YOUR FINANCIAL FUTURE

Your Guide to Life Planning

July 2016

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In This Issue

KEY TAKEAWAYS

- High-quality bond strength is unlikely to fade soon, if history is a guide.
- A greater likelihood of central banks remaining market-friendly for longer would provide fundamental support for high-quality bonds and the lower for longer theme.

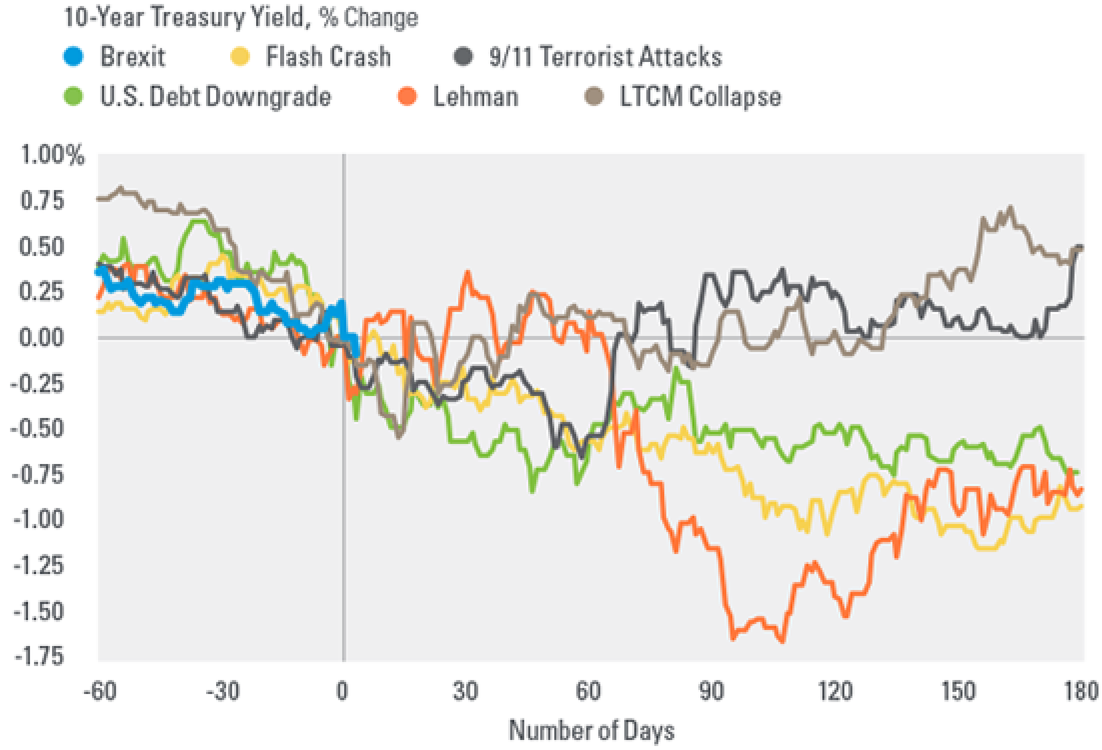
BREXIT & BONDS

High-quality bond strength following the Brexit vote is likely to persist if history is any guide. Flight-to-safety buying, which is typical in response to market or geopolitical shocks, propelled Treasuries to strong gains in response to voters in the United Kingdom (U.K.) deciding to leave the European Union (EU). Investor response wasn't all about the economic uncertainty, however. Brexit results are likely to influence central bank policy, a key driver of bond prices and yields. Negative potential economic implications and the likelihood for more market-friendly central bank policy from the Bank of England (BOE) and Federal Reserve (Fed), the two major central banks that were the most likely to raise interest rates, may continue to reinforce the lower for longer theme in the bond market.

A look back at prior market shocks over the past 20 years shows that Treasury yields typically remain low even after an initial shock [Figure 1]. The only instance in which the 10-year Treasury yield closed higher after the first 30 days following a market shock (surprisingly) occurred following the Lehman Brothers bankruptcy on September 15, 2008. Knock-on effects and the extraordinary policy response over the remainder of 2008 would ultimately lead to a larger decline in subsequent months.

