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FOURTH QUARTER 2016

"Although a December rate hike is possible, it will depend on jobs data, particularly wage growth, and the reaction/growth of the global economy. Although the Fed likes to say they are focused on US policy only, over the past year they have waited on taking any actions because of non US factors such as Chinese currency devaluations, Brexit, and the Japanese stimulus strengthening the USD."

David Dietze, JD, CFA, CFP
CNBC, September 22, 2016

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Clinton vs. Trump vs. the Markets: How to Play It!

By David G. Dietze, JD, CFA, CFP™

From now until November 8, Election Day, the media will go non-stop about the US elections – the endorsements, the polls, the debates. The candidates will do their best to convince you that they are the best choice – and for most Americans that comes down to how it affects their pocketbooks.

The media loves to speculate on what candidate and party will be best for stocks. So, every investor must ask, how do you play election 2016?

Best Approach

Don't disturb your portfolio based on the elections. Speculation on who might win should not supersede decisions based on personal circumstances and goals, including tax objectives, liquidity needs, and risk tolerances.

"Don't underestimate any candidate's inability or unwillingness to follow through on her or his initiatives."

Predictions based on the political pundits, the parties' stated goals, or personal election preferences are too risky. History shows many exceptions to what many in the media consider reliable indicators.

Don't underestimate any candidate's inability or unwillingness to follow through on her or his initiatives. If you invest based on the consensus wisdom, you risk loss by having paid too much if a thesis doesn't materialize.

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Clinton vs. Trump vs. the Markets: How to Play It! . . continued from page 1

One exception is if very attractive valuations develop based on the public's belief that a particular sector will or will not fare well by virtue of a particular candidate position. Profits can be made by betting against that likelihood. If the popular forecast is reflected in prices the downside may be less if it proves true than the potential upside should the fear not transpire.

Don't Rush to Cash if the Republicans Won't Be Elected

A frequent shibboleth is that a Democratic victory will spell doom for stocks. After all, aren't the Republicans the party of business? However, a careful review of the record doesn't support that stocks do better under the Republicans.

In recent years, there's been very strong market performance under Democratic Presidents Clinton and Obama, while the market tanked under George W. Bush. While you might say Obama inherited such a low stock market that it could only rise, your opportunity to profit came more on focusing on cheap fundamentals than who was in the White House.

"Speculation on who might win should not supersede decisions based on personal circumstances and goals."

Possible Gridlock's No Excuse to Put Risk On

Many believe that what makes our American system of government so economically friendly is the three branch system. Laws don't pass unless there's a concurrence of both Houses of Congress plus the President.

Some investors believe that if different parties control Congress and the Presidency, concurrence on changes is less likely, gridlock will prevail and the markets do well. Don't allow those beliefs to cause you to throw caution to the wind.

Not infrequently markets have disappointed even when different parties control the Presidency and Congress. Markets have done well even when controlled by the same party.

It's simply too risky to abandon sensible diversification and asset allocation based on some belief that having separate parties control the branches of Government will cause markets to perform far better than fundamentals otherwise warrant.

Don't Run to Cash Due to Election Uncertainty

The talking heads love to spout that the markets abhor uncertainty. Since the election is uncertain, hide in cash until there's clarity.

That's a big mistake. Uncertainty always pervades markets. After all, who has tomorrow's newspaper today?

Perceived greater uncertainty may provide opportunity because it can keep prices low. Cheap valuations reduce investment risk and can give rise to superior returns. It's when the investment crowd is convinced that uncertainty has cleared up that you want to be cautious. As Warren Buffett is wont to say, you pay a high price for a cheery outlook.

The current uncertainty may also provide opportunity because it may keep other policymakers from making decisions potentially adverse to investors' interest. For example, most market watchers believe that the upcoming elections give the Federal Reserve an additional reason to keep from raising interest rates and taking the punch bowl away.

The Investment Implications of Party Planks Can Be Difficult to Analyze

Be cautious about extrapolating the investment implications of any candidate's oft stated positions.

For example, investors would be excused from having thought gun and ammunition makers would be obvious investments to sell, both during the Obama presidency and in the event of a Hillary administration. But that was the wrong move during the Obama's reign and may well be wrong as to Hillary.

