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A Good Time for Long-Term Investors

by *A. Scott White, CFP®, ChFC, CLU*
President, Scott White Advisors

In my opinion, the future for long-term investors has never been more promising than it is today.

That belief may cause some people to ask, “How can you make such a statement with so many uncertainties in our world today?” Those uncertainties include a new administration in the U.S., causing many to wonder what changes lie ahead with trade, taxes and spending. The United Kingdom’s withdrawal from the European Union, commonly referred to as Brexit, is an uncertainty. There are also the upcoming elections later this year in France, Germany and Italy since Italy’s President, Matteo Renzi, resigned last year. And then there are the usual uncertainties about the U.S. Federal Reserve possibly raising interest rates, the prospect of increasing inflation, and the unknown GDP. Don’t markets need certainty to proceed to higher levels? How can it be such a good time for the long-term investor if no one knows what to expect?

To begin to explain why I think it is a good time for the long-term investor, it is necessary to point out the obvious differences between a *speculator* and a long-term *investor*. Although the financial press interchanges these terms as if they were synonymous, they are not. To me, a speculator is placing bets on whether the price of an investment will move up or down depending on the outcome of events that may or may not happen. On the other hand, the long-term investor is looking to invest in investments that appear undervalued compared to intrinsic value, anticipating that over time the price of the security will move to its intrinsic value creating investment gains. For equity markets, this means investing in the world’s most profitable companies, with great balance sheets, whose management works on behalf of its shareholders, and not paying too much for the stock when purchasing it.

As for investors, there are two kinds: short-term investors and long-term investors. For short-term investors, most of one’s focus should be on principal protection—and that comes at the price of forfeiting long-term growth. A short-term focus usually assures that any decision on how to invest concludes by building a portfolio made up of fixed income products. While the focus of long term investors is on growing the value of one’s assets over time to minimize the negative effects of inflation.

It may surprise you to realize that a couple retiring today should think of themselves as long-term investors. Anyone entering retirement today at age 65 has a 50% chance that one spouse will live 30 years.¹ And if the couple’s income does not go up, then they are losing purchasing power over time, due to the effects of inflation. For example, a postage stamp in 1987 cost 22 cents, and it is 46 cents today; therefore, the retired couple needs money to double their income during retirement to purchase the same amount.

For those who are investors, monitoring their investments and holding them for the long term to meet their goals, I think the future for profitable global companies has never been better. I say this in spite of the uncertainties mentioned above, because it really comes down to one thing: how many customers these companies sell their goods and services to worldwide.

continued on back page



Welcome Gary Geston, Client Service Associate

Gary Geston brings over two decades of financial experience to Scott White Advisors, including financial management positions with J. P. Morgan Chase and Philips Medical Systems. He has an undergraduate accounting degree from Miami University of Ohio and a Master’s in Business Administration from John Carroll University. Gary relocated to Southwest Florida in 2013 from Ohio, and he lives in Cape Coral. As the practice’s Client Service Associate, Gary provides portfolio reporting and operational support. ■

Alzheimer's and Dementia Testing for Earlier Diagnosis

Current diagnosis of Alzheimer's relies largely on documenting mental decline. We now know that Alzheimer's has already caused severe brain damage in individuals by the time they are diagnosed. But what if Alzheimer's disease could be diagnosed before symptoms started? The hope is, future treatments could then target the disease in its earliest stages, before irreversible brain damage or mental decline has occurred. Research on new strategies for earlier diagnosis is among the most active areas in Alzheimer's science. Here are some areas of early detection possibilities currently being investigated by researchers:

Biomarkers: Experts believe that biomarkers (short for "biological markers") offer one of the most promising paths. A biomarker is something that can be measured to accurately and reliably indicate the presence of disease. An example of a biomarker is fasting blood glucose (blood sugar) level, which indicates the presence of diabetes if it is 126 mg/dL or higher. Recent research suggests that these indicators may change at different stages of the disease process. There are currently no validated biomarkers for Alzheimer's disease, but researchers are investigating several promising candidates, including brain imaging, proteins in cerebrospinal fluid, proteins in blood and genetic risk profiling.

