Demming Financial Services Corp.

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November 2019 - December 2019

4th Quarter

Expansion Update: Construction is finally underway! (Pictures on page 6!)

As a result of recent regulation changes, certain account paperwork will need to be updated in the coming months. Thanks in advance for your cooperation!

Please be sure to send us a copy of your 2018 tax returns to info@demmingfinancial.com as they're completed!

Please note, the main inbox for prompt email correspondence is info@demmingfinancial.com!

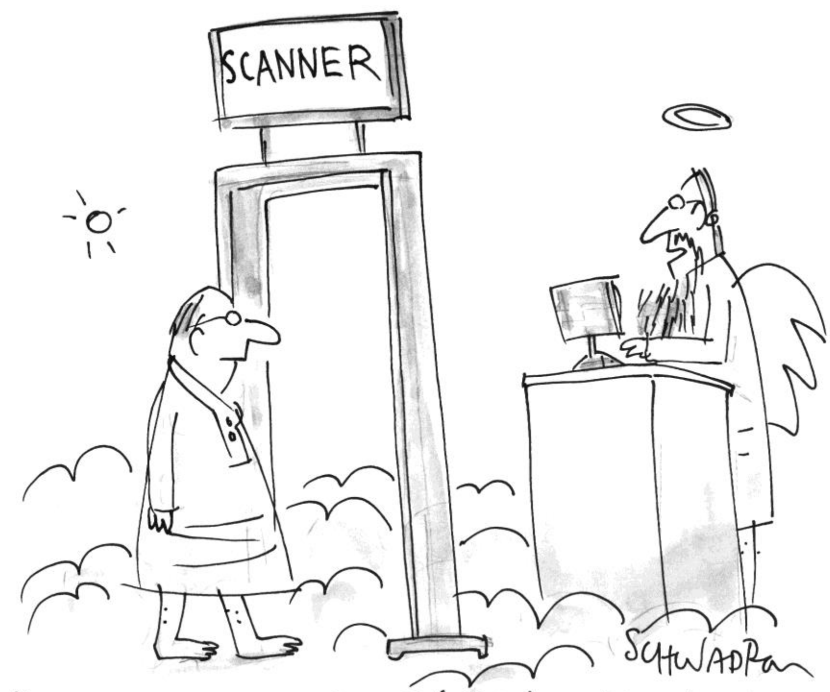
As a friendly reminder, for your protection, it is our ongoing policy that any requests for funds sent to us via email will also be confirmed by phone.

Please be sure to let us know if there are any changes to your contact information (address, phone number, email, etc.)

Also, please be sure to check out our website at www.demmingfinancial.com!

WiFi 6.0 Is Here

Faster WiFi is becoming a reality, as the Wi-Fi Alliance—the organization that oversees the implementation of WiFi standards, has (finally) officially certified WiFi 6, also known as ultra-wideband technology. The new standard will not only boost speeds on devices but will also allow more devices to be connected to the same network without a degradation in performance.



"WE JUST NEED TO MAKE SURE YOU DIDN'T TAKE IT WITH YOU."

The easy way to understand WiFi 6 is that it is a wireless short-range communication protocol that allows devices to talk to each other.

The 6.0 version sends data across a wider frequency (500 MHz up to several gigahertz for tech freaks), compared with traditional "narrowband" wireless technologies. Another advantage is the ability to communicate back and forth using very little power, boosting battery life. The technology has been around for years, but only recently have ultra-wideband chips become cheap and compact enough to insert them inside a smartphone.

Samsung's Galaxy Note 10 was the first smartphone certified for the new standard, but the iPhone 11 will also run Wi-Fi 6.

Post-Death Planning

Have you ever wondered what happens to your unpaid bills after you die? You might be surprised to know that it depends on what kind of debt is still outstanding.

In most cases, your estate will have enough assets to pay off all bills—assuming you have a positive net worth at the time of death. But understand that life insurance proceeds, retirement and annuity accounts and brokerage accounts are left outside the estate—and therefore cannot be forced to pay off debts. Your estate's actual net worth may not be as great as you think it is.

