



# TEXAS CAPITAL MANAGEMENT

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Financial insights from Texas Capital Management

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## Wire Fraud Is Becoming Increasingly Common, Particularly in Real Estate Transactions

**W**hen it comes to moving money and even making payments, **caution is essential!** One of the latest frauds involves wire transfers, in particular, wire transfers made to title companies to close on real estate transactions.

Wire fraud has become the fastest-growing form of real estate cybercrime in the United States. Hackers access the title companies' computers and records of upcoming home closing or intercept outgoing emails and then

email fraudulent wire transfer instructions to buyers. The email references the title company employees the buyers have been working with and even includes phone numbers (direct to the hacker) to verify instructions. Even the email address may appear to be from the title company. Once the money is wired, there is little the buyers can do to retrieve their funds. The purchase collapses and the buyers lose not only their down payments but

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## Be Ready When You Step Out into Retirement

**H**as the idea of retiring been on your mind more and more?

If your answer is yes, it's time to take a hard look at your finances and find out how you can make retirement a reality.

- 1) Start by asking yourself what you want from retirement. What are the benefits you want to achieve and what kind of lifestyle do you envision yourself living?
- 2) Then put together a cost estimate of what that lifestyle might require in terms of a monthly and annual budget. Yes, you could use generic guidelines such as "You will need at least 80% of your present income adjusted for inflation annually," but you may not have a generic lifestyle in mind. After all, there's a big difference between settling down to a Walden Pond style of

life and setting out to play the best golf courses in the world.

- 3) You also need to give a thought to how long you might live. What will happen when you can no longer play golf, or aching joints make life in the wilderness less attractive? Some factors to take into consideration are how long your parents lived, if you have any significant health issues and what your lifestyle to date has been. If heredity says you could be running into some long-term health issues, you need to think about how that will affect your retirement.

And then, you have to look at the money side of life. There are a number of different approaches to retirement ranging from the "I will just work until I am forced to retire and deal with it

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## Is Risk Amnesia Setting in?

**T**he U.S. stock market has enjoyed eight years of steady gains with the S&P 500 increasing over 300%. While there are rumblings about overvalued stocks, by and large investors expect the good times to continue through the foreseeable future.

### S&P 500 - 10 Year Daily Chart



Chart Source: [www.macrotrends.net](http://www.macrotrends.net)

Which raises the question, "Is risk amnesia setting in?"

Risk amnesia happens when investors forget the pain of bear markets and begin to think that this time is different, that the Trump bump will last, and that investors have gotten at least a little smarter since the last major market drop.

The danger of risk amnesia is not that expectations will prove false, but that investors will overreact in panic when the eventual downturn does occur.

One of baseball's great players, Satchel Paige, was quoted saying "Don't look back. Something might be gaining on you." When it comes to investing, stopping to take a look back for a reality check makes good sense. Amnesia is a very poor risk management approach. All investments have risk. Accepting that risk gives us the ability to put measures in place that strive to limit losses and profit from downturns.

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## Wire Fraud Is Becoming Increasingly Common... *continued from page 1*

also potentially earnest money and the upfront expenses they have incurred as part of the purchase.

Ironically, wiring money is often required in the home buying process because cashier's checks have become subject to fraud. Using a mobile banking app, unscrupulous buyers can re-deposit a check into their own accounts just before handing it over to the title officer. The title company may not be notified of the bad check for days or even weeks.

Given the title company requires a wire transfer, how do you protect yourself?

1. Do not assume that the email you receive with instructions is legitimate. Call the title company — using phone numbers you have obtained in person or on verified paperwork — to verify that the wire instructions you've received are correct.
2. Consult your real estate agent. They deal with the title companies

and closing requirements on a regular basis and may be able to arrange acceptance of a cashier's check or assure wire transfer instructions are correct. It is in their best interest that your real estate purchase is successful.

**IF YOU MAKE A FRAUDULENT WIRE TRANSFER**, in some cases, particularly, if the bank still holds the transfer amount, you can attempt to reverse it. If the money has transferred, it is gone. You have no recourse, no recovery options.

