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Winter 2016 – 17

“HAPPY NEW YEAR” RUSSELL W. KETRON, CFP®

Dear Friends and Clients:

INTRODUCING INTELLIGENT DIVERSIFIED PORTFOLIOS

One of the major challenges for smaller investors is how to keep the costs down while building their portfolios for the future with potentially less volatility. Now Ketron Financial, LLC has helped design a partnership with the award winning investment firm of Zacks Investment Management with their actively managed Advantage platform through low cost Schwab accounts. This online investment advisory service automatically builds a balanced, diversified portfolio that is managed to capitalize on market opportunities based on clients investment goals and objectives.

Zacks advantage is client centered by using an active managed, time tested, performance-driven, automated investment portfolio that is a numbers-driven approach to seek improved returns versus standard benchmarks. Broader diversification and lower costs are achieved by the use of Exchanged Traded Funds (ETF's). Zacks Advantage can give our clients the best of both worlds: a

low cost, low maintenance portfolio that is also managed to capitalize on market opportunities. Accounts can be structured for total return in both taxable and non-taxable portfolios. Accounts can be opened for as little as \$10,000.

Zacks has been providing experienced wealth management, investment and research guidance to the institutional market place and high net worth investors for decades.

Zacks was named Manager of the decade in 2009 by PSN.

Five of Zacks strategies ranked in the top 10% in annual returns by Morningstar as of 6/30/16.

Our larger individually managed accounts still offer the potential for greater returns commensurate with the added risk of individual securities.

For more information, please contact Courtenay or me at 415-892-0928.

Happy New Year! RUSSELL

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“Maybe if we did a better job of listening, history wouldn't have to repeat itself”

~ Anonymous

Office News ~ Ruth Aguirre

Thank you to all who went with us during our transition to our new broker/dealer Western International Securities, Inc. It took a lot of hard work, time and your patience with all the paperwork was much appreciated.

Courtenay Wise has come a long way in the year that she has been with us. She is now licensed and a full advisor. While she still assists me on client account servicing, her main focus will be working with client's planning needs. She is also insurance

licensed for long-term care and life insurance. Call her for a review of your insurance and planning needs.

Our goal to go paperless is in the final stages and 4th quarter 2016 will be our last mailing of paper statements. Because client account information is online and accessible on a daily basis, we will be discontinuing the electronic quarterly statements after 4th quarter 2016 as well. For those of you not set up with webportal access, watch for an email

invitation to login to your personal webportal to view all the accounts currently shown on your quarterly reports.

It has been over a year since we implemented our new VOIP phone system. Most of the time it works as well as the old system, but we appreciate your feedback on sound quality issues so we can work with the company to continue to improve their service.

~ Ruth Aguirre

"The truth is there is nothing noble in being superior to somebody else. The only real nobility is being superior to your former self." ~ Whitney Young

THE IMPORTANCE OF SAVING ~ COURTENAY WISE

Let us welcome 2017 with a great New Year resolution and set some savings goals. Setting savings goals will help create a map for the future and make financial decisions easier whether you're faced with sudden financial changes, planning for a trip, creating a holiday fund, or any other financial goal you may have.

Establishing a good savings habit is your key to financial success and as Russ always says "Pay yourself first." Here are a few tips to help you set a savings goal and on the

following page, a fun 52 week savings challenge. I challenge you all to set a financial goal for 2017.

- Identify your income
- Set goals: short-term, mid-term, and long-term goals
- Make a plan: develop spending plans (budget)
- Take action to achieve them
- Review and revise as needed

"63% of Americans don't have enough savings to cover a \$500 emergency." ~ Maggie McGrath, Forbes

With these tips, you can stay on track to reach those financial goals. While most of our clients do not fall into the 63% statistic below, some of their friends and family may. Please feel free to share these tips and savings challenges.

Here at Ketron Financial, we offer goal planning and budgeting services. Give us a call and we would be more than happy to assist you.

