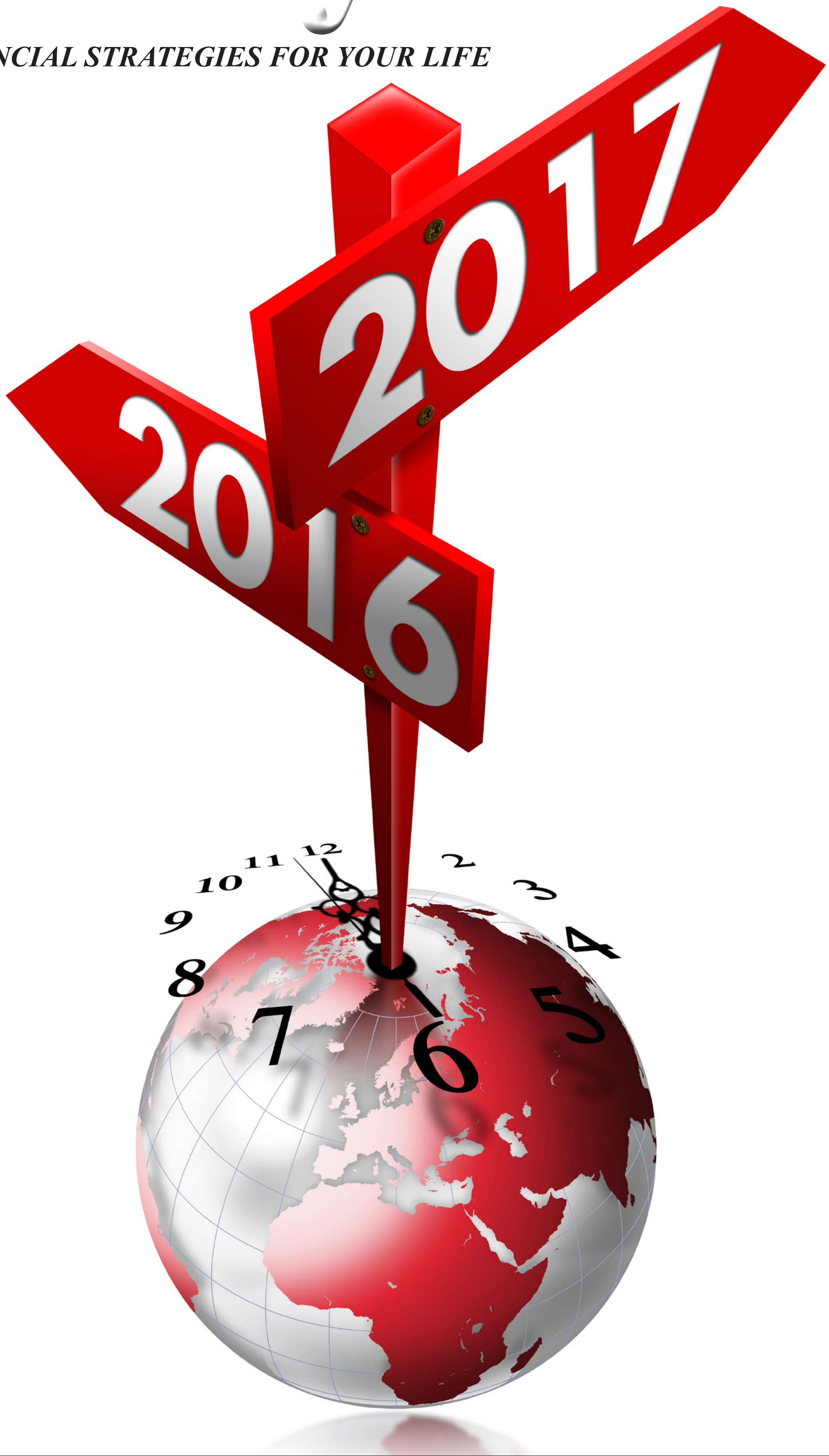
January – February 2017

Money Moxie®

TAILORED FINANCIAL STRATEGIES FOR YOUR LIFE

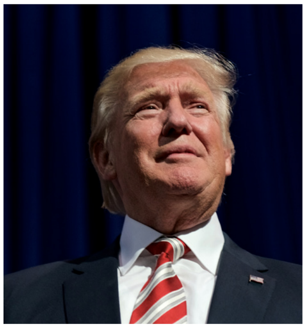


Since 1982

SMEDLEY FINANCIAL SERVICES, INC.®

Make Markets Great Again?

