SUMMER NEWSLETTER 2014

OAK PARTNERS INC.

CELEBRATING OUR 20TH YEAR

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Two Words

by: Fred C. Ruiz, CLU, ChFC

Two of the easiest concepts to follow when it comes to investing are two of the hardest exercises to execute. The words are diversification and rebalancing. They can be expressed in other terms. Terms you've heard all your life but rarely follow, unless you're working with financial advisors whom adhere to these rules of investing.

Diversification is akin to the concept your grandma taught you – don't put all your eggs in one basket. But what are all the baskets available and how much should you allocate to each? I know stocks and bonds but which stocks and how can I use bonds in light of impending rising interest rates? What should I do besides stocks and bonds? These are very weighty issues and some of our main focuses.

Rebalancing actually seeks to accomplish the "buy low and sell high" concept that is so imperative when investing. People generally do the opposite because emotions get in the way. After all, it's much more exciting to buy when things are going well and excitement has built to a crescendo. Alternatively, when people are generally depressed and fed up, that's when they sell.

So, working in conjunction with your advisor, is kind of like working with a trainer, hopefully you can avoid the pitfalls of investing and do like your grandma taught you - don't put all your eggs in one basket and buy low, sell high.

Diversification and asset allocation do not guarantee positive results. Loss, including loss of principal may result.

The Fed is Tapering...Now What?

by: Stephen P. Kavois

As 2014 began, the FED began tapering its bond-buying program. This action indicates the Fed's Board of Governors see the economy stabilizing and it is likely we can expect interest rates to rise in the near to mid future. In fact, according to a recent survey by Bianco research, **100%** of the 67 economists polled believe interest rates will rise in the next 6 months. As Americans we have been in a secular rate decline since September of 1981, so this is new territory for most of us. What can you do to navigate the challenges we are likely to face relating to this new environment?

One option is to take on more credit risk in your bond portfolio, as many retirees dependent on yield to survive have already begun doing. Higher yield bonds and some senior loan strategies offer higher cash flow than investment grade bonds, but also offer more exposure to default risk. If you do choose this route, diversification is paramount. A diversified portfolio strategy can help decrease the negative impact of any single default. Of course this doesn't eliminate risk, but it can help reduce the overall volatility in the fixed income portfolio.

Another option is to accept little to no return. If principal preservation is your primary objective there is nothing wrong with focusing on cash and short duration bonds. You probably won't make much yield, but your portfolio volatility should remain low.

It's important for investors to understand the risk reward payoff of different investments. Too often, retirees can invest too conservatively and are threatened with running out of money during retirement. By working closely with your advisor you should be able to craft a portfolio to help navigate this rising rate environment with a level of volatility that you feel more comfortable with.

Are Those Bonds Really All That Bad?

by: F. Marc Ruiz

I've been working with clients and investment portfolios for over 20 years now. And with the exception of a few institutional clients, I have never met an investor that was particularly enthusiastic about bonds.

Bonds of course have always had an important role in most investment portfolios and as an asset class bonds have historically provided greater stability and less risk of principal loss than alternatives such as stocks, real estate and commodities.

It's true the upside potential of bonds can be limited and in a low interest environment like the US is in currently, bonds can present some risks if and when interest begins to rise.

Sometimes however, I feel the potential risks related to rising interest rates gets a bit too much attention from both advisors and investors. After all the US economy saw a relatively large increase in interest rates during 2013 (the US 10 year yield went from 1.76% to 3.03%) and the index used to track the overall investment grade bond market was down a net 2.02%.

While no one likes to be down on any of their investments, if in a year like 2013 when the bond market vigorously reverses trend and delivers negative performance to investors, the losses are limited to the levels experienced in 2013, I have to once again ask: Can those bonds really be all that bad?

Source: Yahoo Finance

Where Do You Turn for Advice?

by: Joe Starkey

Advice is everywhere these days. We are constantly being inundated with advice on which car to buy, what clothes to wear, what medicine to take, and...How to invest your money. Surely I'm more drawn to these advertisements because of my profession but it always leaves me wondering how our clients perceive these same snippets of advice that come to us via friends, family, social media, and even the grocery store line.