Courtenay Wise

Continued from page 2 **THE IMPORTANCE OF SAVING ~ COURTENAY WISE**

1 Year Savings Challenge
Choose which way you save!

Weekly Savings Plan											
Week	Deposit amount	Account Balance	Week	Deposit Amount	Account Balance	Week	Deposit Amount	Account Balance	Week	Deposit Amount	Account Balance
1	\$52	\$52	14	\$39	\$637	27	\$26	\$1,053	40	\$13	\$1,300
2	\$51	\$103	15	\$38	\$675	28	\$25	\$1,078	41	\$12	\$1,312
3	\$50	\$153	16	\$37	\$712	29	\$24	\$1,102	42	\$11	\$1,323
4	\$49	\$202	17	\$36	\$748	30	\$23	\$1,125	43	\$10	\$1,333
5	\$48	\$250	18	\$35	\$783	31	\$22	\$1,147	44	\$9	\$1,342
6	\$47	\$297	19	\$34	\$817	32	\$21	\$1,168	45	\$8	\$1,350
7	\$46	\$343	20	\$33	\$850	33	\$20	\$1,188	46	\$7	\$1,357
8	\$45	\$388	21	\$32	\$882	34	\$19	\$1,207	47	\$6	\$1,363
9	\$44	\$432	22	\$31	\$913	35	\$18	\$1,225	48	\$5	\$1,368
10	\$43	\$475	23	\$30	\$943	36	\$17	\$1,242	49	\$4	\$1,372
11	\$42	\$517	24	\$29	\$972	37	\$16	\$1,258	50	\$3	\$1,375
12	\$41	\$558	25	\$28	\$1,000	38	\$15	\$1,273	51	\$2	\$1,377
13	\$40	\$598	26	\$27	\$1,027	39	\$14	\$1,287	52	\$1	\$1,378

Bi Weekly Savings Plan											
Week	Deposit amount	Account Balance	Week	Deposit amount	Account Balance	Week	Deposit amount	Account Balance	Week	Deposit amount	Account Balance
1	\$104	\$104	7	\$80	\$644	14	\$52	\$1,092	20	\$28	\$1,320
2	\$100	\$204	8	\$76	\$720	15	\$48	\$1,140	21	\$24	\$1,344
3	\$96	\$300	9	\$72	\$792	16	\$44	\$1,184	22	\$20	\$1,364
4	\$92	\$392	10	\$68	\$860	17	\$40	\$1,224	23	\$16	\$1,380
5	\$88	\$480	11	\$64	\$924	18	\$36	\$1,260	24	\$12	\$1,392
6	\$84	\$564	12	\$60	\$984	19	\$32	\$1,292	25	\$8	\$1,400
			13	\$56	\$1,040				26	\$4	\$1,404

Semi Monthly Savings Plan											
Week	Deposit amount	Account Balance	Week	Deposit amount	Account Balance	Week	Deposit amount	Account Balance	Week	Deposit amount	Account Balance
15-Jan	\$115	\$115	15-Apr	\$85	\$700	15-Jul	\$55	\$1,105	15-Oct	\$25	\$1,330
1-Feb	\$110	\$225	1-May	\$80	\$780	1-Aug	\$50	\$1,155	1-Nov	\$20	\$1,350
15-Feb	\$105	\$330	15-May	\$75	\$855	15-Aug	\$45	\$1,200	15-Nov	\$15	\$1,365
1-Mar	\$100	\$430	1-Jun	\$70	\$925	1-Sep	\$40	\$1,240	1-Dec	\$10	\$1,375
15-Mar	\$95	\$525	15-Jun	\$65	\$990	15-Sep	\$35	\$1,275	15-Dec	\$5	\$1,380
1-Apr	\$90	\$615	1-Jul	\$60	\$1,050	1-Oct	\$30	\$1,305			

