Wisdom in Wealth Management with PPS Advisors

Fall 2016

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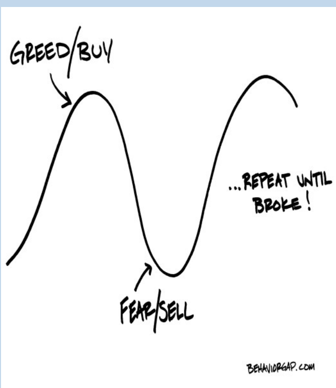

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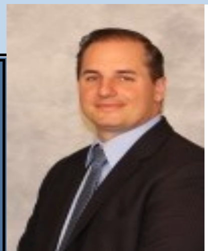


Election Year

I often find it helpful to look at current events through a historical lens when making investment decisions and forecasts. With only a short time before Election Day, I thought it would be interesting to examine the stock market's correlation to election results. Our research team came up with some surprising tidbits.

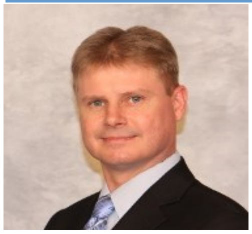
Since 1928, there have been twenty two U.S. presidential elections, with the stock market rising fourteen times in the three months prior to Election Day while falling eight times after the election. The incumbent party won in twelve of those fourteen up cycles while the challengers won in seven of the eight times when the market fell. Only in 1956, 1968, and 1980 did the market's performance fail to predict the winner, meaning that the three-month market performance predicted the Presidential election outcome 86% of the time, which is quite remarkable.

We have long been interested in "social mood" or sentiment and how it affects the stock market. One of the areas that we pride ourselves on, is making rational, unemotional investment decisions, using fundamentals as our investment guide. Taking too much or too little risk during times of greed or fear can be hurtful to investment returns and even the difference between meeting and falling short of long-term financial goals. It certainly appears as if short-term sentiment has a significant impact on the election results as well. What's interesting is that, as we all know, elections can have very dramatic long-term consequences. Making long-term decisions based on short-term moods can certainly lead to problems (and regret). Perhaps our research provides some clues as to why Congress has only an 10% approval rating, but gets re-elected at a 90+% rate.

As the old Wall Street saying goes, "History never repeats itself exactly, but it often rhymes." This election is notably different with a divisiveness not seen for quite some time, a political outsider as the GOP nominee, and a third party (Libertarian) polling above 10%, The markets are also functioning quite differently than normal, with interest rates still near emergency lows and central bank intervention at abnormally high levels. Will this correlation hold this election season? We will be watching it carefully. There are a number of different policies that will impact the economy and the financial markets, depending on who wins the election, including health care, tax rates, and spending on the military and infrastructure. Very rarely do we look at last month's prices to figure out where prices or the economy will be next year or the year after, but given this research, the market's performance leading up to Election Day could be an important indicator for what's to come for the next four to eight years.

Source—Stanard & Poor's and RealClear Politics
Cliff Walsh is a contributing writer from Progressive Advisory Solutions.

The Importance of Updating Your Beneficiary Designation
By Patrick McGovern and Val Sund



You spend a lifetime growing your wealth and putting protections in place to ensure that your loved ones are taken care of when you're gone. The problem is that many of us create a plan and then never look at it again and this is where issues can arise.
A common occurrence is that assets go to people we did not intend due to beneficiary designations that are out of step with changes in their lives. This is especially true after experiencing a significant life event such as a birth, death, marriage or divorce. This is also true for significant life events of your family members. Let's look at a few examples.

Example one: You have named your 2 nephews as primary beneficiaries on your retirement plan. Years later your brother has a daughter and due to a lack of review and update you have just inadvertently excluded your niece.

