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Talking to Your Teen About Money

Alzheimer's Disease Myths and Facts Quiz

Should I consider requesting a deferment or forbearance for my federal student loans?

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Investing in Yourself for a Change



Retirement. College. An emergency fund. A new home or home improvement project. Check, check, check, and check. If you've been saving faithfully each month for some or all of these things, you might feel that you're on a never-ending financial treadmill. It takes discipline, perseverance, and sacrifice to maintain a robust savings effort month after month, all while meeting your day-to-day financial obligations.

But with such planning and focus, it's possible to get into a rut of always saving for the future with nothing left for today. If so, it might be time to take a step back and focus on the present. If you can't remember the last time you felt energized or inspired in your daily life, consider investing in a new asset: yourself. Focusing on yourself from time to time might just give you the extra motivation you need to stick with your long-term savings plan. Think of it as seeing the trees instead of the forest for a change.

If you find yourself with a small windfall from a tax refund, bonus, flexible spending account reimbursement, or simply a cut in discretionary spending, here are some ideas for spending it.

Focus on your health and well-being

Are you feeling sluggish or stressed out? Having trouble sleeping? Watching the pounds creep on little by little each year? It might be time to focus on your health and well-being. Staying active is critical to maintaining good physical and mental health. Regular exercise can help control your weight; prevent disease; improve your mood, sleep, and energy levels; and generally make it easier for you to tackle all the things — financial and otherwise — on your plate each day.

To get on the health track, you could join a gym; work with a personal trainer or nutritionist; or sign up for a yoga, weight, or other fitness class. Or start on your own personal fitness path by purchasing home exercise equipment and workout gear for training trips around the block or a 5K.

Sore muscles? Chronic backache? Neck pain from working at a computer all day? Maybe it's time to see a physical therapist and invest in an ergonomic office chair, a stand-up desk, or a new bed and pillows.

What about your diet? Do your eating habits need improvement? Consider investing in some new kitchen equipment/appliances, cookbooks, a food delivery service, or even a cooking class so you can try new recipes and discover healthy dishes you enjoy.

Along with better physical health, maybe you could benefit from some inner peace and quiet, too. Consider creating a meditation spot inside or outside your home where you can go to relax and reflect on your day: a bench under a favorite tree, a new chair next to the fireplace, or a small desk near a window.

Expand your horizons, literally and figuratively

Do you feel as though you're living the same day over and over again? Doing something outside your normal routine can shake out the cobwebs and give you fresh inspiration and a new perspective. Possibilities include taking a trip to a new destination, participating in a short volunteer vacation, enrolling in an adult education class, or getting involved in a new project or hobby and seeing how much fun a creative outlet can be. You don't have to limit yourself to one!

Get up-to-date

Still sporting clothes, eyeglasses, or a hairstyle from your younger days? Carrying a worn briefcase or bag to work every day? Trying to accomplish tasks on an old laptop? Maybe it's time to update your wardrobe and accessories.

When you have many financial obligations, it's easy to put yourself last. But occasionally, it's important to put yourself first. In addition to the immediate benefits, investing in your health and interests might pay off in the future in the form of lower health-care costs, a wider social network of friends, fulfilling hobbies, and a new perspective on life.

Talking to Your Teen About Money



Parents play an important role in shaping their children's financial behaviors and attitudes toward money.

You probably feel comfortable talking to your teen about things like school, sports, and clothing. But how do you feel about talking about money? While it may be a tricky topic to broach, odds are that your teenager will rely on you to learn basic financial management skills. And the teenage years can be a critical learning period. According to a report by the Consumer Financial Protection Bureau, it's important to establish strong financial decision-making habits in the teen years because it will help your child better navigate his or her financial life as an adult.¹

Prepare your teenager for the financial challenges of adulthood by talking to him or her about the following topics.

Handling an income

Whether your teen earns an allowance from you or works a part-time job, he or she will need guidance on what to do with the income. Set some expectations regarding your teen's pay. How much of it will be discretionary? Will your teen start contributing to his or her share of a monthly cell phone bill, or would you prefer for your child to set aside a portion of each paycheck for college?

When your teen earns his or her first paycheck, take time to sit down and review the information on the pay stub or online statement. Help your child understand what certain terms mean, such as gross pay, net pay, federal income tax, state income tax, Social Security tax, and Medicare tax. Show your teen how income taxes can affect take-home pay.

