or Alzheimer's disease, can have profound implications for your overall health and well-being, particularly during retirement. The cost of care can absorb income and significantly deplete retirement savings. It can also deprive you of the ability to effectively manage your financial affairs.

Cognitive impairment — a growing concern

The possibility of suffering from some form of cognitive impairment later in life is real. Dementia affects approximately 2.4 to 5.5 million Americans. Its prevalence increases with age: 5% in persons ages 71 to 79, 24% in those ages 80 to 89, and 37% in those 90 and older. ¹One in eight adults age 60 and older (12.7%) experiences confusion or memory loss that is happening more often or getting worse. Unfortunately, among these individuals, only 19.3% discuss these changes with a health-care provider. Additionally, 34.5% of those affected by CI live alone.²

Financial impact of the cost of care

Dementia, including Alzheimer's, is the most costly disease in the United States and is set to increase like no other. In 2016, Alzheimer's and other forms of dementia will cost the United States an estimated \$236 billion. By 2050, this number is expected to grow to more than \$1.2 trillion. Among all nursing home residents, more than 64% have been diagnosed with Alzheimer's or another dementia. Alzheimer's is the sixth highest cause of death in the United States.³

Unfortunately, those suffering from advanced stages of cognitive impairment often require long-term care. The cost of care can quickly deplete your retirement savings and affect the quality of life for you and your family, leaving little or no income or savings. Average costs of long-term care include the following:⁴

- \$6,235 per month, or \$74,820 per year, for a semi-private room in a nursing home
- \$6,965 per month, or \$83,580 per year, for a private room in a nursing home
- \$3,293 per month for a one-bedroom unit in an assisted living facility
- \$21 per hour for a home health aide
- \$19 per hour for homemaker services
- \$67 per day, or roughly \$2,010 per month, for services in an adult day health-care center

The cost of long-term care depends on the type and duration of care you need, the health-care provider you use, and where you live. While one-third of 65-year-olds may never need long-term care, 20% will need it for more than five years.⁵

Loss of ability to manage finances

Your financial plan should consider not only the potential cost of care if you or your spouse suffer from cognitive impairment, but also determine who will make financial decisions about your care.

Even if you suffer from mild cognitive impairment (MCI), you may find it more difficult to manage investments or a household budget. If you are the primary money manager and experience declining cognitive skills, your spouse could be left financially vulnerable.

Make it part of your plan

A comprehensive financial and legal plan is important. It is helpful to prepare as early as possible. Some families use the services of an elder law attorney. There may come a time when you can no longer make decisions for yourself, including financial and health-care decisions. This can create a hardship for a caregiver trying to conduct financial transactions and make medical decisions. Several types of legal documents can be written before they are needed to help you and family members through this difficult time. These documents include, but are not limited to, an advance medical directive, a medical power of attorney or health-care proxy, and a durable power of attorney, which allows a representative or agent to make financial decisions and transactions on your behalf, should you become unable to do so.

There are generally three ways to pay for long-term care expenses: use your own income and savings, share the cost of care through some form of private insurance, and/or seek the assistance of state or federal government programs, such as Medicare and Medicaid. The choices you make will likely depend on several factors, including your financial and family situation, your age, and your state of residence. In any case, it's wise to consider the ramifications of cognitive impairment when planning for retirement.

A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the long-term care policy. It should be noted that carriers have the discretion to raise their rates and remove their products from the marketplace.

¹ U.S. Preventive Service Task Force, Cognitive Impairment in Older Adults: Screening, March 2014

² The Healthy Brain Initiative: The Public Health Road Map for State and National Partnerships, 2013-2018: Chicago, IL: Alzheimer's Association; 2013

³ Alzheimer's Association, alz.org

^{4, 5} U.S. Department of Health and Human Services (most recent government data available), longtermcare.gov

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