

October 2016  
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“Let us not seek the Republican answer or the Democratic answer, but the right answer. Let us not seek to fix the blame for the past. Let us accept our own responsibility for the future”

-John F. Kennedy: 35th President of the U.S.

## **View from an Empty Nest: Paying for College**

*By Christopher W. Beale, CFP®*

I love my kids. I really miss them now that both boys are away at college. I must also confess that Abby and I have adjusted surprisingly well to the “empty nest”. With the kids at school, we have found more time for ourselves including taking a yoga class at the local Park and rec department. Additionally food shopping has become much easier and less expensive, there’s less laundry and less dishes, the house stays cleaner, and Abby is free to use her Stop and Shop gas points for HER car!

After 33 years of helping parents with college planning (this month starts my 34th year in the financial planning business), I can now say I have real-life first-hand experience with this. My experience tells me what most of you already know: college costs are skyrocketing. According to The College Board, a non-profit research and advocacy organization, the average cost for tuition, fees, room and board, books and personal expenses was about \$24,000 per year last year for in-state students at a public college. The average cost for out-of-state students at a public college was \$33,000. The average private college cost was approximately \$45,000 with many private schools costing more than \$60,000 per year.

By contrast, a two year community college averaged \$3,435 per year. In Connecticut, all credits earned at a community college in the Connecticut State and University College System can matriculate to four year colleges in the system.

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## **Clinton or Trump?**

*By Christopher M. Lee, CFP®*

We are about a month away from the elections and our office has received several calls in regards to the effect that either candidate will have on the economy and consequently, the stock market.

Most people feel very passionately about this upcoming election. Oddly though, I find that they are not strongly for, but rather ardently against a specific candidate. Regardless of the flaws or characteristics of each nominee - what should we plan for when either of the candidates wins the general election? A look back at history shows that presidential election cycles indeed correlate with stock market return. As for the outcome of elections? The impact might surprise you. Below, are a few things you should consider in election years.

According to a MFS Investment Management research report entitled, “Primaries, caucuses and elections—oh my!,” based on data from Ned Davis Research, from 1900 – 2008, the stock market, as defined by the Dow Jones Industrial Average (DJIA), performed better when the incumbent party won each given election, regardless of the political party of the incumbent. Though historically, according to this research, market performance has been better historically under Republican Presidents as opposed to Democratic Presidents according to this research.

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## View from an Empty Nest: Paying for College

*(Continued from page 1)*

I wish I could tell you the secret for paying for your children's college. The truth is there is no magic bullet. Paying for college will typically include a combination of strategies including:

- Savings: 529 plans, possibly Roth IRA's and custodial accounts
- Financial Aid: both merit and needs based
- Loans: taken out by parents and by students
- Current Income: from students working during school or on semester break as well as parents redirecting current income or forgoing/delaying purchases during college years.

According to the Fidelity College Savings Indicator Survey, the top regrets of parents with students at least in 10th grade are:

- They wish they had saved more each month
- They wish they had opened a 529 account sooner
- They wish they had treated contributions to a college fund like a monthly bill
- They wish they had boosted savings by 1% every year
- They wish they had prioritized college savings over impulse buys.

So the simple advice for most on college planning is to use a 529 account AND save as much as you can to cover the expected costs.

Now let me offer advice about withdrawing money from 529 plans. To receive tax-free withdrawals, the distributions must NOT exceed the adjusted Qualified Higher Educational Expense (or QHEE). QHEE include room and board, tuition and fees, books and supplies, and any school-related special services or requirements. You must then deduct any costs already covered by tax-free education assistance including: Pell grants, tax-free scholarships and fellowships, tuition discounts, Veteran's educational programs, and tax-free employer educational assistance programs. You also need to deduct the cost you may have used to claim an American Opportunity Tax Credit or Lifetime Learning Credit. I can appreciate the desire to double up on the tax benefits for the same college expenses but the IRS won't allow it.

Please note the "Q" in QHEE. Not all expenses qualify. Besides beer, other expenses not qualifying for tax-free withdrawals are the cost of off-campus housing in excess of the actual amount charged for housing operated by the college. Also your student must be enrolled at least half-time for these expenses to qualify.

Textbook costs are qualified BUT only if required by the course. This is not an insignificant cost as according to The College Board, the 2014-15 average cost for required books and supplies was \$1200 per year. The same goes for computers and related equipment and services. They are qualified expenses if considered required for educational purposes. If in doubt the college's financial aid office should be able to give guidance. Remember for those expenses not considered qualified, the earnings portion of the distributions will be taxed as ordinary income and could incur a 10% tax penalty.

Keep good records. This advice shouldn't be too hard to follow as colleges provide regular bills for their expenses. But keep track of room and board for students in off-campus housing as well as books and equipment which are not included on the college's bill. Also, please build in time for us to process your 529 distribution request. Some investment companies are better at processing requests quickly than others.