Happy New Year Dear Friends and Financial Partners!



With the new President of the United States, namely Donald J. Trump, substantial changes may be coming our way. Below is a compilation of optimistic perspectives on the incoming administration.

Corporate Tax Cuts: Maria Bartiromo of Fox Business Network posed the following question to House Majority Leader, Congressman Kevin McCarthy, (R-CA). Maria Bartiromo: *"One of the analysts that I had on the morning show the other day on Fox Business Network said, 'A drop in the corporate tax rate from 35 percent to 15 percent will equate to a 20 percent increase in corporate earnings.' Do you agree with that?"*

Congressman Kevin McCarthy: *"I do agree… and when you look at what we'll do in the House, our number one focus is jobs. We need growth in America. Growth in America will solve so many problems. You won't be able to stop this deficit unless we grow"* (Sunday Morning Futures with Maria Bartiromo, December 11, 2016, Fox News Network).

Tax Repatriation Plan for Cash: Many corporations have chosen to keep their foreign profits overseas rather than pay the U.S. corporate tax rate–one of the highest in the world. Bringing these funds–estimated to be $2.6 trillion–back to the United States with only a 10 percent tax payment versus the current 35 percent rate could create hundreds of thousands of jobs. But its impact totally depends on how the money is deployed.

On Bloomberg Television, Goldman Sachs Senior Investment Strategist Abby Joseph Cohen addressed the repatriation of cash. *"In 1999 and 2000, 70 percent of the cash, by companies in the S&P 500, went back into the company for things involving growth: capital spending, R&D (Research and Development), even cash acquisitions from operating assets. That 70 percent number is now 42 percent.*

"If that money comes (back to the United States) and there are no restrictions in terms of how that money is used, one of the things I worry about is a good deal will go for… share repurchase alone or dividend increases, and so on, and not into growth, the benefit to the nation will not be there."

Regulatory Environment: American businesses claim to be smothered by new rules and regulations, thus holding back Gross Domestic Product (GDP). Congressman Kevin McCarthy: "*The Obama Administration has just put all of these new regulations on us, kind of just pushed the economy down, pushed investment out. Why? Because the new people being hired were hired to carry out new regulations, instead of more output.*

"The Obama administration, in just the first six years, proposed more than 500 major rulings. And this is really important because you do not become a major ruling unless it gets scored that it's going to cost $100 million (or more) to business" (Sunday Morning Futures with Maria Bartiromo, December 25, 2016).

In 2017, we may see common sense changes in the law that will create greater check and balance among the branches of our Federal Government. The Regulations from the Executive In Need of Scrutiny (REINS) Act states that no major ruling of new regulation that costs more than $100 million can be imposed without a passage of the House and Senate. The Sue & Settle Reform states that you cannot have a new regulation until any previous lawsuits are settled.

Economic Growth: Abby Joseph Cohen: *"GDP growth in the United States is very likely up 2.2 percent, something along those lines. If we look for ways in which that number would be wrong, it's probably more likely to be stronger, rather than weaker, in part, because the economy is ending 2016 on an accelerating note."*

Know this, what presidents propose and what actually takes place may be two different things. President Obama had this to say about our next president: "*I…think that (Trump) is coming to this office with fewer hard-and-fast policy prescriptions than a lot of other presidents might be arriving with. I don't think (Trump) is ideological. I think ultimately, he is pragmatic in that way. And that can serve him well as long as he has got good people around him and he has a clear sense of direction*" (November 14, 2016).

At Smedley Financial we have only been able to harvest what the stock market is willing to deliver. If the market gives a little more to your portfolios then you will be closer to reaching your financial goals. To us, investing is about meeting your personal financial goals in a careful and prudent manner, and not necessarily meeting or beating a benchmark.

