

# WORTH A REED

Third Quarter 2018



*Pictured here is the morning beach yoga session for the Reed Team at Punderson State Park!*



## Managing Innovation

**James M. Reed, President & Founder**

Sometimes it takes a question or a look from a grandchild to get us to take time to reflect on the changes that we have seen in our lifetime. I recall when a "mouse" referred to a rodent, how to use a dial phone on a 10-party line, what a flip cell phone was, when Xerox meant to make a copy, Kodak referred to a camera, Kleenex was a brand and not a reference to all tissues, and Apple meant a fruit, not the largest tech company in the world.

In the 20s, the average life expectancy of a Fortune 500 company was 67 years, today it is only about 15 years. Mergers and acquisitions over time have reduced the number of companies investors could purchase from about 7,700 15 years ago to around 3,300 companies today.

Technology has played a major part in these changes. In 1947, the first big mainframe computers were introduced, with large air-conditioned rooms and punch cards for programs and data input. IBM dominated this business. It took until 1977 when the PC was introduced (without a hard drive). Microsoft was the leader in the PC market, followed by Apple with their Macintosh PC. This shift from mainframes to PCs nearly put IBM out of business. In 1991, the Internet was introduced, creating the .com craze. Today, the whole world seemingly relies on the Internet for some part of their needs.

## FAANG Companies (Facebook, Apple, Amazon, Netflix and Google)

- ◆ Facebook uses the Internet to keep us connected to others in ways we never thought possible.
- ◆ Apple started with the Macintosh PC, was nearly put out of business by Microsoft. It rebounded with the iPod, changing how you listen to music, introduced the iPhone, the iPad and most recently, the Apple watch. They are also into many other areas that offers potential big changes. Today, they are the first company to reach \$1 trillion in market valuation.
- ◆ Amazon is changing how we shop and receive goods.
- ◆ Netflix has allowed us to access movies when and where we want.
- ◆ Google started as a large search engine and now is a major source of information.

Collectively, these five companies which didn't exist 40 years ago, now account for about 20% of the market value of the S&P 500 stock index .

## Creative Destruction / Artificial Intelligence

A lot has been written and discussed about both of these trends and the impact on jobs. The impact on our lifestyle of the many changes, however, has been significant. Here is an example of the few changes.

**Home Entertainment** - Our family didn't have a television until I was 6 years old then, with an antenna on the house, we

*-continued-*

## Managing Innovation (continued)

had two snowy channels in only black-and-white. Today, cable or Wi-Fi allows access to hundreds of channels in HD color with access in our homes, mobile devices or even in airplanes while flying. Recently, streaming trends allow us to select our desired content and only pay for what we want.

**Logistics** - Prior to Wi-Fi, cell phones and satellites, this opportunity did not exist. Today, parts are tracked from the time the order is placed, through assembly, into boxes, onto trucks, into warehouses, and delivered to the desired location and noted when unpacked. Through the whole process, you can track its whereabouts on your own mobile device. GPS, via satellites allows Google maps to help us find our way, monitor traffic and give alternative routes. High-tech GPS is also now creating the potential of driverless cars (scary, but real).

**Internet** - Access through search engines, like Google, gives us access to much information. This also allows businesses of all sizes to find potential suppliers or buyers for the products and services from around the world, not just in our local neighborhoods.

**Medical Research** - The Internet has made published research results around the world immediately available to all. That combined with increasingly faster computer chips and bigger and faster storage facilities for data retrieval and storage, has supercharged medical research with seemingly

regular announcements of new treatments, new tests or new drugs to help us live healthier and longer.

**Jobs** - Clearly, all of this change has had an impact on jobs and the skill set needed to perform many jobs. Over the last 40 years, the U.S. population has grown from 225.6 million people in 1978 to 327.8 million people in July of 2018 or 47.3% increase according to the U.S. Census data. The number of those working in the United States has also grown from 94.4 million in 1978 to 156 million today or a 65.2% increase. Today, the unemployment rate stands at 3.9%, the lowest rate over that forty-year period.

The impact of all of these changes, while gradually enhancing our lifestyle, has created many new job opportunities.

## The Unintended Results

With change, come crooks, commonly referred to as "hackers". As we move from a life of everything stored on paper in our home files to everything available online, it creates opportunity for hackers to steal via credit cards, banks and our credit reports. This also has fostered new industries and businesses to try to safeguard both us; individuals and businesses alike from the hackers.

