SOUND **INCOME** STRATEGIES, LLC

The secret to a great retirement is our middle name

The Income Generation Report

Income-Generating Strategies to Help You Avoid the Perils of the Stock Market

Inside:

- **Why the advice of Wall Street gurus could cost you your financial future**
- **Income-generating strategies that can help you achieve consistent results**
- **Steps you can take now to reduce, and even eliminate, stock market risk**

The Income Generation

What Everyone Over 50 Must Do *Right Now* to Help Secure Their Financial Future

By David J. Scranton, CLU, ChFC, CFP®, CFA, MSFS

Portfolio failure is an unspoken crisis that is quietly decimating the dreams of countless people with the hopes of enjoying a financially secure retirement.

The 50-year-old who invested in the stock market during the summer of 2000 and planned to retire at 65 may have had to let that birthday pass and continue working for a few more years. The reason? They followed the advice of the so-called financial experts who told them to invest a large part of their portfolio in the stock market.

From the summer of 2000 to the close of 2016, aspiring retirees earned an average of just 1.9% per year in stocks.[1] The expected return required to enjoy a comfortable retirement may have been between 5% and 6%. What's worse is that while stock market investors were averaging returns of just 1.9%, the cumulative inflation rate was 39.4%.[2]

And, the problems keep mounting. Indications dictate that keeping interest rates low will only increase the likelihood of another stock market collapse. The crisis will only continue to grow as those planning to retire over the next 20 years discover the all-too-common reality of portfolio failure.

For every American born in or before the 1960s, there's a more secure, less stressful, and perhaps even more lucrative method of providing for yourself in retirement. If you are 50 years old or older, you're in the home stretch to retirement and you must protect what you have. The information contained in this report can help you do just that.

Is Blind Investing Really the Best Way to Go?

Discarding 401(k) statements without looking at them is what some so-called "experts" advise investors to do. Some of them suggest that you should buy and hold and that you should always invest in the stock market. They say the stock market always goes up over time. So, looking at statements can only cause you to make an emotional decision not to hold.

Mutual fund companies are part of the clan that broadcasts this self-serving advice to their customers. They want you to own stocks or stock funds, hold them for a long time, and not let market swings bother you.

But, is covering your eyes and following along blindly really wise for anyone close to retirement?

Why the Advice Coming from Wall Street Gurus Could Jeopardize Your Financial Future

If you are a member of the group of investors born in 1966 or earlier, you can't afford to wait 20-30 years to recover from the natural downturns of the stock market. If you're part of this group, you've already had to endure your fair share of market corrections and downturns. And, if the stock market behaves in accordance with its long- and short-term cycles, it's going to take even more from you.

But this time, you don't have decades to heal from the financial damage. Americans born in or before 1966 are part of "The Income Generation." There are millions of people in this group, and they've been largely ignored by Wall Street, mutual fund managers, brokers, and, most certainly, Washington.

Even financial advisors with the best intentions have not yet grasped the idea that the advice they are giving is just parroting Wall Street. And, the story Wall Street wants you to swallow does not serve you well. The truth is their advice could end up costing you a big chunk of your assets as well as your financial security.

If the Experts Say They Know Where the Market Is Headed… You Need to Worry

As a rule of thumb, if the so-called "experts" tell you they know where the market is going, you should worry. Here are a few examples:

- On March 11, 1996, the headline on the cover of *U.S. News and World Report* read **"Investor Beware!"**

  Reality: From March 1996 to the end of that year, the Dow gained 14.7%...the following year it gained 18.1%[3]

- In 1997, while the stock market was rising, *Money* magazine insisted that you **"Sell Stock Now"**

  Reality: The Dow rose for the next two years; 19.7% in 1998 and 20.7% in 1999.[3]

- On September 28, 1998, *Fortune* magazine felt so confident of a market decline that they warned readers with the ominous warning **"The Crash of '98"**

  Reality: Stock prices continued to rise until March of 2000.

From March of 2000 until October 2002, the stock market finally fell. The decline was the first wave down after the booming market of the '80s and '90s, and it took a large chunk of investors' portfolios and financial security with it.

