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Financial

Empowered Future Report

Short term thoughts about long term matters

November 18, 2015

Quote of the Day:

" Money takes flight when might conquers right." -- Walter Scott

Attacks in Paris – what is learned?

Most of us watched coverage of the terrorist acts against the city of Paris – less than 10 months since the city was stunned by the attacks on Charlie Hebdo - with a mixture of horror and dread. The horror is *our* natural response to terrorism, the feeling that arises when we ask ourselves: how can people think and behave this way? And when we realize that, somehow, there ARE people who think that way, which is so far from our own reality it triggers deep emotional responses.

The dread, of course, comes from the realization that these attacks could have, and might still, happen here – that is, wherever we happen to be sitting, whatever concert venue or restaurant we might be planning to visit. It seems clear that ISIS has not been “contained” and these barbaric acts of war will likely continue.

If you’re like me, next comes outrage, but that helps illustrate something that is seldom realized about the history of human violence. In a book titled [The Better Angels of Our Nature](#), author Steven Pinker argues that terrorism is far from a new phenomenon. After the Roman conquest, resistance fighters in Judea – who called themselves zealots – would stab Roman officials whenever the opportunity arose. In the 11th century, much like today, Shia Muslims launched assassinations on anyone who practiced a different belief system. For 200 years, a cult in India strangled tens of thousands of people traveling through their country. The assassination of President McKinley was executed by terrorists known at the time as anarchists. I can remember when London and Belfast were routinely rocked by Irish Republican Army strikes, and in the U.S., the Weather Underground of the 1960s wreaked havoc by viciously setting off explosives in public places.

Pinker also claims that despite the last several decades of terrorist attacks and despite the heinous first half of the twentieth century when collectivist ideologies in Communist Russia, China and Nazi Germany killed millions, humans have gradually become less violent and more humane. The book lists many other instances of

terrorist organizations, but most of them prove his point: eventually, these groups go so far as to finally provoke the consciousness of the general public deeply enough to have them demand decisive action. While tragic that it takes so long, these ideologies eventually turn whatever sympathy there is for their cause into outrage.

No doubt and perhaps with good reason, the ISIS leaders who planned the attacks on Paris believed that this bloodletting would cause Western nations to recoil in fear, and back off of their efforts to contain the caliphate, placating it so it wouldn't strike again. I'm hopeful that this is nonsense. The outcome should be a new resolve, a coming-together of Western civilization in a display of solidarity with France. Ideally, countries that were inclined not to get involved in the Middle Eastern fiasco will now be motivated to perhaps completely destroy ISIS and any ideological/financial supporters. Leaders who feared that their citizens would revolt at the thought of military intervention might now count on the support of their outraged voters. The next year or two may reveal the ISIS attacks on Paris to have been a fatal mistake for those who dream of an Islamic, Sharia-governed global caliphate.

In his book, Nothing Less than Victory: Decisive Wars and the Lessons of History, Dr. John Lewis makes the case that America and the west have forgotten that triumph is the proper way to end a war. He examines multiple conflicts, from the Persian invasion of ancient Greece to Sherman's march through the Confederate South, to WWII and the crushing defeat of Germany and Japan. Lewis demonstrates that a lasting peace requires a shattering victory, a display of overwhelming force that bares the moral bankruptcy of the initiators of aggression and completely removes both their ability and will to continue fighting. In the tragic aftermath of Paris, we can only hope that world leaders will act wisely and decisively to help us begin to get back on the track of civilization, respect for and protection of individual rights, free speech/free trade and good will.

In the coming weeks, the world's investment markets will likely be more volatile as the horror of the events in Paris are translated into uncertainty about the world we live in – and, therefore, the safety of our assets, reflected in our stocks, bonds and real estate. As we've seen before, the markets respond reflexively and negatively to threats to our safety. We are now beginning to observe internal divergences that signal increasing risk aversion among investors. As I've indicated for some time now, financial asset values are generally overdone due mainly to yield-seeking speculation induced by Fed intervention.

Any change in risk appetite can bring significant air pockets for the major stock indexes. But as the year proceeds through its last few weeks, smart money usually indicates that downturns caused only by incidents of terrorism are temporary. Fears

that world-class, global enterprises are somehow worth less because blood was spilled overseas often proves to be overblown. The key is continued patience, a disciplined look at valuations, diversification and protection with non-correlated and hard assets.

Important Changes to Social Security Claiming Options

I'd normally have lots to say about the folly of another increase in our nation's debt ceiling but the more urgent planning issue resulting from the Bipartisan Budget Act of 2015 is that it eliminated two increasingly popular Social Security claiming strategies. This will reduce potential future Social Security benefits to some married households.

