
# Wealth Matters Newsletter

December 2016

## Understanding the Election, Market Surprises and Interest Rate Increases

As the end of 2016 grows closer, we have to say that this has certainly been an eventful year. A long presidential election campaign left many Americans feeling bruised and more divided than ever. And many people were surprised when Donald Trump emerged as the victor. Similar to Brexit's unexpected win in June, election polling and conventional wisdom proved to be quite wrong once people actually voted.

In fact, just 15 days before the election, the Washington Post said, "Donald Trump's chances of winning are approaching zero." Statistician and writer Nate Silver — who correctly predicted winners in all 50 states and D.C. for the 2012 presidential election — called this year's results "the most shocking political development of my lifetime."

No matter how you feel about the election's outcome, we know that you may have many questions about what lies ahead. So, we'd like to provide deeper perspectives on what's happened since the election and what to consider in the coming months.

**1. What We've Seen So Far**

**Noteworthy Market Growth**
Despite many predictions that the markets would go down if Trump won, we've experienced a significant bounce since his election. On Friday, December 9, all three major U.S. stock indexes ended at record highs. For the first time in five years, they each posted gains every day of the trading week.

**Positive Economic Data**
At the same time, we've also received a number of positive indicators about our economy. The Consumer Price Index has had its best three months since 2012, retail sales continue to show steady gains, new unemployment gains were at their lowest point since 1973, and housing starts rose a whopping 25.5% in October.

In other words, data continues to show us that the economy is growing and gaining strength.

**2. What's On the Horizon**

**Interest Rate Increase**
Now that the election is over, the Federal Reserve's December meeting is the next big event that may affect market performance. We have anticipated a rate hike and on November 17, Fed Chairman Janet Yellen – who has proved hesitant to raise rates – told lawmakers that the increase could happen "relatively soon." And that it did, as the Federal Reserve unanimously decided to raise rates on December 14, 2016, by a quarter point, bringing them to a range of 0.5 to 0.75 percent.

According to the Federal Reserve's press release issued on December 14, 2016, "The Committee expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data."

Interest rate increases could cause some market volatility in the short term. But, the Fed moving rates back to more normal levels is fundamentally a positive sign, because it indicates that the economy is healthy enough to withstand them.

**President-Elect Trump's Inauguration**
Currently, the markets, media, politicians — and average Americans — are all looking for signs of what kind of president Donald Trump will actually be. We can look to his campaign promises and analyze his appointments, but no one can know for sure how he will serve until after he takes office January 20.

The markets' rallies seem to show that investors expect increased infrastructure spending, plus decreases in three key areas: corporate tax rates, individual income taxes, and government regulation. But, as we've seen again and again in 2016, only time will tell.

In the meantime, we hope you will find confidence knowing that the economy shows many signs of sustained growth and fundamental strength. If you have any questions about how your strategy aligns with current circumstances, please feel free to contact us. If you are not currently working with an advisor or would like a second opinion review of your situation, please call us at 913.814.3800. Our country might feel divided right now, but we are by your side, no matter the political or economic climate.

Sources Available Upon Request

## Retiring with Volatility

*Should Retirees Be Worried?*

Market volatility is an historic inevitability; as a long-term investor, you are likely to experience years of volatile or negative portfolio growth. If volatility coincides with your retirement, you might be worried about how it may affect your savings and income.

While history tells us that stocks perform well over the long term, in the short term, market shocks like low crude-oil prices, geopolitical uncertainty, and concerns about the global economy can cause markets to fluctuate severely.

**Should I Be Concerned About Stock Market Volatility?**

Anxiety about market volatility is normal. Over 60 percent of investors in a 2016 survey reported feeling concerned about retirement security because of market volatility. However, it's critical not to let your worries take over and derail your investment strategies. One of the worst things you can do as an investor is panic and sell during a downturn. Unfortunately, that's exactly what many investors do, harming their long-term financial goals.

The good news is that despite headlines to the contrary, long-term volatility hasn't actually increased. A recent study that examined stock returns between 1926 and 2014 found that while large daily price fluctuations may occur more frequently, they are usually offset by similar daily rallies. Market volatility hasn't discernibly increased when measured over periods longer than days. Since we can't predict when volatility or pullbacks will strike, it's important to make advance preparations to mitigate the effects of volatility in your retirement strategies.

**What Should I Do If Markets Are Negative Multiple Years In A Row?**

One of the major risks facing retired investors is the effect of multiple bad years of performance. What professional investors call "sequence-of-returns risk" is a real problem to consider, because liquidating investments for income in a bad market can amplify the effects of negative returns on your savings. While we can't predict the timing of market returns, we use sophisticated services to test different market scenarios and attempt to create retirement strategies that have a reasonable probability of success. In addition, we use simulations to take into account the risk of a sustained period of declines.

Another way to manage the risk of bear markets and volatility could be by creating multiple streams of income, such as Social Security, a pension, dividends, and income from rental properties and other sources, so that you aren't completely reliant on the stock market to support your retirement spending. Creating an income floor can help ensure that your basic living expenses are covered, regardless of how the stock market is performing.