It's important to note that it's not only the "trusted experts" in the print media who get it wrong. Let's look at how accurate CNBC's stock guru Jim Cramer is. If you aren't familiar with Jim Cramer, his nightly stock recommendation style includes shouting into the camera in a manner similar to the way a professional wrestler talks trash to his opponents.

The well-respected financial publication, *Barron's*, conducted a study of Jim Cramer's recommendations before the 2008 meltdown. They looked at Mr. Cramer's recommendations in 2006 and 2007.

They concluded that his stock picks gained an average of 12%. Their studies showed that for the same exact period, the S&P outperformed Mr. Cramer's picks by 10%, averaging 22%. CNBC's stock guru was only about half as good as just passively investing in the index.[4]

Jim Cramer and other television personalities like him report with confidence and develop a following. What's remarkable is that their followers repeat what they've heard from their favorite TV "experts." They tell it to friends as though it's preordained. A quick Google search of each of these stock experts unveils an uncanny ability to be wrong. They keep their jobs because people watch, not because they have accurate insights or forecasts.

Meanwhile, there are people who successfully manage billions from Wall Street firms, banks, insurance companies, and corporations. These institutional investors don't discuss their successful strategies outside of their inner circle. Luckily for you, the advisors at Sound Income Strategies have identified some of the same fixed-income strategies these seasoned investors use to deliver consistent results—more on that later.

S&P 500 Index through May 31, 2017[5]

Many Americans who are part of The Income Generation are betting their very means of providing for themselves. The gamble they are making is that the 20-year cycle that began in 1997 will not follow 200 years of repeated stock market history and will not plummet for the next several years.

If Stocks Are Too Risky for the Portfolios of Many Cities and States, Why Is Your Advisor Still Recommending Them for You?

Investing in stocks is considered too risky for the portfolios of many cities, states, and countries. It's considered so risky that it's expressly prohibited in most cases. Instead, municipalities have a list of acceptable investments. The list varies from state to state, but it is similar to the institutional list guiding banks, insurance companies, and much of corporate America.

What If You Could Avoid the Perils of the Stock Market Altogether?

If you are over the age of 50, Sound Income Strategies wants you to focus on what's best for you, without regard to the imminent collapse in stock prices that David Scranton's history-based research suggests. His most recent book, *Return on Principle: 7 Core Values to Help Protect Your Money in Good Times and Bad*, explains why keeping interest rates low only increases the risk of a market collapse occurring.

However, we believe that individual investors who put their money to work with the same purpose-based methods used by institutional investors could significantly reduce and possibly eliminate the need to invest in the stock market during retirement. This is good because the next bear market could leave the portfolios of those still investing in stocks in tatters.

> *If you are not willing to own a stock for 10 years, do not even think about owning it for 10 minutes.* — ***Warren Buffett, CEO of Berkshire Hathaway***

Large Financial Institutions Stack the Odds in Their Favor and Now You Can Too

Large financial institutions develop investment policies that meet their purposes. They hire internal portfolio managers and research analysts with top-tier experience and education and provide them with state-of-the-art analytical tools, access to markets, and research capabilities.

After they stack the odds in their favor, they have another little-known method that almost assures certainty of outcome. And, it's not difficult to implement this proven method, you just need to know about it. But, most people don't know about this powerful method.

The big banks, insurance companies, and members of corporate America that use this method have no reason to talk about it. In fact, these are among the brightest minds in money management. They don't invest client money; they invest the money of huge financial organizations and institutional entities.

Income-Generating Strategies with Consistent Results

Instead of stocks, these savvy institutional investors use something they refer to as Available for Sale (AFS) and Hold to Maturity (HTM) investing. HTM investing is an accounting sanctioned method that allows investors to know, with limited doubt, exactly what their investments will provide for them. What AFS investing accomplishes is a way to provide liquidity to your portfolio and allow you to recognize and even take capital gains.

It's the HTM investment style that retirees need most for a secure financial future. This is how large institutions are able to control their budgets and limit their investment risk—and now you can too.