Monthly Savings Plan											
Month	Deposit amount	Account Balance	Month	Deposit amount	Account Balance	Month	Deposit amount	Account Balance	Month	Deposit amount	Account Balance
1	\$225	\$225	4	\$165	\$780	7	105	\$1,155	10	\$45	\$1,350
2	\$205	\$430	5	\$145	\$925	8	85	\$1,240	11	\$25	\$1,375
3	\$185	\$615	6	\$125	\$1,050	9	65	\$1,305	12	\$5	\$1,380

Glen's Market Watch

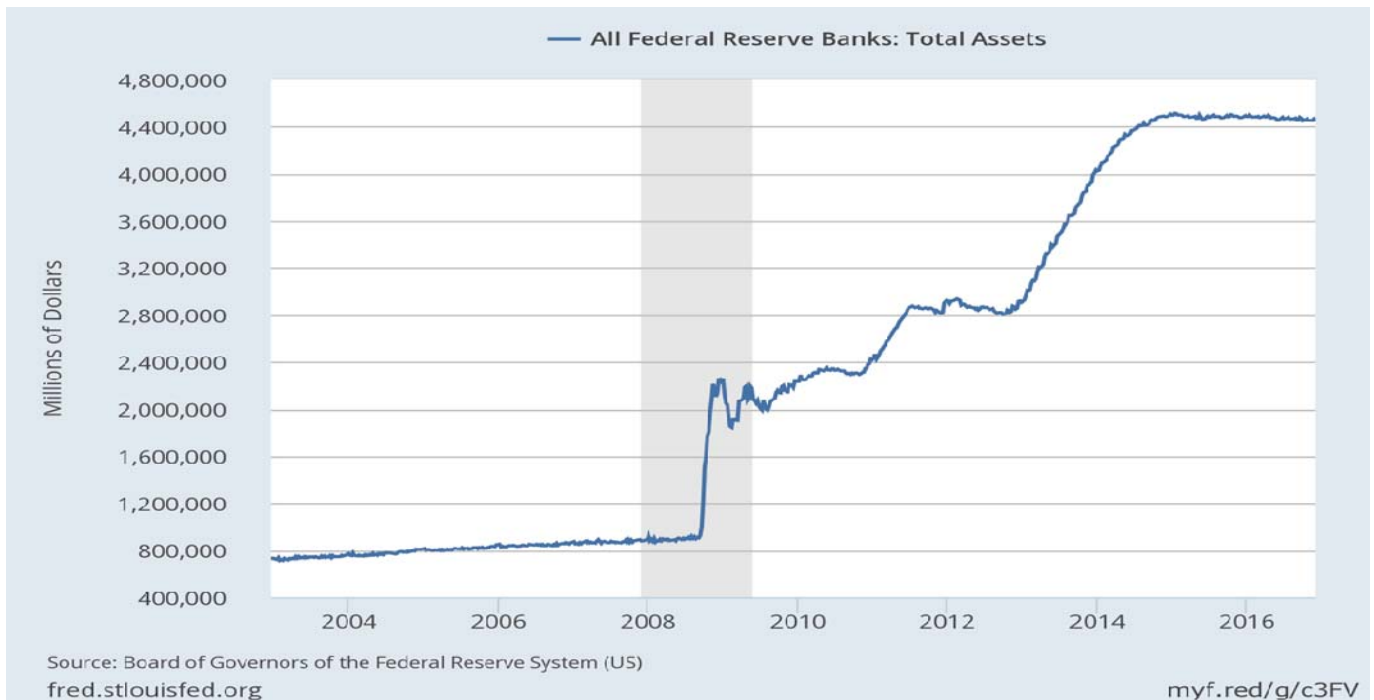
Writing date December 6, 2016, a week before the Federal Reserve Bank decides if they will increase the interest rates, presumably by .25%. The chart below shows their balance sheet holdings of assets. These assets are typically United States Government debt. To protect our economy the Federal Reserve has stepped up in dramatic ways since 2007. This dramatic acquisition of

has tapered since January 2015. The debt holding had dropped 1.54%, about 70 billion dollars. (<https://fred.stlouisfed.org/series/WOFSRBRBC>)

