O'Brien WEALTH PARTNERS
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INSIDE

O'BRIEN WEALTH PARTNERS

IN THE NEWS...

There has been a lot of exciting news at O'Brien over the last few months:

Lauren Higgins and her husband, Chris, welcomed their second child Philippa (Pippa) Raine Higgins on August 1st.

Tim Kaijala and his wife, Joanie, welcomed their second child Kai Lynn Kaijala on August 3rd.

The newest O'Brien babies were born 30 hours apart!

Alicia Barrows became **Alicia Chiamulera** when she married Robert Chiamulera on October 7th, on Peaks Island, off the coast of Maine. The two spent a beautiful honeymoon week in Barbados where they enjoyed the beach and swam with giant sea turtles.

Marc O'Brien has been taking classes at the Harvard Institute for Life Long Learning. His current course load includes "Political and Social History of Ireland" and "Approaching a Poem."

Tim Pilczak recently returned from a trip to Prince Edward Island where he went fishing for bluefin tuna. He has remarked on the beauty of the area, and the kindness of the people. However, his biggest thrill was catching a 101 inch, 650 pound tuna!

DID YOU KNOW?

Of "young millennials" — which GOBankingRates defines as those between 18 and 24 years old — ***72%*** *have less than* ***$1,000*** *in their savings accounts and* ***31%*** *have* ***$0****. A sliver (****8%****) have over* ***$10,000*** *saved.*

"Older millennials" — defined as those between ***25 and 34*** *— aren't doing much better:* ***67%*** *have less than* ***$1,000*** *in their savings accounts,* ***33%*** *have nothing at all, and* ***15%*** *have over* ***$10,000****.*

CURRENTS FALL 2017

A NOTE FROM JILL

As wealth managers, an integral part of our service is helping our clients envision and plan for the future. Discussions about the future almost always involve deep conversations about goals and desires, and they are an essential starting point for a meaningful investment strategy and financial plan. Once we understand our clients' goals our job is to create a road map to their achievement and to identify and mitigate risks that might compromise success. From savings plans to spending strategies, insurance coverages to estate planning, cash flow projections to tailored portfolios, we are charged to protect all aspects of our clients' financial futures. We do this while making the best decisions we can for them each day with the assets they entrust to our management.

I recently experienced a sudden and unexpected loss in my personal life that brought me screeching back from an envisioned future landing me squarely in the reality of the present. It has made me think about the juxtaposition of future and present with more intent than I have done before. How do you find the right balance between living for the moment and securing the future? As financial planners we strive to help our clients answer this question intellectually. We can calculate the amount needed for a secure future, create and manage portfolios designed to best attain "the number" and analyze income and spending rates. If their means allow, we often encourage our clients to spend more money on living the life they want today. While there can be nuances, the numbers are usually pretty black and white and the analysis provides clarity.

If you had all the money in the world what would you do with your life? The answer to this question gets to the root of what really matters to most people. Time and health are precious and finite commodities. Rarer still is the convergence of time, health and money. We want to help you make the most of those times. We can quantify what is measurable as you balance the present and the future. You need to ask yourself the tougher, more intimate questions about your purpose and your wishes. We can then help you integrate the analytical and the emotional so that your personal plan shows you your options for living fully today while securing your tomorrow.

Best wishes to you and your loved ones for a joyful holiday season.

Jill

Jill Fopiano, CFA, CFP®
President & CEO

5 QUESTIONS TO THINK ABOUT BEFORE RETIREMENT

By Lis Zimmerman

I recently read that many Americans spend more time researching their next car purchase than they do planning for retirement. At O'Brien Wealth Partners, we frequently talk with our clients about the issues surrounding retirement readiness. Many of these discussions focus on the more quantifiable aspects of retirement such as cash flow, housing, and health care. However, it is also important to plan for the non-financial aspects of retirement. The MIT Age Lab has done significant research on the factors contributing to happiness in retirement, and they boil retirement readiness down to whether you can answer three basic questions. In addition, we've added two of our own.

1) Who will change my lightbulbs? Many of us take for granted the ability to be self-sustaining when it comes to maintaining our homes, but as we age it is not always possible to take care of all household maintenance on our own. With people living longer and children not always readily accessible, it becomes critical to have a plan in place for taking care of basic home repairs, things you would typically have done for yourself. This includes a plan for both cost and implementation.

2) How will I get an ice cream cone? This is less of a financial question than one that touches on both your ability to find activities that give you pleasure as well as access activities that keep you engaged. How will you get to the ice cream shop if driving is no longer an option? Will you have access to activities that keep your mind engaged, that give you pleasure, and that give you meaning?

