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Special Interest Articles:

Roots and Wings

By Christopher W. Beale, CFP®

It is the season for dads and grads and Independence. Forgive me if you are reading this newsletter after Father's Day, graduation and even Independence Day. My first draft started before Father's Day and prior to my son, Jonathan's high school graduation. My wife, Abby, and I are extremely proud of his high school accomplishments and feel he has the tools (scholastic prerequisites, study skills, habits, and attitudes) to be successful in his college career at the University of Delaware. We also feel fortunate that we are financially prepared for the costs associated with helping him pay for college. I say helping because we will require him to help pay with his savings, his income from work, and through undergraduate Stafford loans. I strongly feel that he should have “skin in the game”.

With 2013 being my 30th anniversary in this business, I have been able to help many families plan for the cost of higher education. I still remember the college fund I help set up for a client years ago. I believe her daughter, Jessica, was the first person to graduate college paid by a college account that I helped set up. I think I was almost as proud as her mother when she graduated from UConn. Hopefully I will share with you my joy in a future newsletter 4 years from now!

30 years as a financial planner and 18 years as a father have taught me there's no magic bullet to pay for college. For most people it will be a combination of strategies typically consisting of:

1) Savings through 529, UGMA, Coverdell accounts, education savings bond programs, or simply brokerage accounts;
2) Loans taken out by the student;
3) Loans taken out by the parents;
4) Parents current income redirected annually to pay for college;
5) Scholarships;
6) Financial aid both needs-based and merit based.

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The Rollercoaster Effect

By Christopher M. Lee, CFP®

We are all looking forward to a nice long weekend this 4th of July, as June has been a busy month for us here at New England Capital. As you know, in addition to meeting with clients and solving their financial planning needs, we also manage money through our RIA (Registered Investment Advisor). Over the past couple of weeks, there have been some ups and downs (and loop-to-loops) in the stock and bond market (as I’m sure some of you had heard on the news) which keeps us busy here answering some of your questions and concerns.

As many of you know, one of our core beliefs at New England Capital Financial Advisors, LLC is that we believe in long term investing and proper asset allocation. A couple of weeks ago, the investment markets made an unusually sharp turn on the roller coaster, and showed us once again the sometimes-comical fallacy of quick trading.

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Roots and Wings

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A quick note about student loans: as of March 31, 2013 the total outstanding student loans were $986 billion outpacing credit card debt of $846 billion. Also, due to Congress's failure to act prior to leaving Washington for vacation, the interest rate of subsidized student loans have doubled to 6.8% from 3.4% as of July 1, 2013. As I've always said compound interest earned through savings is much better than compound interest paid by borrowing!

So while I feel extremely blessed to be able to provide the financial assistance to my children for college, my hope is that I have provided them with much more than tuition money. I hope Abby and I have provided them with an environment where they will thrive and succeed not only in college but also in life.

Last week while talking to a client, who was traveling in Connecticut from their home in South Carolina, she reminded me that the best gifts we can give our children are roots and wings. Roots are required for growth. Roots ground them and give them a strong foundation from which to grow. The deeper we as parents can drive the roots of faith and spirituality, of family values and traditions, and of citizenship and service to others, the more likely they will not fall or bend to the inevitable storms that will blow into their lives.

The gift of wings is the independence that we give our children which allows them to soar so they can do more, achieve more and be more. The gift of wings allows them to soar higher than we as parents could have ever thought possible. Without giving them the independence of their own wings they would be stifled by our imaginations of who they should be, which will always be less than allowing them to discover for themselves, all that they can be.

My Father's Day wish for my children is that they know their roots and understand the values of our family. I hope they understand that they have freedom to try. This includes the freedom to fail and try again, or try harder, or try a different way, or try something completely different. As my children make their own way through this sometimes difficult and complicated world my hope is that they take the love that they have been given to overcome life's inevitable challenges and temporary setbacks. Just as importantly this love hopefully encourages them to pursue, without fear, all of the happiness and fulfillment life has to offer. I hope the joy that they have given me multiplies in their lives as they bring to others the same joy, happiness, and love.

"Some debts are fun when you are acquiring them, but none are fun when you set about retiring them."

-Ogden Nash, American Poet

"What you get by achieving your goals is not as important as what you become by achieving your goals."