Using AFS and HTM to Generate a Reliable Income Stream

When you go to most financial advisors for retirement guidance, they usually start by creating an asset allocation chart that details how much of your portfolio should be invested in stocks, bonds, REITs, cash, etc. They tell you, "Our model says this composition is what's best for you at your age and level of risk tolerance."

What these advisors don't tell you is that their performance model contains risks that may not serve your specific needs. When these risks arise, aspiring retirees are often forced to tap into their principal and "eat their seed corn." This creates a situation where it becomes extremely difficult for retirees to return their portfolios to their original starting value—let alone generate income.

What most advisors will tell you is that you need to rebalance your allocations periodically. They often want to do this for you automatically so that you can "maintain the ideal balance." What rebalancing your allocations accomplishes actually serves the advisor. Every time you "rebalance" your portfolio, your broker or advisor might generate income—for themselves.

At Sound Income Strategies, we manage retirement portfolios with securities that are considered HTM or AFS. Borrowed from large institutions, this method allows you to generate an income stream that's aimed at matching your expenses. This method allows you to draw money from your investments without having to draw from your principal.

Hold to Maturity (HTM)

Hold to Maturity is a designation that banks, insurance companies, corporations, and other institutions use when they invest in debt instruments for their *known* return. Any variations in market price during the holding period are considered noise that the HTM designation tells their accountants not to listen to.

For example, if General Electric buys a 7-year bond paying 5%, their concern is receiving 5% for the next 7 years, and then getting their full investment back. If rates go up or down, their ability to use the income that's generated is not hindered. Accounting standards tell them it's perfectly okay to view it that way *if they plan on holding it.*

For the individual in or near retirement, developing an investment portfolio with Sound Income Strategies will include a large portion that is viewed as Hold to Maturity.

Using the HTM designation allows you to know exactly what you can expect to receive many years out so you can better plan for your financial needs. At maturity, you can expect to receive the original amount of your investment back. It can then be reinvested at current rates, which, if they have risen, increases your income stream.

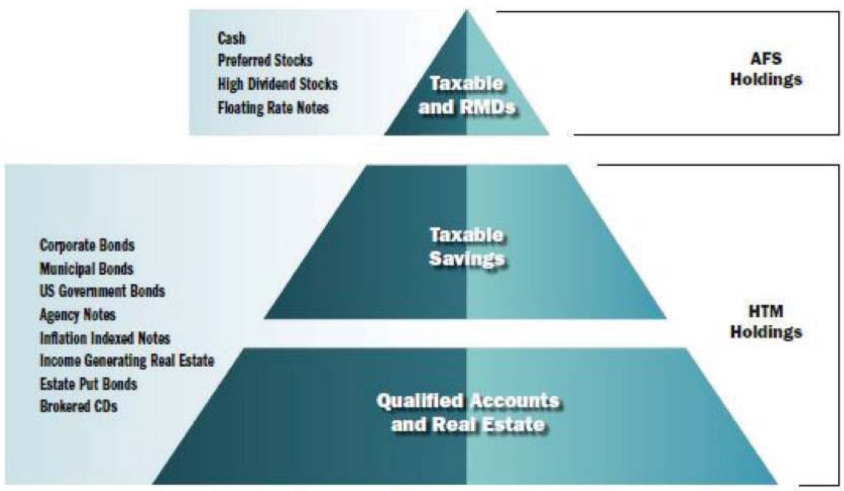
This is substantially different than the stock market where the actual return during a specific period is completely unknown.

Available for Sale (AFS)

Institutions may also designate a portion of their investments as Available For Sale. Designating a segment of the portfolio that may be sold is usually a good idea. Institutions do it at time of purchase for accounting purposes. Individuals should also decide at purchase so they can plan better reliance on their core portfolio.

Issues in your AFS category could include money market accounts, floating rate notes, high-dividend-paying stocks, and other securities that might provide liquidity or trading opportunities.

Your Sound Income Strategies retirement portfolio can set you up with a steady stream of income. (A typical Sound Income Strategies portfolio structure)



Know, with Greater Certainty, What Your Financial Future Holds

Investing in income-generating securities is similar to lending your money to the largest U.S. companies that pay you regularly scheduled interest. In the case of bonds, at the end of the loan term, they will send you the last interest payment along with the return of your original principal.