3) Who will I have lunch with? This question gets to the heart of finding community, which many find difficult to do during retirement. According to the Age Lab's research, in the United States more than 40% of women over 65 live alone. Further, many baby boomer retirees are likely to have fewer children nearby and live in more suburban locations. When considering this question think about with whom you will be spending your social time and who can help you create a healthy lifestyle so that you remain engaged. Lack of social support can threaten healthy aging. Where you choose to retire will also affect the type of community you can create, and your ability to maintain it.

4) What are my goals? Your answer to this question should help shape this next phase of your life. I recently met with a prospective retiree who, when asked this question, replied "Because I am at that age and I think it's time." This raised some concerns as we prefer our work with clients around this transition to be on moving toward rather than away from a particular phase of life. I would encourage those facing retirement to think about alternatives that are goals to move towards or explore including: "I want to spend more time with my family", "I want to start a new business", "I want to explore another career", or "I want more time to spend on my hobbies". Having a deeper understanding of the "why" will allow you to begin developing the "how".

5) How will retirement change my relationship with my spouse? We hear this question often. For those with a non-working spouse used to their own routine at home, your retirement could take some getting used to for both of you. If you plan on spending more time with your non-working spouse, make sure they are planning to spend time with you as well! For those with a working spouse who plans to continue working, make sure you discuss both your expectations about which household responsibilities you will each be responsible for. Coordinated expectations are critical.

As financial advisors, our overall goal is to help you achieve your wealth of life, during all life's stages. We look forward to our continued conversations with you and supporting your continued growth as many of you enter this new phase.

Lis Zimmerman,
CFP®, CASL®, CRPC®

Senior Vice President, Client Relations & Financial Planning

Principal

DID YOU KNOW?

81 *...The percentage of retirees who say that health is the most important factor in a happy retirement*

3X *...People who exercise in their 60s or 70s are 3X more likely to age healthfully*

92 *...The percent of retirees who say that retirement provides "greater freedom and flexibility—regardless of how much money they have."*

85 *percent of retiree volunteers say they have made new friends through volunteering*

GENERATION CORNER

By Alicia Chiamulera and Tim Pilczak

Part of the ongoing effort of the advisory team at O'Brien Wealth Partners is to offer a spectrum of services that includes planning for "next gen" and millennial clients. As members of the advisory team, we have been focusing on hot topics relating to clients in the 18-40 age bracket. More often than not, our conversations revolve around themes such as 'what keeps you up at night?' and 'what is the best use of your money?' What interests us as advisors is that no client conversation ends up being the same. Many times, we find ourselves discussing topics including debt consolidation, savings goals, how to frame large life purchases, and retirement planning.

Human nature forces clients to worry, rather than focusing on what they have done well. Our goal is to turn conversations into tailored workshops where together we address a client's concerns and create a strategic financial plan. At O'Brien, we use a process internally called Bucket Planning, where we aim to focus on various time frames to help create savings goals. These buckets should be filled with residual funds after immediate cash flow needs are fulfilled.

Bucket 1: Emergency Fund – This bucket should be filled first. An appropriate emergency fund should be sufficient enough to fulfill 3 to 6 months worth of non-discretionary living expenses.

Bucket 2: Short Term Savings – This bucket is targeted to fulfill short term, large life purchases such as a home, vacation or car. This bucket is going to look different for every client, as it is catered to his or her individual aspirations. The strategy is to leave these funds in cash to protect them from market exposure and potential loss.

Bucket 3: Retirement Savings – Ideally this bucket is filled from payroll deductions in an employer sponsored retirement plan. However, there is flexibility to create retirement savings outside employer sponsored plans using Traditional and Roth IRAs. The majority of a client's risk will be captured in this bucket given the long term time horizon of these vehicles.

By creating and sticking to a waterfall style savings plan like our Bucket Planning above, it helps clients feel confident that their money is being saved and spent opportunistically. In turn, it helps clients avoid overspending or spending money from buckets that should be earmarked for other reasons.

We find that Bucket Planning is the first and best step to creating savings targets and habits that set the framework for a stable financial future. Our main concern is turning worry into opportunity for our clients.

Alicia Chiamulera
Associate Advisor

Tim Pilczak, CFP®
Associate Advisor

WHAT IS THE ROLE OF STOCKS IN RETIREMENT PORTFOLIOS?

