

THE COMMUNIQUE

FEBRUARY 2017

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	2278.87	1.79%	1.79%	1.79%
Dow Jones Industrials	19864.09	0.51%	0.51%	0.51%
NASDAQ Composite	5614.79	4.30%	4.30%	4.30%

U.S. TREASURIES	YIELD
5-yr Treasury Note	1.97%
10-yr Treasury Bond	2.50 %
30-yr Treasury Bond	3.09 %

Information as of January 31, 2017

Source: Thomson Reuter's Thomson One

MARKET COMMENT

“The Only Thing Constant is Change”

The title of this article is a quote attributed to the ancient Greek philosopher, Heraclitus, and was an astounding observation from the human perspective – considering the minimal changes he likely observed during his lifetime. Perhaps he had the time to observe nature's changing seasons, the stars relocating in the evening sky, or the ocean tides changing with the moon (because 24-hours new coverage certainly wasn't barking at him constantly). I can only imagine what his thoughts and comments on today's environment would be.

There is no doubt that we have experienced a massive amount of change in the past 25 years, and that requires the discipline to filter out the noise and seek the substance. Fortunately, many of us tune “it” out and go about our business, which is our best investment management tool. We have found it more beneficial to let the markets tell us what is going on rather than the self-proclaimed “genius” talking heads on TV and their magic crystal balls. So, what changes lie ahead for us in 2017?

Well, as always, the truth is no one can predict the future with any useful degree of certainty, but we can assume that the current trends will stay in place ... until they don't – at which point we will change course as needed. What we do know is that the U.S. unemployment rate is still quite low, which means a lot of people are working and earning

moderately increasing wages. Interest rates are still very low for borrowing, but may be increasing slowly depending on the Federal Reserve's policy and response to "Trumponomics." American corporations are reporting earnings which are, on average, increasing for the 2nd quarter in a row. And, according to the National Federation of Independent Business Optimism index, small business owners are feeling quite confident about 2017. These positive trends all follow the stock market's "Trump Bump" after the Presidential election, which rallied consumer confidence and sentiment to recent highs. So, unless a significant extraneous event occurs (black swan), 2017 might shape up to be a good year for the economy and markets.

"What could go wrong" you ask? The stock market may have extended itself a little too far on the anticipation of President Trump's announcements of tax reductions, infrastructure spending, and less regulations. After all, many of the executive changes must be approved by Congress and that takes time and compromise – which is a rarity these days. Another risk to the market is if the Federal Reserve believes that inflation is ticking up too quickly and proceeds to raise interest rates hastily. Also, markets can be sensitive when political rhetoric goes too far and threatens trade barriers – which stifles international trade. Or, maybe, the U.S. consumer's confidence declines and leads to increased individual saving and less spending. This would more than likely move our economy into a decline. If we had to guess what will cause the market to stumble, it will most likely be the Federal Reserve increasing interest rates too far, too fast, so this is a trend to watch closely. In the meantime, we'll be watching for unforeseen changes ... for change is the only constant in life.

PLANNING STRATEGY

Raymond James "Point of View" article. M16-059058

Twelve Resolutions for 2017

Instead of hauling out those familiar New Year's resolutions about eating less and exercising more, how about focusing on something that's also very good for you in the long run – and even sooner? We're talking about your financial plan – your fiscal health, if you will. The approach of 2017 is a great time to review your plan and make any necessary revisions. With that in mind, here are 12 suggested resolutions that, if followed, can help ensure that your later years will be financially secure.



1. Get your balance sheet in order

You can't realistically expect to reach a goal without knowing where you're starting from. Using 12/31/16 as the effective date, update your personal balance sheet (assets versus liabilities, broadly speaking). You should already have (or develop if you don't) an idea of what you're going to need to reach important financial goals. If you're already retired, you also need to know if the income you receive from Social Security, pensions, retirement plan assets or other sources is still going to support your current lifestyle. Either way, you've got to have a scorecard. Everything else really proceeds from this, so take the time to bring all these numbers up to date.



2. Review your budget and spending habits

How close did you come to what you had planned to spend last year? Where did you go off track, and what can you do about that? Has something fundamental changed in your life that affected your expenses, and is that a one-time item or an ongoing cost? Where can you trim expenses? Although some budget items are fixed, a sharp pencil can produce significant savings on other costs. Some businesses engage in a process called zero-based budgeting in which every anticipated expense must be justified again every year (at the personal level, this approach is sometimes called zero-sum budgeting). In other words, the \$2,500 you spent last year on travel would have nothing to do with what you budget for travel this year. Instead, you start with what you realistically expect to have as income, then assign those dollars to your various expense categories, while also maintaining flexibility to account for cost areas such as healthcare that can't be pinned down precisely.



