



REFLECTIONS

2nd Quarter Newsletter 2015



WINDGATE

WEALTH MANAGEMENT

To Your Future Prosperity

COMPOUND INTEREST AND WHY IT PAYS TO START SAVING NOW



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Financial Planner**

The simple fact is that **WHEN** you start saving outweighs **HOW** much you save.

Have you ever wished that you could have more money, without all the effort? Or are you concerned you won't have enough saved for retirement or your child's education?

Luckily, there's actually a simple way to accomplish those things if you're willing to learn how to put your money to work for you. It's called compound interest, and it can help you exponentially grow your wealth.

When people think of interest, they often think of debt. But interest can work in your favor when you're earning it on money you've saved and invested.

If you have any questions or comments, or if you know of any friends or family that might benefit from our services, please give us a call at 844.377.4963

- **Your Account Online**

You can log-in to your personal financial website at www.windgatewealth.com by going to the "see all accounts" tab

INSIDE THIS ISSUE

**Compound Interest
Why It Pays To Save Now**

**Now Offering 401(k)
Advisory Services**

**Power of Attorney For
Health Care**

**Quotes on Money, Work
and Humor**

**Mapping our World in
Terms of Stock Market Size**



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What is Compound Interest?

Compound interest can be defined as interest calculated on the initial principal and also on the accumulated interest of previous periods. Think of it as the cycle of earning “interest on interest” which can cause wealth to rapidly snowball. Compound interest will make a deposit or loan grow at a faster rate than simple interest, which is interest calculated only on the principal amount.

Not only are you getting interest on your initial investment, but you are getting interest on top of interest! It’s because of this that your wealth can grow exponentially through compound interest, and why the idea of compounding returns is like putting your money to work for you.

Why It’s Important to Save Now

The magic ingredient that makes compound interest work best is time. The simple fact is that WHEN you start saving outweighs how much you save. An investment left untouched for a period of decades can add up to a large sum, even if you never invest another dime.

We are now sending our bi-weekly “Reflections” articles by email. Below is a recent article you may have missed. All parents or grandparents might want to share with those in their lives who are beginning to learn the value of saving. You can find it online or just call toll free 844-377-4963 and we can provide a reprint. <http://windgate-wealthmanagement.com/the-power-of-compound-interest-and-why-it-pays-to-start-saving-now/>

THE POWER OF COMPOUND INTEREST (CONTINUED)

Let's see how compound interest works with an example. Below, Alice, Barney and Christopher experience the exact same 7% annual investment return* on their retirement funds. The only difference is when and how often they save:



Alice invests \$5,000 per year beginning at age 18. At age 28, she stops. She has invested for 10 years and \$50,000 total.

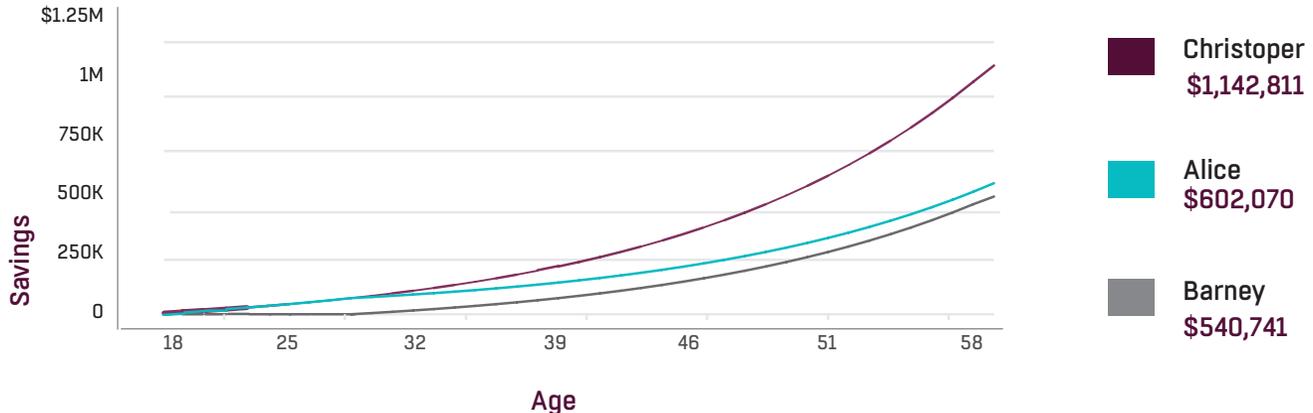


Barney invests the same \$5,000 but begins where Alice left off. He begins investing at age 28 and continues the annual \$5,000 investment until he retires at age 58. Barney has invested for 30 years and \$150,000 total.