By Tim Kaijala

We have been hearing this question from many of our clients, particularly as this bull market continues setting new record highs and now ranks as the second longest bull market in history. While each client's individual situation is unique, the risks that this question pivots around are very much the same for everyone. There are three main risks to think about when determining the level of stocks owned in retirement: equity risk, longevity risk, and interest rate risk.

> "...the risks that this question pivots around are very much the same for everyone."

Equity Risk: When most people question owning stocks in retirement, they are focused on equity risk – the risk that the stock market corrects and value is lost as prices decline. While this risk is omnipresent for anyone invested in the stock market, it tends to become increasingly front-of-mind as the markets rise higher. Intellectually and experientially we know that the market doesn't rise in a straight line forever. Historically, the markets have been characterized by a predominately upward trend – but punctuated once or twice a decade by painful bear markets and market corrections. As the markets move higher, we tend to look for a correction around every corner. In fact, pundits have been seeing a correction looming for the last five years! Had you heeded their advice, you would have missed significant returns – with the MSCI All Country World Index for example rising approximately10% per year over the last 5 years. The reality is that as we look forward over the next year economic fundamentals continue to look strong. Over the last few quarters GDP growth has synchronized globally supported by broad corporate earnings growth. While an eventual correction is inevitable, this bull market probably won't die of old age – the most likely scenario is that we will have another few years of growth until inflation picks up and the Fed will be forced into tightening quickly to stem inflation, putting the brakes on the current expansion and precipitating a correction. Corrections aside your retirement portfolio should be better off over the long run with both stocks and bonds.

Longevity Risk: Also crucial in the discussion of stock allocation in retirement is longevity risk – or the risk of outliving one's assets. In looking at the level of return needed from a portfolio to successfully meet goals in retirement we often see a number close to 5%. To have a reasonable chance at achieving that level of return long-term, especially in the face of low bond yields globally, equities must play a relatively significant role in the portfolio.

Interest Rate Risk: A third consideration lies in the interest rate quandary the market currently finds itself in. You might be surprised to learn that bonds are actually more expensive than stocks based on valuations today relative to history. While we are nine years into a bull market in stocks, we are thirty years into a bull market in bonds, with bonds yields bordering on the lowest we have ever seen. Interest rate risk is the risk when interests rates rise, bond prices fall, as bonds with new, higher yields are more desirable. There are two schools of thought in the fixed income world when it comes to rates: "lower for longer" and "no direction but up". We see "lower for longer", which is supported by demographics within the U.S. and lower yields outside the U.S., as the prevailing case over the near term. Even with that view, however, bonds will not have the tailwind of falling interest rates that the bond market has seen over the last thirty years. This reality points to lower projected total returns in bonds relative to history and necessitates a partnership with equities within your portfolio to generate the returns necessary to meet longer term goals.

In conclusion: should you own stocks in retirement? Probably. But talk with you advisor to ensure that the long-term plan we have in place for your portfolio still reflects the goals and values that you intend it to have. Equity markets do go down, but over time they are more likely to go up. Staying the course and trusting the long-term plan will provide for the best possible chance of successfully meeting your goals.

Tim Kaijala
Director of Investment Research

'TIS THE GIVING SEASON

By Cindy Kuppens

As the end of the year approaches you may be thinking about making gifts to your family, friends and the charitable organizations that are important to you. Here are some of the most common questions we hear about giving, and an explanation of gifting rules under current tax law. *Of course, this fall Congress may pass new tax legislation... In that case we will send out a special update on any new rules.*

> **"Gifting can be an excellent way to transfer assets to your loved ones during your lifetime and also to reduce your taxable estate."**

How much can I give to my family members and friends?

While you can give as much as you want to family members or friends in 2017, you'll want to keep the following in mind if part of your goal is to gift in an estate tax efficient manner.

You can make gifts up to $14,000 each to an unlimited number of people without filing a gift tax return, and the gift will not count against your combined federal exempt estate and gift tax limit (in 2017, the limit is $5,490,000 per individual, and $10,980,000 for married couples). If you are married, both you and your spouse can each give $14,000 to an unlimited number of people, without having the gift count against your federal gift tax exemption. For example, if you are married and you want to gift to your married child and her spouse, you and your spouse can each make a $14,000 gift to your child and her spouse, or four gifts that in total reduce the value of your estate by $56,000. Spouses filing a "split gift" must file a federal gift tax form for the year in which the gift is made.

Gifts to individuals are not tax deductible to you, and are not realized as income by the participant.

