



# Mentor Monthly Missive

Financial Planning News

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## Keeping Investment Costs Down Pays

It's an indisputable fact in investing: If you can keep down your costs, you'll have more in your pocket in the long run. Lower costs generally mean better returns.

There are lots of ways investors pay for the "privilege" of buying and holding investments. And although there is no way to eliminate all investing costs, investors can pay less if they pay attention.

Here are some of the costs of investing you can control:

**Brokerage commissions** – Long ago, if you wanted to buy or sell a stock, you had to pay a fairly large fee. Deregulation of the brokerage industry in 1975, and the advent of online trading in 1996, pushed brokerage commissions so low that they're almost negligible. Before deregulation, it might have cost an investor hundreds of dollars to

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### More Proof That Low Costs Mean Better Performance

Vanguard reports that for the year ending June 30, 77% of its 350 funds outperformed their peers. This is further proof, in our opinion, that low-cost-investing boosts returns.

For the three-year period ending June 30, 85% of Vanguard funds outperformed their peers, Vanguard said.

Known as the low-cost leader in investments, Vanguard offers 282 open-end mutual funds and 67 exchange-traded funds. According to Morningstar, Vanguard's open-end funds had an average gross expense ratio of 0.19%, compared to an average of 2.45% for the 29,122 open-end funds tracked by Morningstar.

### Mentor Client Corner - Health Insurance Marketplace

If you have insurance through the Health Insurance Marketplace, you may be getting advance payments of the premium tax credit. These are paid directly to your insurance company to lower your monthly premium. Changes in your income or family size may affect your premium tax credit. If your circumstances have changed, the time is right for a mid-year checkup to see if you need to adjust the premium assistance you are receiving. You should report changes that have occurred since you signed up for your health insurance plan to your Marketplace as they occur. Increase or decrease in income, marriage or divorce, child birth, new job with insurance, change in residence, etc.

## Meet our Wealth Managers

**Mentor Capital Management Inc. was founded in response to the belief that a consumer's best interests are served when his or her financial planner is Fee Only. Advisors of Mentor Capital strive to provide objective, prudent and thoughtful advice to clients based on their personal goals and objectives.**



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## Keeping Investment Costs Down Pays

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buy 500 shares of stock. Today, placing an online trade can cost less than \$10, regardless of the number of shares.

**“Loads”** – Mutual fund shares sold by brokers carry commissions, called “loads,” sometimes as high as 5% of the purchase amount. No-load funds are purchased commission-free, at net asset value.

**Spreads** – Stock prices are quoted as bid (the price at which you can sell your shares) and ask (the price at which you can buy shares). The difference between these prices is called the spread. For securities (including ETFs) with high trading volume, the “spread” can be as little as a penny a share. Securities that don't trade a lot will have larger spreads. When you buy or sell a stock, you incur a cost that is equal to the spread, in addition to the commission.

**Carrying costs** – When you hold a mutual fund or variable annuity subaccount, you continuously pay internal expenses that you don't see. They are paid from the net assets of the investment and directly reduce their performance. These include:

**Marketing expenses.** Referred to as 12B-1 fees, these are assessed by mutual funds and are part of a broker's compensation. They can be as high as 1% per year.

**Management fees** – Ongoing payments for managing the fund, these can be as high as 3% or as low as 0.03% per year.

**Insurance expense** – An additional fee paid by holders of variable annuity subaccounts. Can be as high as 2.9% per year.

**Advisory fees** – Many investors elect to retain the services of an advisor. Advisors can be paid in a number of ways, including commissions and fees. Fee Only advisors charge based on the size of the investment portfolio, a flat fee or an hourly fee. Fee Only means the advisor never accepts commissions for selling an investment or insurance product. In this way conflicts of interest are held to a minimum, and the advisor's interests are aligned with the investor's interests.

It is the practice of Mentor Capital Management Inc. to keep client costs of investing low. We do this through the use of discount brokerage accounts, low-cost exchange traded funds, no-load mutual funds and, where necessary, variable annuities with low or no insurance expenses.