Both **Smith & Wesson (SWHC)** and **Sturm Ruger (RGR)**, leading weapons makers, are up tenfold since Obama's inauguration, despite the President's passionate support of stricter gun control. The President's lobbying on the issue has spurred their businesses, as the public rushed to arm up before the window shut.

Election Year Opportunity: Healthcare

Healthcare is a traditional election year punching bag. While everyone needs it, few can afford it, so it's an inevitable political issue. Yet, due to the insatiable thirst for improved medical services and powerful lobbying interests, healthcare stocks seem to always come out on top after periods of underperformance due to politics.

"Perceived greater uncertainty may provide opportunity because it can keep prices low."

For example, after Bill Clinton's election in November, 1992, wife Hillary was tasked with developing universal healthcare. The market panicked, with healthcare stocks plunging as much as 40%. But, 18 months later Senator McConnell declared the proposal dead, and healthcare stocks soared 80%.

Today, we have a similar situation, with election uncertainty pummeling healthcare stocks. A biotech focused ETF, the iShares **Nasdaq Biotechnology ETF (IBB)**, is down 31% over the past year versus a 4% gain on the S&P 500, amid Hillary's September 2015 tweet: "Price gouging….in the specialty drug market is outrageous." That tweet alone is said to have cost that ETF $160 billion in just a week.

Here's the investment case to buy healthcare now: If Clinton is elected and a plan challenging the industry is implemented, much of the downside may already be reflected in the stocks' cheaper prices. But, she might not be elected, a plan could be thwarted by a divided

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Planning With Your Tax Return

By Claire E. Toth, JD, MLT, CFP™

Taxes are too high. They're too complicated. The rich don't pay enough. You and I pay too much. Expect the anti-tax rhetoric to heat up along with the presidential race. In the meantime, take out your most recent tax return. It can help you determine why you pay the high taxes you do and what—if any—steps you can take now to minimize that number for 2016. For those who have been on Medicare for more than a few years, reducing Adjusted

Gross Income (AGI) may also reduce the growth rate of your future Part B premiums.

Most of the action takes place on page one of your 1040. The key number is your AGI—line 37, at the bottom of the page. That number determines whether

"Most of the action takes place on page one of your 1040."

you'll pay the Medicare surtax on unearned income ($250,000 for married filing jointly and $200,000 for singles—not subject to inflation) and whether your itemized deductions and personal exemptions will be cut back ($311,300 for married filing jointly and $259,400 for singles—adjusted annually for inflation). Particularly for anyone subject to that cut back, your AGI is key in determining your ultimate tax rate.

Note that AGI is determined without regard to your itemized deductions or your exemptions. Those play an ever-decreasing role in determining your ultimate tax bill. Much of what is on page one applies to specifically targeted groups; this discussion focuses on the more generally applicable portions.

Start with line 7, your W-2 income. The number shown is after your contributions to your 401(k) plan and Flexible Spending Account. The more you contribute to those plans, the more you reduce your taxable income. This year, you can contribute up to $18,000 to your 401(k) ($24,000 if you are at least age 50). You can contribute $2,550 to an FSA. The more you save for yourself, the more you save in taxes.

Next is taxable interest, and this line should be zero. Put taxable fixed income in your retirement accounts, to shield the interest from tax. If you do hold fixed income in a taxable account, it should be tax-exempt bonds.

Most dividends are qualified. Those are taxed at 15 percent (20 percent if you're in the highest tax bracket). Because of the favored tax rate, taxable investment accounts should be tilted toward stocks. Just be aware that significant dividend income can increase the tax rate on other, ordinary income.

If you have recurring tax refunds (line 10), decrease your withholding and direct the increased funds into some savings vehicle. There is no excuse for making interest-free loans to the government.

If you are self-employed, either as your main profession or on the side, you have significant control over your business income (line 12). That number is after expenses, so deduct what you are entitled to. Just be aware that showing multiple loss years can trigger an IRS inquiry into whether the business is real or merely a hobby.

"AGI is determined without regard to your itemized deductions or your exemptions."

Line 13 is capital gains and losses; ideally that number should be a loss of $3,000. You can balance capital gains each year with capital losses. If you recognize more losses than gains, you can use up to $3,000 of those losses against ordinary income and carry the balance forward indefinitely. Another way to keep gains off line 13 is to make charitable gifts with significantly appreciated stock—you avoid paying capital gains tax on the profits but get to deduct the entire value of your gift. If you do have net capital gains, those are taxed at a maximum rate of 15 percent (20 percent if you are in the highest bracket).