Building a budget

Help your teen learn to be accountable for his or her finances by developing a spending plan. Start by listing all sources of regular income (e.g., an allowance or earnings from a part-time job). Next, ask your teen to identify regular expenses. Depending on what you and your child have agreed on, that might include car insurance, a cell phone bill, or clothing expenses. Take the total expenses and subtract them from your teen's total income.

If this exercise shows that your child won't have enough income to meet his or her expenses, help your teen come up with a plan for making up the shortfall. Suggest ways to earn more money or cut back on expenses, but resist the temptation to bail out your teen. The point of establishing a budget is to give your child a taste of what it's like to earn an income and pay expenses without running out of money.

Setting and saving for financial goals

In the past, your teenager probably came to you for money to pay for items that he or she wanted. Now that your teen has a steady source of income, it's time for him or her to make purchases independently. Your child may be ready to start saving for larger goals such as a new computer or a car and longer-term goals such as college. Encourage your teen to save by putting these goals in writing to make them more concrete. Consider offering incentives, such as matching what your teen saves toward a long-term goal. For example, for every dollar your child sets aside for college, you might contribute 50 cents or more.

Remember to praise your teen for showing responsibility when a goal is reached. Your approval, as well as the sense of accomplishment your teen will feel, can help reinforce healthy savings habits.

Getting familiar with credit

While credit card companies require an adult to co-sign a credit card agreement before they will issue a card to someone under the age of 21, you shouldn't ignore the credit card issue altogether. Teach your teen about establishing and maintaining good credit. Explain how credit card interest is calculated and emphasize the importance of paying bills on time. Don't be afraid to share your experience using credit with your child — personal examples can be a great way to help him or her learn.

Becoming a smart shopper

Encourage your teenager to spend money wisely. Teach your child to ask questions before making a purchase, such as:

- Why do I want this item? Am I buying something because I really want it, or because all of my friends have it?
- Can I really afford this item?
- Do I need to buy this item now, or can I set aside money to buy it at a later time?
- Am I getting a good deal on this item, or should I shop around for a more affordable alternative?

Remember that talking to your teenager about money now can help him or her establish a more financially stable future.

¹ Report Brief: Building Blocks to Help Youth Achieve Financial Capability, Consumer Financial Protection Bureau, September 2016



Alzheimer's Disease Myths and Facts Quiz



Additional facts

According to the [Alzheimer's Association](http://www.alz.org) (www.alz.org):

5.7 million Americans are living with Alzheimer's disease.

Between 2000 and 2015, deaths from heart disease have decreased 11% while deaths from Alzheimer's disease have increased 123%.

One in three people dies with Alzheimer's disease or another dementia.

Over 18 billion hours of care, valued at more than \$232 billion, are provided by family and other unpaid caregivers.

People with Alzheimer's disease or other dementias have twice as many hospital stays per year as other older people, and almost two-thirds of Americans with Alzheimer's disease are women.

The probability of needing long-term care is growing. According to the U.S. Department of Health and Human Services, Americans turning age 65 today have nearly a 70% chance of needing some type of long-term care services in their remaining years.¹ There are many reasons why you may need long-term care, but one of the growing causes includes forms of dementia, particularly Alzheimer's disease.

While estimates vary, experts suggest that more than 5.7 million Americans may have Alzheimer's.² Alzheimer's disease is currently ranked as the sixth leading cause of death in the United States, but recent estimates indicate that the disorder may rank third, just behind heart disease and cancer.²

Here's a short quiz that may help you understand more about dementia and Alzheimer's disease and the need to plan for their potential onset.

Quiz

1. True or False: There is a way to prevent Alzheimer's disease.

- a. True
- b. False

2. Which statement is true?

- a. Alzheimer's disease affects only people in their 60s and older
- b. Alzheimer's disease is always hereditary
- c. Currently, there is no cure for Alzheimer's disease

3. What is the greatest risk factor for Alzheimer's disease?

- a. Increased age
- b. Gender
- c. Genetics

4. What is often one of the first signs of Alzheimer's disease?

- a. Skin rash
- b. Difficulty walking
- c. Difficulty finding the right words

5. When or how can Alzheimer's disease be diagnosed with certainty?

- a. Through blood tests
- b. Only after death
- c. Through an MRI

6. True or False: Some medications can be used to treat symptoms of Alzheimer's disease.

- a. True

- b. False

7. What is the approximate lifetime cost of care for an individual with dementia in 2018?

- a. \$145,000
- b. \$879,000
- c. \$342,000

8. According to latest figures, approximately how many Americans provide unpaid care for people with Alzheimer's disease?