### How to Freeze Your Credit File

Putting a security freeze on your credit report is now an option in Illinois for consumers concerned about identity theft. A security freeze prohibits (with certain exceptions) the credit reporting agency from releasing your credit report or any information from it without your express authorization.

The credit reporting agency may charge up to \$10 each time it places, removes, or temporarily lifts a security freeze. Consumers 65 and older may place a freeze or permanently lift a freeze, but they may be charged up to \$10 for each temporary lifting of a freeze. It's free for victims of previous identity theft to place, remove or temporarily lift a security freeze.

#### Here's how to put on the “freeze”

A security freeze means that your credit file cannot be shared with potential creditors. A security freeze can help prevent identity theft, because most businesses will not open credit accounts without first checking a consumer's credit history. If your credit files are frozen, even someone who has your name and Social Security number probably will not be able to obtain credit in your name.

For each, you must:

- Send a letter by certified mail.
- If you are a victim of identity theft, you must include either a copy of the police report, investigative report, or complaint to a law enforcement agency concerning identity theft.
- Provide your full name (including middle initial as well as Jr., Sr., II, III, etc.) address, Social Security number, and date of birth.
- If you have moved in the past 5 years, supply the addresses where you have lived during that period.
- Provide proof of current address such as a current utility bill or phone bill.
- Send a photocopy of a government issued identification card (state driver's license or ID card, military identification, etc.).
- If applicable, include payment by check, money order or credit card (Visa, Master Card, American Express or Discover cards only).

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#### Have a question?

Do you have a question or want more information about any of the issues discussed in Mentor's Monthly Missive? Are you concerned about whether the financial decisions you're making are right for you? Would you like a second opinion about an action you're thinking of taking or something recommended to you by a stockbroker or insurance agent?

We offer a no-obligation initial consultation that might help. Please phone to set an appointment with one of our advisors. It could be the most financially worthwhile 45 minutes you've ever spent!



# How to Freeze Your Credit File - FAQs

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## **How long does it take to put a security freeze into effect?**

Within five business days after receiving your letter, the credit reporting agencies (listed later) will place a freeze on providing credit reports to potential creditors. Within 10 business days after receiving your letter to place a freeze on your account, the credit reporting agencies will send you a confirmation letter containing a unique PIN (personal identification number) or password. Keep this PIN or password in a safe place.

## **Can I open new credit accounts if my files are frozen?**

Yes. You can have a security freeze temporarily lifted for a specified period of time or for a specific business. There is up to a \$10 charge for either temporarily lifting the security freeze or allowing a specific potential creditor to access your credit report. Victims of identity theft can temporarily lift the security freeze or allow a specific party to access their credit report at no charge. The steps to temporarily lift a security freeze or to allow a specific potential creditor to access your credit report are as follows:

1. Contact the credit reporting agencies above.
2. The manner by which you contact them is determined by them, but it may be by way of phone, fax or over the Internet or by mail;
3. You must provide proper identification;
4. You must provide your unique PIN or password; and
5. You must specify during what time period your credit report will be accessible to potential creditors (for example Aug. 1 to Aug. 5) or for which potential creditor you want the security freeze lifted (for example: Sears).

## **How long does it take for a security freeze to be lifted?**

Credit bureaus must lift a freeze no later than three business days after receiving your request.

## **What will a potential creditor who requests my file see if it is frozen?**

A potential creditor will see a message or a code indicating the file is frozen.

## **Can a potential creditor get my credit score if my file is frozen?**

No. A potential creditor who requests your file from one of the three credit bureaus will only get a message or a code indicating that the file is frozen.

## **Can I order my own credit report if my file is frozen?**

Yes.

## **Can anyone see my credit file if it is frozen?**

When you have a security freeze on your credit file, certain entities still have access to it. Your report can still be released to your existing creditors or to collection agencies acting on their own behalf. They can use it to review or collect on your account. Other creditors may also use your information to make offers of credit. Government agencies may also have access in response to a court or administrative order, a subpoena, or a search warrant.