Christopher is our most diligent saver. He invests \$5,000 per year beginning at age 18 and continues investing until retirement at age 58. He has invested for 40 years and a total of \$200,000.

Saving Fundamentals
Harnessing the power of compounding can greatly impact the amount of savings over the long term.



Barney has invested 3 times as much as Alice, yet Alice's account has a higher value. She saved for just 10 years while Barney saved for 30 years. This is compound interest: the investment return that Alice earned in her 10 early years of saving is snowballing. The effect is so drastic that Barney can't catch up, even if he saves for an additional 20 years.

The best scenario here is Christopher, who begins saving early and never stops. Note how the amount he has saved is massively higher than either Alice or Barney. Is it so astounding that Christopher's savings have grown so large? Not necessarily - what is most remarkable is how simple his path to riches was. Slow and steady annual investments, and most importantly *beginning at an early age*.

Compound interest favors those that start early, which is why it pays to start now. It's never too late to start -- or too early.

If you are early in your career, it can feel like there are a lot of things competing for your money between student loans, saving for a house, retirement, and more. However, saving now can give you a huge edge on your finances so you can retire stress-free. Also, if you are saving for your child's education, the power of compound interest surely applies. Start saving when they are in diapers and not as they are starting their college search.

“This is compound interest: the investment return that Alice earned in her 10 early years of saving is snowballing. The effect is so drastic that Barney can't catch up, even if he saves for an additional 20 years.”

THE POWER OF COMPOUND INTEREST (CONTINUED)

Get Started

If you want to easily accumulate wealth and take advantage of the magic of compound interest, it's important to start early and be consistent. As you can see in the example above, it's possible for your money to grow to a large sum with a small initial investment. If you consistently save and invest, you'll have a nice nest egg by the time you retire.



To get started, you can...

- ▶ Max out your Roth IRA (\$5,500 limit in 2015 and \$6,500 for age 50 and older).
- ▶ Contribute to your employer-sponsored 401(k), especially if there is a match (that's free money!)
- ▶ Contribute to an account like a SEP IRA if you're self-employed; while you may not get a match from an employer, these contributions are tax-deferred.
- ▶ If education is your goal, max out a Coverdell IRA (\$2,000 limit) or contribute to a 529 plan (limits vary by state but are much higher).

The key is to start now and contribute what you can! It may seem like it's not worth it, but even small contributions of \$25-\$100 per month add up over time.

Time is your best friend and the one thing that makes compound interest so effective. Saving now and starting early will pay dividends in your future and help you accumulate extra money. That's the power of compound interest and why it pays to start saving now.

Windgate does not provide tax advice. Consult your professional tax advisor for questions concerning your personal tax or financial situation. A 7% annual return is hypothetical. Past performance is no guarantee of future results. (Even if the hypothetical annual return was reduced, the outcome would still be the same. Ann would still have more savings than Barney, and Christopher would still have the most savings available.)

NOW OFFERING 401(K) INVESTMENT ADVISORY SERVICES



Your 401(k) is a major part of your nest egg. Ensure it is being managed properly.

Have you rebalanced your 401(k) allocations recently? Despite significant changes in the economy and world events, chances are that for many investors the answer is no. While a “set it and forget it” approach certainly beats

sitting in cash, you may want to consider a more strategic approach. After all, you understand the benefit of having your IRAs and brokerage accounts professionally managed, why not apply the same attentiveness to your 401(k)?

We are excited to announce that Windgate can now provide professional advisory services for your 401(k) assets (as well as 403(b) and 457 plans) beginning next quarter. As long as your account provider offers online access, we can securely link your 401(k) account to our daily portfolio audit for ongoing monitoring and recommendations. Crucially, no rollover or change of account provider is necessary, so you keep all the benefits of an in-force 401(k) - primarily, the ability to continue making pre-tax contributions and potentially collecting an employer match.

We are excited to announce that Windgate can now provide professional advisory services for your 401(k) assets (as well as 403(b) and 457 plans) beginning next quarter.

