



## As I see it—Winter 2017

Markets are off to a much better start in early 2017 than in 2016. After 10 trading days, the S&P 500 is up 1.3% year to date, compared to an 8% decline during the same period in 2016. You may recall that a year ago, in early 2016, markets faced a number of significant challenges. Numerous market indicators were signaling a high probability of recession. The so-called earnings recession was at its nadir. Oil was plummeting, causing worries about the health of the banking system and the high-yield bond market. And the market and the Federal Reserve (Fed) had very different expectations for the path of monetary policy.

Today, many of these and other challenges during 2016 have been resolved. Most widely-followed indicators suggest a low probability of recession in the U.S. over the next year. Policy risk has ebbed after markets got through the Brexit vote in June 2016 and the U.S. presidential election in November 2016 mostly unscathed. The earnings recession has ended and global corporate profits are poised for an upswing. China's economy and markets have stabilized. Oil prices have rebounded. And markets and the Fed are much better aligned with regard to the path of monetary policy over the next few years, which has helped alleviate many of the global imbalances that impacted the market in early 2016.

Still, some issues have not been resolved, and new challenges have emerged. While we know who the new president will be and what the new Congress looks like, it is not yet clear what the impact may be to U.S. trade policy, healthcare reform, and tax reform. Important elements of these policies need to be ironed out and addressing these issues will go a long way toward shaping 2017 for markets:

- Will the president-elect use the threat of tariffs, or actual tariffs, to get better trade deals with our key trading partners?
- Will the 20 million or so people that receive health insurance through the Affordable Care Act remain insured after the law is overhauled?
- Will tax reform include a border adjustment tax to stimulate exports and curb imports?
- Will bank regulation be eased despite the political backlash against the big Wall Street firms during the election?

Despite the continued political and policy uncertainty, the stock market finished 2016 on a high note, with a 3.8% return for the S&P 500 in the fourth quarter, bringing the 2016 return to an impressive 12%. Markets have gotten a lift from improving economic expectations, partly due to optimism surrounding potential pro-growth policies under a Trump presidency, although the U.S. economy had already begun to pick up some steam even prior to the election. Third quarter gross domestic product (GDP), reported on December 23, 2016, surprised to the

*(Continued on page 2)*



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*(As I See It—Continued from page 1)*

upside and accelerated, purchasing manager surveys have indicated manufacturing was accelerating in late 2016 after a nearly two year slump, and consumer spending has remained firm, supported by strong consumer sentiment readings. Fundamentally, the U.S. economy and markets remained on solid footing as 2017 got underway.

All in all, the start of 2017 has been a lot smoother than the start of 2016, but we are mindful that risks remain. A policy mistake by a government or central bank, issues with the Trump transition, Brexit, China’s bad debt problem, and above-average stock valuations may present challenges to the relatively smooth ride we’ve seen for financial markets so far in 2017. No matter what emotions the election results and the inauguration might stir up, I continue to encourage you to stick to your plan and stay invested.

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

Let’s make it a great quarter.



David E. Purdy

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. Indexes are unmanaged and cannot be invested into directly.

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 illiquidity of the investment in a falling market.

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.

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

The S&P 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 LLC.

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Office  
News



From Sarah & Kayla

Ineffective Beneficiary

Designations:

Clients do not always review beneficiary designations after the initial designation on the application. Due to divorce or changes in circumstances, it is important that you review these designations to ensure the proper person or entity will receive the benefits at death. If you want to double check your beneficiary information, please contact our office and we would be happy to review this information with you.

From the Desk of Chad Olson, President/Operations Manager:

## How Important Is A College Degree Today



Americans with no more than a high school diploma have fallen so far behind college graduates in their economic lives that the earnings gap between college grads and everyone else has reached its widest point on record.

The growing disparity has become a source of frustration for millions of Americans worried that they — and their children — are losing economic ground.

College graduates, on average, earned 56 percent more than high school grads in 2015, according to data compiled by the Economic Policy Institute. That was up from 51 percent in 1999 and is the largest such gap in EPI's figures dating to 1973.

Since the Great Recession ended in 2009, college-educated workers have captured most of the new jobs and enjoyed pay gains. Non-college grads, by contrast, have faced dwindling job opportunities and an overall 3 percent decline in income, EPI's data shows.

College grads have long enjoyed economic advantages over Americans with less education. But as the disparity widens, it is doing so in ways that go beyond income, from homeownership to marriage to retirement. Education has become a dividing line that affects how Americans vote, the likelihood that they will own a home and their geographic mobility.

At the University of Baltimore 2016 Midyear Commencement, Federal Reserve Chair Janet Yellen shared her thoughts about the importance of college:

"Economists are not certain about many things. But we are quite certain that a college diploma or an advanced degree is a key to economic success. Those with a college degree are more likely to find a job, keep a job, have higher job satisfaction, and earn a higher salary. The advantage in earnings is large. College grads' annual earnings last year were, on average, 70 percent higher than those with only a high school diploma. Back in 1980, the difference was only 20 percent. The gap in earnings is significant only a few years after graduation - almost \$18,000 a year, according to some recent data. Beyond these advantages, research also shows that a college or graduate degree typically leads to a happier, healthier, and longer life."