Finally, the most important thing to remember is this: Always call us if you have any questions or concerns. We mean it. Don't be hesitant to contact us. We are your financial advocates and financial bodyguards.

Have a Most Prosperous New Year!

Roger

Roger M. Smedley, CFP®
President

Department of Labor
Benefit to SFS Investors

By Sharla J. Jessop, CFP®

The full impact of the new Department of Labor (DOL) ruling is hard to determine. But for investors, the positive impact is beginning now. Over the last year the financial industry has been befuddled by the proposed, and now final, ruling.

The goal of the DOL is to simplify the investment process for investors, giving them resources to easily determine costs associated with their investments and the cost of services provided by their financial professional. While the notion to help investors is without question a good one, changes will take months to implement and will not be in full effect until May 2017.

The good news – our investors are benefiting from the changes now. In an effort to level the playing field for all investors, investment companies are working to reduce the costs to use their investments. Low cost shares have been available to institutional investors for years. These low cost shares will now be available in the Smedley Financial managed portfolios.

We are excited about this change as the lower costs are directly reflected in your investment return.

Over the next several months we will be in contact with our investors to explain changes to the investment program and how they will benefit from the new investment platform. Watch for information in your monthly statement regarding the changes in your portfolio(s).

We welcome your questions and feedback and invite you to contact us at 800-748-4788. SFS

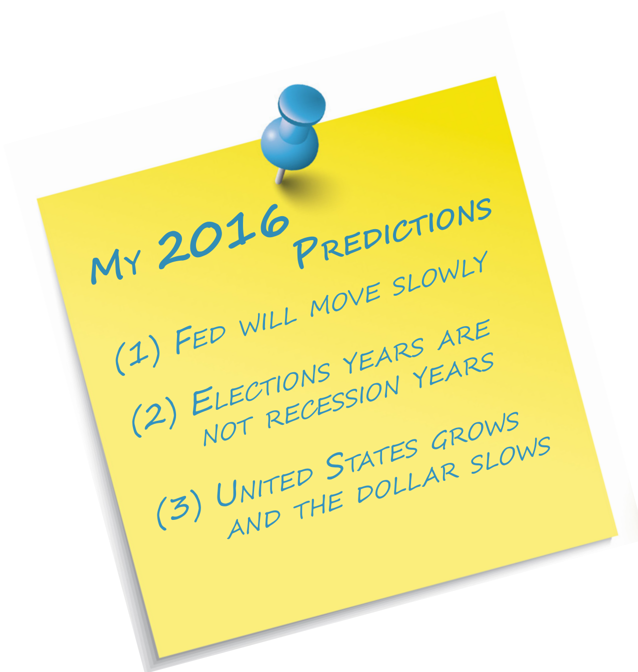
2016 Review

By James R. Derrick Jr., CFA®

"If you want to see the sunshine you have to weather the storm." In its first 3 weeks, 2016 delivered investors more than a 10 percent loss–the worst start in 80 years. Our natural human instinct at such moments is to feel that it will continue, but predicting the markets is extremely difficult.

In a dramatic turnaround, the U.S. stock market rose in February and March–recording the best recovery in 83 years.

(1) Fed will move slowly. The Federal Reserve planned to raise rates 4 times in 2016. This aggressive forecast in combination with falling oil prices spooked investors. Then came the uncertainty of Brexit and the U.S. elections. By year end, the Fed raised rates just once (in December).



(2) Election years are not recession years. I expected the economy to grow and for the market to continue to rise as our bull market entered its 8th year.

This positive outlook proved beneficial in the early days of 2016 when the resolve of many investors was tested. The market turned positive and remained there for most of the year.

(3) United States grows and the dollar slows. A strong U.S. dollar is not as good as it sounds. Sure, it's great for Americans traveling overseas, but it presents challenges for large U.S. companies and investors.

The year began with too much strength: From July 2014 to January 2016, our dollar rose against every major currency around the globe! It gained 20 percent versus the euro and 54 percent versus the Russian ruble!

