FEIERTAG
FINANCIAL SERVICES

YOUR FINANCIAL FUTURE

Your Guide to Life Planning

February 2016

Our roads to success may have twists and turns and ups and downs; together we can navigate a course and enjoy the scenery along the way.

Steven Feiertag, CFP®
Feiertag Financial Services
2107 Reston Circle
Royal Palm Bch, FL 33411
800-252-4276
Fax: 561-333-0721
steven.feiertag@lpl.com
www.stevenfeiertag.com

In This Issue

Please CLICK on any Article Title, Then SCROLL to See All Pages

February 2016 from Feiertag Financial Services

Facing Volatility | January 2016

This letter discusses the importance of facing volatility with a steadfast commitment to your investment plan, while resisting the urge to react to fear in the markets.

College Aid: Why Apply If Your Income/Assets are High?

Wealthy families should apply for college financial aid, too.

Weekly Economic Commentary | Week of February 1, 2016

Our view is that while the odds of a U.S. recession in 2016 remain low, they have increased since the start of the year.

Please CLICK on any Article Title, Then SCROLL to See All Pages

We have recently received calls from several of our clients telling us that they received a call from someone saying they were from the IRS, requesting back taxes. These callers threaten penalties and even jail time before the "bogus agent" tries to offer helpful solutions. These solutions may involve sending cash in a quick and untraceable manner, or providing credit card or checking account information. If you receive such a call, it's a scam, as the IRS doesn't call taxpayers, but only sends written notices. Do NOT give the caller any information, hang up and report the incident to the U.S. Treasury Inspector General at 800-366-4484. If you were contacted by email, forward the email to the IRS at phishing@irs.com.

If you have left a job, don't forget to consider taking your retirement plan money with you in an IRA rollover. A plan participant leaving an employer typically has four options (and may engage in a combination of these options), with each choice offering advantages and disadvantages. The four (4) options are: 1. Leave the money in your former employer's plan, if permitted; 2. Roll over the assets to your new employer's plan, if one is available and rollovers are permitted; 3. Roll over to an IRA; or 4. Cash out the account value. We even have a brochure about this issue. People leave jobs and forget to roll over their retirement plan money (401k's, 403b's, profit sharing, etc.). It's hard to keep track of these plans if you left your jobs many years ago. Leaving a retirement account in an old employer's plan can be a convenient option, but only if you are willing to keep track of the money, letting the plan administrator know each time you change your address, and making contact, if that firm has merged or has been taken over by another company. Please call our office to discuss your options for these accounts, and have us email or mail you that brochure.

Please call us to set up a date for us to review your accounts for fine-tuning!
If you are not receiving our monthly e-Newsletter, please check your spam filter to make sure that both my e-mail address (steven.feiertag@LPL.com) and Eileen's e-mail address (eileen.feiertag@LPL.com) are being delivered.
We always appreciate referrals from our satisfied clients. Please consider referring your friends, business partners, and family members. We welcome the opportunity to serve the people you care about. All of your information will be kept confidential, and the time we devote to serving them will not dilute the time needed to serve you. Please visit our website (www.stevenfeiertag.com) and if you like what you see, pass this on to your contacts. Thank you for your continued business and support.

Feiertag Financial Services

Steven I Feiertag, CFP®

Registered Representative, LPL Financial

Eileen J Feiertag

Registered Administrative Associate, LPL Financial

2107 Reston Circle

Royal Palm Beach, FL 33411

800-252-4276

steven.feiertag@LPL.com

www.stevenfeiertag.com

Facing Volatility | January 2016

Dear Valued Investor:

Over the last few years, we have faced a variety of challenges in the market. Times of stress spark the need for discussion, reassurance, and often, historical context. In 2013, we started the year worried about the impending fiscal cliff, and later watched as the market had its "taper tantrum" over uncertainty regarding the Federal Reserve's (Fed) actions. In 2014, the focus was on the harsh winter's impact on the economy, and the market sell-off due to the Ebola outbreak and rise of the Islamic State militants. And last year, second-half fears triggered by the decline in oil prices, weakness in manufacturing, and a slowdown in China captured our attention.

There is one common denominator among all of these topics and varying market challenges: fear. They all triggered a strong emotional reaction. Emotion is the most powerful fuel in humans. It drives us to love, to mourn, to cheer our favorite team, and to scream during horror films. Emotion is what makes life more than just a day-to-day routine; it makes it an adventure--full of rewards and sometimes disappointments. And while fear is not something we typically embrace, it is a necessary emotion. It helps us stay alert and seek security--whether that means locking our doors at night or increasing a life insurance policy after starting a family. However, in investing, emotion is often counterproductive to what it takes to be successful.