3. Review the titling of your accounts

Account titling often occurs haphazardly – an individual opens a bank or brokerage account, meets Mr. or Miss Right, they live together or get married and ... down the line there's a problem. If one partner dies and that bank or brokerage account is still titled only in the original holder's name, those assets can't be readily accessed by the survivor. The solution may be as straightforward as changing to joint accounts, but it's not always that simple. In fact, titling has implications across a wide range of estate planning issues, as well as other situations such as Medicaid eligibility and borrowing power, to mention just a few. Account titling is more than just using the right form; it can also be a tool for estate planning. Review your account titling and determine if that's still the arrangement you want.



4. Designate and update your beneficiaries

If you don't correctly document and update your beneficiary designations, who gets what may be determined not according to your wishes, but by federal or state law, or by the default plan document used in your retirement accounts. When did you last update your beneficiary designations? Has something changed in your life (divorce, remarriage, births, deaths, state of residence) that necessitates changing your beneficiaries? You should update your beneficiaries on anything that affects your heirs (wills, life insurance, annuities, IRAs, 401(k)s, qualified plans ... the list goes on). If you've designated a trust as a beneficiary, has anything changed in the tax laws regarding trusts that could affect your heirs? Have you provided for the possibility that your primary beneficiary may die before you? Have you provided for the simultaneous death of you and your spouse? You need a good estate planner to walk you through the various scenarios.



5. Evaluate your cash holdings

Everyone should have a certain amount of their assets – six or more months of living expenses is a common rule of thumb – set aside in cash accounts that can be quickly and easily accessed. The cash portions of your brokerage and/or retirement accounts serve a different purpose and shouldn't be counted as emergency reserves. Think about where your cash reserves are located. Keep in mind that only banks that are members of the Federal Deposit Insurance Corp. can offer FDIC coverage, and only up to a maximum of \$250,000 per accountholder. For example, if you have CDs worth \$200,000 and an IRA with \$200,000 in assets in the same bank, only \$250,000 of that \$400,000 total is covered by the FDIC. There are some complexities – and opportunities – within the FDIC rules, so be sure you understand them completely.



6. Revisit your portfolio's asset allocation

The ups and downs of the markets will affect your asset allocation over time. Appreciation in one asset class or underperformance in another can leave your portfolio with an asset allocation and risk profile that differs from what you originally intended. It's important to revisit both your current and ideal asset allocation at least annually and rebalance as needed (Tip: Instead of selling appreciated securities, consider rebalancing with new contributions to help avoid capital gains taxes). This also gives you an opportunity to determine if you are comfortable with the current level of risk in your portfolio. Risk tolerance isn't static – it changes based on your net worth, age, income needs, financial goals and various other considerations. The most recent recession has made many investors more risk-averse. That's certainly understandable, but it may be that you need to – very carefully – take on slightly more risk to keep pace with your goals. You want to make informed decisions here. Review your holdings

and your overall asset allocation with your financial advisor and make whatever adjustments are indicated.

Asset allocation does not guarantee a profit nor protect against loss. The process of rebalancing may result in tax consequences.



7. Evaluate your sources of retirement income

Most retirees have several sources of income such as Social Security, pension(s), retirement portfolios, rental properties, notes receivable, inheritances, etc. Every individual picture is different. Think about how secure each source is. Can you really count on that inheritance, are there likely to be vacancies in your properties that would interrupt the cash flow, are the notes receivable backed up by collateral? The point is to know which income sources are reliable and which are less certain, and how much of your total income each category represents. If too much of your retirement income is from sources you consider less than solid, it may be time to reposition your assets.



8. Review your Social Security statement

If you're not yet retired, you need to go online and establish an account with the Social Security Administration – the SSA isn't going to be sending individual statements of accrued benefits in the mail anymore. Review your statement, and be sure all your earnings over the years have been recorded. Use the SSA's online calculator to compute your benefits at various retirement ages (it's generally best to wait as long as possible to begin collecting). Revise your spousal plan if indicated – this won't apply to everyone.



9. Review the tax efficiency of your charitable giving

Think strategically about your contributions – donate low-basis stocks rather than cash, for example. Consider establishing a Donor-Advised Fund, which enables you to take an upfront deduction next year for contributions made over the next several years – and provides other benefits. Give, but do so with an eye toward reducing your tax liability.