NOW OFFERING 401(K) INVESTMENT ADVISORY SERVICES (CONTINUED)

Workplace retirement plans are a major part of your retirement nest egg. According to Fidelity*, for employees in a 401(k) plan for 10 years or more, the average balance was \$251,600, more than a million workers increased their contribution rate in Q1 2015, and a record 23 percent of employees have increased their contribution rates since Q1 2014. Here is how we can help make these significant assets continue to work for you:

How Does it Work?

-  Our new portfolio management system - which you are becoming familiar with via our new client reporting - lets us securely link to your 401(k) account online.
-  Once you provide access, your accounts are added to our daily portfolio audit in the same way we monitor accounts at custodians, such as TD Ameritrade or Charles Schwab.
-  Depending on your account provider, we will be able to transact on your account with limited trading authority or we will provide detailed re-balancing recommendations for you to implement with our guidance.
-  Depending on your account provider, we will work within the constraints of your investment menu, or we can give you freedom to choose from a far wider range of investments, if offered.

The strategic decisions we implement in your currently managed accounts will also be applied to investments in your 401(k), in the most appropriate way possible.

How Do You Benefit?

-  Your 401(k) accounts will be professionally managed and monitored. The strategic decisions we implement in your currently managed accounts will also be applied to investments in your 401(k), in the most appropriate way possible.
-  You will receive “big picture” planning and investment strategy. We can more effectively manage your overall allocations when knowing the full picture.
-  Your 401(k) assets will be included in all Windgate quarterly reporting. Now you can see account balances, investment growth, contributions, and withdrawals for all your assets, combined and in one place.

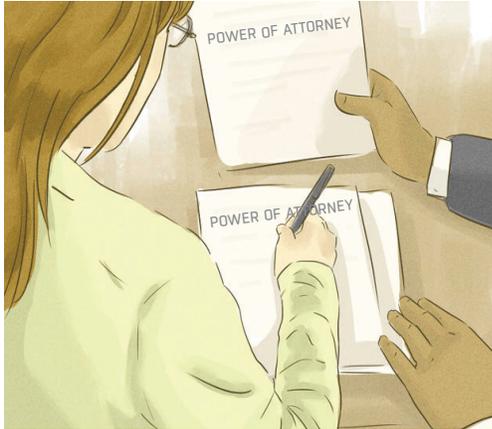
How To Get Started

Your 401(k) assets likely contribute to a significant portion of your investment wealth. We are excited that our new services and technology can help you better include these assets in your financial planning and goals. Call Sean at 844-377-4963 to discuss availability, pricing and details.

Your 401(k) assets will be included in all Windgate quarterly reporting. Now you can see account balances, investment growth, contributions and withdrawals for all your assets, combined and in one place.

* <https://www.fidelity.com/about-fidelity/employer-services/quarterly-retirement-snapshot-q1-2015>

BACK TO SCHOOL: THE DOCUMENT EVERY COLLEGE-BOUND STUDENT SHOULD SIGN



Gain peace-of-mind before the big separation with a Durable Power of Attorney for Health Care.

"The best thing about kids... is making them!" quips Rodney Dangerfield in *Back to School*. Of course, the 1986 film's farcical take on students and university life omits the many precious and fulfilling years spent raising a child toward adulthood. As you prepare to send your child off to college (or to work away from home), there is one more item to add to your list: ask your child to sign a Durable Power of Attorney for Health Care.

It may surprise you to learn that parents do not automatically have the right to obtain health care information or manage money for their kids once they turn 18. Without proper authorization, medical providers are prohibited from sharing and discussing a child's medical condition, diagnosis, or treatment. So even if you are paying tuition or covering a child on your health insurance, you may not be informed or able to act should your child fall ill while away.

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A Durable Power of Attorney for Health Care allows a child to designate an agent (usually a parent) to make medical decisions when he or she is unable to do so. Properly drafted, it also provides the named agent access to medical records. This document – also called a health care agent or health care power of attorney – can ensure that you can care for your child in the event of a heartbreaking emergency.

Consider the story of the college student, perfectly healthy when he left for school at the age of 18. In the first semester, he developed a severe infection that sent him to the university infirmary. Without a Durable Power of Attorney for Health Care, his parents know nothing about their son's hospitalization until learning about it from the child's roommate. Even after learning about their son's situation, the parents find that doctors refused to discuss their son's condition due to privacy concerns. The parents are handcuffed from coordinating care because of the lack of legal authority.