In an average lifetime, say about 80 years, we will experience roughly 9,000 down market days. We will experience about 13 recessions, approximately 20 bear markets, and too many pullbacks and corrections to even count. That is a lot of market declines. And every one of them will be marked with fear, worry, and the instinctive urge to seek safety. But history has shown that investing with fear as the catalyst is not a successful strategy. After all, very few of those 9,000 down market days in our life are actually a "Lehman Brothers" moment. Furthermore, fear causes us to sell at or near market bottoms and, more often than not, miss opportunities rather than add value with downside protection.

We are currently going through one of these periods of fear. This is best evidenced by examining investor surveys, such as the American Association of Individual Investors (AAII), which this week reported that bulls came in at only 18%, the lowest reading in nearly 11 years. Think about that last statement. The percentage of bullish/optimistic investors is at the lowest level in over a decade. That means that there are fewer bullish investors right now than at any time during the Great Recession. Meanwhile, the percentage of bears spiked up to 45%, the highest level in nearly three years. This degree of pessimism and the increased level of market volatility suggest to us that most of the potential stock market decline may be behind us.

Lately, China and oil are the most often cited catalysts for the fear. The oil market remains oversupplied, and we would not expect a major rally in oil until supply comes off the market. However, we do not think that low oil prices, in and of themselves, will cause a recession in the U.S. or lead to systemic contagion, such as what occurred during the financial crisis. Looking to China, the world's second-largest economy is rebalancing to be more consumption based and less reliant on construction and infrastructure. This transition has been painful. However, China also has vast resources to ease this transition. Should China acknowledge its shortcomings and take concrete steps to fix its economy, this should boost, not further hinder, the global economy.

The challenges and consequences of declining oil prices and a slowing China are not new. Rather, the market has violently shifted from broadly accepting these risks to a virtual abhorrence of them. This is a common market paradigm, where market negatives can be accepted, even embraced, for long periods of time before suddenly becoming major concerns, sparking a sell-off. In a sense, a lack of confidence is driving a full repricing of risk, and that is being reflected in lower values for stocks. Although this is a scary experience, these are the periods where short-term panic can potentially lead patient investors to long-term profit.

With U.S. stocks firmly in correction camp and many segments already in a bear market (Japan, Europe, small cap stocks, etc.), we believe that selling pressure on stocks is moving to extreme levels. At these extremes, the market tends to ignore all positive news and focus (and reprice) purely based on the worst case scenario. However, we do not forecast that a worst case scenario is currently the highest probability event. In fact, we see the likelihood of a recession in the U.S. at roughly 20%, higher than a few months ago but still relatively remote. Supporting our view is the fact that corporate America, outside of the challenged energy sector, remains in very good shape and, we believe, is in a good position to grow profits in 2016--despite the drags from the energy sector, a strong U.S. dollar, and slower growth in China.

While we do not know for certain what lies ahead for this market, I believe the best course of action is to face it with a steadfast commitment to your investment plan; and instead of reacting to the urges of fear, maintain a patient, long-term orientation to the future.

As always, if you have any questions, I encourage you to contact me.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual security. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results.

Economic forecasts set forth may not develop as predicted.

Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal, and potential liquidity of the investment in a falling market.

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a nondiversified portfolio. Diversification does not ensure against market risk.

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measure, and their value may be affected by the performance of the overall commodities baskets, as well as weather, geopolitical events, and regulatory developments.

This research material has been prepared by LPL Financial.

Securities offered through LPL Financial. Member FINRA/SIPC.

Tracking #1-459467 (Exp. 01/17)

College Aid: Why Apply If Your Income/Assets are High?

January is the time for families to complete the Free Application for Federal Student Aid (FAFSA). With some types of assistance, filing early may increase the amount of financial aid a student may receive.

Many well-off families don't complete the FAFSA because they assume they won't receive any aid. But they should still file. Here are some of the reasons why:

- To demonstrate your ability to pay without any help. Some colleges and universities need to build a freshman class that includes families that can pay the full cost of attendance. For well-off families, the FAFSA might give a student an admissions edge.
- To qualify for merit aid. Schools may not consider students for merit aid (which is not based on financial need) unless the FAFSA is filed.
- Because you may qualify, particularly with multiple children. Financial aid is calculated based on the difference between the cost of attendance and the expected family contribution. With multiple children in college at the same time, the family contribution amount may drop, even if all other financial issues are similar to the prior years.
- Because your situation might have changed, such as a job loss, or other changes in the family's finances. Some colleges have contingency funds for special situations. This type of money is limited, and without a FAFSA form filed or filed late, your chances to qualify may be limited.

