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PERSPECTIVES

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"Spring is the time of plans and projects."
Leo Tolstoy (1828-1910) novelist, playwright

"A goal without a plan is just a wish."
Antoine de Saint-Exupéry (1900-1944) pilot, author, philosopher

"They must often change who would be constant in happiness or wisdom."
Confucius (551 BC - 479 BC) philosopher, reformer

- **It's the first day of spring…** and it's having a philosophical effect on us.
- **It's also "tax time".**
- **Such a paradox…** Thoughts of renewal collide with the annual drudgery of tax preparation.
- ***Planning* is critical for both…** As with all things meaningful, planning one's financial future is a process. The process is dynamic, involving both art and science. It wants for goal setting, but the goals must be prioritized and important enough to involve making choices.
- **Good planning…** appreciates that change is the only constant. Equally important is an understanding of what ***is*** and what ***is not*** in our control:

Whether ***for*** retirement or ***in*** retirement:

Things you can control	Saving versus spending Investment decision-making The custody of those investments
Things somewhat in your control	When you retire How much you earn How long you live
Things not in your control	The return on your investments Tax rates, both income and estate

- **We submit…** that rarely has there been more poignant evidence of the inability to control investment returns than what we have experienced over the past ten years.

- **Twenty-O-Seven…** would mark the height of excess in the housing market. Few moments in history have witnessed such a display of greed…. or the apocalypse which followed as a result. From its October 2007 peak to the trough in March of 2009 the U.S. stock market fell nearly 50%.

- **An inauspicious anniversary…** It's been eight years since the March 9th 2009 market bottom.

- **What a long, strange trip it has been:**

A Look At The Markets 8 Years Later			
	March 09, 2009	March 09, 2017	Percent Change
S&P 500	676.53	2,364.84	249.6%
Dow Jones Industrial Average	6,547.05	20,858.19	218.6%
Nasdaq	1,268.64	5,838.81	360.2%
EuroStoxx	1,809.98	3,409.89	88.4%
Nikkei	7,086.03	19,318.58	172.6%
U.S. 10 Year Treasury	2.86%	2.61%	-8.9%
WTI Oil	$47.07	$49.28	4.7%
Gold	$922.35	$1,201.24	30.2%
Fed Funds Rate Target (%)	0.25	0.75	200.0%
Fed Balance Sheet ($Tn)	$2.07	$4.47	115.7%
U.S. Treasury Debt Outstanding ($Tn)	$11.0	$19.9	81.3%
Unemployment Rate (%)	8.7	4.7	-46.0%
Dividend Yield	4.2%	2.0%	-51.9%
TTM P/E (Standard & Poor's)	13.7x	22.3x	62.9%

Strategas Research Partners

- **To our planning discussion…** The yield on the 10-year Treasury Bond is highlighted in blue, because that's the way it makes us feel. For comparative purposes, that's about half of the long-term average.

- **"TTM P/E"...Really?** *We finance types love to speak in tongues!* The last line of the table above references the **T**railing **T**welve **M**onths **P**rice-to-**E**arnings ratio…which indicates how much it costs to buy $1.00 per share of earnings, on average, of the 500 companies represented in the S&P 500 Index. For future planning purposes, it's important to understanding that the long-term average "P/E" is 16x or $16 per $1.00/share of earnings. We highlighted in green the 2009 figure of 13.7x because it was a great opportunity to buy stocks below the long-term average. The current P/E of 22.3x is in yellow because it's much higher than the average.

- **"Blah, blah, blah…"** *Easy now.* What's important to understand is that bond yields are low and stock valuations are high. Because of this, future returns from both bonds and stocks will be lower than their long-term average. This ***really*** matters when planning for the future and makes the process of planning that much more important.

- **And, if that wasn't enough…** there's the matter of life expectancy.

- **If you are 65 today…** the average life expectancy looks like this (Social Security Administration 2016):

Percent who live to	Age 75	Age 85	Age 95
Women	85%	55%	13%
Men	79%	43%	7%
Couples (at least one lives to the age specified)	97%	74%	20%

- **Culturally…** most still expect to retire in their 60's….Doing so successfully takes planning, risk and tax management. It also takes discipline. *Think:* **Palladium**

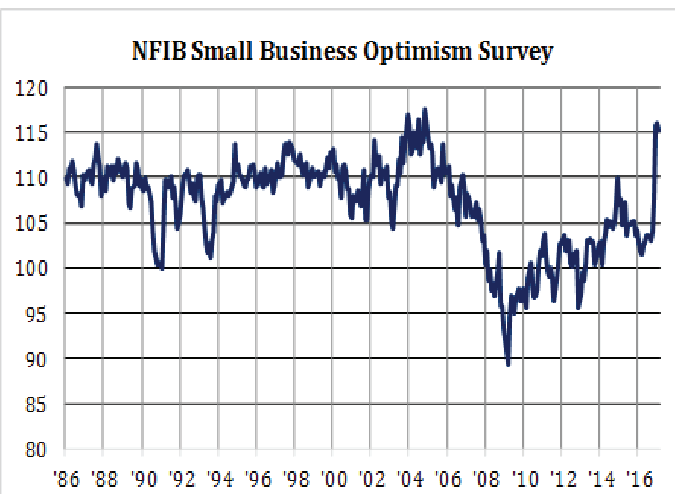
- **Passive versus Active….** Lost in the current love affair with index shares is the entire notion of asset allocation and risk management, not to mention discipline. We've seen this cycle before. It ends badly.