10. Check to see if your retirement plan is on track

Many investors have delayed their retirement plans for various reasons. The important thing is to respond and determine – promptly and realistically – what changes might be needed given

your current lifestyle and market environment. In evaluating the current state of your plan, don't fixate solely on a number – "We'll be fine when our retirement portfolio is worth \$X" – that just isn't the way retirement works anymore, if it ever did. You need to drill down into what types of assets you have, what your cash flow situation is and is going to be, what your contingency plans are, what rate of return you're assuming, what inflation rate you're assuming, how long you're planning for, and all the other important details that go into achieving a successful retirement. The truth is that retirement has a lot of moving parts that must be monitored and managed on an ongoing basis.



11. Make the indicated changes

By now you should have a good idea of where you stand overall, what your cash flow situation is (including whether you're saving enough), what your retirement income picture looks like, and where the shortfalls or other challenges are. Do you need to adjust your contributions to your IRA or other retirement plans? Do you need to adjust your tax withholding? If you're due for a raise, how about channeling the extra money into a retirement account? Are you taking full advantage of your employer's retirement plan options, particularly any contribution match program? Regardless of whether you're years away from retirement or fairly close, the effects of compounding can be very significant – if you take advantage of them. Go after any problems areas – or opportunities – systematically and promptly.



12. Set up a regular review schedule with your advisor

We can help you with specialized tools, with impartiality, and with the experience earned by dealing with many market cycles and many different client situations. It's vital that you communicate fully with us, telling us not only what's happening in your life today but what's likely to happen or might happen in the future. Are you going to move, change jobs, send kids to college, face the possibility of significant medical expenses? We can't help you manage what we don't know, so err on the side of over-communicating. Establish a regular schedule to get together and review your portfolio, your financial and retirement plans, and what's happening in your life.

Since we all know that many New Year's resolutions don't survive that long, add one more to make this a baker's dozen. Resolve to really follow through on these – and give yourself permission to spend a day lazing around watching movies and eating ice cream when you're done! Just one day, though.

LIFE & LEISURE

Raymond James "Point of View" article. M16-052724

Simple Tips for Securing Your Computer

Investors increasingly use their personal computers to access and manage their finances, making computer security more important than ever. Follow these simple tips from Andy Zolper, Chief IT Security Officer, to help secure your computer and protect your personal information.

Use two-factor authentication, also called "two-step verification," for your personal email.

Two-step verification requires both a correct username/password combination and an additional piece of information – such as a code sent to a user's mobile phone – for account access. Adding this second layer of security to your email account is one of the most effective improvements you can make. See the links below about enabling two-step verification for common email services.

- [Enabling Two-Step Verification for Gmail](#)
- [Enabling Two-Step Verification for Yahoo Mail](#)
- [Enabling Two-Step Verification for Microsoft Free Outlook \(Hotmail\)](#)

. Use two-step verification for your social media sites.

The same authentication process available for your personal email can also be used to secure your social media accounts. See the links below about enabling two-step verification for common social networking sites.

- [Enabling Two-Step Verification for LinkedIn](#)
- [Enabling Two-Step Verification for Twitter](#)
- [Enabling Two-Step Verification for Facebook](#)

Use Enhanced Authentication for Investor Access and any other personal finance sites.

Enable Enhanced Authentication for Investor Access with the following steps:

1. Log in to Investor Access from a trusted device
2. Select the Account Services tab
3. Select the Password & Security sub-tab
4. Select the Enable button under "Change Your Enhanced Authentication"

Check your computer security system.

Ensure that antivirus software is installed and up to date, the operating system and browser are patched with auto-update enabled, and personal firewall protection is turned on.

Select secure passwords.

Choosing strong/complicated passwords is important (8-12 characters; include a special character), but even more important is to *never share passwords among sites*. Username/password combinations that fall into the wrong hands will often be tried at multiple locations.

Use a password manager application to keep track of (and protect) your different passwords.

Don't keep a document on your computer listing passwords, bank accounts, Social Security numbers, or other personal information – this is the first thing hackers will search for. Instead, use a password manager and enable two-step verification for the application you choose.

Back up your personal data.

Whether you suffer a ransomware attack or simply spill coffee on your laptop, if you don't have a backup of your personal data, you're in big trouble. Use a Cloud-based service or a local device to back up your files.

Although the thought of protecting yourself against cybercrime can be daunting, these simple measures are a good first step in helping secure your financial assets and personal information

Quote of the Month: "It ain't what you know that gets you in trouble. It's what you know for sure that just ain't so." - Mark Twain

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Planning - <http://www.raymondjames.com/pointofview/12-resolutions-for-2017>

Life & Leisure - <http://www.raymondjames.com/pointofview/simple-tips-for-securing-your-computer>

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