- a. 1 million
- b. 16 million
- c. 5 million

9. Which statement is true about communicating with someone who has dementia or Alzheimer's disease?

- a. Avoid eye contact
- b. Interrupt the person and try to finish his or her sentences
- c. Offer simple instructions and allow ample time for a response

10. Examples of advance directives for health care include each of the following except?

- a. A living will
- b. A durable power of attorney for health care
- c. A deed

Plan now

Planning for long-term care and the possibility of dementia or Alzheimer's disease is important for you and your loved ones. What type of health care would you want if you weren't able to communicate your choices? Plan ahead to make sure you get the medical care you want.

¹ [U.S. Dept. of Health and Human Services](http://www.hhs.gov)

² [National Institute on Aging](http://www.nia.nih.gov)

Quiz answers

- 1. [b \(Alzheimer's Association\)](http://www.alz.org)
- 2. [c \(National Institute on Aging\)](http://www.nia.nih.gov)
- 3. [a \(National Institute on Aging\)](http://www.nia.nih.gov)
- 4. [c \(National Institute on Aging\)](http://www.nia.nih.gov)
- 5. [b \(National Institute on Aging\)](http://www.alz.org)
- 6. [a \(Alzheimer's Association\)](http://www.alz.org)
- 7. [c \(Alzheimer's Association\)](http://www.alz.org)
- 8. [b \(Alzheimer's Association\)](http://www.alz.org)
- 9. [c \(National Institute on Aging\)](http://www.nia.nih.gov)
- 10. [c \(National Institute on Aging\)](http://www.nia.nih.gov)



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Should I consider requesting a deferment or forbearance for my federal student loans?

Did you take on a large amount of debt to pay for college, and are you struggling to pay it off? If so, you are not alone. According to the Federal Reserve, 20% of individuals with outstanding student loans were behind on their payments in 2017.¹ You may want to consider requesting a deferment or forbearance if you are having difficulty keeping up with your federal student loan payments.

Provided certain eligibility requirements are met, both a deferment and a forbearance allow you to temporarily stop making payments or temporarily reduce your monthly payment amount for a specified time period. The key difference between the two is that with a deferment, you may not have to pay back any interest that accrues on the loan during the deferment period, depending on the type of loan you have. During a forbearance, you are responsible for paying any accrued interest on the loan, regardless of the type of loan you have.

In order to obtain a deferment or forbearance, you will need to submit a request to your loan servicer. Most deferments and forbearances

are granted for a specific time period (e.g., six months), and you may need to reapply periodically to maintain your eligibility. In addition, there is usually a limit to the number of times they are granted over the course of your loan. If you meet the eligibility requirements for a mandatory forbearance (e.g., National Guard duty), your lender is required to grant you a forbearance.

Whenever interest accrues on a loan during a deferment or forbearance, you can either pay the interest as it accrues, or it can be added to the overall principal balance of the loan at the end of the deferment or forbearance period. It is important to remember that if you don't pay the interest on your loans and allow it to accrue, the total amount you repay over the life of your loan will be higher. As a result, you should weigh the pros and cons of requesting a deferment or forbearance and consider your repayment options. For more information on your federal student loan repayment options, visit studentaid.ed.gov.

¹ Federal Reserve, Report on the Economic Well-Being of U.S. Households in 2017, May 2018



Are my student loans eligible for public service loan forgiveness?

If you are employed by a government or not-for-profit organization, you may be able to receive loan forgiveness under the Public Service Loan Forgiveness (PSLF) Program. The PSLF, which began in 2007, forgives the remaining balance on federal Direct Loans after you have made 120 monthly payments under a qualifying repayment plan while working full-time for a qualifying employer.

Qualifying employers for PSLF include: government organizations (e.g., federal, state, local), not-for-profit organizations that are tax-exempt under Section 501C(3) of the Internal Revenue Code, and other types of not-for-profit organizations that are not tax-exempt if their primary purpose is to provide certain types of qualifying public services.

If you plan on applying for PSLF in the future, you should complete and submit an Employment Certification form annually or when you change employers. The U.S. Department of Education will use the information on the form to let you know if you are making qualifying PSLF payments.