As we interact with the world around us, we are always being fed the line – "it worked for me and can work for you!" Is this true? Possibly. But in relation to investments - do you share the same goals? Risk tolerances? Retirement objectives? Probably not. The same medication that works for one person will not be appropriate for everyone just as one investment will not fit everyone's situation.

Our clients have put their trust with us as their investment professional. One that understands their needs, objectives, and goals. One that sits across the table from them, looks them in the eye and answers their questions in a way they can understand. One that takes time to treat them as a person and not a number. We also ask our client to trust in themselves. We encourage them to ask questions and get involved. We hold the relationships with our investors in the highest regard at Oak Partners and help people sift through the noise so that we can assist people determining the strategy that works best for them.

What is Retirement?

by: Mario A. Ruiz

Many advisors in the Financial Planning industry like to use the term "retirement planning" to describe their roll, as do the advisors at Oak. What does "retirement" really mean? We could sit with 50 different clients and each of them would have a different description of what their post working life entails.

After having spent almost 20 years in the financial planning industry, I'm starting to wonder if the term "retirement" still has relevance. The days of hanging up the work boots or packing up the desk and riding off into the sunset seems to have become less common. Many of our clients that have left their primary employment are finding other places to donate their time, energy and skills. Where 20 or 30 years ago life expectancy after retiring was maybe five or ten years, now a days people are living into their 90's. It's not uncommon to see people living 20 to 30 years after leaving their primary employment.

Many of those years can be quite productive as the retiree will volunteer or even continue to earn money. One thing is certain though; if the retiree saved properly then these years can be spent on their terms, doing the things that make them happy. Therefore our goal as financial planners should really be focused on helping people achieve financial independence, not hanging up the work boots and riding into the sunset. Who knows, maybe you'll start hearing "Financial Independence Planner" a little more.

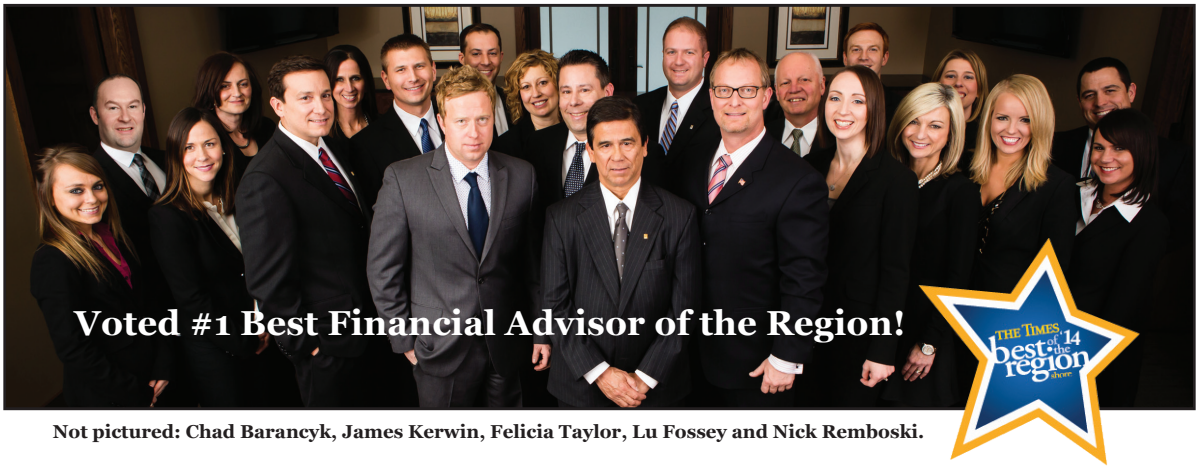
Heavy Hitters are in the On-Deck Circle

by: Stacey Fargo

Do you fully understand the effect changing political and economic events may have on your portfolio's stability? Not many people do, and Oak Partners is very excited to obtain a new tool designed to help clients analyze the macro risk (the financial risk associated with macroeconomics or political factors) in their portfolios and to help guide better investment decisions to hopefully understand and then manage the downside risk in a portfolio.