The earlier you file your FAFSA form, the higher your chances are to take advantage of programs that are available.

Professional help is strongly advised. Contact the financial aid person at the college or university and talk to your tax advisor.

Feel free to call our office with questions (800-252-4276).

Feiertag Financial Services

Steven I Feiertag, CFP®

Registered Representative, LPL Financial

Eileen J Feiertag

Registered Administrative Associate, LPL Financial

2107 Reston Circle

Royal Palm Beach, FL 33411

800-252-4276

steven.feiertag@LPL.com

www.stevenfeiertag.com

LPL Tracking No. 1-458526

KEY TAKEAWAYS

- Our view is that while the odds of a U.S. recession in 2016 remain low, they have increased since the start of the year.
- Some investors fear that the remainder of the year will be a repeat of January 2016, 2008, or 1998, which we think is unlikely.
- We continue to expect more financial market and global economic volatility in 2016, as economies and policymakers continue to adjust to the unique challenges of the current economic cycle.

GROUNDHOG DAY?

This Tuesday, February 2, 2016, is Groundhog Day. In Punxsutawney, PA, a groundhog named Phil either will or will not see his shadow and we'll either be doomed to repeat the first six weeks of winter again (which haven't been that bad in Boston at least) or have an early spring. Groundhog Day enthusiasts claim that the climate predictions made by Phil the Groundhog (and his "cousins" across the country) are accurate 75-90% of the time. The United States National Climatic Data Center (NCDC), the keeper of all weather statistics for the federal government, stated, "The groundhog has shown no talent for predicting the arrival of spring, especially in recent years."

In recent weeks, there have been plenty of "groundhogs" in the financial markets and in the financial media. For some investors, the fear is that the market's performance in January 2016 will be repeated over and over again, as in the classic 1993 film *Groundhog Day* starring Bill Murray and Andie MacDowell. Other investors fear that 1998 will play out all over again, triggered by central bankers' policy mistakes, volatile currency markets, wave after wave of currency devaluations, and eventually a sovereign default. Another group of Groundhog Day aficionados think that the drop in oil, the rising U.S. dollar, a lack of corporate earnings growth, a manufacturing recession, a hard landing in China, and global central banks "running out of bullets" have returned the global economy to the precipice of another 2008.

WHICH IS IT? JANUARY 2016? 1998? 2008? ALL OF THE ABOVE? OR NONE OF THE ABOVE?

While our view is that the odds of a U.S. recession in 2016 have increased in recent weeks, based on the economic data alone, the odds of a recession in the U.S. remain low, potentially 15-20%. However, the odds of a policy mistake--either at home, or more likely, abroad, by central bankers or central governments enacting fiscal or foreign exchange policies--have increased in the first month of 2016. In terms of volatility, a repeat of 1998 is a possibility. That year saw a 20% peak-to-trough decline in the S&P 500 amid a wave of currency fluctuations, devaluations, and ultimately a default by Russia; but our view remains that the S&P 500 will post modest mid-single-digit returns in 2016,* not the near 30% gain seen in 1998.

How about the volatility and price declines in January 2016 repeating in every month for the rest of the year? This possibility has higher odds than a repeat of 1998, and while we do continue to expect elevated economic and financial market volatility in 2016, a repeat of the volatility seen in January 2016 is unlikely (based on historic volatility of the S&P 500).

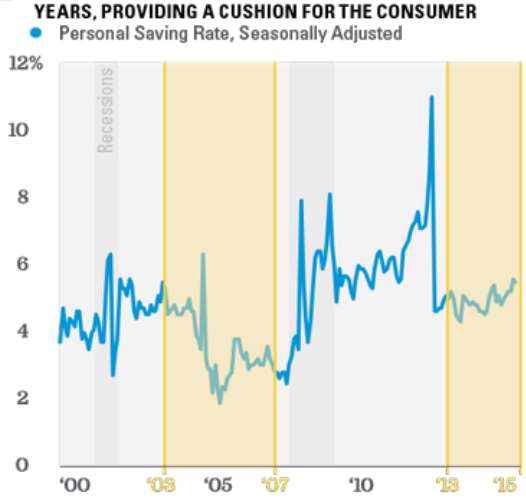
And that leaves a repeat of 2008. Let's review from the perspective of the U.S. consumer, who today, as in 2007, accounts for about two-thirds of economic activity in the United States.