By owning predominantly income-generating securities, Sound Income Strategies clients can know what their financial future holds with greater certainty. Other markets such as common stocks and mutual funds—including bond funds—don't offer much certainty.

> *People are having longer lifespans, while their money is having a shorter lifespan. It's not sustainable. They need a plan that can keep their savings healthy too.*
>
> — ***David J. Scranton, CLU, ChFC, CFP®, CFA, MSFS***

Start Using the Same Methods That Institutional Investors Use to Ensure a Steady Stream of Income

Most of our clients report an immediate sense of comfort when they visit a Sound Income Strategies office. Unlike other Registered Investment Advisory firms, we're not looking to impress our clients with custom-made suits, mahogany walls, or gaudy statues of a bronze bull on our desks.

We prefer to impress our clients by offering the predictable outcomes that large financial institutions enjoy. That's why we've invested heavily in technology that provides the kind of service and results known mostly at firms worth billions. We've invested in state-of-the-art software and computer programs that scour the databases of hundreds of firms filtering for well-suited investments at institutional pricing levels.

Our team includes portfolio managers who hold the highly esteemed Chartered Financial Analyst designation. They're armed with cutting-edge analytical tools, access to markets, and research capabilities.

Our confidence comes from knowing that what we're doing is right for The Income Generation and others we serve. We're staffed with fixed-income and portfolio specialists who have succeeded at top-tier firms.

The goal is to provide you with a portfolio that is best suited to your individual needs. Our mission and all our actions focus on that goal. We know we best serve our clients by investing in technology and research instead of high back leather chairs.

Has Your Advisor Developed an Investment Policy with You?

An investment policy is the most important document created between you and your investment advisor. This document is where you and your advisor spell out your terms, investment types, tax considerations, goals, and risk parameters. If you haven't seen your Investment Policy Statement (IPS) in a while, ask for it. If you're a do-it-yourselfer, do yourself a favor and create one immediately.

Large financial organizations are required to have an IPS because of all the important benefits it provides. This set of guidelines related to risks and goals, helps companies maintain a steady course.

As important as an IPS is for financial organizations, it is even more important for individual investors who are near or in retirement. If your current advisor has not taken the time to create an Investment Policy Statement to manage your assets, find out why, *right away*.

Right Now Is a Critical Time for Building and Preserving Your Nest Egg

If you were born in or before 1966, you've lived through the greatest stock market in history as well as some of the biggest declines the market has seen. You've also learned that good times don't always last.

Sound Income Strategies' office in Fort Lauderdale is located a few miles from the Atlantic Ocean. Our office sits on the top floor of an unassuming building with a view of the blue waters of the Atlantic off in the distance.

Port Everglades, one of the world's most active shipping and cruising seaports, opens out to the Atlantic just a few miles south of us. On clear days, large ships are visible on the horizon as they line up and wait to enter the port.

It's interesting that the captains of these large ships have been able to safely navigate their ships through thousands of miles of sometimes treacherous waters only to hand over control of their ships to a Harbor Pilot for those last few critical miles into the harbor.

The Harbor Pilot is a boat captain who is an expert in the specific harbor from which they work. It's their job to gain experience and to know the specific dangers of their home port.

Because the last few miles are filled with dangers that are virtually invisible to the untrained eye, the ship's captain brings the Harbor Pilot onboard and hands over control of the ship to this specialist. Bringing a Harbor Pilot aboard who is familiar with the hidden dangers that lie ahead allows each ship to reach the harbor safely with their valuable cargo intact.

It's similar for anyone who is in or near retirement. So far, you've managed to safely navigate your portfolio through decades of uncertain markets. Now, with so much on the line, it's time to bring a specialist aboard who is very familiar with the risks that lie ahead.