First, while this may make a difference for some of you and, if so, is disappointing, these two strategies were likely unintentional when in 2000 President Clinton signed the Senior Citizens' Freedom to Work Act. The idea was to reduce disincentives to work for current Social Security beneficiaries, but it inadvertently (see law of unintended consequences) introduced two "loopholes". When used together, the file-and-suspend and restricted application combination allow married couples to delay their own primary benefits to age 70 for both spouses while allowing one of the spouses to claim on the other's record without reducing either's maximum age 70 benefit. These "aggressive claiming strategies" were putting an additional burden on the Social Security "trust fund" at a time when it can little afford it.

Now, please do not rely on this summary to make any critical claiming decision. If you have a decision to make about the timing of your Social Security benefits – especially if you are in Group 2 below, please call or email me so that we can review this decision in detail. Also, if you have friends, family members or neighbors whom you think might be in need of assistance with this critical decision, don't hesitate to have them give us a call. There's no sense in anyone making a costly, irrevocable mistake regarding Social Security benefits.

Here are three terms to be familiar with for the purposes of this discussion:

Full Retirement Age (FRA): age at which a Social Security Recipient is entitled to 100% of his/her primary insurance amount (PIA) – essentially, the full amount to which you are entitled.

(However, delaying benefits beyond the FRA increases the amount received by 8% for each year delayed, up to a maximum increase of 32% at age 70.)

For those born after 1954, the Full Retirement Age increases by 2 months for each year, up to a maximum of age 67 for those born in or after 1960.

File and Suspend: Activating your own Social Security record at Full Retirement Age, but not actually claiming your own benefit. This allows a spouse to claim on your record while your own benefits continue to increase by 8% per year until they reach their maximum at age 70. This has not reduced your benefits or your spouse's own future benefits on their record.

Restricted Application: An application filed in order to receive benefits based on your spouse's (or former spouse's) record, while allowing your own benefits to increase until their maximum at age 70. This does not impact benefits you will receive on your own record or the amount of benefits your spouse will receive on his/her own record.

The File-and-Suspend and Restricted Application options were often used in conjunction by couples to maximize their expected lifetime Social Security benefits. Use of these options in the future has been seriously curtailed by the Bipartisan Budget Act of 2015, although there is still a window of opportunity for those who are or will turn 66 by April 30, 2016 and who are not locked into a Social Security benefit yet.

****THESE CHANGES WILL NOT AFFECT BENEFITS YOU ARE CURRENTLY RECEIVING.**

With that background information, what does this mean for you? For purposes of this discussion, we can classify people into one of two groups:

Group 1: Cases where you don't have a critical, time-sensitive decision to make – either because you've already settled on your Social Security decision or because there is nothing you can do about the changes. This group includes:

- Singles already receiving benefits (no effect on benefits)
- Marrieds where both are already receiving benefits (no effect on benefits)
- Singles or marrieds, with birthdates after April 30th, 1950. (In this case, the new law does have an effect on claiming options, but there is nothing that you can do about it).

Group 2: People who have a time-sensitive, very important decision to make by April 30th, 2016:

·This includes anyone born on or before April 30th, 1950 AND who has not yet started benefits (or not yet implemented a file-and-suspend strategy). This is the group which still has a short window to file-and-suspend, if it makes sense to do so, but that window closes after April 30th, 2016. Although, technically, this

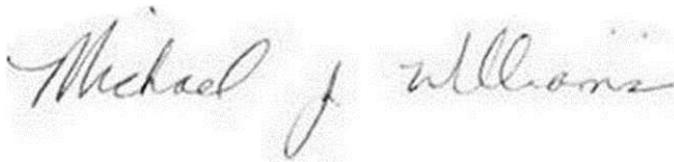
deadline applies to both singles and married couples, it's a much bigger issue for married couples.

ACTION NEEDED:

If you are in Group 1, and haven't started benefits yet, make sure you do a thorough analysis of all available options prior to making your Social Security claiming decision. If you are in the Social Security claiming window (age 62 – 69), haven't started benefits yet, and would like to visit or revisit the options available to you, I am happy to help.

If you are in Group 2 – essentially anyone born before April 30th, 1950 AND you have not yet started benefits – ESPECIALLY IF MARRIED – call or email so we can discuss the best options well prior to the April 30, 2016 cut-off.

I hope this provides some clarity around what I know are hugely confusing and complex topics. Feel free to forward this newsletter on to anyone who you think might be affected by these changes, and of course, please don't hesitate to call or email with any questions you might have.

A handwritten signature in cursive script that reads "Michael J. Williams". The signature is written in dark ink on a light-colored background.

Michael J. Williams, CFP

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