

In this month's commentary we wanted to share with you some of the highlights from the Schwab Impact conference. The conference was held in Denver and was attended by 2,000 of the top investment advisors from around the country. The quality of speakers and educational sessions available was outstanding, providing a great environment to learn about the latest trends in investments and wealth management and an opportunity to network with the best and brightest in the industry. Key areas of focus at the conference were technology advancements in the wealth management industry, global investing trends and meeting the retirement challenge for large number of baby-boomers set to reach retirement age. Below are some of the highlights from the top speakers and educational sessions we attended.

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### *Charles Best, Founder of DonorsChoose.org*

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The conference kicked-off with an inspiring presentation from Charles Best, a pioneer in education and charitable funding. Best told the story of founding DonorsChoose.org, a nonprofit that focuses on educational inequality. His journey towards educational philanthropy began at a Bronx public high school where he taught history. Best and his fellow teachers often discussed the lack of resources at the school and their inability to purchase the supplies needed and provide the experiences they wanted to give to the students. Those conversations were the catalyst for Best to create an online platform that would allow teachers to post requests for money to purchase item such as books, science kits, art supplies or fund field trips and projects. Potential donors could then search the teacher requests and make donations directly to the teachers in need, effectively eliminating the middle-man. His idea has been wildly successful and has raised over \$286 million to help teachers in need. Best believes that technology and crowd-funding are disrupting business and the world of philanthropy. To get the audience involved he donated his speaker fee and provided a \$20 dollar gift card to each of the 2,000 advisors to fund a DonorsChoose project. I look forward using this website to help our local teachers, and suggest that if you are interested in helping a teacher please visit [www.donorschoose.org](http://www.donorschoose.org).

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### *Dr. Ben Bernanke*

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Ben Bernanke, the keynote speaker Wednesday evening, provided a first-hand account of the financial crisis and his outlook for the economy. From his perspective, the financial crisis was a classic panic, similar to earlier ones experienced in the 19<sup>th</sup> and 20<sup>th</sup> centuries, with Lehman Brothers being the flash point of the crisis and the turning point being when Congress finally took decisive action. In his opinion, TARP was the legislation that was the key to recovery. Had action not been taken to implement TARP, quantitative easing (QE) and other measures, the risk of a deflationary spiral similar to Japan's was a real threat. Bernanke also addressed the critics of the Fed's QE policy, declaring that they have been proved dead wrong and were the victims of "bad economics". He asserted that there was no risk of inflation, "not then and not now." The implication being that the Fed has the ability to maintain an aggressive policy if needed and we should not expect any abrupt changes

in monetary policy. He concluded with an optimistic outlook for the economy and financial markets, driven largely by our leadership in technology and innovation, and a demographic profile aided by immigration that is more attractive than our developed peers.

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## *Dr. Dambisa Moyo*

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The opening speaker Thursday was Dr. Dambisa Moyo, an international economist and author, who provided a more sobering outlook for the global economy. Her dour perspective was driven by a slow growth outlook for emerging markets and four structural headwinds that the world has not dealt with before, and a belief that many global policy makers do not have the monetary or fiscal policy to deal with these issues.

The first headwind, is technology and the negative impact it is having on employment for large segments of the global population. There are roughly 100 million young people across the globe that are currently out of work due to technological advancements and the use of robots. She believes these jobs are not coming back and will have negative implications for many developing economies. The second headwind is demographics. In the U.S. and other developed nations, we are faced with aging populations, making younger workers scarce and the quality of the workforce in decline. In contrast, emerging market populations skew young, with 60 to 70 percent of those populations being under the age of 25, increasing the risk of chronic unemployment for young workers and potential unrest in those countries. The third headwind is income inequality, which is getting greater around the world. It is estimated that there are 65 countries with a high risk of political uncertainty and unrest, many of them in Africa and the Middle East. The last headwind is natural resource scarcity, including arable land, minerals, water, oil and energy.

Moyo's belief is these structural headwinds are leading to protectionist activity with greater tariffs and capital controls that will ultimately lead to slower global trade and economic growth. Near term she is cautious on the emerging markets due to poor policies, however, she believes a terrific buying opportunities will be created for patient investors. A long-term time horizon is necessary to capitalize on the opportunities that will be created.

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## *The convergence of Health Care and Retirement Planning*

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Peter Stahl gave an outstanding presentation on the importance of including healthcare planning as part of the overall retirement plan. Here are some of the stats he shared on why it's so important to plan for healthcare expenses in retirement:

- 4 out of 5 Baby Boomers cite uncovered health expenses and the risk of becoming ill as their top financial concerns in retirement. – Putnam 2012
- The age 60+ population will spend the largest percentage of their income on health & medical costs, larger than recreation & housing combined. – Credit Suisse, 2011

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- \$491,039—the amount the avg. 65-year-old couple pays out of their own pockets for health care during a 20-year retirement. – Jester Financial, retirement calculator

Stahl discussed the current underfunding for Medicare and reform legislation that may go into effect in 2016. Proposed legislation is likely to lower the modified AGI amounts for calculating Medicare premiums, which in effect will increase costs substantially in 2016. Medicare is a complex topic, however there are things you can do to help limit the costs, including: tax deferral to reduce your AGI, considering Health Savings Accounts (HSA) and Roths, and shifting the timing of filing. For general, information on Medicare you can download the Medicare & You brochure at [www.medicare.gov/pubs/pdf/10050.pdf](http://www.medicare.gov/pubs/pdf/10050.pdf)

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## *Additional Topics & Sessions*

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There were many excellent educational sessions that we attended on varied topics, including the following:

- Estate Tax Planning: A Playbook for 2014 and Beyond
- Evolution of Socially Responsible Investing
- Financial Planning for Same-Sex Couples: What's Changed a Year After the DOMA Ruling
- The Goal Planning System: Behavioral Finance for Sound Life-Planning Decisions
- Crafting an Income Stream from Non-Correlated Asset Classes

If you would like additional information on any of the above topics, please let us know.