Businesses are also targets for wire fraud. A common tactic is to gain access to legitimate email communications and then mimic familiar business transactions. Individuals who use free, web-based email accounts — which are more susceptible to being hacked — for business transactions are more vulnerable to wire fraud. Telephone solicitations for payment via wire transfer should always be considered suspect.

General precautions to follow include:

- Verify changes in vendor payment location and confirm requests for transfer of funds.
- Obtain wire transfer instructions directly from the business and DO NOT assume email instructions are legitimate.
- Call a number you know is legitimate and confirm before making payments.
- Be suspicious of requests for secrecy or pressure to take action quickly.

Like it or not, YOU ARE A TARGET for increasingly sophisticated scammers and thieves. Protecting your money and your assets is up to you. Any time you are asked to make an instantaneous transfer of funds — whether through wire transfer, by providing your checking account information, a cashier's check or cash — the odds are very high that you are about to be scammed.

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## Be Ready When You Step Out into Retirement *continued from page 1*

from there," to planning and saving for 50 years to accumulate as much as humanely possible for retirement. Both approaches have some obvious flaws from the uncertainty of an unplanned retirement to potentially depriving one's self of fun, adventure and a good life only to end up leaving money to heirs without personally benefiting.

Although many people will resist retirement planning — perhaps fearing bad news — retiring without a plan is a

lot like going on a road trip without a map. You could end up anywhere.

- 4) Determine your possible sources of income. Retirement income may include Social Security income, pensions, workplace retirement savings, life insurance or annuities, potential home equity, investments and real assets you might sell, such as a second home.
- 5) Consider the impact of paying off any long-term debt, such as

mortgages, car loans or credit card balances to keep your cash flow positive when you stop bringing home a paycheck.

- 6) If your sources of income don't cover the estimated cost of your retirement lifestyle, you don't have to give up your dreams, you just need to get more creative in how you achieve them. Golf course rangers, for example, receive playing privileges along with a paycheck. Becoming an usher could get you into the hottest Broadway shows. There are often ways to enjoy the life you want without taking the conventional path.

What happens if you can't make your projected retirement income fit your lifestyle goal? You have some options. One is to work a little longer, cutting your current expenses to the bone so you can save as much as you can. Another option is to look at how

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# Money Can Have an Outsized Impact on Your Health

*"I know money can't buy me happiness, but I would like to give it a chance."*

**T**he curious thing about money is that it doesn't seem to matter how much you have, you still worry about it. For most people, there is a touch (and sometimes a lot more than a touch) of irrationality as well as a lot of deep-seated emotions in our attitude toward money.

One result is that money is a leading source of stress for Americans, according to the American Psychological Association. And, once you start worrying about something that is emotionally charged, it sets off our "fight-or-flight" system – the heart races, pupils dilate, and the body releases stress hormones like adrenaline and cortisol. With no physical danger on which to use that overload, the resulting muscle tension and anxiety takes its toll on the body. Prolonged stress creates irritability, fatigue, and nervousness. Headaches, upset stomach, elevated blood pressure, chest pain, and problems sleeping often result. Research suggests that stress also can bring on or worsen certain symptoms or diseases.

It's easy to think that the more money you have the less you have to worry about and the less stress you will experience, but studies show that the amount of money you have or don't have or possibly owe, may influence *what* you worry about but it has little to do with your overall money stress level. Rather, it is how much you worry about money that predicts depression and health problems.

Money worries carry with them a lot of stigma and shame that make people try to hide their concerns. Instead, psychologists say it is better to seek social support and to talk out your worries. People are better able to cope with stress when they have someone they can talk with about their situation. While it's uncomfortable to talk about money, doing so can help you get information and make a plan to cope with your money worries. By

gaining a sense of control, you start to shut down stress responses.

If you are not ready to talk to others, clarify in your own mind what you are worried about. Keep a worry journal in which you write down everything you are worried about and possible solutions. You may have to make major changes to cope with your worries, but those changes are a lot less life threatening than continuing with a stress overload.

Put together a plan with an advisor or your partner to manage your financial worries. Your first step may be to reduce your debt. Eliminating debt diminishes stress and anxiety and gives you the freedom to do other things in your life.

If your financial worries stem from the way you think and interact with money, then the solution is not "just add more," but may require changing the way you think about money entirely.