**Historically since WWII, the average annual gain on stocks has been 7-9%. Thus, our forecast is roughly in-line with average stock market growth. We forecast a mid-single-digit gain, including dividends, for U.S. stocks in 2016 as measured by the S&P 500. This gain is derived from earnings per share (EPS) for S&P 500 companies assuming mid- to high-single-digit earnings gains, and a largely stable price-to-earnings ratio (PE). Earnings gains are supported by our expectation of improved global economic growth and stable profit margins in 2016.*

CONSUMER GROUNDHOG DAY? 2007 VS. 2016

By 2007, a year had passed since the Federal Reserve (Fed) had completed a two-year, 425 basis point (4.25%) rate hike regime in mid-2006, inverting the yield curve and driving the rate on a 30-year fixed mortgage from 5.25% in late 2003 to over 6.75%. Other consumer loan rates moved up along with mortgage rates as well, further burdening already overburdened consumers, who generally hadn't repaired their balance sheets after the 2001 recession. The personal saving rate dipped from close to 6% in 2004 to under 3% by the end of 2007 [Figure 1].

1 IN CONTRAST TO 2003–07 WHEN THE PERSONAL SAVING RATE FELL, IT HAS MOVED HIGHER IN THE PAST FEW YEARS, PROVIDING A CUSHION FOR THE CONSUMER

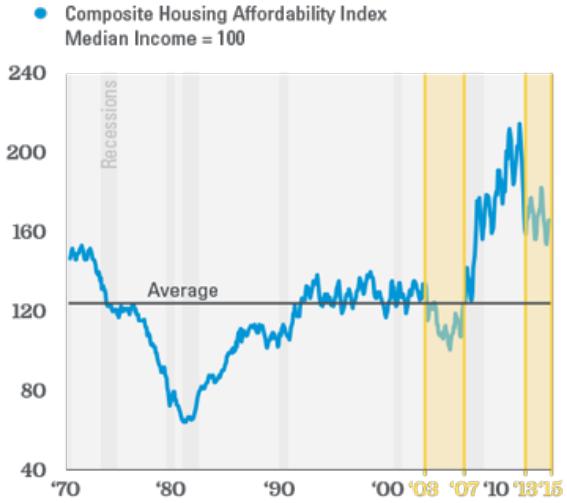


Source: LPL Research, Bureau of Economic Analysis, Haver Analytics 01/31/16

Past performance is no guarantee of future results.

In 2007, the rise in mortgage rates, a sharp rise in home prices, and stagnant incomes drove the housing affordability index to a 20-year low [Figure 2]. Although unclear at the time, the housing market had peaked in mid-2006; and by 2007, inventories of unsold homes were surging to near record highs. If the rise in mortgage rates and the crushing level of housing debt rung up during the housing boom wasn't bad enough for consumers, oil prices moved from around $30 per barrel in 2003 to near $100 per barrel by late 2007, driving consumer spending on energy-related goods and services 50% higher [Figure 3]. Add in tepid real wage and job growth, and the U.S. consumer was already reeling by the time the worst of the financial crisis hit in late 2008, freezing up global credit markets for months and virtually halting global trade and economic activity.

2 IN 2007, THE HOUSING AFFORDABILITY INDEX HIT A 20-YEAR LOW; TODAY IT'S WELL ABOVE AVERAGE

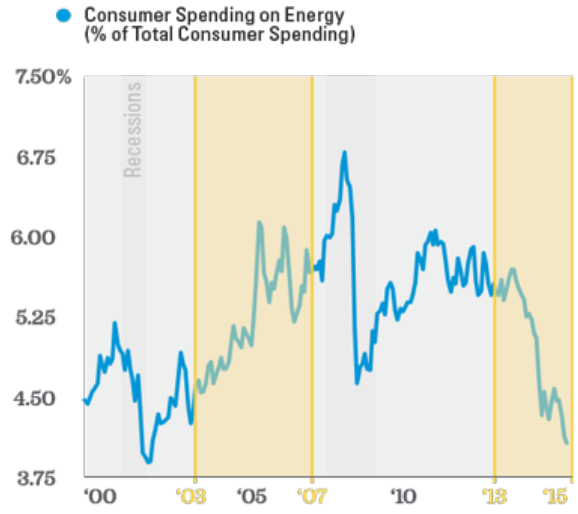


Source: LPL Research, National Association of Realtors, Haver Analytics 01/31/16

Past performance is no guarantee of future results.