For financial matters, a more general Durable Power of Attorney (POA) may be the right choice. A Durable Power of Attorney allows an agent (parent) to act on the child's behalf, if need be, in a variety of financial and legal matters. A Durable Power of Attorney will also grant you access to their grades and transcripts, which you may again be surprised to learn that you have no automatic authority to request their grades even though you may be paying their tuition. The POA can also be very useful if your child goes overseas, for example, since it will allow you to wire money from their account or sign legal documents in their place.

POWER OF ATTORNEY (CONTINUED)

Before your child leaves for school, or the next time they come home for a vacation, consider having a Durable Power of Attorney for Health Care ready to sign.

Many schools offer pre-drafted forms that will provide parents access to medical records, finances, and academics. Check with your child's college administration office to see if this less expensive option may be available to you. And if you're looking for a simple way to help manage your child's finances, being a co-owner with your child on a joint bank account will allow you to act without the need for legal documents.

Ready to ask your child to sign, but unsure how to get them to act? Find the tactic that works best for you: an open conversation, making it a condition of tuition payments, or having a family lawyer lay out the importance of signing the document for you.

Before your child leaves for school, or the next time they come home for a vacation, consider having a Durable Power of Attorney for Health Care ready to sign. This act of responsibility can even serve as a rite of passage and a learning experience for your child. It will ensure that you are able to care for your child while they are away should the unforeseen strikes.

Ask your estate attorney or contact your child's university administrator to help you plan and write a medical Power of Attorney statement. You hope you never need it, but at the very least, the small effort for this document could provide you well-earned peace-of-mind during this exciting, yet often worrisome transition.

MONEY CAN BUY HAPPINESS, BUT WORDS ARE FREE

Favorite quotes regarding Money, Work and Humor

- ▶ "It takes as much energy to wish as it does to plan." - Eleanor Roosevelt
- ▶ "A ship in port is safe, but that is not what ships are built for " - Grace Murray Hopper
- ▶ "The only place where success comes before work is in the dictionary. " - Vidal Sassoon
- ▶ "I'm against picketing, but I don't know how to show it " - Mitch Hedberg
- ▶ "We must believe in luck. For how else can we explain the success of those we don't like?" Jean Cocteau
- ▶ "Perfection is achieved not when there is nothing more to add, but when there is nothing left to take away."
- Antoine de Saint-Exupery
- ▶ "The Stock Market is designed to transfer money from the Active to the Patient. " -- Warren Buffett
- ▶ "The tooth fairy teaches children that they can sell body parts for money." - David Richerby
- ▶ "Buy on the cannons, sell on the trumpets - French adage
- ▶ "Our greatest glory is not in never falling, but in rising every time we fall." - Confucius
- ▶ "Be so good that they can't ignore you" -Steve Martin

MAPPING OUR WORLD IN TERMS OF STOCK MARKET SIZE

What would the world look like if each country was adjusted to the size of its stock market? The below map, released by Bank of America, is an illuminating look at the comparative size of stock markets around the world.

The size of the U.S. stock market is nearly \$20 trillion, representing 52% of world market capitalization. Markets in Japan and the UK are comparatively large to other countries. Countries easy to spot on a traditional map, such as China and Brazil, shrink drastically. Russia, the largest country by land-mass, is reduced to the size of Finland.

One insight here is that the U.S. markets remain the most robust and liquid markets in the world. This trend has been boosted recently on the back of a strong domestic economy and the U.S. dollar's appreciation against other major currencies. Second, investing globally might significantly improve diversification and potential risk/reward trade-offs. Despite the U.S.'s exceptional rank in terms of stock market size, U.S. markets equate to just half of the world's market capitalization. Portfolios that invest a mere 5-10% of assets into international or emerging markets may be far under-exposed to investment trends around the world.

The size of the U.S.
stock market is
nearly \$20 trillion,
representing 52%
of world market
capitalization.

THE WORLD ACCORDING TO SIZE OF STOCK MARKET



Source: Maaime Worlds, Bloomber

\$=Billions
Value for countries under
\$900 Billion, not shown.



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investment advice.

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cial advisor to help you consider what options might be right for you.

-Any opinions expressed in this article are general in nature and cannot be guaranteed to be suitable for every individual. Individual needs and situations vary. Talk to your finan-