FINARC

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THE FINANCIAL NEWSLETTER OF FINARC, LLC

Exchange Traded Funds (ETFs) An Investment Option

By Liv Nash, MBA

Are Exchange Traded Funds right for you? Exchange Traded Funds were created in 1993. They are hybrid securities, having characteristics of both stocks and mutual funds. ETFs allow investors to diversify their portfolios by investing in a single unit that conveys beneficial ownership in a basket of stocks or index representing a particular industry, sector, or group. ETFs offer a variety of investment benefits for the smaller investor including low cost, tax benefits, diversification, liquidity and trading strategies.

Traded on several stock exchanges, most notably the American Stock Exchange, ETFs usually trade in minimum 100 share lots. They are also subject to regular stock commissions when traded on the secondary market.

ETFs generally have lower operating expenses, the ability to minimize capital-gains distribution as compared to mutual funds, and like stocks, can be traded throughout the day.

ETFs provide a low cost alternative to mutual funds. These funds incur low expense ratios and management fees due to their passive management and lower turnover rates. This is a benefit to investors with longer time horizons. Index-oriented investors can use ETFs as an easy and cost effective means of rebalancing their portfolio towards a specific sector or country and facilitate tax-based trading strategies.

Unlike mutual funds which are required to pay out capital gain distributions of securities to all holders of the fund, ETFs are able to avoid distributing capital gains to investors not trading their shares.

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Slaney Promoted

Matthew C. Slaney

We are extremely pleased to announce that Matthew C. Slaney has been promoted to Portfolio Manager. Matt, who has been analyzing securities for over eight years, is managing individual portfolios while continuing his analysis of securities. His industry coverage includes stocks in the financial services, technology, and utilities areas.

News

Congratulations to **Liv Nash** who participated in the Avon Walk for Breast Cancer May 15-16. The two day walk of 39.3 miles raised over $4.5 million. **Liv** and her team of six raised over $16,000.

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ETFs (continued)

The design of ETFs enables investors access to investments in specific industries or market sectors through a single security, thereby providing diversification opportunities. And unlike mutual funds, Exchange Traded Funds are continually priced and can be exchanged through the trading day. This provides investors with the liquidity necessary to enable easy rebalancing of portfolios at a low cost or the ability to respond quickly to market trends.

Similarly to stocks, ETFs can be traded long, short, and on margin. They can trade at a premium or discount from its net asset value (NAV). Therefore, the ETFs' price might differ from the underlying component's total value. The funds are also subject to the same market fluctuations as other securities or indexes in volatile market swings.

Please contact us at (617) 559-9850 or toll free (877) 734-6272 to see if Exchange Traded Funds would be a suitable investment for you.

News (continued)

Lower commissions at Schwab. FinArc is pleased to announce that Charles Schwab, which had re cently reduced their commission rates to $24.95 for trades of up to 1000 shares, has again reduced these rates on all trades. The new rate is $19.95 for all trades up to and including 1000 shares. Each additional share will be charged 1.5¢. Account holders with assets of $1 million and above receive a flat commission of $9.95 for all trades.

Social Security Benefits—When Should you Take Them?

By Liv Nash, MBA

Determining the right time to take Social Security benefits can be a tough decision. Should you take it early, late or at your normal retirement age? Your decision will affect the amount of income you receive, so take into consideration the following: financial needs, employment, health and life expectancy.

What is one's full retirement age? Full Social Security benefits used to start at age 65 for everyone. This is still true for those born prior to 1938. For those born after, full retirement is defined in the chart below.

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Source: Social Security Administration

Consider the following in your decision making – the earlier you receive benefits, the less money you will receive on a monthly basis. If you begin taking Social Security early, your payments will be reduced by approximately ½ % for each month you take benefits before your full retirement age. For example, if you begin taking social security at age 62 and your full retirement age is 65, your payments will be reduced by 20%. The number decreases to 13 ½ % and 6 ⅔% at ages 63 and 64 respectively.

If you enjoy your job and/or are able to work beyond your full retirement age (prior to age 70), you stand to get credit. The following chart shows what you might gain by delaying payments.

Year of Birth	Yearly Rate of Increase
1917-1924	3%
1925-1926	3.5%
1927-1928	4%
1929-1930	4.5%
1931-1932	5%
1933-1934	5.5%
1935-1936	6%
1937-1938	6.5%
1939-1940	7%
1941-1942	7.5%
1943 or later	8%

Source: Social Security Administration

You can find out more about the effects of early or delayed retirement by visiting the Social Security website at www.ssa.gov. You can also review your Social Security statement that you receive in the mail.

When examining your financial situation, determine what your cash needs are. If you have sufficient resources and can delay payments, it would most likely be in your best interest to do so. However, if you are cash strapped and are uncomfortable or uncertain about your financial future, you may need to consider taking payments earlier.

Life expectancy is another consideration. One of the reasons the full retirement age has increased is due to the fact that people are living longer. And when people live longer, the length of time for which one needs financial security increases. By postponing payments, your monthly checks will be larger.

Of course, if you take benefits early, you'll receive checks for a longer period of time. This brings into question, at what age will one break-even and come out ahead when delaying benefit payments. According to the Social Security Administration, the following are break-even ages for someone with monthly benefits at ages 62, 66 and 70 of $1,346, $1786 and $2,358 respectively.

age 62 vs. age 66 – Break-even age is 78
age 62 vs. age 70 – Break-even age is 80, 6 mos. age 66 vs. age 70 – Break-even age is 82, 5 mos.

If your life expectancy is beyond the break-even age, it makes more sense to delay your payments.

Other areas of consideration are whether or not you have a spouse and his/her employment history, in addition to taking payments while still earning income. The latter may reduce your benefit.

Before making any decision or if you just have questions, please contact Catherine Friend White to review your current situation. She can be reached at (617) 559-9850 or via email at catherine.white@finarc.com.

FinArc is Moving Up!

We are pleased to announce that we will be moving our offices to the PTC building at **140 Kendrick Street in Needham, MA** in late July**.** The move will place us in a lovely new building located on Cutler Lake. Our new office is less than 1/2 mile up the road from our current address. Watch for our formal announcement coming soon.

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Spring Cleaning

If you wish to cut down on the amount of paper you receive in the mail, please contact us to see if we can assist you in making this a reality. Charles Schwab & Co. offers all confirmations online and will soon begin offering statements as well. Now would also be a good time to determine if you want to continue receiving proxy voting materials from Schwab. FinArc offers to vote proxies for all of its clients and to receive the accompanying documentation. The client can either choose to receive duplicates of the information sent to their advisor or to receive nothing.

Lastly, to help save a few trees, FinArc will begin offering this publication via email. If you are interested in receiving our newsletter via this medium, please email Liv Nash at liv.nash@finarc.com or mention it to one of us the next time you call.