For All You Market Watchers Out There... – by John Augenblick

The unfortunate consequence of a robust bear or bull market is the unleashing of the social epidemic called "market watching." The practice of checking on the stock market's daily oscillations has spread faster than the Pinot Noir fad. I laugh when I think about all the phrases I overhear, "The Market is up big today!" or "The market got crushed today." These market commentary one-liners are popping with increasing frequency at gas stations, soccer fields, and grocery stores as they seem to permeate everyday life.

Watching the stock market creates lots of bad habits, not the worst of which is time wasting. Let's face it—it's not as if you are waiting to make a financial decision based on what the market does today. I'd say market watching is about as productive as staring at an outdoor thermometer and shouting numbers in degrees Fahrenheit enthusiastically as the temperature rises and falls by fractions of a degree.

Friends don't let friends watch the market. If you're a *market watcher* or if you know someone who is, I thought I might provide a much more effective way to fill your day. You may wish to focus on some aspects of your financial life over which you really do have control.

1. If you're not sure which of your investments are tax efficient and which are not, that would likely be a good place to start. Most of us have both tax deferred accounts (such as IRAs) and taxable accounts (such as joint accounts). Make sure your tax-efficient investment holdings are in your taxable accounts and you tax-inefficient holdings in your IRAs.

2. Verify the beneficiaries on your IRA, your 401(k), or any Trust accounts are up to date. These funds will typically pass to heirs outside the directives of your will, so be sure to review along with your estate planning documents.

3. Take a hard look at the economics of refinancing your home. If your loan amount is less than $417k, your credit scores are sound, and you owe less than 80% of what your house would appraise for, then you stand an excellent chance of finding 30-year fixed rate loans at less than 5%. Those with mortgage balances greater than $417k will pay a slightly higher rate and are more apt to find lending solutions with local banks that will hold the loan on their books rather than securitize the loans for the secondary market.

4. Have you fully harvested any unrealized losses in your taxable accounts? These losses have an intrinsic worth as they offset future capital gains and even provide an annual $3,000 tax deduction from normal income each year until the losses are exhausted. For example, a taxpayer in the 35% federal bracket would pay $1,050 less in federal taxes as $3,000 of accumulated capital losses offsets normal income each year.

5. Do you know what your estate tax liability would be to the federal government and the state if you were to pass away? Does your potential estate have enough liquidity to pay those taxes or would your heirs have to sell off real estate, heirlooms, or even borrow money to meet those tax obligations?

6. Do you know the deductible on your homeowner's insurance policy? I bet it's too low. If your deductible is $1,000 and you have a $1,500 loss are you really going to file a claim to collect that $500 and hurt your insurability ratings for the future? Kicking your deductible up to $2,500 or higher may save a few hundred bucks a year.

I look forward to a day when investors are rational—when they don't know what the stock market "did" that day. I'm not naïve enough to expect good investor behavior anytime soon, but at least we can all take a time out from market watching and focus on elements of our financial lives over which we actually have an influence.

John R. Augenblick, MBA, CFP® is a founding member of Rockwood Wealth Management, an independent financial planning and investment management firm located in New Hope, PA. He is a member of the National Association of Personal Financial Advisors an organization committed to the development of comprehensive financial planning. John can be reached at john@RockwoodWealth.com or 267.983.6400.