Fortunately, the U.S. dollar spent 9 of the last 12 months below January 2016 levels. That gave investors more opportunity as we invested globally.

This international diversification helped a great deal until a great divide formed in November.

These investments have taken a break as U.S. stocks rose in November, but I believe the worldwide economy still looks positive and may offer benefits to investors again in 2017. SFS

Major Markets Update

Market	Index	2016	2015	2014	2013	2012
Large U.S. Stocks	S&P 500	9.5%	-0.7%	+11.4%	+29.6%	+13.4%
Small U.S. Stocks	S&P 600	24.7%	-3.4%	+ 4.4%	+39.6%	+14.8%
Global Stocks	Dow Jones Global	5.8%	-4.0%	+ 2.1%	+20.8%	+13.7%

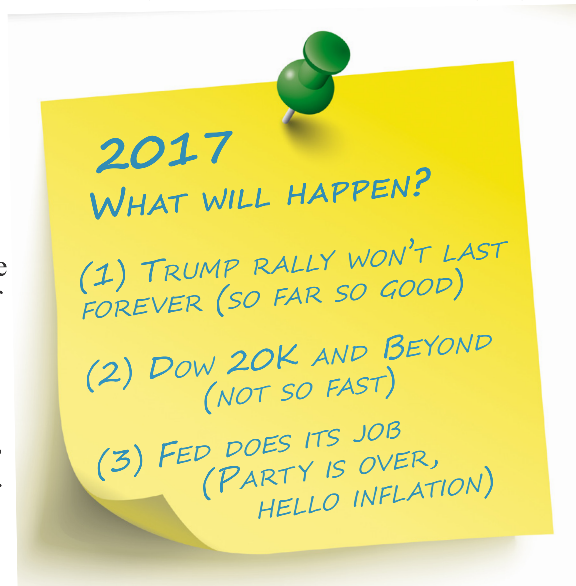
Research by SFS. Data from Federal Reserve Bank of St. Louis. Investing involves risk, including potential loss of principal. The S&P 500, S&P 600, and Dow Jones Global are indexes considered to represent major areas of stock markets. One cannot invest directly in an index. Diversification does not guarantee positive results. Past performance does not guarantee future results. The opinions and forecasts expressed are those of the author and may not actually come to pass. This information is subject to change at any time, based upon changing conditions. This is not a recommendation to purchase any type of investment.

2017 Predictions

By James R. Derrick Jr., CFA®

Market movement since Election Day has been massive and investors see this as confirmation of just how good Republicans are going to be for the economy. How could so many investors be wrong? Actually, fairly easily.

Right or wrong, investors should be careful not to get carried away. There is a high amount of uncertainty and no way to know what the future will bring.



(1) Trump Rally
The big move in stocks in November and December has been an acceleration of the positive momentum already taking place in the economy. It has been characteristic of many presidential election years with a good economy.

It is completely normal to get excited, but don't let it lead to overconfidence. Few things last forever and most years have their ups and downs.

It is not unusual to see inauguration day (Friday, January 20, 2017) mark a change for investors as they realize the new president does not have a magic wand.

(2) Dow 20K
The Dow stock index has been flirting with 20,000. It just could not quite get there in 2016. In 2017, I believe it will! And it will likely cross that mark many times.

The first time the Dow reached 10,000 came in March of 1999. Over the next 11 years, it crossed that level on 34 days until it surpassed it a final time in the summer of 2010.

It's hard to fight gravity and it's hard to turn a large ship. There is so much positive momentum right now that I expect it to continue. Unemployment is falling. Wages are rising. Confidence is climbing.

One unknown is the impact of policy changes on global trade, which may decline this year as the United States turns its focus inward.

(3) Fed Does Its Job
The Federal Reserve is likely to "take away the punch bowl just as the party is getting started."

For two consecutive years I have accurately predicted that the Fed would be more cautious than its own forecast. This year, I am accepting the Fed's forecast that it will raise rates 3 times in 2017.

Of course, no one knows with certainty because with each rate hike, I expect investors will become more concerned.