Brain imaging/neuroimaging: Neuroimaging is among the most promising areas of research focused on early detection. Today, a standard workup for Alzheimer's disease often includes structural imaging with magnetic resonance imaging (MRI) or computed tomography (CT). These tests are currently used chiefly to rule out other conditions that may cause symptoms similar to Alzheimer's but require different treatment. Structural imaging can reveal tumors, evidence of small or large strokes, damage from severe head trauma or a buildup of fluid in the brain.

Functional imaging research with positron emission tomography (PET) and other methods suggests that those with Alzheimer's

typically have reduced brain cell activity in certain regions. For example, studies with fluorodeoxyglucose (FDG)-PET indicate that Alzheimer's disease is often associated with reduced use of glucose (sugar) in brain areas important in memory, learning and problem solving. However, as with the shrinkage detected by structural imaging, there is not yet enough information to translate these general patterns of reduced activity into diagnostic information about individuals.

Molecular imaging technologies are among the most active areas of research aimed at finding new approaches to diagnose Alzheimer's in its earliest stages. Molecular strategies may detect biological clues indicating Alzheimer's is under way before the disease changes the brain's structure or function, or takes an irreversible toll on memory, thinking and reasoning. Molecular imaging also may offer a new strategy to monitor disease progression and assess the effectiveness of next-generation, disease-modifying treatments.

Cerebrospinal fluid (CSF) proteins: CSF is a clear fluid that bathes and cushions the brain and spinal cord. Adults have about 1 pint of CSF, which physicians can sample through a minimally invasive procedure called a lumbar puncture, or spinal tap. Research suggests that Alzheimer's disease in early stages may cause changes in CSF levels of tau and beta-amyloid, two proteins that form abnormal brain deposits strongly linked to the disease. One challenge researchers face is that analysis of protein levels in the same sample often varies significantly from institution to institution. Achieving consistent measurement is a barrier that has been overcome in other medical conditions by using a standard procedure protocol and comparing results from the same sample at multiple sites designated as reference laboratories.

continued on back page

Current Events



The Irish band Screaming Orphans performed at a fundraiser for the Rotary Club of Fort Myers Trust Fund. Rotarians Rick Evanchyk, Doug Folwer, and Scott assisted in parking cars for the event. The Trust Fund has provided money to many local charities over the years through its quarterly grant cycle.



James Wineinger, CEO of Hope Clubhouse, and Scott accept a check from the Gannett Foundation at the News-Press office in Fort Myers. The grant will provide internships for Clubhouse members struggling with mental illness to gain meaningful employment.



Don't Hold Property Jointly with Children

by A. Scott White, CFP®, ChFC, CLU
President, Scott White Advisors

Thinking of holding property jointly with your children, in order to avoid probate?

Think again.

Although it may sound like a good idea, in reality it can be a recipe for disaster.

Property owned in joint tenancy automatically passes, without probate, to the surviving owner(s) when one owner dies. Besides the gift tax issues that may arise, it is usually a poor liability planning choice when a child or children are given joint tenancy to your property.

In essence, you're giving away property if you make someone else a joint tenant of property that you now own yourself. The new owner could sell or mortgage his or her share, lose it to creditors, or lose it in a divorce. An Arizona woman, for example, added her adult son as an owner of her condominium as a joint tenant. The mother paid all expenses of the property and received all the income from renting it to tenants. Later, the IRS sued the son for unpaid income taxes, and eventually the condo was sold to pay the taxes. The mother received half of the proceeds. She sued for the other half, arguing that she was the only true owner because the joint tenancy had been created only for estate planning purposes. She lost. (*Nikirk v. U.S.*, 2003 WL 22474742 (D. Ariz. 2003).)



I heard about a woman who passed away leaving her property to her children via a will. The daughter-in-law of the decedent, who is the mother of the children, discovered the value of the property during probate proceedings and filed several objections in probate court and delayed the estate settlement for years. Now the same woman who caused her mother-in-law's probate delay is advising her own mother to hold assets jointly with each child expected to inherit the asset, so the property can avoid probate, bypassing public disclosure of the property's value. But this is not needed, because in this case her mother has a revocable living trust that accomplishes the pri-

vacy goals by avoiding probate and is much better at liability protection. Depending on the type of joint ownership, for instance tenancy in common, it may not even avoid probate.