With the exception of the period following the September 11, 2001 terrorist attacks, high-quality bond prices witnessed additional gains and lower yields over the subsequent three months. The 10-year Treasury yield closed just over 0.25% higher in the 90 days after September 11, 2001; it finished modestly lower, over the same time period, following the collapse of the Long-Term Capital Management (LTCM) hedge fund in the fall of 1998.

1 HIGH-QUALITY BOND STRENGTH TYPICALLY PERSISTS AFTER A MARKET SHOCK



Source: LPL Research, Bloomberg 06/27/16

Dates: Brexit (06/24/16), Flash Crash (05/06/10), U.S. Debt Downgrade (08/05/11), Lehman (09/15/08), Long-Term Capital Management (LTCM) hedge fund collapse (09/23/98). 10-year Treasury yield change indexed to 0.0% on day of event.

Performance is historical and no guarantee of future results.

Six months after a market shock event, the data are more mixed, with two cases showing a rise in Treasury yields. Still, the increase of 0.5% over six months is unlikely to provide much relief in today's low-yield world. Such a rise in yields, if repeated, would translate into modest losses for intermediate high-quality bond investors; but history shows that weakness took time to develop.

FUNDAMENTAL DRIVERS

Bond market strength has not been strictly a knee-jerk reaction to a market shock. Rising economic risks and more market-friendly central bank expectations are providing fundamental support for Treasury prices post-Brexit. On the economic front, the Brexit decision led to downward revisions to U.K. economic growth forecasts, and increased recession risks. Economic implications are also negative for broader Europe, even if the U.S. remains more insulated. The additional headwinds confronting European economies as a result of the Brexit provide additional support for high-quality bond prices.

Central banks are also expected to take a more benign path in response to the Brexit. Fed Chair Janet Yellen previously stated that the Brexit is a risk the Fed is watching and cited it as a reason to refrain from raising interest rates at the recent June Fed meeting. The Brexit is likely to keep the Fed on hold for longer and further pushes back the timing of additional Fed rate increases.

The BOE is now expected to cut interest rates and may restart bond purchases (known as quantitative easing or QE). Over the past two years, expectations regarding the BOE have changed substantially. The BOE was once expected to be the first major central bank to raise interest rates, but now it's expected to join a growing list of central banks lowering interest rates.

Central bank policy is a key driver of bond prices and yields. Potential rate hike risks from the BOE and Fed are now reduced (and possibly reversed in the BOE's case), and therefore, so is the potential risk to high-quality bond prices.

Both 10- and 30-year Treasury yields remain within striking distance of all-time record lows as a result of the Brexit vote [Figure 2 & Figure 3]. The 10-year Treasury yield is approaching the all-time low 1.39% set in mid-2012, while the 30-year Treasury is challenging the record low of 2.22% set in February of this year. The more recent (2016) record low yield of the 30-year Treasury reflects the current environment, in which negative interest rate policies and relatively wide interest rate differentials make Treasuries attractive to overseas investors.

2 THE 10-YEAR TREASURY YIELD IS WITHIN STRIKING DISTANCE OF AN ALL-TIME LOW…

Source: LPL Research, Bloomberg 06/27/16

Performance is historical and no guarantee of future results.

3 …AS IS THE 30-YEAR TREASURY YIELD

Source: LPL Research, Bloomberg 06/27/16

Performance is historical and no guarantee of future results.

TOO EARLY FOR OPPORTUNITIES

We believe it is too early for investors seeking any potential buying opportunities. Lower-rated, more economically sensitive sectors such as high-yield bonds, bank loans, emerging markets debt, and preferred securities suffered price declines in the aftermath of the Brexit vote. Still, after a strong start to 2016, valuations remain only fair across these sectors and, in our view, do not offer an immediate opportunity.

