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Johnston Investment Counsel
LIFE THE WAY YOU PLANNED IT.

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Operating at the Intersection of Profits and Values

What motivates entrepreneurs to leave high-paying jobs and start their own companies? While having a great business idea or being their own boss are two reasons, another might be a desire to make a difference in their communities. Similarly, investors often target companies not just because they turn exceptional profits or post strong dividends but also because they effect positive change in the world.

Fortunately for these two like-minded groups, there are now ways for socially and environmentally conscious companies to distinguish themselves within the for-profit sector--by becoming a benefit corporation, a Certified B Corporation, or both.

Benefit corporations

Regulated on a state-by-state basis, benefit corporations are for-profit companies that voluntarily hold themselves to different standards of corporate purpose, accountability, and transparency than other companies. Specifically, according to benefitcorp.net, directors and management:

1. Must have a corporate purpose or mission to create a material positive impact on society and the environment
2. Are required to consider the impact of their decisions not only on shareholders but also on workers, the community, and the environment
3. Are required to make available to the public an annual benefit report that assesses their overall social and environmental performance against a third-party standard[1]

Becoming a benefit corporation does not affect a company's tax status. Companies may still elect a specific business entity (e.g., C or S corporation). However, the benefit corporation status may offer liability protection for corporate leadership by providing a legal umbrella under which they can make decisions that consider the interests of many different stakeholders, not just shareholders.

As of late summer 2015, 31 states had adopted legislation establishing benefit corporations, and five others were in progress.

Certified B Corporation

Companies may also choose to become Certified B Corps. According to B Lab, the nonprofit organization that provides the certification, "B Corp is to business what Fair Trade certification is to coffee or USDA Organic certification is to milk." Currently, there are more than 1,300 Certified B Corps in 41 countries and 121 different industries.[2]

To become a Certified B Corp, businesses must complete three steps:

1. First, the performance requirement must be met. Business leaders complete an online assessment that evaluates an organization's current impact on its stakeholders and must score at least 80 out of a possible 200 points. The questions vary depending on company size (based on number of employees), sector, and location of primary operation. Companies also take part in a review with a B Lab staff member and submit supporting documentation and a completed disclosure questionnaire.
2. Next, the company must meet the legal requirements, which depend largely on corporate structure and state of incorporation.
3. Finally, the leadership team signs the B Corp Declaration of Interdependence and Term Sheet, and pays the certification fee, which varies depending on an organization's annual sales.

B Corp Certification is good for two years, after which the organization must be recertified.

For more information, visit benefitcorp.net or bcorporation.net.

[1]Delaware is an exception.

[2]"Cash for B Corps," *Entrepreneur,* September 2015

Periodic Review of Your Estate Plan

An estate plan should be reviewed periodically, especially after a major life event. Here are some ideas about when to review your estate plan and some things to review when you do.

An estate plan is a map that explains how you want your personal and financial affairs to be handled in the event of your incapacity or death. It allows you to control what happens to your property if you die or become incapacitated. An estate plan should be reviewed periodically.

When should you review your estate plan?

Although there's no hard-and-fast rule about when you should review your estate plan, the following suggestions may be of some help:

- You should review your estate plan immediately after a major life event
- You'll probably want to do a quick review each year because changes in the economy and in the tax code often occur on a yearly basis
- You'll want to do a more thorough review every five years

Reviewing your estate plan will alert you to any changes that need to be addressed.

There will be times when you'll need to make changes to your plan to ensure that it still meets all of your goals. For example, an executor, trustee, or guardian may die or change his or her mind about serving in that capacity, and you'll need to name someone else.

Events that should trigger a periodic review include:

- There has been a change in your marital status (many states have laws that revoke part or all of your will if you marry or get divorced) or that of your children or grandchildren
- There has been an addition to your family through birth, adoption, or marriage (stepchildren)
- Your spouse or a family member has died, has become ill, or is incapacitated
- Your spouse, your parents, or other family member has become dependent on you
- There has been a substantial change in the value of your assets or in your plans for their use
- You have received a sizable inheritance or gift
- Your income level or requirements have changed
- You are retiring
- You have made (or are considering making) a change to any part of your estate plan

Some things to review

Here are some things to consider while doing a periodic review of your estate plan.