You can also make charitable gifts with IRA distributions (line 15). For those at least aged 70-1/2, you can direct that up to $100,000 of required minimum distribution go directly to a qualified charity. Doing so keeps the distribution off your tax return entirely. That's usually better and never

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Claire E. Toth, JD, MLT, CFP™

Claire E. Toth, as Vice President of Point View Wealth Management, Inc., provides our clients with tax, financial, and estate planning expertise, enabling the firm to offer fully integrated asset management and financial planning services.

Ms. Toth is also Counsel to the law firm of Bourne, Noll and Kenyon, in Summit, New Jersey, where her practice focuses on estate and tax planning. Previously, she practiced with Herold and Haines, in Warren New Jersey, and spent 12 years with IRS Chief Counsel in Washington, D.C.

Ms. Toth received her A.B. and J.D. degrees from the University of Chicago, where she was elected to Phi Beta Kappa. She has an M.L.T. from Georgetown University and was awarded the CFP™ designation.

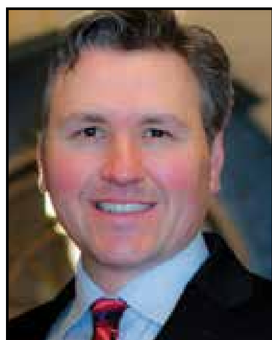
Hurricane Season is Upon Us, Should You Hunker Down Your Portfolio?

By John J. Petrides, MBA | Managing Director and Portfolio Manager

Investors remain skeptical about embracing stocks given the recent rally. Volatility in 2016 has been sharp and dramatic to the upside and downside. Following the devaluation of the Chinese currency in January, the S&P 500 experienced its worst start to a calendar year ever! Worse than 1929, 1930, 1979, 1987, 2000, 2001, 2008, and 2009. However, from February 11th until June 23rd, the S&P 500 rallied 14%. Then Brexit happened. Over the next two trading days, stocks fell on average more than 5%. After taking a deep breath, from June 28th through the month of August, stocks rallied 9%. This volatility has programmed investors to expect the next shoe to drop, but will it happen?

"Ironically, for as much distrust as there is of stocks, investors are very skeptical of bonds."

This is a very difficult question to answer. Stocks will most definitely sell off, the question is when? More importantly, how much will they continue to rise until then? For the past 36 years, the average drop in the S&P 500 during the course of a year from peak to trough was 14% (this includes the 34% intra year sell off in 1987, 49% in 2008, and 28% in 2009). Yet the S&P 500 finished positive 27 of those 36 years! Given all of the turmoil over the past several years in the stock market, investors should understand that a market downturn doesn't signal the end of the world, but rather a long term buying opportunity. Without a crystal ball, timing a sell-off is impossible. Yet there is a sense among the investment community to brace for a big storm.



John J. Petrides, MBA

Typically, if stocks rise, bonds fall, and vice versa.

However, 2016 has seen bonds rally along with stocks. Ironically, for as much distrust as there is of stocks, investors are very skeptical of bonds. Rates can't stay low forever, can they? Who wants to own a bond with a negative yield? Or earn 1.5% from a US Treasury for 10 years? Despite a blip in May, and a subdued report in August, the US employment numbers remain quite strong, averaging 200k per month for the past twelve months. Although Fed language has been an enigma, the case to raise rates is building again. Historically, US Treasuries have offered risk-free-returns, yet with yields as low as they are, investors could be buying return-free-risk. At current prices, US Treasuries are expensive protection for a stock market sell off.

"Investors should understand that a market downturn doesn't signal the end of the world, but rather a long term buying opportunity."

Cash remains a clunker, earning nothing, and losing its purchasing power daily to inflation. If fortunate enough to have cash at the moment of a sell off, investors can prosper. Otherwise, cash remains an opportunity cost.

Stock valuations are not table pounding cheap, yet far from bubble territory. However, the environment remains supportive for stocks: inflation is low, global central banks are accommodative, corporate balance sheets are flush with cash, and nearly 65% of the stocks in the S&P 500 have a higher dividend yield than the US 10 year Treasury. Finally, and most importantly, with earnings season coming to an end, nearly 70% of the companies in the S&P 500 have once again outpaced Wall Street analyst expectations, signaling that the estimated "E" in the P/E (price-to-earnings multiple) may be understated.

