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This Issue:

The Ransomware Threat

Cybercrime has reached a new level

Imagine cybercriminals holding your files for ransom. It sounds like something out of a movie set in the distant future, but business owners and households are facing such a threat today. Hackers are now using ransomware to hijack computers and hold files hostage in exchange for payment. Malware programs like Crypto Wall, Crypto Locker and Coin Vault spring into action when you unsuspectingly click on a link in an email, encrypting all of the data on your hard drive in seconds. A "ransom note" appears telling you that you need to pay $500 (or more) to access your files again. If you fail to pay soon, they will be destroyed.[1]

Worldwide, more than a million computer users have been threatened by ransomware – individuals, small business, even a county sheriff's department in Tennessee. The initial version of Crypto Locker alone victimized 500,000 users, generating more than $3 million in payments along the way.[2,3]

How Credit Freezes May Help To Combat Identity Theft

If you are worried about getting hacked – and, these days, who isn't – a credit freeze is a precautionary measure that may be worth considering. Is a credit freeze an iron-clad, 100% guaranteed way to protect yourself from Identity Theft? Unfortunately, no. Just about anyone could fall victim, just like almost anyone could become a victim of a home burglary. But ask yourself this – if there are two homes side-by-side, one with an advanced home security system and the other without, which home do you think would stand the greater risk of being burglarized? Think of credit "freezing" similarly - as an increased measure of security. While the term "credit freeze" may bring up some negative connotations in your mind, a credit freeze is actually a positive move you can make to reduce the chances of identity theft. The cost is minimal – and now many of us have the option. Years ago, only victims of hackers could request credit freezes. In 2007, that changed. In that year, the three consumer credit bureaus all decided to let consumers request freezes. The fee is nominal – typically $20 or less. Compare that with a credit monitoring service, which can run you over $100 yearly.[1,2] In 2010, 47 states have laws requiring credit bureaus to offer their residents credit freezes. Some state laws arrange senior discounts for older consumers who request a freeze – in California, for example, the fee per freeze is $10 but $5 if you are 65 or older.[3]

Why do people elect to put their credit "on ice"?

How does a credit freeze work? The person wishing to, in essence, seal their credit history would go online and contact one of the three credit bureaus - Equifax, TransUnion or Experian – to request a freeze. (Sometimes this can be done via certified mail or even via phone.) The credit bureau would then issue a PIN for purposes of accessing those "frozen" credit reports. So, if a thief wanted to exploit that credit and/or credit history, he or she wouldn't be able to - without the PIN. If you need to apply for a loan or a job, you can "thaw" your frozen credit history using your PIN. There is also a fee to thaw your credit, typically about $10 per bureau. Paying that fee may allow you a one-time thaw or a thaw for a specified time period. Why doesn't everyone do this? Some people don't realize they have the option. Others have considered it, but they would rather not put up with a couple of factors. If you constantly open new credit accounts or if your credit history is checked frequently, it is irritating to pay a thaw fee again and again. Then there's the wait: thawing your credit usually takes a few days.[2] It is important to recognize that a credit freeze will not keep everyone out of your credit history – it is only as secret as your PIN. Not only that, businesses that have an existing relationship with you can still look inside your credit reports. A freeze is also not a remedy for ID theft – if theft is already occurring in one of your credit accounts, a freeze won't stop it. A freeze must be requested before the crime is committed.[2,3]

Should you freeze your credit? The older you are, the more merit the idea may have. Credit freezes are also sometimes requested by divorcing couples when trust is in short supply between ex-spouses. You may want to freeze your credit whether you have been hit by ID theft or not – it may end up saving you money and stress someday.

— Barbie

[1] usatoday.com/money/perfi/columnist/block/2007-10-08-credit-freeze_N.htm [10/8/08]
[2] walletpop.com/blog/2010/09/03/freeze-your-credit-its-one-way-to-cut-out-the-con-artist/ [9/3/10]
[3] creditcards.com/credit-card-news/credit-report-freeze-1282.php [9/2/10]

The earliest ransomware demanded payments via prepaid debit cards, but hackers now prefer payment in bitcoin, even though few households or businesses have bitcoin wallets. (The emergence of bitcoin effectively aided the rise of ransomware; keeping the payment in virtual currency is a hacker's dream.)[2,3]

If your files are held hostage, should you pay the ransom? The Department of Homeland Security and most computer security analysts say no, because it may be pointless. By the time you get the note, your files may already be destroyed – that is, encrypted so deeply that you will never be able to read them again. Some people do pay a ransom and get their data back.