In the same period the US government debt has not declined, it has gone up over 1 Trillion dollars. (http://www.usgovernmentdebt.us/spending_chart_2001_2021USr_H0t#copypaste)

There are reasons for the interest rates to rise. One element is that the Federal

rates may make it possible for them to gradually sell down their holdings. Banks and insurance companies will have more profit potential with higher rates. I often hear that higher rates will help those dependent on debt revenues to pay their bills. This last item may give less satisfaction than anticipated for those who currently have debt instruments in their portfolio. As interest rates rise the older lower rate instruments get



debt support has become common in Central Bank management around the world.

Please note that the line

Reserve created the money to buy this debt. It is a burden to their balance sheet making the Fed less able to fight off future economic stress. Increasing the

discounted in the market, meaning that your ability to sell at the price you bought in fades away on longer term debt instruments.

"Since when do you have to agree with people just to defend them from injustice?"

~ Lillian Hellman

Continued from page 4 **Glen's Market Watch**

The US Government debt instruments typically roll over.

Example: a two year note is due to be paid back in two years. The government raises money to pay back the note by issuing new notes. They sell the new notes in auction. In a rising rate environment the new notes have a higher interest rate than those being paid off. The US Government notes are generally fixed rate. That means that the turnover of the notes gradually ripples the higher rates to the federal government.

The federal Government has nearly 20 Trillion Dollars in debt. To pay 2.33% (the average USG rate paid December 2015) on 20 Trillion, we would spend \$466 Billion annually. Adding the .25% increase in December 2015 and the projected .25% increase in December 2016, that fee would gradually grow to \$566 Billion, a 21.5% increase in our debt payments. Add to that the Fed talk about increasing another one percent in 2017, and the ultimate cost becomes \$766 billion which is a 64.4% increase from the 2.33% interest rate.

Variables make these numbers over simplified. One was already discussed. The change in the interest rates is delayed by the continuous roll-over of government debt. The amount of government debt is

another factor. Twenty Trillion may grow to a larger number. A third factor is growth of our economy and tax revenues received. If the revenues grow rapidly the nation may be able to afford higher debt and higher interest rates.

Another issue is international trade. The lower the relative value of the dollar, the higher potential for us to sell our products in other countries. The higher dollar makes their stuff more attractive and our balance of payments another stress point on the economy. Increasing interest rates is generally expected to raise the attractiveness (relative value) of the dollar.

The world economies are trying to balance the same problems. Their central banks have created money and bought debt. Nations are hard pressed to pay interest on their debt, the percentage of the age eligible population employed would be less stressed if it were higher in many nations, so price competition for labor shifts jobs to the lower cost environments. With these problems not having clear and rapid resolution, Governments seem to be getting more votes and signals of lack of confidence. This can lead to more experimentation and turmoil.

My concern or thesis of this article is that the increase in interest rates could easily outpace the growth in tax income. For

this reason, I have felt that the Federal Reserve's path of rate increase is and has been overstated in a practical sense and is likely to be much slower.

As always, please feel free to call if we can be of service.

Glen Calkins

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"This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any funds or stocks in particular, nor should it be construed as a recommendation to purchase or sell a security. Past performance is not indicative of future results. The views expressed are those of Glen Calkins/Ketron Financial and do not necessarily reflect the views of Western International Securities, Inc."

**"Change is inevitable.
Growth is optional."
— John C. Maxwell**

2016 CHARITABLE CONTRIBUTION LIST

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BUILDING BETTER CITIZENS	PARALYZED VETERANS OF AMERICA
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Bad Predictions: "The Americans have need of the telephone, but we do not.

We have plenty of messenger boys." Sir William Preece, Chief Engineer, British Post Office, 1878

Ketron Financial, LLC

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Financial, and Lifetime Planning Decisions.*