Now is a good time to add to sectors that are underweight in the portfolio. Financial stocks look compelling. The market is convinced interest rates will be lower for longer. Bank stocks have suffered. Yet a company like **Citigroup (C)**, trading at a 25% discount to its tangible book value (a book value which has grown the past four years), and now with a strong balance sheet, looks compelling. Also, look at cyclically sensitive stocks for compelling long term investment ideas.

"Stock valuations are not table pounding cheap, yet far from bubble territory."

Investments that are US based, with the lowest volatility, and income focused have been strong performing categories thus far in 2016, making their current present valuations not very attractive. Investors have crowded into this trade and have abandoned the global cyclicals. The auto sector is attractive, particularly **Ford (F)**. Ford is attractively valued trading at 6x 2017 price-to-earnings, and currently offering investors a 4.5% dividend yield. The company has a very strong balance, with more cash than debt (excluding the Ford Finance division). The current management team continues to invest in technology for more fuel efficient vehicles, and has publicly stated that Ford will invest in technology to support autonomous cars and battery power vehicles. This is not your father's auto manufacturer.

On the other hand, the utility sector looks expensive. Global investors have piled into bond like proxies. Utilities fit that bill. After posting a negative 5% total return

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Trust Assets – What's the Plan?

By Donna M. St.Amant, MBA, and Portfolio Manager

Clients have numerous options when it comes to using trusts as part of their financial and estate plan. Once a trust is established, investing those assets properly is key. It is important to ensure the assets held within the trust are appropriate and meet the goals the trust has been established to achieve.

A trust is a fiduciary arrangement whereby a grantor gives assets to a third party to hold on behalf of another party, the beneficiary. Terms of the trust specify how the assets are passed on to the designated beneficiaries. Trusts are most commonly part of an estate plan and in general are used to reduce taxes, protect assets and provide for a desired distribution among family members and other interested parties.

A major distinction between the many types of trusts in place is whether they are revocable or irrevocable.

A **revocable trust** is flexible and can be changed or canceled at any time. The grantor of the trust maintains control of the trust assets during her lifetime and the trust usually becomes irrevocable upon death. This type of trust allows assets to be distributed outside of probate, but the trust is usually included with all other assets and is subject to estate taxes.

An **irrevocable trust** typically transfers assets out of the estate and cannot be changed after it is established. The grantor gives up control of the assets and cannot alter the terms or cancel the trust once executed.

The investment plan for assets held in trust varies and is dependent upon the purpose and goals of a particular trust. Points to consider when outlining an investment plan are: Does the trust need to generate income? What is the time horizon until the assets will be distributed? Are the interest and appreciation on assets held in the trust taxable? Will assets be held outside of the estate? Is growth or preservation the primary goal?

"Once a trust is established, investing those assets properly is key."

Some commonly used trusts are described below along with the investment considerations for each.

Donna St. Amant, MBA

Bypass Trust or Credit Shelter Trust: A trust used to take full advantage of the federal or state estate tax exemption for each spouse. Assets are typically for the benefit of a surviving spouse, but dependents can also be included as beneficiaries. Once funds are placed in the trust they are free from estate tax, even if the trust appreciates in value. Income is often paid to the surviving spouse so the investment plan will align with the spouse's needs and overall financial positon. Management of the trust should be mindful of any tax-impact as income generated by the trust assets is subject to regular income tax rates just like any of your taxable investment accounts.

Irrevocable Life Insurance Trust: Designed to remove life insurance from your taxable estate. The holder gives up ownership rights, but the trust can provide liquidity by paying estate costs and paying tax-free income to the beneficiaries. If the trust simply holds the insurance policy there are no assets to invest. When the policy pays out, the proceeds should be held in cash until distribution to the beneficiaries. However, some trusts may also contain other assets that are used to pay the premium on the life insurance policy. In these cases an investment plan should be more conservative, generating cash flow to cover the premiums with an investment horizon over the life of the policy.