As expensive as high-quality bond valuations are, prices may continue to be supported amid lingering uncertainty and central banks remaining bond investor-friendly for longer.

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 reference is historical and is no guarantee of future results. All indexes are unmanaged and cannot be invested into directly.*

The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values and yields will decline as interest rates rise, and bonds are subject to availability and change in price.

Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

U.S. Treasuries may be considered "safe" investments but do carry some degree of risk including interest rate, credit, and market risk. They are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.

International debt securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical and regulatory risk, and risk associated with varying settlement standards. These risks are often heightened for investments in emerging markets.

Tracking #1-511519   (Exp. 06/17)

A Net Worth Statement Helps Keep Retirees on Track

Taking stock of your assets and liabilities may require a bit of research at first, but the process will get easier each time you do it.

A number of planning tools can help retirees monitor their cash flow and make appropriate adjustments in response to changes in income and expenses. Not the least of these is a net worth statement.

By calculating your net worth, you are essentially taking a snapshot of your current financial status. That snapshot can then provide you with the information you need to make important financial decisions.

What is net worth? It is more than just your income -- it's your overall wealth. To determine your net worth, just add up your assets and subtract your liabilities. Your assets are everything you own, including the money in your bank accounts, retirement plans, and investments accounts as well as real estate and even possessions such as your car(s) or a boat. Your liabilities are what you owe. This may include the balance on your home mortgage, credit card debt, car payments, and even unpaid taxes.

Taking stock of your assets and liabilities may require a bit of research at first, but the process will get easier each time you do it. It's a good idea to review the calculation each year to make sure you stay on the right track.

Whether your net worth is higher or lower than you expected really should not be of concern. The main purpose of identifying your net worth is to give you a reference point for assessing your overall financial health.

The following worksheet will help you break down your assets and liabilities so you can reach your bottom line.

YOUR ASSETS	
Cash/bank accounts, CDs, etc.[1]	$
Vested share of retirement accounts (employer plans, pensions, profit-sharing plans, etc.)	$
Market value of investments (stocks, bonds, mutual funds, IRAs, annuities, etc.)[2]	$
Market value of real estate (home, other property)	$
Market value of vehicles (car, boat)	$
Cash value of insurance policies	$
Other (valuables, furnishings, etc.)	$
TOTAL ASSETS	$
YOUR LIABILITIES	
Balance due on home or real estate mortgage(s)	$
Balance due on loans (car, student, real estate)	$
Balance due on rental properties	$
Balance due on credit cards	$
Fixed monthly payments	$
Unpaid taxes	$
Other	$
TOTAL LIABILITIES	$
YOUR NET WORTH (Subtract liabilities from assets)	$

[1] *CDs are FDIC insured and offer a fixed rate of return if held to maturity.*

[2] *Investing in stocks involves risks, including loss of principal. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price. Investing in mutual funds involves risk, including loss of principal. Mutual funds are offered and sold by prospectus only. You should carefully consider the investment objectives, risks, expenses and charges of the investment company before you invest. For more complete information about any mutual fund, including risks, charges and expenses, please contact your financial professional to obtain a prospectus. The prospectus contains this and other information. Read it carefully before you invest.*

An annuity is a long-term, tax-deferred investment vehicle designed for investment purposes and contains both an investment and an insurance component. They are sold only by prospectus. Guarantees are based on the claims-paying ability of the issuer and do not apply to an annuity's separate account or its underlying investments. The investment returns and principal value of the available subportfolios will fluctuate so that the value of an investor's unit, when redeemed, may be worth more or less than their original value. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal.

1-331501

The DOL Revisits Conflict of Interest Rules

According to the DOL's definition, "a person is a fiduciary if he or she receives compensation for providing advice with the understanding that it is based on a particular need of the person being advised or that it is directed to a specific plan sponsor, plan participant, or IRA owner."