This unique software program enables your advisory team to evaluate your current portfolio (no matter where you presently house your investments), and help you understand how your portfolio may withstand the current or potential economic elements (aka "Stress Test"). This software tool has over 60 built in scenarios relating to current political positions (both domestic and global), trends such as healthcare reform and increasing interest rates as well as a variety of historical scenarios.

It is as easy as setting up an appointment to discuss your current portfolio and to plug into our "Stress Test" software. Let us help you to better understand what your portfolio can withstand.



Not pictured: Chad Barancyk, James Kerwin, Felicia Taylor, Lu Fossey and Nick Remboski.

News & Announcements

by: Crystal DeHaven

We have had a very busy spring at Oak Partners, Inc. We kicked off the warm weather with some great events. At the end of March we hosted our annual March Madness event, welcoming over 200 guests. In April we hosted our most successful shred day yet for Opportunity Enterprises. We look forward to working with them every year, thank you for helping make the event a success!

In the Spring newsletter, we mentioned a new face to the Oak family, Stacey Fargo. We are proud to share that Stacey has passed her rigorous set of exams and is now registered as a Securities Representative. We are confident Stacey will enjoy a successful career in Wealth Management.

Below is a list of a few events that we have planned. Please be sure that we have your email on file so you are aware of any upcoming events. As always, we welcome you to bring a friend to any of our upcoming events.

UPCOMING EVENTS:

June 10th – Social Security

June 19th – Fishing Instruction

June 27th – Gardening Walk

July – Annual Half-time Report

September 10th – Economist Robert Stein

September 26th – 5th Annual Oaktoberfest

Thanks to many of our clients, Opportunity Enterprise had their most successful shred day at Oak yet!

Staying the Course

by: Clint Henry

The US stock market has now begun the fifth year of a bull market which began in March 2009. With this in mind many feel this particular bull may be getting a bit long in the tooth. So I thought it would be a good time to revisit the need for a balanced portfolio. We are one year removed from one of the deepest correction in bonds in some time. AGG, or the Total Bond Index, was down roughly 6% over a four month span. Since the bottom in September, the index has made up half of what was lost. Still, fixed income was down in 2013.

So now I ask, what is the alternative? Cash is losing money safely and inflation does exist. The common response is more dividend paying stock, but are you truly diversifying? Are you over exposing into another possible bear market one day? The reason for non-correlated assets is to smooth out the bumps in the road and ultimately stave off disaster. Fixed income still may have some dark days ahead with rising interest rates, but can have a place to help secure your portfolio from another equity correction. Watch what types of fixed income you are buying. Look for other alternatives that could provide principal stability. Talk to your advisor about any risks your portfolio might pose after a great five years in equities.

The AGG is a broad based index and is often used to represent investment grade bonds being traded in the United States.

Source: Yahoo Finance

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Social Security Basics

by: Michael Hadt

Social Security is something many of us do not think about until we get closer to our own retirement date. At Oak Partners many of our clients are on the doorstep of retirement and understanding social security benefits are a big concern. Your advisors are well schooled in the different strategies to maximize social security benefits. Here are a few basics that we run across all the time.

What is my full retirement age?

Full retirement age for people born between the years 1943-1954 is 66 years old. If you were born after 1954 add two months for every year after the 1954 date. For example someone born in 1957 their full retirement age would be 66 and 6 months old.

When can I start collecting?

The earliest someone can collect social security is 62 year old.

If I take social security early and still plan to work, how much can I earn before some of my benefits are withheld?

Someone that has elected to receive their benefits early can earn up to $15,480 a year. I know some of these questions and answers might seem basic to many of you. If that is the case, I would encourage you to schedule an appointment with your advisor to discuss the more in depth strategies.

Those Contributing to the Next Newsletter

Diana Remboski, Joe Starkey, Bridget Shoemaker, Mario Ruiz, Fred Ruiz, Jason Urbaniak, Curt Magurean, Vince Catania, Shane Crist, Mike Barancyk and Chad Barancyk