I wish you all a wonderful upcoming holiday season. I truly look forward to having my empty-nest being filled with family and friends. I know I'll enjoy having Jon and Mike home with all the extra mess, extra noise, extra laundry, extra food costs, and extra love that will come with them.

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"If you could kick the person in the pants responsible for most of your trouble, you wouldn't sit for a month."

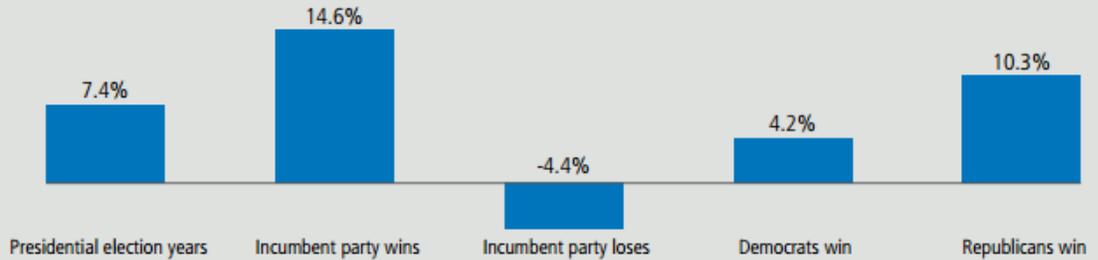
-Theodore Roosevelt:  
American statesman, author, explorer, soldier, and reformer who served as the 26<sup>th</sup> President of the United States.

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## Clinton or Trump? (Continued from page 1)

### The market during election years: 1900–2012

The market (DJIA) performed better on average when the incumbent party won the election, regardless of whether it was the Democratic or the Republican party. (Source: Ned Davis Research)



“Always remember you are unique. Just like everyone else.”

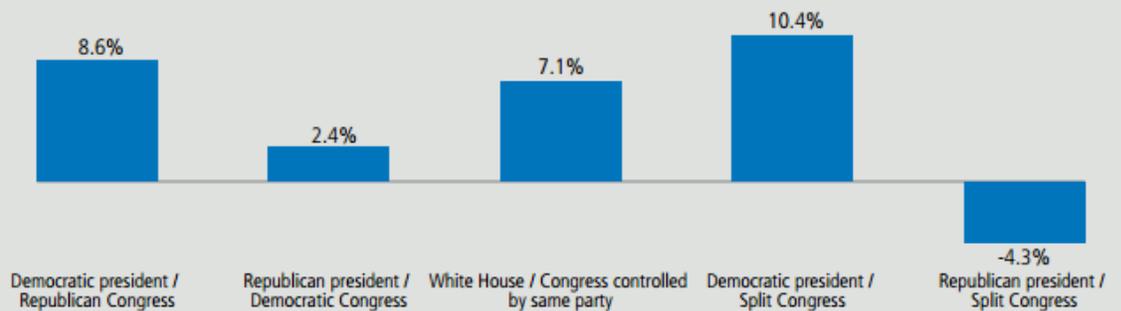
-Margarete Mead:  
American Anthropologist.

Perhaps even more important to stock market performance than who is in the Oval Office after the presidential election, is which political party is in control of Congress. To this end, based on the same MFS research report, it appears that on average, the combination of a Democratic President and a Republican Congress has produced the best historical returns from 1961-2010, on average, for the stock market—which is defined in this case by the S&P 500 index.

### Political control and the market: 1901–2016

In the years 1901–2016, the S&P 500 Index was up 8.6% per year (total return on average) under Democratic presidents and Republican-led Congresses, more than three times the 2.4% annual return achieved under Republican presidents when both houses of Congress were controlled by Democrats.

When both the White House and Congress were run by the same political party, the S&P 500 gained about 7% per year. When Congress was split, with one party controlling the House and the other controlling the Senate, the S&P 500 gained 10.4% under Democratic presidents and lost 4.3% under Republican presidents. (Source: Ned Davis Research), as of March 31, 2016.



As you can see from the data above, it may be more important to watch the Senate races in the upcoming elections. With that being said, I believe that either candidate will have a slight impact on the market, but not a long term effect. At times investors can act on emotion (rather than reasonableness) which can cause short term volatility in the markets. It can be a common emotion to not like what is going on in the world or country and feel the need to “go to cash” and not stay invested in the markets. Please remember that it is not uncommon to have an election surrounded by controversy. Looking back through the years, the following chart contains some of the tumultuous events and their corresponding surrounding elections<sup>1</sup>:

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## Clinton or Trump? (Continued from page 3)

| 1936  | 1940  | 1944  | 1948  | 1952   | 1956  | 1960   | 1964   | 1968   | 1972  |
|---|---|---|---|--|---|--|--|--|---|
|  |      |            |          |             |                           |               |                 |                           |    |
| <b>Franklin D. Roosevelt</b><br>vs.<br><b>Alf Landon</b>                          | <b>Franklin D. Roosevelt</b><br>vs.<br><b>Wendell Willkie</b>                         | <b>Franklin D. Roosevelt</b><br>vs.<br><b>Thomas Dewey</b>                                  | <b>Harry Truman</b><br>vs.<br><b>Thomas Dewey</b>   | <b>Dwight Eisenhower</b><br>vs.<br><b>Adlai Stevenson</b>                                    | <b>Dwight Eisenhower</b><br>vs.<br><b>Adlai Stevenson</b>   | <b>John F. Kennedy</b><br>vs.<br><b>Richard Nixon</b>  | <b>Lyndon Johnson</b><br>vs.<br><b>Barry Goldwater</b>   | <b>Richard Nixon</b><br>vs.<br><b>Hubert Humphrey</b>  | <b>Richard Nixon</b><br>vs.<br><b>George McGovern</b>   |
| U.S. remains in grip of Depression<br><br>Nazi rise troubles Europe               | Isolationism vs. engagement hotly debated<br><br>Germany menaces Europe; France falls | FDR's health in question<br><br>Potential Post-War impact of New Deal debated               | Civil rights tension boils over at convention<br><br>Berlin blockade accelerates Cold War | U.S. detonates first hydrogen bomb<br><br>Attempts at Korean War truce fail                  | Mideast trouble as Egypt seizes Suez Canal<br><br>Soviets invade Hungary                                    | Cuba nationalizes U.S. assets<br><br>American U-2 spy plane shot down in Soviet airspace         | Civil Rights Act passes after lengthy filibuster<br><br>Gulf of Tonkin signals Vietnam involvement | Vietnam protests and civil rights issues roil conventions<br><br>RFK and Martin Luther King Jr. assassinated | Watergate scandal surfaces<br><br>Vietnam War drags on  |
| 1976  | 1980  | 1984  | 1988  | 1992   | 1996  | 2000   | 2004   | 2008   | 2012  |
|  |      |            |          |             |                           |               |                 |                           |    |
| <b>Jimmy Carter</b><br>vs.<br><b>Gerald Ford</b>                                  | <b>Ronald Reagan</b><br>vs.<br><b>Jimmy Carter</b>                                    | <b>Ronald Reagan</b><br>vs.<br><b>Walter Mondale</b>  | <b>George H.W. Bush</b><br>vs.<br><b>Michael Dukakis</b>                                  | <b>Bill Clinton</b><br>vs.<br><b>George H.W. Bush</b>  | <b>Bill Clinton</b><br>vs.<br><b>Bob Dole</b>   | <b>George W. Bush</b><br>vs.<br><b>Al Gore</b>   | <b>George W. Bush</b><br>vs.<br><b>John Kerry</b>  | <b>Barack Obama</b><br>vs.<br><b>John McCain</b>   | <b>Barack Obama</b><br>vs.<br><b>Mitt Romney</b>  |
| New York City threatens bankruptcy<br><br>Economy mired in recession              | Iran hostage crisis drags on<br><br>Olympic boycott underscores Cold War divide       | Budget deficits rising rapidly<br><br>Stock market slides over 30% in less than four months | Savings and loan crisis reaches apex<br><br>Iran-Contra indictments                       | Los Angeles riots highlight racial tension<br><br>Pending NAFTA ratification creates anxiety | 19 American servicemen killed in Saudi Arabia bombing<br><br>UN arms inspectors repeatedly thwarted in Iraq | Tech bubble bursts; stock markets plummet<br><br>Attack on USS Cole heightens terrorism concerns | Oil prices soar<br><br>Ongoing wars in Iraq and Afghanistan  | Subprime mortgage crisis<br><br>Lehman Brothers collapse; world markets fall                                 | High-stakes negotiations lead to a deal to avert the "fiscal cliff"<br><br>Superstorm Sandy kills 268 people, and causes \$68 billion in damage |

"Life is a journey, when we stop, things don't go right."

-Pope Francis

Though it is important to recognize historical market trends, such as the ones discussed in this article, I believe that greater emphasis should be placed on accurately defining your specific financial and life goals, income needs, and investment time-frame.

In the meantime, grab some popcorn with your favorite beverage and enjoy the entertainment that will be presented to us over the next month! May the best candidate win!

<sup>1</sup> Source: *Elections Come and Go*, American Funds Distributors Inc., 2016

### IMPORTANT DISCLOSURE INFORMATION

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by New England Capital Financial Advisors, LLC), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from New England Capital Financial Advisors, LLC. Please remember to contact New England Capital Financial Advisors, LLC, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/reviving our previous recommendations and/or services. New England Capital Financial Advisors, LLC is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the New England Capital Financial Advisors, LLC's current written disclosure statement discussing our advisory services and fees continues to remain available upon request.