Change can be difficult to adjust to, however, it appears when reflecting back on many of these changes (on a whole), we Americans have enhanced our lifestyle greatly over the last 40 years.

I hope you're enjoying these changes as well. ■



Those under 40 have had a unique experience that many other generations have not. They have grown up with technology, especially the internet, as part of their everyday lives. This has led us to becoming much more acclimated to the technology than the older generations. This increased usage has given us a better insight as to how to avoid the tricks and traps that hackers have laid, right? In actuality, the under 40 group is the most targeted. Most tend to think Cyber attacks happen to the less tech-savvy generations. This is because we tend to use the internet more often and for even the most sensitive things. This age group uses it for shopping, banking, finding loans, homes, and monitoring all these accounts. This gives would be hackers a generous amount of opportunities to steal your information.

We would like to help you CRUMP these cybersecurity threats. CRUMP is an acronym that will help you remember some of the basic best practices. The C is for Credit Reports. It is a good idea to check your credit score for changes.

## SAVE THE DATE CYBER SECURITY SEMINAR

OCTOBER 18, 2018

More details will be forthcoming

There are several sources to monitor your reports that will not effect your credit score. These can show if there has been new accounts opened in your name. R is for risky sites. Try to avoid risky websites that could appear to look like your bank that will steal your information. U is for unsecured Wi-Fi. Hackers can access your computer through networks that are unsecured and download viruses or steal your information. It is a good idea to avoid public Wi-Fi networks. M is for monitoring your accounts. Similar to checking your credit, you should monitor your account for fraudulent activity. If found, report the fraud quickly to help minimize the damage done. Finally, P is for Passwords. We encourage you to have unique passwords that are a combination of Letters, Numbers and unique characters. If necessary, store these passwords in a secure location as well. All of these tips should help prevent any theft. ■

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**Thank you to everyone who made it out  
to our RFS Luau!**

We always found it to be a fantastic way to get to know  
our clients and prospective clients better!

**Lunch or Dinner Offer!**

**If you know of someone who could benefit from our  
services and would like to meet with us in a casual  
setting, please contact Michelle to set up a lunch or  
dinner at a restaurant of your choice!**

Michelle@Reed-Financial.com or (216) 464-2090.

**RFS Officially Welcomes  
Liam Studdt!**

Hello my name is Liam. I have been a part of the RFS team for nearly one year come early September of 2018. To begin, I started at RFS as an intern and worked here part time through my final two semesters at the University of Akron. Upon graduating this past May with my Bachelor of Business Administration with a focus towards corporate financial management I was hired as a full-time employee at RFS.

I work in the investments and planning group, primarily with Evan, Cathleen, Amanda and Jim. Working on account overviews, meeting preparation, client specific questions, and retirement projections and reviewing performance on accounts are just some of my responsibilities. Figuring out what makes our clients tick and what needs to be dealt with on a client-specific basis is a huge part of the job.

I grew up in Mentor Ohio where I played many different sports all the way up through high school including basketball, soccer, baseball and volleyball. I am a huge Cleveland sports fan and love to talk about cars and technology.

I look forward to interacting with all of our clients and providing the best service I can. Guiding clients in the right financial direction to achieve life goals, wants and needs is a huge focus for us and I hope to add even more insight to the very capable RFS team. ■



**Cyber Crime Does Pay**

Evan Watson, Investment Analyst



Over the past few years, we have seen the protection of data move into a more focal role. Businesses seem to be boasting about their expenditures on data protection and the government pulls more experts to discuss what has been and can be done with data. Given the complexities of the internet, this doesn't seem to be a simple question to answer. With all the attention on this issue, you must wonder how it is even possible to make money in this criminal industry. This question led me to understand how the industry functions and is profitable.

Cyber crime used to be much simpler, and as a result, easier to catch. Now, these one-man operations have evolved into full on operations. These operations have specialized individuals that focus on a portion of the cybercrime. This has made things much more difficult to follow, but we do understand how these crime syndicates are able to still be lucrative.

The profits are in the model. This usually starts with a phisher or a spammer sending an email or creating a site that seems legitimate, but certainly is not. Once these criminals hack into your computer, they will download your data and account information. They then sell this information on the black market. As of a report in 2008, PINs could sell for anywhere from \$0.40 to \$20. The actual accounts would sell for \$10-\$100. These transactions would be facilitated by brokers on the dark web. These brokers will buy the information in bulk and sell them to individuals known as cashiers.