*Source: Mpls. StarTribune/Peak Advisor Alliance 2017*

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#### Mission

*To inspire our clients to make sound financial choices, avoid costly mistakes, and live their best financial life.*

#### Vision

*Our industry needs leadership to move forward and be reshaped into a valued and supportive role in our clients' lives. We will help lead this change by committing to always do what we believe is in our clients' best interest. Our clients must have faith that our advice is drawn from our knowledge and desire to help them work towards their unique goals, and not from a position of conflicted interest.*



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## QUOTE OF THE QUARTER

“It has been my observation that most people get ahead during the time that others waste.”

~Henry Ford

*From the desk of Dave Purdy:*

### Looking For A Great Gift For Anytime During The Year?



If you have friends or relatives with young children, consider starting or contributing to a 529 College Savings Plan. It's a great way to fund a future education.

So, if you want to give a child something they'll always remember, starting a college fund may fit the bill. It's a gift that may also benefit the parents. *The College Board* reported the average cost of tuition, fees, room, and board for in-state students attending a public four-year university is expected to be about \$20,000 for the 2016-17 school year. At that rate, the average cost for four years of college would be about \$80,000. Since two-thirds of students received financial aid during the 2014-15 school year, the following example estimates out-of-pocket college costs at \$60,000.

Consider the cost of each option for this fictional family:

- **Borrowing to pay for college:** The Smiths borrow \$60,000 to pay for 18-year-old Joe Smith's college tuition. The interest owed is 5 percent per year. Over the next 10 years, they repay the principal, plus about \$16,400 in interest. By the time Joe is 28, and the loan is repaid, his undergraduate degree will have cost about \$76,400.
- **Saving to pay for college:** Alternatively, the Smiths could open a 529 Plan account for Joe Smith when he was born. If his family contributed \$2,100 a year to the account and earned 5 percent each year, at age 18, Joe would have about \$62,000 for college. His family would have contributed about \$37,800 and earnings in the account would have contributed about \$24,200.

The difference in the amount this fictional family would spend on college is about \$38,600.

529 plans offer other advantages, too. Any earnings grow federally tax-free, and distributions are tax-free as long as the money is used for qualified college expenses. Some states offer tax deductions or tax credits for 529 plan contributions, as well.

Any adult can open a 529 plan and fund it on behalf of a child. Once the account has been established, parents, grandparents, relatives, and friends can contribute. If you would like to learn more, contact our office.

*Source: collegeboard.org/IRS.GOV 2016*

Prior to investing in a 529 Plan investors should consider whether the investor's or designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program. Tax treatment at the state level may vary. Please consult with your tax advisor before investing.



## Personal Notes

### Dave Purdy



Lori and I were lucky to be able to spend time with most of our families over the holidays. It was a special treat that my older brother, Chip, from San Diego was able to come back for Christmas. As many of you know, Lori is still recovering from her bicycle accident last fall and recent fractured ankle. She is getting better every day and appreciates the outpouring of well wishes from everyone. I participated in my first dog show recently showing our Toy Manchester terrier, Gnatt, in the sport Barn Hunt. I am proud to report that I showed him three times and received two first place ribbons! We both had a lot of fun! Our goal is to qualify Gnatt for the Barn Hunt Nationals in Texas this fall. It's always great to get to some warmer weather this time of year, so I am looking forward to attending the NAMM music show in Anaheim, CA. My brother and I stay in Hollywood and do a little sightseeing in addition to attending the music show. I look forward to being in touch!

### Chad Olson

I hope everyone enjoyed the holidays! We were blessed to have family come to our home on Christmas Eve for brunch, then spend Christmas Day with Ashley's family. My daughters, Brielle and Aria, had so much fun playing with family. For Christmas, we surprised them with the news that we would be taking a Disney Cruise this winter and they would get to see and meet their favorite Disney characters. New Year's Eve was a quiet evening at home for us. I made dinner and in keeping with tradition, we made it nowhere near midnight to ring in the New Year. Both of my girls are growing up so quickly. It's amazing how fast they change and grow. Aria is talking more and more every day, and just like her sister, she is never short on things to say! I'm not sure Ashley and I are going to be able to get a word in over the coming years.



### Sarah Bjork

Happy New Year everyone! Wow, 2016 was a busy year. In November of 2016, I joined Anytime Fitness's Personal Training program and it has been life changing for me. Anyone that knows me well knows that I am a complete bookworm and never played a sport in my life, let alone



workout in a gym. I made the decision and met with a great trainer, Nicole (Tetrault) Christensen. The personal training sessions are three times per week for 45 minutes and typically with groups of four. I feel great mentally and have so much more energy. They've been helping me with eating right and drinking more water as well. I'm looking forward to seeing the physical results, but for now I'll take the increased energy and emotional boost. I've included a picture of Roscoe for everyone, because how can you not love that face!

### Kayla Hauble

Recently, Ben and I returned from the Florida Keys, Islamorada which is just south of Key Largo. For the past three years we have journeyed down, making it an extraordinary family fishing vacation. We had great weather and great company, and that goes pretty well with sandy beaches and palms trees. On the trip we caught two wahoo's weighting in at 35 pounds each, along with a Dolphin-fish (Mahi-Mahi), we also checked out a couple state parks in the area, all and all this was a trip to remember! Hopefully you have a fun winter getaway planned or are planning one now! Have a wonderful 2017!





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David E. Purdy

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