Trumponomy: Make the Economy Great Again?

Income Tax Cuts
Republicans want to simplify income tax brackets from 7 to 3 and allow everyone to pay less. It could be like an economic sugar rush. The question is: *Will it turn into enough growth that it will help not hurt the national debt?*

Corporate Taxes
Currently at 35 percent, a drop to 15 percent could be a shot of adrenaline to profits (according to *The Wall Street Journal,* with deductions, companies average 29 percent). There is also a plan to help corporations bring cash home from overseas. Do companies boost productivity or just spend on dividends and stock buybacks? Good for investors either way, but long-term we need productivity.

Infrastructure Spending
Trump promised a $500 billion stimulus, but more debt isn't popular. Implementation will take some time and the actual budget may be smaller than promised (unless President Trump gets support from Democrats who have been working to pass infrastructure stimulus for years).

U.S. Debt
Americans are not watching this as closely as they were a couple years ago, but our debt is about to reach $20 trillion. If we ignore it, interest rates will rise and our debt will only get worse–Time to balance the budget?

5 Unexpected Retirement Expenses

By Alli Osgood

Preparing for a successful retirement takes years of planning, saving, and dreaming about the years when you will no longer be working. When planning for retirement we recommend you think about the amount of monthly income you need to maintain your lifestyle.

However, there are some expenses you may not think of before retiring.

1. Home Repairs: Before retiring take inventory of the age of your house. What are some of the items that may need to be updated? Then come up with a plan for how to have cash on hand to pay for each of those repairs.

Some of the most expensive items include your home's: HVAC, roof, pipes, septic system, deck, siding, and plumbing.

Planning for home repairs can alleviate a lot of financial burden by either repairing items before retirement or by creating a reserve home repair fund, in addition to an emergency fund.

2. Healthcare Costs: Did you know the average couple will spend about $250,000 on healthcare during their retirement? Even if you believe you will not spend that much on healthcare, it is a good idea to plan for the unexpected, especially with the rising cost of healthcare.

Although Medicare is available at the age of 65, it does not cover all medical expenses. There are additional premiums and expenses for prescription coverage. Dental and vision insurance is not covered by Medicare, so private insurance will be needed if you would like this coverage.

If you are planning to retire before the age of 65, be sure to know how much the cost of private healthcare will be. The premiums are a lot more than individuals think.

3. Purchasing Power: The average price of a movie ticket in 1974 was $2.00. Fast-forward to 2015, the average price was $8.50! That is a 3.4 percent increase in cost per year and a good example of the power of inflation.

Inflation is hard to see as it happens slowly over time, yet it is crucial to plan for in retirement.

• If you retired today with a monthly income of $3,000 and an inflation rate of 3 percent, in the year 2040 you would need about $6,000 per month to maintain the same standard of living.

• Outpacing inflation with a risk appropriate, diversified portfolio can help to minimize the risk of purchasing power.

4. Spending too much early on in retirement: Yay! You made it to retirement. You'll have more free time, which often means spending more money. It might be spent on visiting loved ones, traveling, golfing, lunching, or starting new hobbies.

Before you retire, make sure to have a realistic amount of money you will spend each month. Make sure to include your day to day expenses, healthcare costs, taxes, home repairs, utilities, travel expenses, and any other items that may be important to you.

5. Longevity: If you know the exact day you will pass away, planning for retirement is easy. That's not the way life goes. If we plan based solely on previous generations' life spans, we may not plan for a long enough lifespan.

Planning beyond age 90 is a more conservative plan. Although you may need to reduce your monthly income, you will have a well-rounded plan that will help your income last for your lifetime.

Planning for retirement can be a daunting task, yet with the right team on your side you can be set up for success and live out the retirement of your dreams.

How Much Should You Save For Retirement?

By Mikal B. Aune, CFP®

Research shows that we, as Americans, are saving far too little to support retirement lifestyles similar to our current lifestyles. There are three major headwinds that make things worse: people are living longer and will need more money, companies are doing away with pension programs, and Social Security benefits may be reduced if action isn't taken to shore up the Social Security trust fund.