- Henry David Thoreau, American Poet & Author

The Value of an Education

By Bob Veres

Now that college graduation exercises are upon us, you are no doubt hearing reports that young people matriculating from this or that prestigious alma mater are having trouble finding jobs. The easy conclusion seems to be that a college degree doesn't matter very much anymore in the new economy. But that, of course, is a short-term view; younger people have fewer job-related skills than people who have been employed for a few years, so they generally have trouble getting that first job no matter what their education level.

You can see on the chart (on page 4;) by PEW Research, older workers, who have presumably more experience in the workplace, tend to have lower unemployment rates than their younger competition. A recession like 2008-2009 simply reinforced a long-term pattern; it made the jobs situation worse for everybody. Today's difficult job market continues to allow employers to put a premium on experience.

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The Rollercoaster Effect

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To show you how irrational markets can be, let's see if you can follow the logic of the events that led to the market sell-off a couple of weeks ago. Federal Reserve Board Chairman, Ben Bernanke, and the Federal Open Market Committee issued a statement saying that the U.S. economy is improving faster than the Fed's economists expected. Therefore, (the statement went on to say) if there was continued improvement, the Fed would scale back its QE3 (Quantitative Easing, Part III) program of buying Treasury and mortgage-backed securities on the open market, and ease back on stimulating the economy and keeping interest rates low.

Everybody knows that the Fed will eventually have to phase out its QE3 market interventions, and that this would be based on the strength of the economy, <u>so this announcement should not have stunned the investing public</u>. Nothing in the statement suggested that the Fed had any immediate plans to stop buying Treasury and mortgage-backed securities altogether; only ease it back as it became less necessary. The statement said that this hypothetical easing might possibly take place as early as this Fall, and only if the unemployment rate falls faster than expected. <u>At the same time, the Fed's economists issued an economic forecast that was more optimistic than the previous one.</u>

The result? There was panic in the streets--or, at least, on Wall Street, where this bullish economic report seems to have caused the S&P 500 to lose value the week of June 17th.

In addition--and here's where it gets a little weird--stocks also fell sharply in Shanghai and across Europe, and oil futures fell dramatically. How, exactly, are these investments impacted by QE3?

The only explanation for the week's panic sell-off is that thousands of media junkie investors must have listened to "we plan to ease back on QE3 when we believe the economy is back on its feet again," and heard: "the Fed is about to end its QE3 stimulus!"

If stocks were valued daily based on pure logic, on the real underlying value of the enterprises they represent, then the trajectory of the markets would be a long smooth upward slope for decades, as businesses, in aggregate, expanded, moved into new markets, and slowly, over time, boosted sales and profits. The rollercoaster effect that we actually experience is created by the emotions of the market participants, who value their stocks at one price on Wednesday, and very different prices on Thursday and Friday.

The long-term investor has to ask: did any individual company in my investment portfolio become suddenly less valuable in two days? Did ALL of their enterprise values in aggregate become less valuable within 48 hours--and at the same time, did Chinese and European stocks and oil also suddenly become less valuable? Phrased this way, the only possible answer is: no. And if that's your answer, then you have to assume that eventually, people will be willing to pay the real underlying value of the stocks in the market, and the last couple of weeks will be just one more exciting example of meaningless white noise.

What it comes down to, is there are two kinds of investor in this world. One type pays close attention to the daily (and sometimes hourly) flood of information, looking for a reason (any reason) to jump in or out of the markets. The other kind of investor is in it for the long haul, and recognizes that the markets are going to experience dips and turns. If these people are particularly wise (typically our clients), they know that the dips and turns are the best friend of the steady, long-term investor, because as you put money into the markets, as we rebalance your portfolio, you gain a little extra return from the occasional opportunities to buy at bargain prices.

Don't lose sight of your long term goals! Enjoy your summer, your barbeques, and spending time with friends and families! And save the rollercoaster rides for the amusement parks.

"To reach a port we must sail- sail, not tie at anchor- sail, not drift."

-Franklin D. Roosevelt, US President

"The purpose of life is to live it, to taste experience to the utmost, to reach out eagerly and without fear for newer and richer experience."

