



401k Complete

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2017 Quarterly Investment Commentary: Third Quarter Huddle

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As we enter the fall season and the leaves begin to change colors, college and professional football captures the attention of many. Some might consider football to be worlds apart from investing. However, they are more similar than you might think. Coaches talk about the fundamentals of blocking and tackling, and in the investing world, this principle translates to the discipline of saving in both good and bad times. Resist the temptation to panic when things get a little tense, as they will in both investing and football—just continue to “move the ball down the field,” making positive yards and first downs. Speculative investments can occasionally pay off, in the same way that a “Hail Mary” pass might, but most of the time, they do not. Patience is definitely a virtue when it comes to investing, and setbacks will inevitably occur, just as penalties are sometimes as unavoidable as the dreaded quarterback sack, investors and football players must be resilient.

While investment markets can be volatile, the key is to focus on long-term goals, such as retirement or other important life events, even though those goals may seem far away. Imagine the team that starts on its own 20-yard line and methodically moves down the field. Every play cannot be executed perfectly, but the objective of reaching the end zone is always at the forefront. Most investors have time on their side and should let the power of compounding investment returns year after year work for them. You may not be able to control the investing environment, just as a football team cannot predict its opponent’s playbook, but you can control how much you save, the way your assets are allocated and your discipline to stay invested, even when it is difficult to do so.

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The trends of market performance in the last quarter of 2016 have continued throughout the first nine months of 2017. Even though there has been turmoil in Washington, terrorist threats from North Korea, three major hurricanes and a credit reporting agency breach involving 143 million people, global stocks continue to march higher. Optimism about potential pro-growth policies has shifted to optimism about actual corporate earnings growth and an economy that is still creating jobs, despite a very low unemployment rate. Europe no longer has the “populist cloud” hanging over it that was threatening to bring an end to the European Union and the Euro common currency. Emerging markets, such as those in Asia and South America, are back in favor as the tough talk about tariffs and abandoning international trade agreements has begun to fade.

For the third quarter, the proxy for U.S. large company stocks (S&P 500) was up 4.5%, while the Russell Mid-Cap index returned 3.5%, and the Russell Small Cap index gained 5.7%. International stocks in the developed markets of Europe and Japan, as measured by the MSCI EAFE index, rose 5.4%, and the MSCI Emerging Markets benchmark did even better, gaining 7.9%. The bond market also managed to stay in positive territory, producing a return of 0.9% based on the Barclays Aggregate index.

Interest rates will be closely watched for a number of reasons in the coming months. In addition to the Federal Reserve gradually raising short-term rates, it is also reducing its balance sheet by not reinvesting all of the proceeds from maturing treasuries and mortgage-backed securities. This is a reversal of the path the “Fed” launched in 2008 when it began to aggressively purchase these bonds in order to keep interest rates low and provide liquidity to the markets. The new plan is an attempt to keep inflation under control and return to a more normal operating environment. Lastly, Federal Reserve Chairperson, Janet Yellen, will likely be replaced when her term ends in February of 2018. While all of these factors will lead to some uncertainty and potential volatility, we do not see them as major risk factors at this point, since they have been telegraphed to market participants well in advance of their occurrence.

Hopefully, you now feel up to speed on the current state of the financial markets, so sit back and enjoy that Pumpkin Spiced Latte, watch your favorite team on Saturday or Sunday, tune out the day-to-day noise coming from the media and stay focused on your long-term goals.





COLLEGE: More Than Just Football

by Diana Contorno, HDP™ | Diana.Contorno@WAasset.com

Ah, fall! Crisp air, crunchy leaves, pumpkin everything and our favorite sport at Warren Averett—college football. In the South, the topic of college football is everywhere, and I am always amazed at how quickly we, as a group, dismiss the word “college” in that phrase. As a parent of two high school students, I am all too aware of the word “college” and the expense that it brings. Once upon a time, college was for the elite: the smartest student or the lucky scholarship recipient. Less than 20% of high school graduates completed college in 1940,¹ but, by 2015, the number of high school graduates who also graduated from college more than doubled.²

It is projected that there will be 55 million job openings through 2020,³ with many of them requiring a minimum of a bachelor’s degree. The argument for completing some level of education beyond high school is strong, but the expense is challenging. How are parents (or the students themselves) going to financially prepare for college costs? According to historical data, tuition and fees are increasing at a rate of 6% annually, which is significantly higher than the rate of inflation in the economy.

College Savings 529 Plans offer advantages that other savings plans may not. They are a great way to help plan for the expense of college. Rules and benefits vary by state, but these plans may offer significant tax benefits when used for “qualified education expenses” which include tuition, room and board, books, fees and mandatory supplies. While options vary from state to state, most plans have a large selection of investments. It is important to analyze the potential tax benefits of using your state’s 529 plan and carefully weigh against investment options and fees.

The sooner you start saving, the better. Just as retirement saving is a line item on your budget, college expense saving may need to be as well.

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1 <http://www.infoplease.com/ipa/A0112596.html>

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3 https://cew.georgetown.edu/wp-content/uploads/2014/11/Recovery2020.ES_Web_.pdf

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Team Member Spotlight: Kelly S. Clary, MBA



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Kelly Clary develops comprehensive strategies with clients that focus first on protection of assets, risk management and generational wealth transfer. With more than 20 years of experience in the financial services industry, Kelly has extensive experience serving clients in the private and public sectors, as well as providing financial planning and asset management along with other financial related services for families and individuals. Kelly resides in Huntsville with his wife and their three children. Kelly and his wife enjoy being involved in numerous civic and community activities throughout Huntsville and surrounding areas.

Education

Bachelor of Science in
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Areas of Special Emphasis

- Private Client Services
- Family Office
- Corporate Retirement Plans
- Institutional Services

Kelly's Tip for Investors: Fundamentals take you to the goal

In finance, as in football, strong fundamentals lead to success. Whether you want to score a touchdown or protect your family, fundamentals get it done.

1. **Be Consistent** – Don't change your plans because of your friend's success with one investment.
2. **Diversify** – Capture the up market and protect against the down market.
3. **Teamwork** – Know whom to depend on for direction and protection.
4. **Communicate** – Don't avoid a conversation just because it is uncomfortable.
5. **Structure** – Structure your plan around what is most important to you, which is likely the prosperity of your family. What are you doing today that will benefit your family's future generations?

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