Example two: You have two children, a son and daughter, each of whom have two children of their own. You named your two children as primary beneficiaries, 50 percent each. This sounds like a solid choice but for lack of reading the fine print it turns disastrous. Many companies default to a "per capita" designation. In this case, should your son predecease you 100 percent would go to your daughter thereby disinheriting your son's children. This could have been rectified by simply adding the phrase "per stirpes" which in Latin means "per branch." In this case, the 50 percent that was intended for your son would flow equally to his two children.

Example three: You and your husband are in a second marriage, each of you with three children from your first marriages (yes it sounds like the Brady Bunch). As many spouses do, you each name each other as primary beneficiaries. Years later, when one of you die the assets go to the other. Upon the death of the second spouse, chances are that the assets will go to the three children of the second spouse therefore disinheriting the children of the first. This situation can be rectified with proper planning.

What to Do

What's the best rule of thumb? Check your beneficiary designations from time to time to make sure they are what you intend them to be. You should check all of your estate planning documents every three to four years—and the same goes for beneficiary designations. Most importantly, when you make or have a significant life change, you will want to check and possibly revise these documents. Naming a contingent beneficiary is also an area sometimes over-looked,. The contingent beneficiaries take precedence if a primary beneficiary has predeceased. Have you thought about choosing a charity for a cause you care about as a contingent? If you would like to review your beneficiary designations and plan, please contact our office to schedule a meeting with your advisor.

The Importance of introducing us to your Beneficiary Designations

While we have said how important updating your beneficiaries is, it is also very important that we get to know your beneficiaries whether they are your children, grandchildren or a close friend. You and your advisor can explain to your beneficiaries what your life plan has been and how you would like your beneficiaries to carry it forward. We can also speak to them about starting their own planning whether it is to pay off college loans, buy a home or to help them navigate through their 401K choices. Let's setup a meeting or a conference call so you can introduce them to us if we don't already know them.

You don't want to leave anyone out do you?

College Planning by Colette Frey-Bitzas

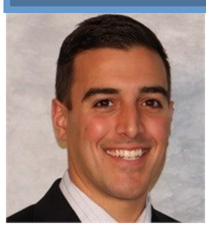
Most people think College Planning means opening a College Savings Plan and to start saving for this potentially enormous expense. Well that's only a small part of what College Planning is about. Like any planning it requires you to set a goal or expectation before you are hit with a bill.."The tuition bill". Don't wait until senior year of high school to do this planning, because 9 out of 10 times people wish they would have started earlier…The common response "if I only knew earlier"!

My 3rd child is heading off to her 1st year of college next week. I'll have 2 children in college this year! Time went fast, I am so glad we planned. Not all college planning is the same, just like not every child is the same. It's important to start the process at an early age, then as high school begins the clock speeds up. College selection begins with whether to choose private vs public institutions. Private schools can offer grants and more in scholarships as they have endowments for this. Just because a child has great grades, advanced classes and a good SAT/ACT score doesn't mean they will be accepted. Some schools consider financial need as part of the selection process although this is never mentioned in school literature. So your child is a top athlete? Great only a small percentage will get a full ride based on athletics. What the athletic ability will do is allow a coach that wants your child on their team to put a good word into the Admissions Counselor and will give attention to the application. Your child may be able to apply for a reach school as a result. Maybe he/she will get some scholarship money, always a bonus. In the selection process look at schools that offer the 5th year for Masters, instead of applying and attending another school for 2 additional years. This could be a savings in the long run. There are ways at that time to help pay for the program, most children are age 21 or older.

The best advice is do not rely on Financial Aid. Student loans typically make up the largest percentage of the typical aid package. Grants and scholarships typically cover about 15% of college expenses. Be aware not all student loans are the same. Before accepting any loans make sure you educate yourself about what you are accepting. We can help you prepare. Ask us for help with FAFSA forms, CSS Profile preparation, and college selection, comparing your offers and helping lay out the loans before you accept them. And of course the earlier you start the better prepared you are to meet the EFC.."The Expected Family Contribution". Positioning your income and assets to enhance financial eligibility is also part of the planning process.