## **Do I have to freeze my file with all three credit bureaus?**

Yes. Different credit issuers may use different credit bureaus. If you want to stop your credit file from being viewed, you must freeze it with Equifax, Experian, and Trans Union.

## **Will a freeze lower my credit score?**

No.

## **To protect my credit, should my spouse's credit file be frozen too?**

Yes.

## **Does freezing my file mean that I won't receive pre-approved credit offers?**

No. You can stop the pre-approved credit offers by calling 888-5-OPTOUT (888-567-8688). Or you can do this online at [www.optoutprescreen.com](http://www.optoutprescreen.com). This will stop most of the offers, such as the ones that go through the credit bureaus. The opt-out request lasts for five years, or you can make it permanent.

Here are the addresses for the three credit-reporting bureaus:

|                         |                          |                             |
|-------------------------|--------------------------|-----------------------------|
| Equifax Security Freeze | Experian Security Freeze | Trans Union Security Freeze |
| P.O. Box 105788         | P.O. Box 9554            | P.O. Box 6790               |
| Atlanta, GA 30348       | Allen, TX 75013          | Fullerton, CA 92834-6790    |



# Market Commentary from Vanguard & Co.

Consumers didn't shop much this summer, as weak retail sales revealed. But business inventory levels remained steady. Meanwhile, industrial production has strengthened thanks to improvements in manufacturing. Automakers were key to the pickup.

For the week ended August 15, 2014, the S&P 500 Index was up 1.2% to 1,955 (for a year-to-date total return—including price change plus dividends—of about 7.1%). The yield of the 10-year U.S. Treasury note fell 10 basis points for the week to 2.34% (for a year-to-date decrease of 70 basis points).

## Retail sales flatten

Retail sales for July were unchanged from a month earlier. Analysts had expected a 0.3% gain. There was a slight increase in sales among drug, apparel, and food and beverage stores. However, those gains were largely overshadowed by declines in department stores, other general merchandisers, and auto dealers. Motor vehicle purchases slipped in July, but are up 6.0% year over year, as dealers have benefited from easier access to credit and growing demand. As a whole, retail sales sagged after a brisk spring, when consumers rushed to the stores to fulfill pent-up demand following an unusually harsh winter. Sales were up 3.7% from a year ago, the slowest increase since February.

## Business inventories inch up

Business inventories increased 0.4% in June, in line with analysts' expectations. Inventory levels rose 0.5% for retailers and 0.3% for both manufacturers and wholesalers. The inventory-to-sales ratio, which represents how long it would take for inventories to clear shelves, wasn't greatly affected by the weakness in retail sales. In fact, it remained unchanged at 1.29 from May. Business inventories are up 5.8% from June 2013.

## Wholesale prices up slightly

The Producer Price Index (PPI), a measure of wholesale prices and a leading indicator of consumer inflation, rose 0.1% in July, down from 0.4% in June. A 0.6% drop in energy prices—the largest since November—kept wholesale prices down. Energy prices had jumped 2.1% in June, largely driven by rising oil prices. All the price gains in July came from the services category; goods prices were mostly unchanged. Core PPI, which excludes the more volatile food and energy prices, increased 0.2%. On a year-over-year basis, PPI increased 0.2%.

## Manufacturing better than expected

Industrial production, which captures the output of factories, mines, and utilities, advanced 0.4% in July, better than expected. Manufacturing increased by 1.0%, the most since February. Motor vehicle and parts makers accounted for much of the improvement with a 10.1% surge in production. A shorter retooling period this summer helped automakers revamp production sooner. Excluding autos, production rose 0.4%. Mining output ticked up 0.3%. Utilities posted the biggest decline (-3.4%) as a mild summer has dampened demand for air conditioning. Capacity utilization, which is measured across industries, increased to 79.2% in July, a rate 1.7 percentage points above its level of a year earlier and 0.9 percentage point below its long-run (1972–2013) average.

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