Your executor will review the assets and debts in your estate and prioritize the debts according to some fairly straightforward rules. Certain creditors, like those who issue medical or mortgage bills, must be paid first. A probate court will decide which remaining debts go in which priority, unless there are clear directions in your will.

Mortgage debt normally passes to the spouse or partner whose name is also on the loan documents, but if there is no joint mortgage holder, and the estate has insufficient funds to pay the mortgage, whoever inherits the home can usually move in and resume making the mortgage payments. The rules are different with home equity loans; with these, the bank can demand that whoever inherits the home (and the loan) immediately repay the outstanding balance. However, this is not required of the lender; in many cases, the bank will agree to let the heir continue to make the loan repayments on schedule.

Auto loans work similarly to mortgages; the estate handles payments if the money is available. If not, whoever inherits the car has the option to continue making payments or selling the vehicle to cover the cost of the auto loan.

What about credit cards? Any joint account holder is liable for the debts after the co-account holder dies. But if you're the sole account holder, the credit card cannot go after any unpaid debts from your estate when you die. Spouses who live in community property states may or may not be liable for the outstanding debt.

Student loans are typically paid out of the estate, but if those funds are not available, the loan provider cannot force anyone to pay off the loans, since they are unsecured. However, if there is a co-signer for the loan, that person is liable for repaying the debt. Once again, however, a spouse in a community property estate may be liable for student loans incurred during the marriage.

Many financial planners will recommend a term life insurance policy for a specified time for people who are still building their financial lives, to avoid burdening the family with debt in the event of a premature death. And of course, everybody should have a will, and the will should clarify where the existing financial accounts reside, and how to access them. A little upfront planning can save having to deal with a mess later on.

Million Mileage

Compared with the usual 100,000 to 200,000 miles in a new car's useful life, Tesla cars are built to withstand 1 million miles of driving. Trouble is, the electric car batteries are currently only are designed for 300,000 to 500,000 miles. Now Tesla is testing new battery technology that would take battery life to a full 1 million miles and last two decades in grid energy storage.

Who would drive the same car for a million miles? The expectation is that the cars will, in the near future, typically be used as self-driving taxis, in near-constant use over a 10-year lifespan. The upshot is that the vehicle cost per mile—and therefore the cost to the end consumer who wants to be ferried around on demand—is going to go down dramatically in the fairly near future.

2019 Third Quarter Investment Market Report

The latest three month returns in the U.S. and international stock markets can be viewed with two very different attitudes. The first is that many indices (though not all) produced a loss for the quarter, and where there were gains, they tended to be very small. On the other hand, the losses, where they occurred, were too small to wipe out the gains of the previous two quarters, meaning that most investors have still made money so far this year.

Whether that will continue is anyone's guess, but in today's uncertain political and economic environment, it's easy to feel like we all managed to dodge a bullet and are holding onto our gains with gratitude.

The third quarter saw small gains in the broadest market indices. The Wilshire 5000 Total Market Index—the broadest measure of U.S. stocks—rose 1.23% in the most recent three months, and now stands at an 20.11% gain for the year.

Meanwhile, large caps were also among the few indices showing positive returns. The Wilshire U.S. Large Cap index gained 1.53% in the third quarter, posting a positive 20.56% return so far in 2019. The widely-quoted S&P 500 index of large company stocks was up 1.19% in the third quarter and is up 18.74% for the year.

Meanwhile, the Russell Midcap Index was essentially flat for the past three months and is still delivering a 21.93% return after the first nine months of 2019.

As measured by the Wilshire U.S. Small-Cap index, investors in smaller companies lost 1.76% in the third quarter but are up 15.78% so far this year. The comparable Russell 2000 Small-Cap Index also lost ground and is now up 14.18% the year's first nine months. The technology-heavy Nasdaq Composite Index lost 0.83% in the prior quarter but is still up 19.66% for the year.