A revocable living trust is a trust whereby provisions can be altered or canceled dependent on the grantor. During the life of the trust, income earned is distributed to the grantor, and only after death does property transfer to the beneficiaries. This legal document accomplishes the goal of avoiding probate—without giving up ownership while the grantor is alive. It also requires no disclosure of estate assets.

If you want to avoid probate, you might find after discussing the matter with your estate planning attorney that utilizing a revocable living trust is a much better approach. ■

A Good Time for Long-Term Investors

continued from page 1

Let's acknowledge the premise that the world's poor populations, for the most part, are not customers of the world's most profitable global corporations. After all, anyone earning less than \$1.90 a day is probably not in the market to buy much of anything. World Bank projections suggest that global poverty may have reached 700 million, or 9.6 percent of the global population, in 2015.² But if we focus on the world's middle class, which can purchase profitable companies' goods and services, we see dramatic changes taking place in world demographics.

Advances in cell phone technology and the advent of the internet are fueling an educational revolution that is paving the way for poor people to advance to the middle class. To put today's speed of growth of the global middle class into perspective, consider its trajectory. In 1820, after the Napoleonic War in Europe, there were probably no more than 2.5 million people, out of a worldwide population of 1 billion, who were in the middle class. By the beginning of the 20th century, the global middle class was around 90 million strong. By 1975, 150 years after starting its growth phase, the middle class had reached 1 billion people. By 2006, another 1 billion had joined the middle class, and now less than a decade later, there are 3 billion people, worldwide, in the middle class. This group could surpass 4 billion by 2021, making it a majority of the world's population.³

While there may be a decline in the middle class in the U.S.,⁴ the number of people worldwide entering the middle class more than offsets the decline here. Some economists believe that most of the losses in the U.S. middle class are a result of those people moving into the upper income class⁵, and not declining into the lower income class. So based on population growth, we can see that there is an opportunity for the world's most profitable companies to sell even more goods and services. And as more and more of the world's population have more access to education, we don't expect the demographic changes that are under way to slow any time soon. ■

¹ Genworth 2012 Cost of Care Survey: Home Care Providers, Adult Day Health Care Facilities, Assisted Living Facilities and Nursing Homes.

² World Bank Group 2016. Global Monitoring Report 2015/2016: Development Goals in an Era of Demographic Change. Overview booklet World Bank.

³ Kraras, Homi, "How a Growing Global Middle Class Could Save the World's Economy" Trend Summer 2016, July 05, 2016.

⁴ Pew Research Center, "America's Shrinking Middle Class: A Close Look at Changes With Metropolitan Area. May 11, 2016.

⁵ Steven Horwitz, Foundation for Economic Education, "Why is the Middle Class Shrinking?", December 30, 2015.

Alzheimer's and Dementia Testing

continued from page 2

Proteins in blood or other parts of the body: Researchers are also investigating whether presymptomatic Alzheimer's disease causes consistent, measurable changes in urine or blood levels of tau, beta-amyloid or other biomarkers. In addition, scientists are exploring whether early Alzheimer's leads to detectable changes elsewhere in the body.

Genetic risk profiling: Scientists have identified three genes with rare variations that cause Alzheimer's and several genes that increase risk but don't guarantee that a person will develop the disease. Investigators worldwide are working to find additional risk genes. As more effective treatments are developed, genetic profiling may become a valuable risk assessment tool for wider use. Genetic testing for APOE-e4, the strongest risk gene, is included in some clinical trials to identify participants at high risk for the disease. APOE-e4 testing is not currently recommended outside research settings because there are no treatments yet available that can change the course of Alzheimer's.

For more information on Alzheimer's testing and videos on the topics described above, visit http://www.alz.org/research/science/earlier_alzheimers_diagnosis.asp ■

Source: Alzheimer's Association www.alz.org

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