-Eleanor Roosevelt, Former First Lady of the United States

The Value of an Education
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Longer-term, however, a college degree does seem to confer huge advantages for getting employment. Consider the most recent jobless statistics, broken down by education level:

Jobless rate for persons who have not earned a high school degree: 11.6%

Jobless rate for high school graduates with no college training: 7.4%

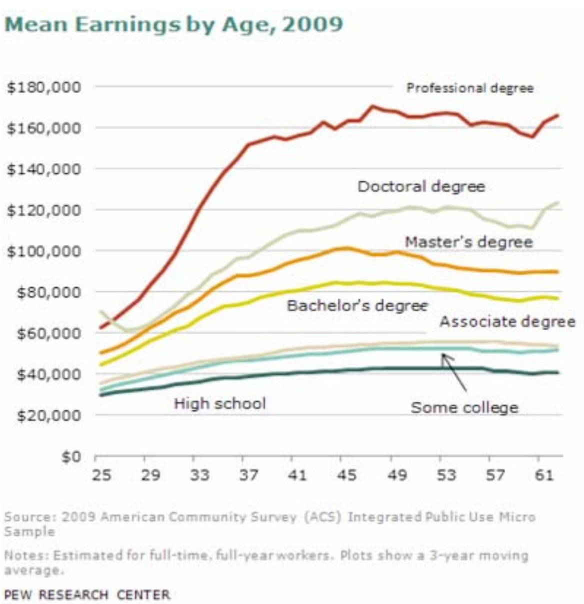
Jobless rate for persons with some college training or an associate degree: 6.4%

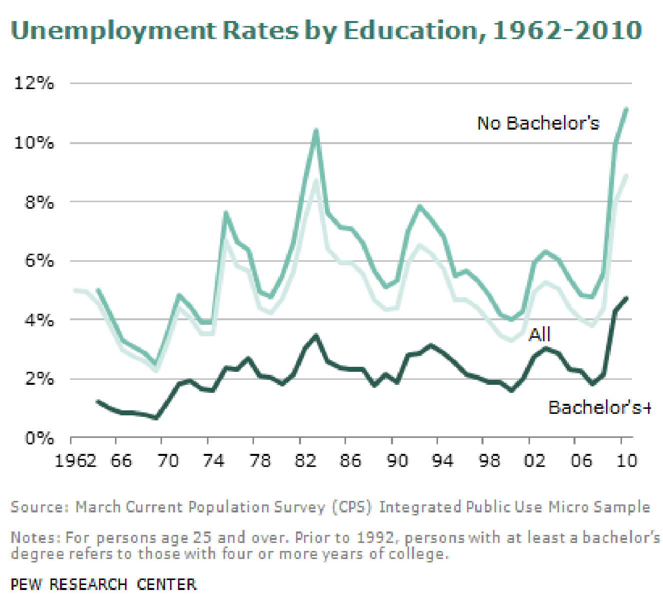
Jobless rate for persons who have earned a bachelor's degree or higher: 3.9%

Longer-term, as you can see from the second chart below, people who are educated at every level tend to be less likely to be unemployed than those with lower educational attainment. The better-educated also tend to earn higher incomes over their lifetimes--the most recent statistics compiled by the Pew Research Center suggests that the average high school graduate with no further education will earn about $770,000 over a 40-year worklife, compared with $1.4 million for a worker with a bachelor's degree.

Parents reading this article, and graduates who are paying off enormous student loans, are no doubt wondering whether Pew was able to factor in the upfront costs of getting the college degree, plus the opportunity cost of four years (or more) spent on campus rather than in the workforce. Even when these considerable costs are factored in, the net gain for a student who graduated from an in-state four-year public university is about $550,000 over a person's worklife. The third chart shows the various disparities in yearly earnings at different ages; you can see that at age 25, the differences are not huge, but over time, college education begins to create significant income separation.

Bottom line? Ignore the gloomy reports of college graduates having trouble finding work. This has always been a problem, admittedly made worse by today's weak job market, but not an indictment of the value of a college education. Education, as George Washington Carver once remarked, is still the golden key that unlocks the doors of opportunity.





NECFA News!

- We are pleased to announce the newest addition to the New England Capital family. A healthy baby girl, **Taylor Madison Tapley, was born June 10th**! Congrats to Shannon, Darren and Bree!
- Be sure to say "Hi" to our summer intern while he is here! Jonathan Beale is helping us out before he heads out to college in August.
- We are in the process of transitioning all of our mailings/reporting to our *Client Access* on our website www.newenglandcapital.com. Effective **December 31st 2013 we will no longer be mailing (via USPS) out our "quarterly summaries"**. Unless you have specifically asked us, they will now only be available through our secure website. If you are not already on our *Client Access*, we will need to set you up.

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