As for prosecuting the crooks, that is a tall order. Much of this malware is launched overseas using Tor, an anonymous online network. That makes it difficult to discern who the victim is as well as the attacker – if one of your workers thoughtlessly clicks on a ransomware link, you cannot find, scold or even help that employee any more than you could locate the hacker behind the extortion.[3]

How do you guard against a ransomware attack? No one is absolutely immune from this, but there are some precautions you should take. First, back up your data frequently – and make sure that the storage volumes are not connected to your computer(s).

Stocks and Presidential Elections

What does history tell us – and should we value it?

1 - marketwatch.com/story/2016-predictions-what-presidential-election-years-mean-for-stocks-2015-12-29 [12/29/15]
2 - kiplinger.com/article/investing/T043-C008-S003-how-presidential-elections-affect-the-stock-market.html [2/16]
3 - tinyurl.com/j82mg4c [6/12/16]

As an investor, you know that past performance is no guarantee of future success. Expanding that truth, history has no bearing on the future of Wall Street. That said, stock market historians have repeatedly analyzed market behavior in presidential election years, and what stocks do when different parties hold the reins of power in Washington. They have noticed some interesting patterns through the years, which may or may not prove true for 2016.

Do stocks really go through an "election cycle" every four years? The numbers really don't point to any kind of pattern. (Some analysts contend that stocks follow a common pattern *during* an election year; more about that in a bit.) In price return terms, the S&P 500 has gained an average of 6.1% in election years, going back to 1948, compared to 8.8% in any given year. The index has posted a yearly gain in 76% of presidential election years starting in 1948, however, as opposed to 71% in other years. Of course, much of this performance could be chalked up to macroeconomic factors having nothing to do with a presidential race.[1]

Overall, election years have been decent for the blue chips. Opening a very wide historical window, the Dow has averaged nearly a 6% gain in election years since 1833. Across that same time frame, it has averaged a 10.4% gain in "year three" – years preceding election years.[2]

Many election years have seen solid advances for the small caps. The average price return of the Russell 2000 is 10.9% in election years going back to 1980, with a yearly gain occurring 78% of the time.[1]

Do stocks respond if a particular party has control of Congress? A little data from InvesTech Research will help to answer that. InvesTech studied S&P 500 yearly returns since 1928 and found that the S&P returned an average of 16.9% in the two years after a presidential election when the White House and Congress were controlled by the same party. In the 2-year stretches after a presidential election, when Congress was controlled by the party that didn't occupy the White House, the price return of the S&P averaged 15.6%. When control of Congress was split – regardless of who was President – the S&P only returned an average of 5.5% in those 2-year periods.[2]

Could stock market performance actually influence the election? An InvesTech analysis seems to draw a correlation, however mysterious, between S&P 500 performance and whether the incumbent party retains control of the White House. There have been 22 presidential elections since 1928. In those 22 years, the incumbent party won the White House 86% of the time when the S&P advanced during the three months preceding Election Day. When the S&P lost ground in the three months prior to the election, the incumbent party lost the White House 88% of the time. Of course, other factors may have been considerably more influential in these elections, such as a given president's approval rating and the unemployment rate.[2]

Annual returns aside, is there a mini-cycle that hits stocks in the typical election year? Some analysts insist so, with the cycle unfolding like this: stocks gain momentum during primary season, rally strongly as the presumptive nominees appear and party conventions occur, and then go sideways or south in November and December.[3] There might be something to this assertion, at least in terms of S&P 500 performance. A FactSet/*Wall Street Journal* analysis shows that, in election years starting in 1980, the S&P has advanced an average of 4.9% in the period between when a presumptive nominee is declared and Election Day. After Election Day in these nine years, it declined about half a percent on average.[3]

How much weight does history ultimately hold? Perhaps not much. It is intriguing, and some analysts would instruct you to pay more attention to it rather than less. Historical "norms" are easily upended, though. Take 2008, the election year that brought us a bear market disaster. The year 2000 also brought an S&P 500 loss. While a presidential election undoubtedly affects Wall Street every four years, it is just one of many factors in determining a year's market performance.[1]

— Jim

2017 Retirement Plan Contribution Limits

Minor inflation means small, but notable, changes for the new year

1 - forbes.com/sites/ashleaebeling/2016/10/27/irs-announces-2017-retirement-plans-contributions-limits-for-401ks-and-more/ [10/27/16]
2 - irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits [10/28/16]
3 - tinyurl.com/h4x5cf6 [4/29/16]
4 - cnbc.com/2016/08/19/dont-use-your-health-savings-account-funds-right-away.html [8/19/16]

Each October, the Internal Revenue Service announces changes to annual contribution limits for IRAs and workplace retirement plans. Are any of these limits rising for 2017?