- Who are your family members and friends? How do you feel about them?
- Do you have a valid will? Does it reflect your current goals and objectives about who receives what after you die? Does your choice of an executor or a guardian for your minor children remain appropriate?
- In the event you become incapacitated, do you have a living will, durable power of attorney for health care, or Do Not Resuscitate order to manage medical decisions?
- In the event you become incapacitated, do you have a living trust, durable power of attorney, or joint ownership to manage your property?
- What property do you own and how is it titled (e.g., outright or jointly with right of survivorship)? Property owned jointly with right of survivorship passes automatically to the surviving owner(s) at your death.
- Have you reviewed your beneficiary designations for your retirement plans and life insurance policies? These types of property pass automatically to the designated beneficiary at your death.
- Do you have any trusts, living or testamentary? Property held in trust passes to beneficiaries according to the terms of the trust.
- Do you plan to make any lifetime gifts to family members or friends?
- Do you have any plans for charitable gifts or bequests?
- If you own or co-own a business, have provisions been made to transfer your business interest? Is there a buy-sell agreement with adequate funding? Would lifetime gifts be appropriate?
- Do you own sufficient life insurance to meet your needs at death? Have those needs been evaluated?
- Have you considered the impact of gift, estate, generation-skipping, and income taxes, both federal and state?

This is just a brief overview of some ideas for a periodic review of your estate plan. Each person's situation is unique. An estate planning attorney may be able to assist you with this process.

Give Your Retirement Plan an Annual Checkup

As you reconsider your retirement income needs, it might also make sense to check your expected Social Security benefit and any other potential sources of income. To get an estimate of your future Social Security payments, go to socialsecurity.gov and select "my Social Security."

Asset allocation does not guarantee a profit or protect against a loss; it is a method used to help manage investment risk.

All investing involves risk, including the possible loss of principal. There can be no assurance that any investment strategy will be successful.

Financial professionals typically recommend that you review your employer-sponsored retirement savings plan annually and when major life changes occur. If you haven't revisited your plan yet in 2015, the end of the year may be an ideal time to do so.

Reexamine your risk tolerance

This past year saw moments that would try even the most resilient investor's resolve. When you hear media reports about stock market volatility, is your immediate reaction to consider selling some of the stock investments in your plan? If that's the case, you might begin your annual review by reexamining your risk tolerance.

Risk tolerance refers to how well you can ride out fluctuations in the value of your investments while pursuing your long-term goals. An assessment of your risk tolerance considers, among other factors, your investment time horizon, your accumulation goal, and assets you may have outside of your plan account. Your retirement plan's educational materials likely include tools to help you evaluate your risk tolerance, typically worksheets that ask a series of questions. After answering the questions, you will likely be assigned a risk tolerance ranking from conservative to aggressive. In addition, suggested asset allocations are often provided for consideration.

Have you experienced any life changes?

Since your last retirement plan review, did you get married or divorced, buy or sell a house, have a baby, or send a child to college? Perhaps you or your spouse changed jobs, received a promotion, or left the workforce entirely. Has someone in your family experienced a change in health? Or maybe you inherited a sum of money that has had a material impact on your net worth. Any of these situations can affect both your current and future financial situation.

In addition, if your marital situation has changed, you may want to review the beneficiary designations in your plan account to make sure they reflect your current wishes. With many employer-sponsored plans, your spouse is automatically your plan beneficiary unless he or she waives that right in writing.

Reassess your retirement income needs

After you evaluate your risk tolerance and consider any life changes, you may want to take another look at the future. Have your dreams for retirement changed at all? And if so, will those changes affect how much money you will need to live on? Maybe you've reconsidered plans to relocate or travel extensively, or now plan to start a business or work part-time during retirement.

All of these factors can affect your retirement income needs, which in turn affects how much you need to save and how you invest today.

Is your asset allocation still on track?

Once you have assessed your current situation related to your risk tolerance, life changes, and retirement income needs, a good next step is to revisit the asset allocation in your plan. Is your investment mix still appropriate? Should you aim for a higher or lower percentage of aggressive investments, such as stocks? Or maybe your original target is still on track but your portfolio calls for a little rebalancing.

There are two ways to rebalance your retirement plan portfolio. The quickest way is to sell investments in which you are overweighted and invest the proceeds in underweighted assets until you hit your target. For example, if your target allocation is 75% stocks, 20% bonds, and 5% cash but your current allocation is 80% stocks, 15% bonds, and 5% cash, then you'd likely sell some stock investments and invest the proceeds in bonds. Another way to rebalance is to direct new investments into the underweighted assets until the target is achieved. In the example above, you would direct new money into bond investments until you reach your 75/20/5 target allocation.