You can apply for PSLF once you have made 120 qualifying monthly payments towards your loan (e.g., 10 years). Keep in mind that you must be working for a qualifying employer both at the time you submit the application and at the time the remaining balance on your loan is forgiven.

Recently, PSLF made headlines due to the fact that many borrowers who thought they were working toward loan forgiveness under the program found out they were ineligible because they were in the wrong type of repayment plan. Many borrowers claimed they were told by their loan servicer that they qualified for PSLF, when in fact they did not. In 2018, Congress set aside \$350 million to help fix this problem. The Consolidated Appropriations Act provides limited, additional conditions under which borrowers may become eligible for loan forgiveness if some or all of the payments they made on their federal Direct Loans were under a nonqualifying repayment plan for the PSLF Program. For more information on PSLF, visit studentaid.ed.gov.



Manufacturers Start Printing Components

We hear the way artificial intelligence will modify the work force, and computers are increasingly taking over the whole planet. But maybe one of the biggest changes has been flying under the radar; instead of creating things, we'll soon be "printing" them.

A brand new "metal printing press" made by Desktop Metal, utilizes many different alloy powders to put down several thin layers of substance in quick sequence – based on the specifications in an electronic file -- to develop three-dimensional objects. It uses over 32,000 jets in combination with powder spreaders to produce metal parts.

The printing apparatus was made to replace current metal manufacturing tasks – many of which are done by hand. Several of the early customers include: Caterpillar, Ford and Google's advanced technology and project group. BMW has analyzed a steel model of a water impeller pump that currently costs \$80 to create. It can be 3D"printed" for a little more than \$5. In addition, the printed version weighs 50% less.

One objective is to have a "mill" of 3D metal printing units which may print components and goods on demand. The components will likely be more economical, lighter and more effective than what has been made in the past. One analyst is currently predicting that sales of industrial 3D printers can reach \$18 billion by 2021.



Who Has Benefited From the Stock Market Recovery

Since the economy and stock markets have been doing well, we have been told that the U.S. has recovered from the Great Recession. However, reaching new stock market highs and personally recovering from the losses sustained are two different things.

A recent study from the Joint Center for Housing Studies at Harvard evaluated how different groups of Americans weathered the storm and if they have regained their prior prosperity.

The analysis is broken down into several areas. Using broad numbers, real (after inflation) housing costs were down 9% between 2006 and 2016. This translates to a real and persistent wealth decline for many Americans. Of course, that assumes most Americans purchased their home at the top of the real estate bubble.

Meanwhile, foreclosure activity, had the least impact on retired families, whose rate of home ownership modestly declined from 81% in 2004 to 79% in 2017. However, for households in the 55 to 64 age bracket, the decline was more significant – down from 82% in 2004 to 75% in 2017. As a result, many people will reach retirement with little or no housing equity.

Lastly, the study found that 47% of renters were paying more than 30% of their incomes on housing costs.

The dramatic stock market gains are reflected in the value of IRA accounts. For example, traditional IRA assets were valued at \$4.2 trillion in 2007 and increased to \$6.9 trillion by the end of 2016. However, the study noted that stock market gains have been concentrated to the top third of wage earners as they own 87% of all stocks.

Despite the strong market results, account values were stagnant or slightly down, for middle-income Americans. Of the lowest income families, only 11% have any type of retirement account. The stock market boom has meant nothing to them.

The message is that ten years after the Great Recession, those who were already affluent have recovered just fine. But, lower- and middle-income American households did not recover as well and face a more uncertain economic future.



The Level of Corporate Debt is Troubling

The amount of corporate debt has recently reached \$1 trillion. Research from Bloomberg News firm found that businesses have taken advantage of over a decade of low interest rates to make acquisitions – substantially increasing their debt load.

Looking at a few of the acquisitions, the investigators found that companies commonly borrowed two to six times their annual earnings. This level of debt suggests these companies may struggle to pay their bondholders back – particularly if a more severe recession should occur. Surprisingly, we have not seen many debt downgrades by the rating agencies.