Cashiers are the criminals that siphon money from bank accounts. They do this by operating on groups of computers that have viruses that allow these criminals to remain anonymous. These infected groups of computers are known as botnets. Just owning and renting these computers can be a lucrative business of its own. Once the cashier cashes in your account, they use another scam to convince unsuspecting individuals into laundering the money. All of this occurs while remaining anonymous.

Unfortunately, an accurate number as to how much these criminals can scam is hard to come by. The banks are usually more inclined to underestimate the amount of cyber related losses and the cyber security teams have an incentive to inflate the amount they have protected or recovered. IBM has estimated the cost in 2017 to be anywhere from \$445 to \$608 billion. They say crime doesn't pay, but it sure seems that cybercrime does. ■

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## Travel Safety Tips

Mark Lisachenko, Operations Manager

Vacation, a time for rest and relaxation. But that vacation can have unexpected negative consequences, namely theft. But it's not just physical theft, last year alone almost 15 million Americans were victims of identity theft and almost a third of that occurred when people were traveling. So, what can we do to reverse this trend? Here are some travel safety tips:

### ◆ Protect your smartphones and devices:

- ◇ Ensure your smart phones and other electronic devices are password protected and have a form of data encryption in place. This way if they are lost or stolen your data will not be compromised.
- ◇ If your device has tracking software (Find My iPhone, for example) be sure it is enabled so that if your phone is lost/stolen you have a chance at tracking its location.
- ◇ Don't connect your devices to public WI-FI. Instead use cellular data on your smartphone and create a hotspot on your smartphone to connect your other devices to. If you have no choice but to use public WI-FI then connect using VPN (virtual private network) software to encrypt your data traffic.
- ◇ Avoid public USB charging stations for your smart devices. Remember, your USB connector also shares data so your risk your data being stolen. Bring your own charging cords instead (those that plug in to an electrical outlet).
- ◇ If you are going to post those vacation photos directly to social media or talk about the timing for your upcoming trip – stop. You can still post those pictures to share but do so after your trip. Otherwise you are just giving the bad guys a heads up.

### ◆ Protect your home while you are away.

- ◇ Contact the USPS to stop mail (easy enough to do online).
- ◇ Be sure to arm your security alarm and turn on notifications on your smartphone to help monitor.
- ◇ Install light timers or WIFI enabled lights to give the appearance that someone is home.
- ◇ Don't forget to have someone take your trash bins in if you had to leave on collection day.
- ◇ Consider buying a WIFI enabled camera to monitor your home remotely (or have one added to your security system). Camera's have come a long way and dropped in price (Wyze Cam v2 is only \$20 for example).



### ◆ Other safety tips

- ◇ Leave a trip itinerary and contact information behind with a family member or trusted friend and check in with them from time to time. If something happens while you are away, you will be kept informed and if something malicious were to happen to you on the trip they will be able to alert authorities.
- ◇ Only bring the minimum required important documents with you and clean out your wallet. Document what you are bringing including your wallet items (credit card, debit card, driver's license, etc.) and keep the list separate in case your documents do get stolen.
- ◇ Keep a list of important phone numbers such as those for credit card companies along so that you can report a lost /stolen card immediately.
- ◇ Contact your credit card companies ahead of time to let them know when and where you will be traveling. This way your legitimate purchases won't be mistakenly flagged as fraud. Consider having a minimum of two different credit cards on your trip in case one is compromised.
- ◇ If traveling with your passport keep an electronic copy on file in case your real one is lost or stolen. Consider keeping this and other images of important documents in a secure online portal such as the one offered by Reed Financial through our Tamarac Portal.
- ◇ If you have to bring something valuable on your trip ensure that you lock it in the hotel safe. Don't tell strangers where you are staying and keep valuables out of sight. Be aware of common travel scams. Lastly, use your instinct and common sense to be aware of situations where your personal safety and/or data is at risk.
- ◇ As always, it's a great idea to have your credit frozen for peace of mind.
- ◇ Pay your bills before you leave to limit exposure to online bill payment. ■

i From <https://www.cnbc.com/2017/07/24/7-tips-for-staying-safe-while-traveling.html>

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