Revisit your plan rules and features

Finally, an annual review is also a good time to take a fresh look at your employer-sponsored plan documents and plan features. For example, if your plan offers a Roth account and you haven't investigated its potential benefits, you might consider whether directing a portion of your contributions into it might be a good idea. Also consider how much you're contributing in relation to plan maximums. Could you add a little more each pay period? If you're 50 or older, you might also review the rules for catch-up contributions, which allow those approaching retirement to contribute more than younger employees.

Although it's generally not a good idea to monitor your employer-sponsored retirement plan on a daily, or even monthly, basis, it's important to take a look at least once a year. With a little annual maintenance, you can help your plan keep working for you.

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I'm thinking about storing financial documents in the cloud. What should I know?

Cloud storage--using Internet-based service providers to store digital assets such as books, music, videos, photos, and even important documents including financial statements and contracts--has become increasingly popular in recent years. But is it right for you?

Opinions vary on whether to store your most sensitive information in the cloud. While some experts say you should physically store items you're not willing to lose or expose publicly, others contend that high-security cloud options are available.

If you're thinking about cloud storage for your financial documents, consider the following:

- Evaluate the provider's reputation. Is the service well known, well tested, and well reviewed by information security experts?
- Consider the provider's own security and redundancy procedures. Look for such features as two-factor authentication and complex password requirements. Does it have copies of your data on servers at multiple geographic locations, so that a disaster in one area won't result in an irretrievable loss of data?
- Review the provider's service agreement and terms and conditions. Make sure you understand how your data will be protected and what recourse you have in the event of a breach or loss. Also understand what happens when you delete a file--will it be completely removed from all servers? In the event a government subpoena is issued, must the service provider hand over the data?
- Consider encryption processes, which prevent access to your data without your personal password (including access by people who work for the service provider). Will you be using a browser or app that provides for data encryption during transfer? And once your data is stored on the cloud servers, will it continue to be encrypted?
- Make sure you have a complex system for creating passwords and never share your passwords with anyone.

What's the best way to back up my digital information?

In writing or speaking, redundancy is typically not recommended unless you're really trying to drive a point home. When it comes to your digital life, however, redundancy is not only recommended, it's critical.

Redundancy is the term used to refer to data backups. If you have digital assets that you don't want to risk losing forever--including photos, videos, original recordings, financial documents, and other materials--you'll want to be sure to back them up regularly. And it's not just materials on your personal computer, but your mobile devices as well. Depending on how much you use your devices, you may want to back them up as frequently as every few days.

A good rule to follow is the 3-2-1 rule. This rule helps reduce the risk that any one event--such as a fire, theft, or hack--will destroy or compromise both your primary data and all your backups.

1. Have at least three copies of your data. This means a minimum of the original plus two backups. In the world of computer redundancy, more is definitely better.
2. Use at least two different formats. For example, you might have one copy on an external hard drive and another on a flash drive, or one copy on a flash drive and another using a cloud-based service.
3. Ensure that at least one backup copy is stored offsite. You could store your external hard drive in a safe-deposit box or at a trusted friend or family member's house. Cloud storage is also considered offsite.

If a cloud service is one of your backup tactics, be sure to review carefully its policies and procedures for security and backup of its servers. Another good idea is to encrypt (that is, create strong passwords that only you know) to protect sensitive documents and your external drives.

So at the risk of sounding redundant (or driving the point home?), a good rule for data backup is to have at least three copies on at least two different formats, with at least one copy stored offsite. And more is always better.

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Should We Go Back To the Gold Standard?

If you watched the Republican presidential debates, you might have noticed that a number of candidates yearn for a return to the gold standard—that is, that every dollar issued by the government would be backed by a comparable value in gold bars that were stashed away in a government vault. Sen. Ted Cruz of Texas argued that the dollar should have a fixed value in gold, and Sen. Rand Paul of Kentucky added that printing money without backing in the precious metal destroys the value of our currency. Mike Huckabee, former governor of Arkansas, thinks that if not gold, then the dollar could be pegged to a basket of commodities. All are mostly concerned that printing money will cause runaway inflation.

But there may be several problems with this return to the fiscal system of the late 1800s and early 1900s. One is that inflation has barely budged even as the Federal Reserve Board was piling one QE stimulus on top of another, and the government was adding records amounts of currency to the money supply. Why? Because the velocity of money has been low—meaning, essentially, that banks have been sitting on growing piles of cash instead of lending it into the economy where it might have an inflationary effect.

Another problem is that, if pegged to gold, the money supply would be tied to one of the most volatile commodities in the world. In 2006, gold was selling for less than $600 an ounce. Then it peaked at $1,800 an ounce in late 2011. (See accompanying chart.) That means that the amount of currency floating through the global economy could have tripled in those five years. Today the price is in the $1,050 range, meaning an automatic 70% reduction in the amount of currency that would be available to the economy. Does it make sense for the number of dollars to be tied to the variations in a commodity whose value is sometimes called the "fear index?"