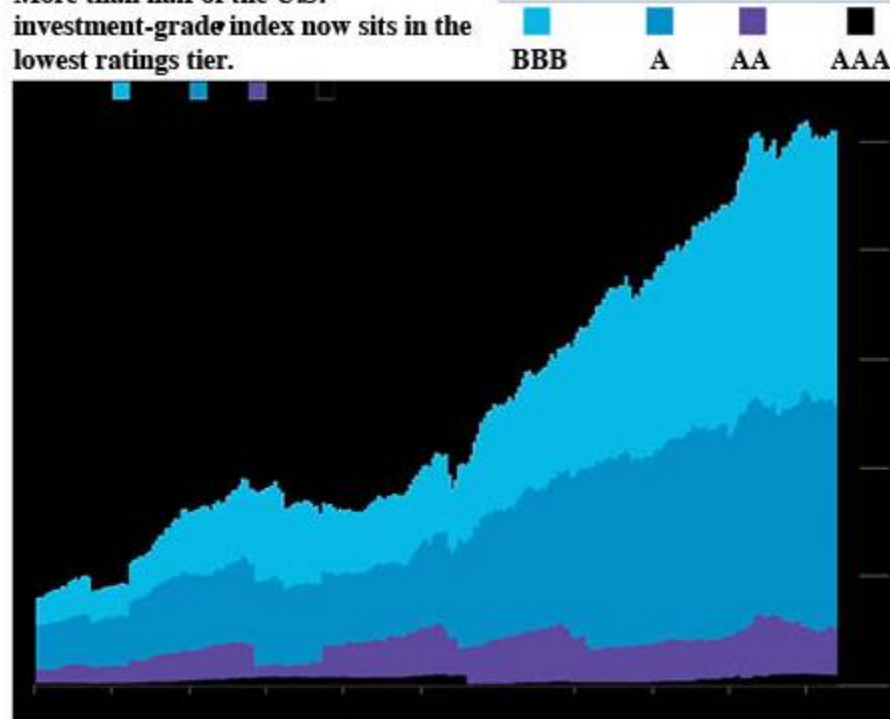
A good illustration is Campbell Soup Company, who borrowed over \$6 billion to purchase Snyder's-Lance Inc. (they make the type of snacks you purchase in vending machines). Campbell Soup now has more than \$10 billion in debt – more than 5 times its earnings before taxation, interest, depreciation and amortization --a metric known as EBITDA.

What did the bond rating agencies do? Not much. Campbell Soup is still rated as investment grade as the rating agencies expect the merged company to generate enough revenue (and reduce costs) to quickly pay down the debt. Perhaps so. But actual results have a funny way of being different than projected results.

Additional instances include: Dr. Pepper Snapple Group quadrupled its debt burden when it bought Keurig Green Mountain Inc. at a \$18.7 billion deal. Its debt is now 5.6 times EBITDA. AT&T took on additional \$190 billion to finance the purchases of DirecTV and Time Warner. Bayer bought Monsanto for \$63 billion, increasing its debt far beyond the levels of a typical investment grade company. Overall, Bloomberg identified 50 cases where companies took on enough debt to normally lower their ratings to junk status. Yet, they kept their investment grade rating.

The chart on the following page shows that more than half of corporate bonds are rated BBB or A – just one or two notches above junk bond status. When the next recession hits (who knows when but there will be one), we would expect to see a higher level of corporate bond downgrades, and maybe even more defaults. Perhaps one of the unintended consequences of the decades long low interest rate environment.

More than half of the U.S. investment-grade index now sits in the lowest ratings tier.





The State of the Housing Market

During the past year ending September, homes sales have declined by 13%. In combination with the volatility in stock prices, some are concerned about the condition of the U.S. economy.

In the past, housing market declines have been an indicator of a future decline in economic activity. However, in the aggregate, we believe housing is sending mixed signals. You see, while sales are down, prices have increased.

For example, the Case-Shiller index shows that housing prices are rising in most of the 20 cities covered by the indicator, as well as in the U.S. (in aggregate). During the past year, Las Vegas housing prices increased 13.9% (ending August), San Francisco was up 10.6%, and Seattle increased 9.6%. New York and Washington, D.C. prices have increased a more moderate 2.8% during the past year.

The graph shows Las Vegas and San Francisco declined the most during the 2008 recession and consequently have the most snap-back potential. Today, if anything, it appears prices are closer to new highs – suggesting that individuals can afford more expensive homes.

One area that has cooled down is ocean front land. A recent New York Times article notes that individuals living on the shore are having trouble getting people to even look at property. Why? The Times' suggest rising water levels and more severe weather because of global warming. Buyers seem to be focusing on homes close to shore but not on it.

Case-Shiller Home Price Index

January 2000 Home Prices = 100