If you make a gift above $14,000 to one person, you will have to file a federal gift tax return, and your gift will be counted against your combined federal gift and estate tax exemption. While only a small percentage of people will have estates large enough to be subject to the federal estate tax, a higher percentage of estates may be subject to state tax if they live in a state that has its own estate tax. For example, in Massachusetts, estates over $1,000,000 are subject to estate tax, and many of our clients use gifting as a way to transfer assets while they are living in order to reduce the Massachusetts estate tax on their estates after death.

Gifting can be an excellent way to transfer assets to your loved ones during your lifetime and also to reduce your taxable estate.

Are there other ways to increase my cash gift without counting it against my federal exempt gift limit?

Two effective ways to increase cash gifting are to pay educational and medical expenses (including medical insurance premiums) **directly** to the institution or provider—not to your loved one. These direct gifts do not count against your federal gift exemption, or the $14,000 annual gift exemption.

Are there other approaches to giving?

Several additional approaches to gifting assets exist, such as the use of Irrevocable Trusts, Qualified Personal Residence Trusts (QPRTs) and Grantor Retained Annuity Trusts (GRATs), requiring advance planning, legal counsel and documentation. Some giving strategies focus on passing appreciating assets outside of an estate or to shielding assets from claims by spouses and creditors. Please let us know if you would like to explore whether one or more of these more complex approaches might be suited to your goals.

What is the best way to donate to a qualified charitable organization?

Charitable donations can be made in several ways:

Cash donations are tax deductible, but are less tax advantaged than **gifts of appreciated securities from taxable investment accounts.** When you donate an appreciated security in-kind to a qualified charitable organization, the fair market value of the gift is tax deductible. This is a good way to avoid capital gains on highly appreciated securities.

If you are age 70 ½ or older, you can make a Qualified Charitable Distribution (QCD) from your Traditional IRA account while also satisfying or partially satisfying your Required Minimum Distribution (RMD). The gift will not be tax deductible, but you will not be required to include the amount gifted in your Adjusted Gross Income. This type of charitable contribution not only reduces your taxable income by your RMD amount but may also keep you in a lower premium bracket for Medicare Parts B and D coverage. The maximum annual QCD amount is $100,000.

Other approaches to charitable giving include the use of Charitable Remainder Trusts (CRTs) and charitable foundations; however these typically are expensive to establish and administer and are most appropriate for very large gifts. A more commonly used vehicle is a **Donor Advised Fund,** which is charitable giving fund that is simple and tax efficient. When you establish a donor advised fund account you make a charitable contribution to the fund and receive an immediate tax deduction. You can then recommend grants to any IRS-approved public charity over time. We are glad to talk with you about any of these options, and help you develop a strategy for fulfilling your personal gifting and charitable goals, using the most tax-advantaged approach.

Cindy Kuppens, CFP ®, AEP

Senior Vice President, Client Relations

Principal

TAKE A CLOSER LOOK...

Tim Kaijala

Director of Investment Research

WHAT DID YOU DO BEFORE O'BRIEN?

Prior to O'Brien I was a Portfolio Manager at Ropes Wealth Advisors where I helped the attorneys at Ropes & Gray launch their registered investment advisor firm. I ran the firm's alternatives platform and was a key member of the asset allocation and manager selection efforts on the public side. I bring from that experience an unshakable dedication to the fiduciary responsibility and a multi-disciplinary approach to investing.

WHAT DREW YOU TO O'BRIEN?

O'Brien's culture is magnetic. It is a joy each day to work with a group of people dedicated to the singular mission of using our investment and planning expertise to advocate for our clients in the financial world. It is easy to love coming to work knowing that we are doing the right thing for our clients and that we will collectively work as hard as we can to make sure our clients reach financial peace.

WHAT IS YOUR ROLE?

As the Director of Investment Research my role is to empower our investment committee with institutional quality research and analysis to make investment decisions that create long-term outperformance for our clients. It is also my mission to keep the Advisors informed on important happenings in the markets and to monitor our investment managers to ensure they are doing the job we have assigned them to do in our portfolios.

TELL US MORE ABOUT YOU...

While a native of Fitchburg, MA, I spent my formative youth in Michigan where I unfortunately became a die-hard Detroit sports fan. I went to school at the University of Pennsylvania in Philadelphia and have lived in the Boston area since graduation. While in college I was also fortunate to have a very successful middle distance running career – winning nine ivy-league conference championship races and setting several school records along the way. I met my wife while competing for a running group sponsored by New Balance in Boston after graduation (she was also an elite 800m runner in her own right). We have two beautiful children – a two year old boy named Theo and a 2-month old girl named Kai. We live in West Medford, north of Boston.