Over the past several decades, there has been a significant shift in the retirement savings landscape away from employer-sponsored defined benefit pension plans to defined contribution plans, such as 401(k)s. At the same time, there has been widespread growth in assets in IRAs and annuities.

One consequence of this change, according to the U.S. Department of Labor -- the governmental body that oversees pensions and other retirement accounts -- is the increased need for sound investment advice for workers and their families.

The DOL says its so-called "conflict of interest" rules are intended to require that all who provide retirement investment advice to employer-sponsored plans and IRAs abide by a "fiduciary" standard -- putting their clients' best interest before their own profit.

Originally proposed more than a year ago, the "final" rules -- introduced in April 2016 -- have been revised to reflect input from consumer advocates, industry stakeholders, and others. Following are some of the key takeaways from the DOL's final regulatory package.

The Role of the Fiduciary

According to the DOL's definition, "a person is a fiduciary if he or she receives compensation for providing advice with the understanding that it is based on a particular need of the person being advised or that it is directed to a specific plan sponsor, plan participant, or IRA owner. Such decisions can include, but are not limited to, what assets to purchase or sell and whether to roll over from an employment-based plan to an IRA. [1] In this capacity, a fiduciary could be a broker, registered investment adviser, or other type of adviser.

The Best Interest Contract Exemption

The DOL's final rules include a provision called the Best Interest Contract Exemption (BICE). This exemption is intended to allow firms to continue to use certain compensation methods provided that they "commit to putting their client's best interest first, adopt anti-conflict policies and procedures, and disclose any conflicts of interest that could affect their best judgment as a fiduciary rendering advice" -- among other conditions.[2]

How does the BICE affect you? The contract provisions of the BICE are slated to go into effect January 1, 2018. At that time, IRA clients entering into a new advisory relationship should expect to sign the contract either before or at the time that a new recommended transaction is executed. IRA clients already working with an investment adviser as of January 1, 2018, may receive a notice from their adviser describing their new rights, but they should not be required to take any action unless they object to the terms of the notice.

Clients receiving advice about investments in an employer-sponsored retirement plan should receive the same general protections and disclosure, but should not expect to receive a contract to sign.

Education vs. Advice

The DOL's final rules clarify its position that education about retirement savings is beneficial to plan sponsors, plan participants, and IRA owners. As such, the DOL said that plan sponsors and service providers can offer investment education without becoming investment advice fiduciaries.

Further, the DOL stated that communications from plans that identify specific investment alternatives can be considered "education" and not a "recommendation" because plans have a fiduciary who is responsible for making sure the investment offerings in the plan are prudent. Since there is no such responsible fiduciary in the IRA context, references to specific investment alternatives are treated as fiduciary recommendations and not merely education.

Time to Get on Board

The new regulations are expected to take effect in the spring of 2017 (at the earliest) to allow all affected parties to adapt to and incorporate the changes.

To learn more about the new regulations and how they may affect you, visit the Department of Labor website.

United States Department of Labor, "FAQs About Conflicts of Interest Rulemaking."

1-501512

College Planning -- It's About More Than Money

Applying well in advance of the deadlines can boost your child's chances of getting accepted to the school of his or her choice and receiving a favorable financial aid package.

Choosing a way to save for your child's education expenses may be your family's first college planning decision, but it certainly won't be the last. From making that first deposit, to selecting a college, to choosing a course of study, you and your child will be making choices that can have a financial impact for years to come.

How Will You Save Enough?

Starting to save for college when your child is young may give you the best chance for accumulating a significant amount of money. Section 529 plans -- prepaid tuition plans designed to lock in today's tuition rates at eligible institutions -- and college savings plans, which permit contributions to an investment account set up to pay qualified education expenses, are popular tax-favored options. [1]Coverdell Education Savings Accounts also offer tax advantages, although contribution limits are relatively low.[2] Custodial accounts set up under the Uniform Gifts to Minors Act (UGMA) or Uniform Transfers to Minors Act (UTMA) are another option to consider.