International investors are still hanging onto gains after a difficult quarter. The broad-based EAFE index of companies in developed foreign economies lost 1.71% in the third quarter bu remains up 9.85% so far this year. In aggregate, European stocks are up 10.66% in 2019, while EAFE's Far East Index has so far gained 7.53%. Emerging market stocks of less developed countries, as represented by the EAFE EM index, lost 5.11% in dollar terms in the third quarter, but the index is still up 3.65% for the year.

Looking over the diversifying investment categories, real estate, as measured by the Wilshire U.S. REIT index, posted a 7.88% gain during the year's third quarter, and now stands at a nice 27.21% gain for the first nine months of the year. The S&P GSCI index, which measures commodities returns, lost 4.18% in the third quarter, but is still up 8.61% for the year.

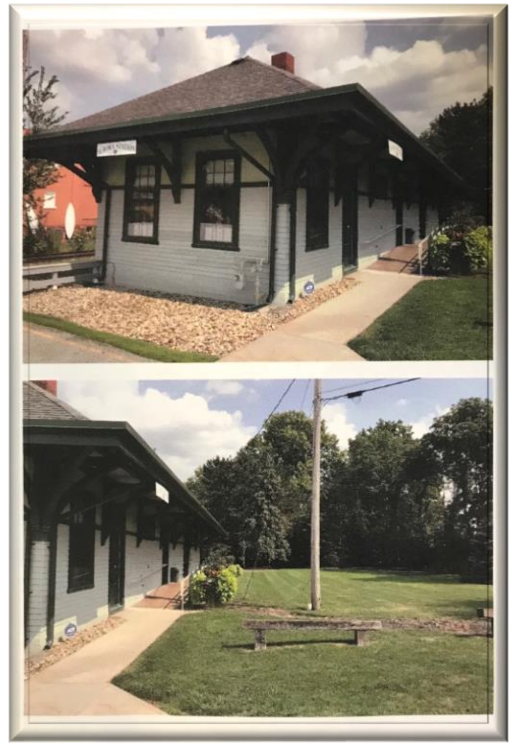
Many people thought bond rates had reached rock bottom last quarter, and that the inversion of yields could not continue, but they were wrong on both counts. Coupon rates on 10-year Treasury bonds have fallen to 1.69%, while 6-month bonds are now yielding a higher (but still meagre) 1.78%. Five-year municipal bonds are yielding, on average, 1.28%, down from 1.34% last quarter, while 30-year muni yields have fallen to 2.11% on average.

Where will the markets go from here? Of course, nobody knows with any certainty, but that doesn't stop us from reading the tea leaves. There appears to be great uncertainty among investors about the Trump impeachment hearings, China trade tensions, drone strikes in Saudi Arabia and a messy "Brexit" across the pond. U.S. economic growth has cooled to a 2% annualized rate, and we are experiencing the first contraction in manufacturing in three and a half years. Exports have also been weak—a casualty of the China trade war.

At the same time, we are also experiencing the strongest labor market in several decades, with the pace of layoffs and the unemployment rate near a 50-year low. And consumer spending has been extremely strong, rising an estimated 4.6% year over year. Adjusted pretax corporate profits were up 3.8% in the second quarter (the most recent period for which we have statistics). Economists are hardly in consensus, but many predict that the economy will continue growing to the end of the year at least.

There must have been many times when the soothsayers in China looked at the tea leaves and didn't see a clear pattern—though it is uncertain whether they then made up a plausible story for the Emperor. We aren't inclined to try to make up a story here; the future of the markets is uncertain at the moment, with no reason to panic, and no reason to be surprised if a bear market were to start tomorrow. History has shown that bull markets tend to be longer and steeper than bear markets, which means that holding on tight in choppy times tends to be the winning strategy.

Here is a Past and Present look at Demming Financial Services Corp. over the years and the Future when we complete the addition to the original train station.



Contact Us

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If you have not already done so; please send a copy of your 2018 Tax Returns. Feel free to send them or request your preparer to send them to info@demmingfinancial.com.

Thanks!