The pendulum has swung from the World War II generation of savers to the Baby Boom generation of spenders. Inertia has a way of making the pendulum swing back to where we will become savers again.

A perfect example is the Millennial generation. Their first financial experience is the "Great Recession" of 2008 and now they are outpacing the other generations for retirement savings. Rather than wait for outside forces to compel you, start to supersize your savings to make sure your retirement will be everything you dream.

Reference the infographic to see how you stack up to other people in your age group. The infographic shows how many times of your salary you should have saved, an example of how much that is, and what the median savings amount is per age.

Notice how the people in their 20s and 30s are on track for retirement savings. It is really in 40s, 50s, and 60s where people fall behind. This is due to a myriad of reasons such as not saving enough, losing a job, or a major medical expense.

If you are on track for retirement, congratulations. Keep up the good work. If you feel like you are behind, don't despair. The best thing you can do is to get your ship sailing in the right direction: Get out of debt, pay down your mortgage, and start socking away money.

You should be saving 10-15 percent of your own money towards retirement. If that doesn't seem possible, try to increase your retirement savings by 2 percent now and then increase it 1 percent each year.

Saving for the future is not always easy, but it is worth it. If you want a personalized analysis to see if you are on track for retirement, please contact one of our private wealth managers.

Age	Multiple of Salary You Should Have Already Saved	Salary Example	Savings Goal	Actual Savings
20s	½	$30,000	$15,000	$16k
30s	1	$40,000	$40,000	$45k
40s	3	$60,000	$180,000	$63k
50s	4.5	$80,000	$360,000	$117k
60s	6	$100,000	$600,000	$172k

Sources:
(1) http://bit.ly/2jcOuCT
(2) https://www.ssa.gov/oact/trsum/
(3) http://ti.me/1n6eSga

Tax Forms and Streetscape Update

Tax Statements: Most 1099 tax forms for 2016 for your accounts with Smedley Financial should be available online between January 28 and February 18, 2017. Forms are mailed within 5 business days of posting online if you have not selected eDelivery. In the event of a 1099 correction form, clients are encouraged to consult with a tax advisor to determine if amendments are required.

Streetscape Users: *Streetscape* is changing its name to *Wealthscape* in the coming months. Call us at 800-748-4788 for more information.

Your SFS Team

Smedley Financial Services, Inc.® is an independent registered investment advisory firm. We work for our clients. Our wealth managers have the flexibility to implement our financial plans, retirement plans, and income distribution plans using the strategies that work towards each client's needs and goals. We work with individuals, businesses, and family estates. We provide financial solutions for your life.

Wealth Accumulation
- Managed Accounts
- Indexed Investing
- Mutual Funds
- Exchange Traded Funds (ETFs)
- Stocks and Bonds
- Alternative Investments

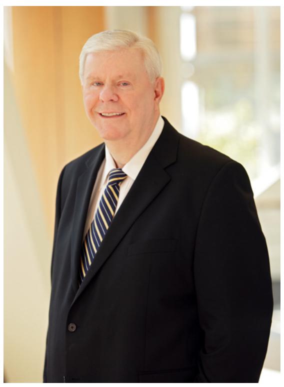
Family Protection
- Term Insurance
- Whole Life Insurance
- Universal Life Insurance
- Variable Universal Life Insurance

Retirement
- Social Security Maximization Strategies
- Medicare Supplement
- Guaranteed Income (Annuities)
- Lifetime Income Planning

Disability (Injury)
- Short-Term Disability Insurance
- Long-Term Disability Insurance

Elder Care
- Long-Term Care Insurance
- Hybrid LTC

Employers and Self Employed
- Health Insurance
- 401(k) Plans



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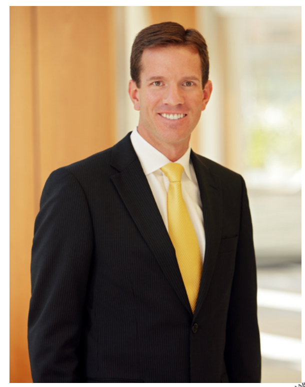

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