The Financial Aid Game

By the time college gets close, your family's life may seem to be ruled by deadlines. There are different deadlines for college applications, scholarship applications, and the FAFSA (Free Application for Federal Student Aid) submissions. Applying well in advance of the deadlines can boost your child's chances of getting accepted to the school of his or her choice and receiving a favorable financial aid package. If you wait too long, spots may already be filled and aid money given to students who applied earlier.

Dissecting Aid Packages

Typically, aid packages consist of grants, loans, work study, and an expected family contribution. When reviewing aid offers, compare apples to apples. Start with the cost of tuition at each school. Then look at how much of the aid package consists of loans that will have to be repaid. Make sure non-tuition costs, such as room and board, books, equipment, transportation, and fees, are included in the school's cost estimates. It's a good idea to do your own cost estimate and use that as your basis for comparing offers.

The Right Fit

As important as it is, money shouldn't be the only criterion used when choosing a college. Lower cost of attendance or generous financial aid is most valuable if the college is a good fit for your child's abilities, personality, and goals. Choosing the wrong college could cost a bundle in lost opportunities if your child is unhappy or doesn't feel sufficiently challenged by the curriculum.

Look Toward the Future

A college education is an investment in the future, so parents may want to discuss choosing a course of study that will lead to a career. Talk to your child about the importance of preparing for life beyond college by obtaining the practical skills and knowledge needed to land a job after graduation. By planning ahead, your child may turn his or her interests into a successful career.

[1]*Certain benefits may not be available unless specific requirements (e.g., residency) are met. There also may be restrictions on the timing of distributions and how they may be used.*

[2]*Internal Revenue Service. The annual contribution limit is $2,000. Taxpayers with modified adjusted gross incomes (MAGIs) of more than $220,000 (for married couples filing a joint tax return) and $110,000 (for singles) may not contribute. For most taxpayers, MAGI is the adjusted gross income as figured on their federal income tax return.*

1-501500

10 Things You May Not Know About an LLC

Upon formation of an LLC, the members contribute cash, property, or services to the LLC in exchange for LLC shares or units.

You probably know of several businesses whose formal names end with the acronym LLC. And you probably also know that LLC stands for limited liability company. Here are 10 things you may *not* know about this type of business structure.

1. An LLC generally protects its owners from personal liability for business obligations in much the same way a corporation does, but an LLC is not a corporate entity.[1]
2. An LLC that plans to conduct business in a state other than the one in which it was established may have to register and/or qualify to do business in that state, depending on the particulars of the situation.
3. The owners of an LLC are called "members." There is no limit on the number of members an LLC can have, and members don't necessarily have to be individuals. Members' management roles are typically spelled out in an operating agreement.
4. Upon formation of an LLC, the members contribute cash, property, or services to the LLC in exchange for LLC shares or units.
5. An LLC may borrow money in its own name and is responsible for repayment of the debt.
6. An LLC is usually treated as a partnership for federal income-tax purposes. (The remaining four points assume partnership treatment.)
7. Like partners, LLC members are not considered employees of the company. However, an LLC can have non-member employees.
8. LLC members are taxed directly on company income. The LLC itself doesn't pay federal income taxes.
9. If an LLC has a loss, its members generally can deduct their share of the loss on their own tax returns.
10. For tax purposes, an LLC's income and losses are divided among its members according to the terms of their agreement. Tax allocations must correspond to economic allocations of profit and loss.

An LLC is but one structure you might consider using for a business venture. If you have yet to choose a structure for your business, or if you feel your business may benefit from a new structure, make sure you talk the issues through with an attorney who is well versed in the legal aspects of business formation, as well as an accountant who understands the potential tax implications.

This communication is not intended to be tax advice and should not be treated as such. Each individual's -- and business's -- tax situation is different. You should contact your tax professional to discuss your individual situation.

[1] *Each state has its own laws governing LLCs. Consult with an attorney before establishing an LLC.*

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