- **Speaking of risk.** The past decade witnessed both greed and fear. The question for the house might be: ***Have we gone full circle?*** That is, does the market's advance since 2009 reflect a greedy bias on behalf of investors? We don't think so….at least not classically. Rather, much of the market advance reflects a combination of stocks having been oversold (unbridled fear) followed by a sustained, ultra-low interest rate environment. Needing something more than zero percent, many investors returned to stocks, not out of greed but because there was little choice.

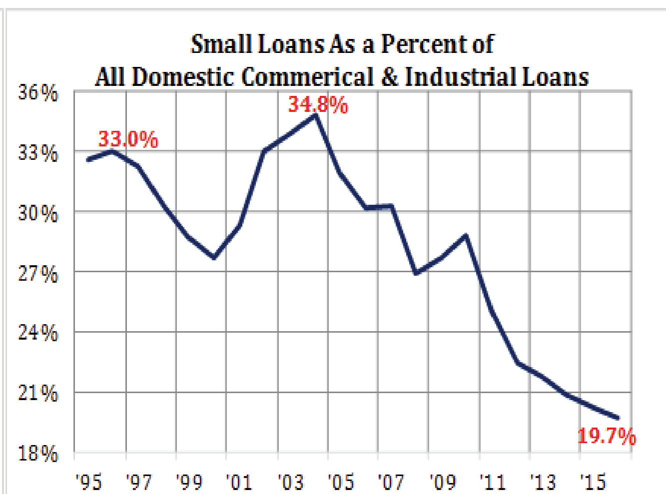
- **"TINA"** has become the refrain amongst investment professionals, as in ***T****here* ***I****s* ***N****o* ***A****lternative*. While we can't deny enjoying the rise, the notion that the advance of stock prices is premised upon an absence of a viable alternative warrants caution.

- **Looking back…** we've offered for several years that it was the combination of *caution* (the behavioral imprint from the Great Recession) and increased *regulation* (the legislative imprint from the Great Recession) which joined to produce the longest and slowest recovery on record.

- **At a crossroads?** The chart on the left depicts the recent spike in optimism by small businesses. The chart on the right reflects small business loan activity. To maintain the optimism, loan activity will have to accelerate.



Source: Strategas



Source: Strategas

- **Boom-bust?** Assuming the new administration succeeds in escalating economic activity via reduced regulation and lower taxes, the likelihood of a more traditional, boom-bust, economic cycle will be in the cards as well. On the one hand, making business easier to conduct is a good thing, but so too can it lead to excesses.

- **Looking ahead…** We will be as watchful as ever. Unwinding the Federal Reserve's gargantuan balance sheet (see the red highlights from the table on page 2) while simultaneously "stepping on the gas" economically could certainly have ramifications…..inflation being one of them. This would have significant implications for both stocks and bonds.

- **Not "if" but "when"…** Sadly, the issue of whether an individual will be subjected to credit card, identity or computer-related fraud is no longer a matter of "if". As a consequence, adopting habits to protect yourself needs to become as routine as brushing your teeth.

- **Tips:**
  1. Only give out your social security number when absolutely necessary. Don't carry your social security card in your wallet.
  2. Monitor your bank and credit card activity carefully for signs of fraudulent use. It's the card and account holder's obligation to identify misuse quickly. Scrutinize your monthly bill and don't let small amounts slide by.
  3. Avoid using non-bank ATM machines.
  4. Create strong passwords for your devices and online accounts. Update them routinely. Overwhelmed by the sheer number of passwords? Investigate using a password manager such as *LastPass.*
  5. Never access your password protected accounts from a public Wi-Fi. Never.
  6. Enable two-step verification on your e-mail and all of your financial accounts.
  7. Back up your data regularly. You can recover it if your device is lost or stolen.
  8. Activate the "Find My Phone" or "Locate My Device" app, just in case….
  9. Scrutinize your e-mails, especially those asking you to click on a link or open an attachment. If the text of language seems odd or you aren't certain who it is from, delete it without opening attachments or clicking links.
  10. If banking or shopping online, make sure the website used to collect your personal information is encrypted by looking for "https" rather than "http" in the web address.
  11. If you are solicited (on the computer or over the phone) by someone telling you your computer is at risk of being hacked and they are there to help, DO NOT open the site they guide you to.
  12. To prevent "dumpster divers" from obtaining your personal information, shred account statements, credit offers, expired cards, and receipts.
  13. Lastly (at least for now), order your credit report once a year to make sure it doesn't contain activity you haven't authorized.

- **Did we mention that it's spring?** Having ventured to such weighty things as planning, risk management, boom-bust cycles and cybersecurity, we cannot deny – *financial management **is** weighty*. Still, as we look outside, it's a beautiful day.

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