Sources—Financial Aid for College, Prepared by Broadridge Investor Communication Solutions, Inc. 2016. Financial Planning Magazine—2/25/16 — Take the Emotion out of College Planning by J. Wasik. The WSJ " Should more College Financial Aid be Based on Need, not Merit? 6/24/12. Institute of Education Sciences—National Center for Education Statistics—Fun Facts. -U.S. Department of Education, National Center for Education Statistics. (2015)

Did you know we could manage your 401K, 403B, 529 and Annuities?
By Patrick Passaretti



Having your **401k,403b,529 and Annuities** professionally managed can provide many benefits. Wouldn't you like to know that an experienced manager is watching over your investments so you don't have to? Investing can be confusing, emotionally draining, and very time consuming. Investors tend to chase performance, becoming aggressive when the stock market is doing well and more conservative when the market is down, which leads to buying high and selling low. Having a disciplined approach to investing can help to avoid this type of behavior. We spend a lot of time researching areas where we think there are attractive opportunities and consider both the potential reward and the risk involved.

There are multiple factors that we take into account when investing, analyzing, and monitoring your portfolio. These including: macroeconomic themes; asset mix; fund family; fund manager and investment process/style; fund expense ratios; downside loss potential; and your risk tolerance and goals. Our investment process and asset allocation for your 401k/403b/annuity will attempt to mirror your risk tolerance to your in-house accounts, under the constraints of your plan offering, and incorporate these assets into your financial plan. For more information, please refer to the attached one page outline of the complete service offering.

529 Saving for education is one of the most important investment goals our clients often have. The costs associated with educating a child or grandchild can create quite the financial burden, so saving as early as possible and choosing the right investments can help smooth out the impact and reduce the burden. Managing this kind of investment takes time, planning, and a well-thought-out process.

This type of saving can be done with the use of a 529 plan, which is a tax advantaged savings to be used for future college costs. In a 529, there are different investment options for you to choose from. At PPS, we build models based on age groups. The basic concept is, as the child nears college, the investment selection gets more conservative in order to protect principal. Our age brackets are broken up as follows; age 0-4; 5-9; 10-14; 15-19; and 19+. After we place the account in the appropriate age bracket, the account is reallocated twice per year. In addition, a quarterly rebalance is done to the account so that the proper allocation is maintained through market volatility. Wouldn't you like to know that your child has enough funding to go to college? Patrick Passaretti is a contributing writer from Progressive Advisory Solutions,

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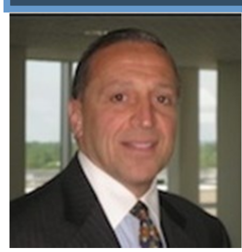
By Larry Passaretti   Chief Executive Officer   &   Chief Investment Officer



During our client review process we unearthed an inactive client who had accumulated substantial amounts of stocks and mutual funds. Most of these investments were "acquired" over time rather than a part of an overall plan.

In our review, I explained to the client that our new "data aggregation" technology helps us to monitor all outside investments, even though we may not be the only advisor engaged with him. Actually, one of the other advisors for this particular client was related to a broker employed by a competing financial firm. As a result, this advisor would obviously be difficult to "fire" due to lack of performance.

We imported all of the investments (401K, TSA, various brokerage statements, 529's etc.) and built a blueprint of his overall financial security. We re-profiled the client and eliminated any overlap of his portfolio. We created an appropriate risk profile with allocations to the proper goal of stocks, bonds, alternatives, cash, etc. and we provided a real time "monitored" rate of return of all providers.

The success of this story that our many investors can comprehend is that this particular client had three different relationships with advisors but did not have the one person to play the important role of "quarterback". With data aggregation a financial blueprint is made to allow all advisors to follow a plan while we coordinate the tax and legal side with your respective accountants and attorneys. In summary, it's always about you, your family and your grandchildren attaining their legacy goals while guarding your retirement plan – the heartbeat of the financial wellbeing that you've worked so hard to achieve.