Generation Skipping Trust or Dynasty Trust: Designed to permit the transfer of assets to at least two generations younger than the grantor, typically grandchildren, without the cost of estate tax or gift tax. Generally invest with a long term horizon, however, be mindful of any specific provisions for the grandchildren to attend college or to buy a house and manage to the appropriate time frame.

Qualified Terminable Interest Property Trust (QTIP): Provides income for a surviving spouse. Frequently used in families with divorce, second marriages, and stepchildren to distribute assets. The trust requires income to be distributed to the surviving spouse with any remaining assets paid to named beneficiaries after the spouse dies. Investment considerations include providing steady income for the surviving spouse and long term preservation with some growth for the children. Another important investment consideration in this case is that the trust is included as part of the surviving spouse's estate. At the second death, these assets typically receive a step up in basis. This becomes relevant when selecting assets to be transferred to the trust. In most cases, highly appreciated assets would be selected first as these would get the maximum benefit upon the step up. If no step up, then the strategy may be to focus less on growth and more toward income.

"A major distinction of the many types of trusts is whether they are revocable or irrevocable."

Grantor Retained Annuity Trust (GRAT): An irrevocable trust that is funded and then pays out annually in the form of an annual fixed amount to the grantor of the trust. Assets remaining at the end of the term of the trust are paid to the beneficiaries. It is intended to pass appreciating assets to the next generation tax-free. GRATS can be short term where the investments are high

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401(k) Plans – Your Lifelong Path to Retirement

By Elaine F. Phipps, MBA, CFA, and Portfolio Manager

We all are so focused on the everyday details of our jobs that we often overlook one of the endgames – retiring comfortably. 401(k) plans are employee sponsored saving plans that allow you to contribute pre-tax funds which then grow tax-free until you retire and withdraw. They are a good deal, so take advantage of them if you can. Here are the basics:

Contribute the most that you can: Whether your company matches your contribution or not, the reasons to save are compelling. Funneling pre-tax dollars into this savings plan cuts your taxable income. Letting the bundle grow tax-free for decades is another plus. The general rules are to contribute what you must to get the employer match, leave enough after tax pay to meet all of your other goals and needs, but then try and get as close as possible to the IRS contribution limits. For 2016, the limit is $18,000 per year. Those 50 and over are allowed an additional $6,000 catch-up contribution for a total of $24,000. If you leave your job, you will be able to roll the balance over to another 401(k) or IRA account.

"401(k) plans are employee sponsored saving plans that allow you to contribute pre-tax funds which then grow tax-free until you retire and withdraw."

Maximize your employee match: Not all companies match employee contributions but if yours does, don't look this gift horse in the mouth. This is in essence free money, and provides an easy opportunity for you to double your money for a least a portion of your contributions. Aim to contribute at least 6% of your salary, which typically captures the maximum employee match. The employee match may not vest, or be totally portable to you, for several years, so be aware of the policy if you are contemplating a job change. If you do change jobs, don't leave your 401(k) behind. Consider rolling it into an IRA as opposed to your next employer's 401(k).

Elaine F. Phipps, MBA, CFA

Avoid early withdrawals: Withdrawing from a 401(k) before age 59½ can be costly and may trigger a 10% penalty. In addition, the withdrawal will run up your tax bill as it must be included in gross taxable income. Any withdrawal seriously undermines the job you are trying to do in saving for your retirement, as you lose valuable time if the money is not invested and growing. Consider instead a taxable savings account to fund emergencies and big purchases versus raiding your retirement fund.

Now that you are contributing, how do you make sure your assets grow enough to fund that retirement? Consider the following:

Identify goals, time frame: This is a complicated question – how much do I need to retire and when can I retire? There are numerous online calculators you can use, which incorporate such factors as time to retirement, life expectancy, income replacement and other sources of income such as social security, pensions, and other taxable accounts. At the end of the day even the most sophisticated model can't predict the twists and turns life may deal you, so go with Ben Franklin's old adage that "a penny saved is a penny earned" – and the more you save the better!

Characterize your risk tolerance: How comfortable you are with risk and volatility will also color how much you need to save today to reach your goals of tomorrow. History has shown us that over time, stocks will outperform fixed income but will also be more volatile. If the thought of your 401(k) being slashed by one-third or more, as happened to many in 2008, puts you into a panic, perhaps you need less stock exposure in order to sleep. The tradeoff is you will need to save more, as the lower returns bonds generate won't get you there alone. Decide if you are a conservative, moderate or aggressive investor.