Will IRA contribution limits go up? Unfortunately, no. Annual contributions for Roth and traditional IRAs remain capped at $5,500 for 2017, with an additional $1,000 catch-up contribution permitted for those 50 and older. This is the fifth consecutive year those limits have gone unchanged. The SIMPLE IRA contribution limit is the same in 2017 as well: $12,500 with a $3,000 catch-up permitted.[1,2] There are some changes pertaining to IRAs. The limit on the employer contribution to a SEP-IRA rises $1,000 in 2017 to $54,000; this adjustment also applies for solo 401(k)s. The compensation limit applied to the savings calculation for SEP-IRAs and solo 401(k)s gets a $5,000 boost to $270,000 for 2017.[1] Next year will bring an adjustment to IRA phase-out ranges. Your maximum 2017 contribution to a Roth IRA may be reduced if your modified adjusted gross income falls within these ranges, and prohibited if it exceeds them.[1]

*Single/head of household
$118,000-133,000
($1,000 higher than 2016)

If your MAGI falls within the applicable phase-out range below, you may claim a partial deduction for a traditional IRA contribution made in 2017. If it exceeds the top limit of the applicable phase-out range, you can't claim a deduction.[1]

*Single or head of household, covered by workplace retirement plan $62,000-72,000
($1,000 higher than 2016)

*Married filing jointly, spouse making IRA contribution covered by workplace retirement plan $99,000-119,000
($2,000 higher than 2016)

*Married filing jointly, spouse making IRA contribution *not* covered by workplace retirement plan, other spouse is covered by one $186,000-196,000
($2,000 higher than 2016)

*Married filing separately, covered by workplace retirement plan $0-10,000 *(unchanged)*

Will you be able to put a little more into your 401(k), 403(b), or 457 plan next year? No. The maximum yearly contribution limit for these plans stays at $18,000 for 2017. (That limit also applies to the Thrift Savings Plan for federal workers.) The additional catch-up contribution limit for plan participants 50 and older remains at $6,000.[1]

Are annual contribution limits on Health Savings Accounts rising? Just slightly. In 2017, the yearly limit on deductible HSA contributions stays at $6,750 for family coverage and increases $50 to $3,400 for individuals with self-only coverage. You must participate in a high-deductible health plan to make HSA contributions. The annual minimum deductible for an HDHP remains at $1,300 for self-only coverage and $2,600 for family coverage in 2017. Next year, the upper limit for out-of-pocket expenses stays at $6,550 for self-only coverage and $13,100 for family coverage. HSAs are sometimes called "backdoor IRAs" because they can essentially function as retirement accounts for people 65 and older; at that point, withdrawals from them can be used for any purpose.[3,4]

Are you self-employed, with a defined benefits plan? The limit on the yearly benefit for those pension plans increases by $5,000 next year. The 2017 limit is set at $215,000.[1]

— Mico

Fun Facts About Coffee

- Studies have shown that drinking caffeine can increase your metabolism 3 to 11%.
- Coffee beans are actually the seed from a red berry that grows on a bush.
- Seventy percent of coffee beans are Arabica. Although less popular, Robusta is slightly more bitter and has twice as much caffeine.
- There have been five attempts to ban coffee throughout history.

Cloud storage or a flash drive that always stays in one of your computer's USB ports is inadequate. If you back up your files regularly enough, weathering a ransomware attack becomes easier.[3] Keep your anti-virus software renewed and up to date. Those alerts you receive about the latest updates? Heed them. Never click on a mysterious link or attachment. This is common knowledge, but bears repeating – because even after years of warnings, enough people still click on mysterious links and attachments to keep malware profitable.

Ransomware is a kind of cyberterrorism. This is why the Department of Homeland Security issues warnings about it. When you deal with terrorists, playing hardball has its virtues. As Symantec Security Response director Kevin Haley told NBC News: "If none of us paid the ransom, these guys would go out of business."[2]

— Shawn

1 - rackspace.com/blog/don't-be-held-hostage-by-ransomware-hackers/ [1/15/15]
2 - nbcnews.com/nightly-news/security-experts-you-should-never-pay-ransomware-hackers-n299511 [2/4/15]
3 - tinyurl.com/n3rcrsm [12/8/14]