Client Conversations – Fall 2019

Q: I’ve just been offered an early retirement package. How do I know if it’s a good deal?

A: For some, receiving an early retirement offer may be overwhelming or unexpected news, and it’s important that you not rush into a decision. Once your initial emotions settle, it’s time to assess whether to accept, decline, or perhaps negotiate the proposed offer. But how do you know if the offer you’ve received is a good one? By evaluating it carefully to make sure that it fits your needs.

What’s the severance package? Most early retirement offers include a severance package that is based on your annual salary and years of service at the company. Make sure that the severance package will be enough for you to make the transition to the next phase of your life. You will also want to make sure that you understand the payout options available to you. Don’t underestimate your ability to negotiate. You won’t get more if you don’t ask. However, keep in mind, if hundreds of people have received the same early retirement offer, you’re less likely to be able to negotiate better terms.

Does the offer include health insurance? According to the Society for Human Resource Management, companies are evenly split on whether to continue medical coverage for terminated employees, with a slight majority (52 percent) opting to extend those benefits if the employees were enrolled prior to the termination date. If your package does not include medical coverage, look at your other health insurance options, such as COBRA, a private policy, dependent coverage through your spouse’s employer-sponsored plan, or an individual health insurance policy through a health insurance exchange marketplace. Because your healthcare costs will probably increase as you age, an offer with no medical coverage may not be worth taking if these other options are unavailable or too expensive.

What other benefits are available? Some early retirement offers include employer-sponsored life insurance. This can help you meet your life insurance needs, and the coverage probably won't cost you much. However, continued employer coverage is usually limited (e.g., one year's coverage equal to your annual salary) or may not be offered at all. In addition, a good early retirement offer may include other perks, such as financial planning assistance or job placement assistance to help you find other employment. If you have company stock options, your employer may give you more time to exercise them.

To decide if you should accept an early retirement offer, you can't just look at the offer itself. You have to consider your total financial picture. Can you afford to retire early? Even if you can, will you still be able to reach all of your retirement goals? These are tough questions that a financial professional should help you sort out.

Of course, everyone's circumstances are unique, and severance packages can create complex legal, tax, and financial questions. It's important to work with qualified professional advisors to help figure out what is right for you before making any decisions.

Q: When it comes to investing in stocks, what is the difference between growth and value investing?

A: The terms *growth* and *value* refer to two different approaches to investing in stocks, and many investment managers focus on one style or the other. Although the goal of both strategies is often the same—to generate attractive risk-adjusted returns—the way they seek to achieve this goal differs. More than anything, it is a difference in mindset, with each style favoring certain characteristics as they scour the market for investment opportunities.

Growth investors favor stocks with the potential for future earnings growth rates that are higher than the broader market. Because higher future earnings should translate to higher future stock prices, successful growth investors are keen to understand the drivers of future growth and seek to identify companies with high growth potential before the rest of the market catches on.

Questions that a growth manager will ask of potential investments include: Will growth come from taking existing products to new markets or from the development of new products? Can the company disrupt an existing marketplace with a new technology? How sustainable is the growth, and how defensible is the company's market position? What are the risks or threats to future growth plans? And, importantly, how much future growth is already reflected in the current stock price?

Value investors, on the other hand, look for stocks whose current prices are below their assessment of the fundamental value of the business. They believe that markets can overreact in the short term, yielding opportunities for investors to profit when stock prices return to their intrinsic values.

Value investors seek diamonds in the rough. In other words, they are looking for businesses thathave fallen out of favor or that face some sort of temporary setback, with the idea that when themarket realizes the true value of that business, its stock price will appreciate, and investors will profit.

The starting point of a value investor's process is to determine the intrinsic value of a company. Once estimated, this value can identify when that stock is selling below where it should be. This approach often requires extensive fundamental research, financial modeling, and interviews with company management, customers, and suppliers.

As you would expect, these two styles yield portfolios that look quite different from one another. Growth strategies tend to emphasize high-growth industry sectors such as technology, health care, and consumer discretionary stocks, while value-oriented portfolios often emphasize sectors such as financials, industrials, and consumer staples. Other differences include portfolio turnover, dividend yield, and degree of volatility relative to the market as a whole.

Finally, there is the question: Which style is better? And it may come as no surprise when we say that for most investors the answer is: both. There can be extended periods when one style outperforms the other, and it is notoriously difficult to anticipate when such transitions will occur. A balanced approach that provides investors the potential to benefit from both styles remains the best strategy.

Q: How do I stop those annoying telemarketing calls?

A: How many times have you just sat down to dinner when the phone rings? You think the call could be important, so you pick up. But on the other end is Bill from your local cable company with a great offer for you or, equally disruptive and frustrating, it's a robocall. If you're like most people, you hang up or wait until Bill is finished to say, "I'm not interested."

Luckily, AT&T, Sprint, Verizon, and nine other telecommunications companies have teamed up with attorneys general of all 50 states, plus the District of Columbia, to announce a new pact to eradicate illegal robocalls. According to National Public Radio, included in the deal is call-blocking technology that will be integrated into phone networks' existing infrastructure at no additional charge to customers.

However, if you want telemarketers to stop calling you, you need to say that. Once you tell a telemarketing firm to put you on its do-not-call list, it is required by law to do so. If a telemarketing company continues to call, you may be able to take that firm to court. If you find yourself in this situation, be sure to document the calls—dates, times, company name, the caller's name—and consult an attorney for more information.

A better way to end telemarketing calls is to sign up for the National Do Not Call Registry. This free federal service, managed by the Federal Trade Commission, makes it illegal for telemarketers to call you once your number is included on the registry. To sign up, visit donotcall.gov or call

888.382.1222.Although you should receive far fewer dinnertime calls once you've signed up for the national registry, don't expect telemarketing calls to end completely. Because certain calls don't fall under federal rules, you may continue to receive calls from companies with which you have an established business relationship—from charities or political organizations soliciting donations—or from companies doing phone surveys. To end these calls, you'll have to ask these callers, one by one, to put you on their organization's do-not-call list.

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