Determine your asset allocation: The asset allocation for your 401(k) should not be set in a silo of isolation. It should also consider all your other outside assets. Once you have determined where you want to be on an aggregate basis, you can calculate what that means for your 401(k). In general, it is best to devote, to the extent consistent with your overall asset allocation plan, your taxable accounts to equities and focus the more conservative and income oriented assets such as fixed income in your 401(k) or IRA. This is because low capital gains and dividend rates are only available for equities in taxable accounts. Holding capital gain producing assets in a tax-sheltered account doesn't take advantage of that opportunity. Also, holding fixed income securities in a tax-deferred account allows you to avoid present taxation on that income; the same income in a taxable account would be taxed at your highest marginal rate.

"Funneling pre-tax dollars into this savings plan cuts your taxable income."

Understand and research investment options and fees: Your choices may include stock, bond and money market mutual funds as well as employee stock. Another option may be target-date funds, which change the asset allocation as you move closer to a pre-selected retirement date. While these funds are popular for their "set and forget" philosophy, they often have higher fees attached which erode returns. Selecting the right target date can also be tricky. Should it be the date you expect to retire, or your life expectancy? Target date funds also make it more difficult to coordinate with your non-401(k) holdings. Whatever you select, make sure your 401(k) reflects the diversification strategy advised

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Planning With Your Tax Return

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worse than taking the funds into income and reporting a charitable deduction. Check with your tax advisor to see if you're best off making gifts from your IRA or with appreciated securities.

You may or may not be able to control the items on line 17—income flowing through from real estate, partnerships, LLCs, trusts, S corporations, and the like. To the extent you manage any of those entities, you may be able depress taxable income (ideally, without depressing cash flow).

Most investors who receive Social Security benefits are taxed on 85 percent of them. That's the case if your other income (including tax free interest and half of your Social Security benefits) exceeds $44,000 ($34,000 for single taxpayers).

This pretty much gets you to "total income." There are a few—a very few—adjustments that can reduce total income to reach Adjusted Gross Income. After all, not many of us are directly involved in energy production or are performing artists or in the military reserves.

Employees may be able to take advantage of Health Savings Accounts—you can save and deduct as much as $6,750 in an HSA. If you are self-employed, you can deduct half your payroll taxes plus your retirement savings.

"The more you save for yourself, the more you save in taxes."

That brings us to Adjusted Gross Income. Personal exemptions and itemized deductions key off of that, and as noted above, are reduced if your AGI exceeds the threshold of $311,300 for married filing jointly and $259,400 for singles.

For 2016, the personal exemption is $4,050. For every $2,500 your income exceeds that $311,300 (or $259,400) floor, your exemptions are reduced by two percent. It goes away entirely at $433,800 for married taxpayers and $381,900 for singles.

The most common itemized deductions (home mortgage interest, state taxes, charitable gifts) are also cut back. For every dollar above that AGI threshold, deductions are reduced by three percent of the excess. They are not reduced by more than 80 percent total.

An example may be useful here. Assume a couple with an AGI of $750,000 ($438,700 above the threshold) and itemized deductions of $80,000. Three percent of $438,700 is $13,161, so their deductions are reduced by that amount, to $66,839. Their deductions would never be reduced below $16,000 (an 80 percent maximum reduction).

This cutback does not apply to investment interest expenses (though those can be reduced in other ways), or to medical, gambling, and casualty losses. Those last have very high income thresholds to take in the first place.

Finally, if you are in the top bracket ($466,951 of taxable income for married couples and $415,051 for singles), that 15 percent tax rate on dividends and long-term capital gains is boosted to 20 percent.

The moral of all this? It is difficult to reduce your tax bill, but the biggest steps you can take are those on the front page of your tax return.

Trust Assets – What's the Plan?

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growth stocks with potential to appreciate quickly and then pass those appreciated assets on tax-free. Or they can have a long term structure where assets are more diverse and the investment goal is to grow the assets over time tax-free for future generations.

"If a trust is part of an individual's estate, its assets may be eligible for a step up in basis upon passing."