The Composite Housing Affordability Index is published monthly by the National Association of Realtors and measures median household income relative to the income needed to purchase a median-priced house.

3 THE SURGE IN OIL PRICES FROM 2003–07 DROVE ENERGY-RELATED SPENDING 50% HIGHER

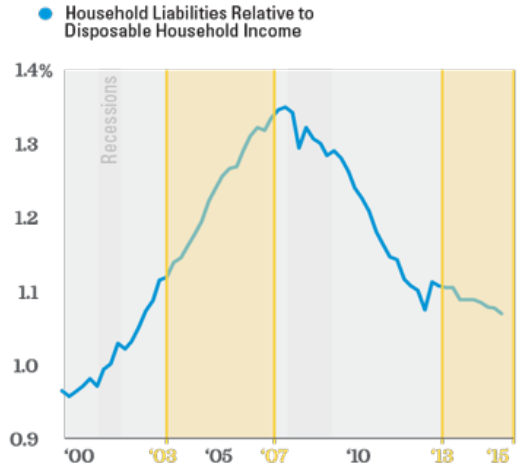


Source: LPL Research, Haver Analytics 01/31/16

Past performance is no guarantee of future results.

Today, consumers have spent the past six and a half years repairing their balance sheets [Figure 4], oil prices have dropped by nearly 60%, and consumer spending on energy and energy services have been cut by 50% over the past five years. Yes, the Fed has raised rates by 25 basis points (0.25%), but that's a far cry from the 425 of 2004 through 2006. The yield curve remains positively sloped and mortgage rates are under 4%, nearly 2.5% below their mid-2007 levels. Housing prices are up, but this time they are rising in-line with consumer incomes, not outpacing them, and inventories of new and unsold homes are close to all-time lows. Housing affordability, while not at all-time highs, remains well above average [Figure 5].

4 IN 2007, CONSUMERS' BALANCE SHEETS WERE STRETCHED; IN CONTRAST, CONSUMERS HAVE SPENT LAST HALF-DECADE REPAIRING THEIR BALANCE SHEETS



Source: LPL Research, Haver Analytics 01/31/16

Past performance is no guarantee of future results.

Click here for Figure 5, Consumer Stress Indicators, 2007 vs. 2016

Although nominal wage growth is tepid as it was in 2007, real wages (wage growth adjusted for inflation) are running well above levels seen in 2007, thanks mostly to the drop in energy prices. The personal saving rate stands close to 6%, nearly double what it was in late 2007, and it has moved steadily higher, not lower, in the past few years. And while U.S. and global financial institutions aren't in perfect shape here in early 2016, safeguards imposed by financial regulation have kept them strong, albeit with some unintended consequences in the bond market.

It is hard to argue that the global financial system isn't better off today compared to 2007. In short, the U.S. consumer--two-thirds of the world's largest economy--is in far better shape today in almost every respect than it was in 2007, just prior to the onset of the worst of the Great Recession in 2008.

A GLOBAL GROUNDHOG DAY?

While the odds of recession in the U.S. have increased this year, along with the odds of a mistake by global policy makers as they navigate slow global growth, a downshift in Chinese economic growth, shifting foreign exchange rates, and a seemingly unending race by global central banks to find new ways to stimulate economic activity, we think a global Groundhog Day--a repeat of January 2016, 1998, or 2008--is unlikely. However, we continue to expect more financial market and global economic volatility in 2016, as economies and policymakers continue to adjust to the unique challenges of the current economic cycle.

IMPORTANT DISCLOSURES
The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. Any economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful. All indexes are unmanaged and cannot be invested into directly.

Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market.

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates. The most frequently reported yield curve compares the 3-month, 2-year, 5-year and 30-year U.S. Treasury debt. This yield curve is used as a benchmark for other debt in the market, such as mortgage rates or bank lending rates. The curve is also used to predict changes in economic output and growth.

INDEX DESCRIPTIONS

The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

This research material has been prepared by LPL Financial.

To the extent you are receiving investment advice from a separately registered independent investment advisor, please note that LPL Financial is not an affiliate of and makes no representation with respect to such entity.

Not FDIC or NCUA/NCUSIF Insured | No Bank or Credit Union Guarantee | May Lose Value | Not Guaranteed by Any Government Agency | Not a Bank/Credit Union Deposit

Tracking #1-463519 (Exp. 02/17)