Among the most common underappreciated realities of money are:

- You need less than you think. We are indoctrinated by advertising, social media and entertainment programs to be discontent with what we have and to imagine we can find long-term happiness if we just have the right product, look or convenience. Choosing to own less can be a great freedom.
- When you assume that more money will make you happy, you may overlook or neglect real sources of happiness.
- A larger paycheck will not improve your job satisfaction. If you don't enjoy what you do and the people you work with, money becomes a trap that increases

work-related stress.

- Wealth has its own troubles. Fears of the wealthy include isolation, anxiety, being exploited, lacking true friendship, and doubting personal relationships. Money can cloud moral judgement, distort empathy, promote pride and arrogance, and become an addiction.



- The pursuit of money robs us of life. When money becomes the focus of every waking hour there is no time for friendship, family, appreciation of a beautiful day or the pleasure of physical activity.
- Boundaries create innovation. A financial boundary forms a helpful framework for life. It invites us to seek alternative pleasures, to find new ways to be happy, to create something uniquely ours.
- Experiences have more long-term value than possessions. The pleasure of good memories can last a lifetime while a new possession can quickly lose its novelty and value.
- Generosity reduces stress. Studies show generous people are happier, healthier, more admired, more satisfied with life, and have deeper relationships with others. Their lives are less stressful.

Money, at its core, is only a tool. Our challenge is to use it effectively and to prevent money from controlling our lives and damaging our health.





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## Five Easy Ways to Give Away Your Money

As one gets older, a curious dilemma arises – how to give away one's money to someone other than to the government in the form of taxes. There may also be reasons to move assets out of a future estate if you anticipate disputes.

1. When it comes to reducing your present taxes, one major option is charitable donations. When giving to charities, make certain they are legitimate and spending funds wisely. [GuideStar.org](http://GuideStar.org) provides access to IRS forms and other financial reports of 1.8 million nonprofits. [CharityNavigator.org](http://CharityNavigator.org) and [Give.org](http://Give.org) provide rankings of charities based on their finances, transparency, and accountability. [Myphilanthropedia.org](http://Myphilanthropedia.org) has experts recommend and evaluate charities in 31 different areas, while [greatnonprofits.org](http://greatnonprofits.org) functions as a kind of Yelp of the nonprofit world, offering reviews of the work charities are doing by volunteers, donors, and other beneficiaries.
2. Some states offer generous tax deductions for contributing to their 529 plans for educational funding. An individual can contribute to a 529 plan for anyone subject to the state's maximum contribution limits. Under special rules unique

to 529 plans, you can gift a lump sum of up to \$75,000 (\$150,000 for joint gifts) and avoid federal gift tax, provided you make an election to spread the deduction evenly over five years.

If you are looking for ways to reduce future estate taxes, charities are an option, but you also might consider:

3. As of 2018, an individual may give up to \$15,000 annually to as many individuals as he or she wishes without incurring a gift tax.
4. Instead of cash, stock or an ownership share in a business of property can be given based on its original purchase price with a limitation of \$15,000 per individual. The individual will owe taxes on the value of the gift in excess of its purchase price when sold, but that could still leave them considerably ahead.
5. There is an unlimited gift tax exclusion for amounts paid on behalf of an individual directly to medical care providers for medical care or educational institutions for tuition.

Other options include split-interest trusts such as charitable remainder trusts; donor-advised funds, and other vehicles for giving that require a more formal process. Regardless of how you chose to give away your money, make

certain you retain sufficient funds to meet your needs and do not jeopardize your financial welfare. Consider working with your financial advisor to determine prudent giving levels that achieve your goals and leave you in good financial shape.

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you can reduce your retirement costs. Possibly you could consider working part-time (although be aware that too much income can reduce your Social Security benefits if you haven't reached full retirement age, which in 2018 is 66 and 4 months).

Retirement really can work much better if you have a plan and your eyes wide open as you enter a new stage in your life. If you really want to see your dream retirement a reality, make an appointment to sit down with your financial advisor and walk through the numbers part of retiring. Your advisor has the advantage of having worked with other individuals on their retirement goals as well as a professional's desire to see you be successful. Plus, making that appointment can help get you past procrastination and a lot closer to truly retiring.