Charitable Remainder or Charitable Lead Trusts: Allows for annual income to be paid to an individual for a set period of time with remaining funds going to a named charity, or the reverse, a desired amount of money is donated to a charity and the remainder is paid to the beneficiaries. Investment strategy is to provide for long term growth and income.

There are numerous ways to structure the payment stream from a trust to beneficiaries. Structures include, but are not limited to, an income stream followed by a lump sum payment, interest payout only, principal payout under certain conditions such as medical need, payments as the beneficiaries reach certain ages or life events and cash payments or payments in kind. The asset investment plan ought to align with the specific payout plan of the trust. Another key element to managing the trust assets is careful selection of securities to sell when cash is needed to pay trust expenses or gifts, in order to minimize any tax impact. The laws are often changing and can vary greatly from state to state. A qualified attorney should be consulted when setting up trusts and developing a comprehensive estate plan. The trust document should line up investment powers with the grantor's intent.

Clinton vs. Trump vs. the Markets: How to Play It!

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Congress, or the plan may not be as onerous as feared. The upside then could outweigh the potential downside if healthcare adverse legislation is enacted.

Financials, Traditional Election Year Bad Boys, Present Opportunities

Wall Street is a frequent populist politician target, but this election season is notable because candidates on both sides of the aisle are throwing punches. Even Republicans have denounced the banks. The downside should onerous new legislation actually pass may be much less than the upside should it become business as usual when the next President takes office.

401(k) Plans – Your Lifelong Path for Retirement . . . continued from page 6

for your overall portfolio. Also, don't leave large balances sitting in money funds, as the 401(k) is meant to be fully invested given its long-term horizon.

"Aim to contribute at least 6% of your salary, which typically captures the maximum employee match."

Stay diversified and limit employee stock: You may choose to buy employer stock as one of your 401(k) options. Although less common today, check and see if your employer uses its stock to match your 401(k) contribution. Having a sizable portion of your savings tied up in employer stock leaves you exposed in several ways. Your company's paycheck provides life's essentials such as food and housing, and the company also likely provides other benefits such as healthcare and life insurance. If your employer falls on hard times and sees its stock price slip, your job may also be in jeopardy. You may need to rely on the 401(k) for cushion just at the time its value is falling. Employees at Enron, Tyco and Lehman learned this lesson the hard way.

Rebalance: Don't forget to use the automatic rebalance feature often included in plans to keep you on track with your allocation. While new contributions are invested as allocated, existing holdings will fluctuate in value and move you off of your target. If you don't use auto-rebalance, make sure to track where you are at regular intervals.

"At the end of the day even the most sophisticated model can't predict the twists and turns life may deal you."

Investing the maximum you can in a 401(k) is a smart move and an important way to set yourself on a solid path for retirement. Start contributing as soon as possible, even if it is the first day on the job. Putting pre-tax dollars away for your future security and enjoyment is a winning strategy.

Hurricane Season is Upon Us, Should You Hunker Down Your Portfolio?

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in 2015, Utilities are up nearly 20% in 2016, and in most cases trading at a premium to the S&P 500 on a price-to-earnings basis.

What to do? Remain disciplined to rebalancing your portfolio. Review your allocations among stocks, bonds and cash. Dive deeper into each asset class and make sure one sector, or credit quality, is not dominating the portfolio. Continue to allocate equities in your taxable accounts and fixed income in your tax sheltered accounts.

Has anything substantial changed in your life that would impact your financial goals, or change your investment strategy? Did you lose your job? Receive an inheritance? Recently retire? These life changing events should be the main reason your asset allocation would change. Your asset allocation strategy should

"Finally, and most importantly, with earnings season coming to an end, nearly 70% of the companies in the S&P 500 have once again outpaced Wall Street analyst expectations, signaling that the estimated "E" in the P/E (price-to-earnings multiple) may be understated."

be consistent with your risk tolerance and investment objectives. Short term volatility in the stock market should not alter your long term financial goals. Finally, diversification remains key. Make sure your

"Short term volatility in the stock market should not alter your long term financial goals."

combined portfolio allocation does not fully lean to one side of the boat. A portfolio must be spread out across all of the economic sectors, and through various types of bonds, with different maturities. Investors that remain disciplined to spreading out risk and rebalancing to an equity target regularly will build solid investment returns for the long term.

SUBSCRIPTION INFORMATION:

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