When the University of Chicago asked 40 leading economists whether a gold standard would improve the lives of average Americans, all 40 said no. They pointed out that the heyday of the gold standard actually experienced far greater economic volatility than we do today, and the nation's unemployment rate, on average, was almost a full percentage point higher than the period since President Nixon abandoned the gold standard once and for all.

Sources:

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Giving Tax-Wisely

You may have read that Facebook founder, chairman and CEO Mark Zuckerberg has announced plans to gift substantially all of his Facebook stock to a philanthropic entity called the Chan Zuckerberg Initiative, named after himself and his wife Priscilla Chan. The gift would be worth $45 billion, instantly becoming one of the largest philanthropic pools in the world.

The donation is remarkably tax-efficient. By making the gift in shares rather than cash, Mr. Zuckerberg will get a charitable contribution deduction on Schedule A of his 1040 form, with the deduction based on the fair market value of the shares. At the same time, he will completely avoid having to pay capital gains taxes on the appreciation of those shares. The LLC can then sell the Facebook stock or hold it and dole it out to charitable organizations and pay no tax regardless of how big the gain. Basically it means that one of the world's great fortunes will never be taxed, while Mr. Zuckerberg will be able to shelter billions of dollars worth of other income from federal taxation.

Sources:

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The Association Factor

What's the best way to be happy and successful? What do most happy and successful people have in common?

If you answered "money," or anything to do with meditation or networking skills, you're off the mark, according to Jason Butler, a former financial planner who is currently working as a motivational speaker. He says that after reading biographies of political, business, scientific and charity leaders, and hearing the personal stories of several hundred financial planning clients, one factor tends to be present in the happiest, most successful individuals, and it's entirely in your control: who you surround yourself with. Call it your "association factor."

There are several dimensions to this. If you're an athlete who wants to improve your fitness or skill level, hanging out with (competing with) superior athletes will do more to help you 'up your game' than if you were associating with people you can beat without breaking a sweat. If you employ or work alongside people who have a diligent and service-oriented attitude, you can delegate work, avoid micromanaging, and feel confident that the workload will be shared fairly. If your social circle is full of people who are pessimistic, negative, defeatist or cynical, then it will pull you into pessimism or defeatism. We all know people who suck the life out of anybody they're around. Why let it happen to you?

Butler says that cultivating meaningful personal relationships with the right types of people should be an essential priority for anyone who wants to live a meaningful, fulfilling, successful and happy life—which basically means all of us. You should consciously try to surround yourself with people who are optimistic, positive, capable and excited about the future.

The interesting thing about this advice is how few people seem to be intentional about their friendships. Most of us make friends by happenstance, because we shared an experience together or have something in common. Consciously creating a circle of friends, and constantly looking for business relationships that will be productive and supportive, is not often a priority.

But it can be, and the results could be dramatic.

Source:

- https://www.linkedin.com/pulse/one-thing-all-happy-successful-people-do-jason-butler?trk=profpost&utm_content=bufferf8382&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer

TV and Alzheimer's

About a third of all adults over the age of 85 will get Alzheimer's disease or some other form of dementia, but these maladies may be more preventable than most of us realize. Doctors have known that older adults who use their brains more actively are less likely to fall victim to dementia, while less active adults experience cognitive decline more often. A new study has added two more factors which may contribute to higher incidences of dementia.

The study followed more 3,247 adults for more than 25 years, testing them regularly for cognitive health, and gaining information every couple of years on their lifestyles. It turns out that people with the highest levels of television viewing—those who watched an average of more than three hours of TV a day—had had 64% greater odds of scoring poorly on the cognitive tests compared to those who spent the least amount of time on the couch with the remote in their hands. When the lifestyle consisted of a lot of TV face-time and low physical activity, the researchers found that the odds of performing poorly on the cognitive tests was twice as high as those who were more active and didn't watch much TV.

The good news from this rather discouraging research is that people who spent their younger years binge-watching can, at a later age, mitigate the damage by becoming more socially active, by exercising more and otherwise stimulating their brains. The speculation on TV watching is that TV is a passive medium that simply engages the brain without challenging or stimulating it. People who get up and walk, use their computer in a cognitively challenging way, learn a new language or musical instrument, play board games and/or engage in a cause or spiritual practice they care about can build up what researchers call a "cognitive reserve," extra brain power that is associated with better cognitive aging.

Sources:

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