Financial Advisors Who Don't Specialize in The Income Generation May Not Have the Skills to Ensure Safe Passage into Retirement

Although Sound Income Strategies works with a wide range of clients nationwide, we specialize in helping those who are in or near retirement. We have top-tier income specialists who are experienced at investing with methods that maximize income and growth while minimizing risk.

If you were born in 1966 or earlier, visit soundincomestrategies.com or give us a call at

(888) 492-0505 to find a local income specialist registered with Sound Income Strategies who can help reduce your exposure to stock market risk and help you generate reliable streams of income you can count on well into retirement.

About Sound Income Strategies

Our firm specializes in developing workable retirement strategies for The Income Generation, those born in 1966 or earlier. Our founder, David J. Scranton, has gained a level of notoriety during his 30 years in the industry as an advisor who is particularly protective of his clients' assets. For the past 20 years, he has specialized in the universe of income-generating savings and investment strategies.

Until the disruptive and volatile markets that accelerated in 2014, our proprietary way of trading fixed-income securities had been largely kept secret. Prior to 2014, fixed-income markets had provided ample returns for those with assets in this sector. But, as Janet Yellen started to announce the Fed's intent to raise rates, it made it clear that this period of "easy pickings" for fixed-income investors was coming to an end.

Investors without the proper background would need to look to active managers who specialize in income investments to unearth the best opportunities. It was at this time that David J. Scranton decided the time was right to share our methods with those in The Income Generation.

Sound Income Strategies is made up of experienced investment-management specialists who actively manage their clients' accounts with the goal of maximizing income and growth opportunities. Although Sound Income Strategies works with a wide range of clients nationwide, we specialize in helping those who are in or near retirement.

David J. Scranton

David Scranton is the founder and CEO of **Sound Income Strategies, LLC**, a Registered Investment Advisory firm specializing in the active management of individual fixed-income securities.

Scranton adopted his progressive business model prior to the 2000-2003 market crash, which has enabled him to protect many of his clients from damaging losses. A highly sought-after market expert who frequently shares his insights on CNBC, Fox Business, and other outlets, Scranton is also host of *The Income Generation* on the Newsmax Channel and author of the acclaimed book *Return on Principle: 7 Core Values to Help Protect Your Money in Good Times and Bad.*

Sound Income Strategies maintains a core belief that clients have the right to conservative, yet innovative, financial advice along with counsel and recommendations that are appropriate for their particular income needs, tax situation, estate goals, and level of risk tolerance.

David Scranton believes education is so important that he hosts the TV show *The Income Generation* on Newsmax TV which airs every Sunday at 10:00 AM. The show is broadcast to more than 50 million households every week.

The Income Generation isn't just another show about retirement planning or the financial markets. It's *the only* show that tackles the challenges and concerns unique to hardworking Americans within 15 years of retirement who need to know how best to protect their money and generate income in today's economic climate.

With guests that include some of today's most respected economists and analysts, David J. Scranton cuts through the media hype, debunks popular myths, and exposes the financial planning secrets Wall Street doesn't want you to know.

Visit soundincomestrategies.com to find a local income specialist registered with Sound Income Strategies who can help reduce your exposure to stock market risk and help you generate reliable streams of income you can count on well into retirement.

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Other Commissioned Reports You Might Be Interested in:

- The Case for Fixed Income: Renewable Income Streams to Keep You a Step Ahead of Inflation
- Pre-Think Your Estate Plan: Your Guide to Saving Your Family and Beneficiaries from Unnecessary Grief and Taxes
- Investment Allocations for RMDs: Satisfy IRS Distribution Requirements Without Cannibalizing Your Original Principal
- Are Your Allocations Right for Social Security?

1. S&P Dividend Yield by Year, http://www.multpl.com/s-p-500-dividend-yield/table
2. US Inflation Calculator, http://www.usinflationcalculator.com/
3. Dow Jones Return Calculator, Dividends Reinvested, https://dqydj.com/dow-jones-return-calculator/
4. "Barron's Debunks Cramer," https://seekingalpha.com/article/44949-barrons-debunks-cramer, August 19, 2007
5. S&P 500 Index - 90 Year Historical Chart, http://www.macrotrends.net/2324/sp-500-historical-chart-data