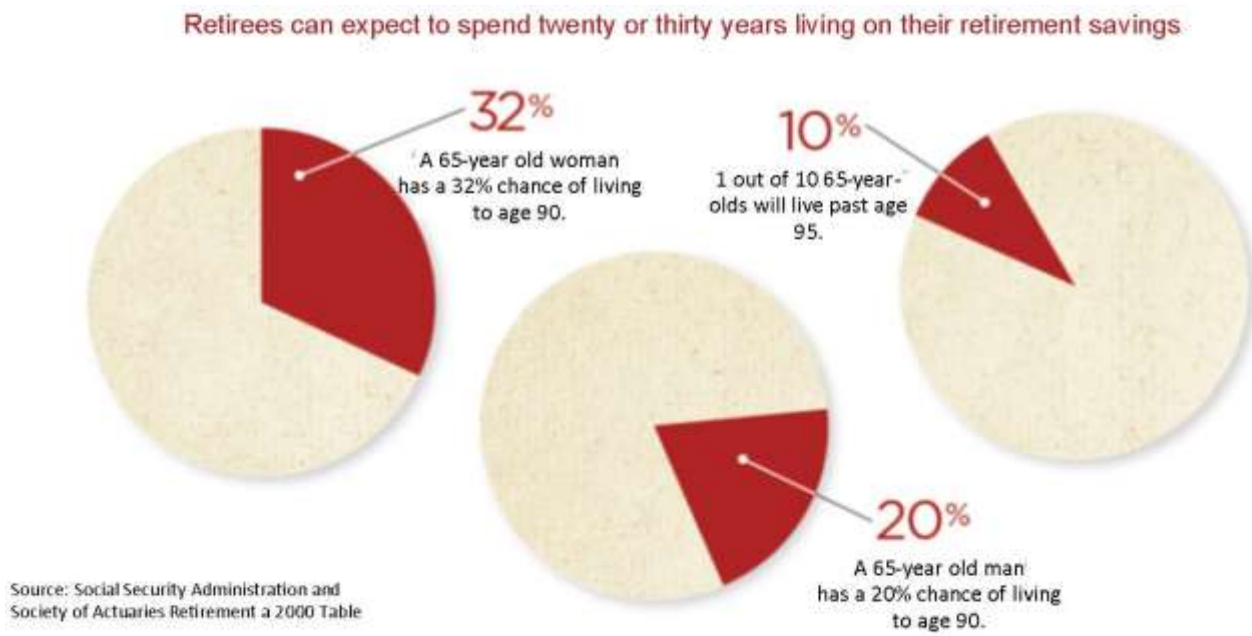
**Will I Have To Cut Down On My Spending In Retirement?**

One way to mitigate the effects of volatility is to be flexible in your retirement spending. If you can reduce your portfolio distributions during poor or volatile markets, you can reduce the negative effects on your overall portfolio. Having the flexibility to increase distributions during good years and reduce them in bad can vastly improve the health and longevity of your portfolio. Relying on alternate sources of income can help you meet your financial needs without relying entirely on liquidated investments.

**Will I Need To Defer Retirement?**

If you reach retirement age during a period of extreme volatility or a downturn, you may want to speak to our team about the timing of your retirement. In some cases, deferring retirement for a few years to accrue additional savings or give your portfolio time to recover can be a savvy move. In others, gradually transitioning into retirement and limiting the distributions you take from your portfolio can also mitigate the effects of volatility. However, the decision of when and how to retire is a complex one in which your financial situation is just one factor. It's a good idea to speak to our team or your financial professional about any and all of your concerns as you make preparations for your retirement.

Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.




**It's Impossible to Predict What Market Conditions You Will Face In Retirement.**
Market performance in the years immediately before or after retirement can have an enormous impact on your financial well-being.

While some investors respond to the risk of stock-market volatility by getting out of markets entirely, we believe that thinking can be flawed. With American life-spans increasing each year, retirees can expect to spend twenty or thirty years living on their retirement savings. Investing too conservatively can increase the risk that a retiree will run out of money later in life.

If you're worried about the impact of volatility on your retirement savings, give us a call to talk about how we can help guard against this risk and strengthen your retirement strategies.


**Community Involvement**

For more than 50 years, the Johnson County Christmas Bureau has provided warmth and sustenance to our Johnson County neighbors who live below 150% of the poverty level. Guests shop for groceries, personal care items, holiday gifts, books, children's clothing, hats/gloves/scarves, and winter coats. Our team is proud to be part of the 3,000 annual volunteers that help this program continue to serve. For additional details on getting involved, please visit www.jccb.org.

Thank you to everyone who donated coats for the Coats for Kids collection we participated in with KMBZ and the Overland Park South Rotary Club. More than 6,000 coats were collected and will be cleaned and distributed to the

Kansas City, Kansas, Kansas City, Missouri, Hickman Mills, Independence and Center School Districts.

**Champions of Character Award Recipient**
We are honored to be named the National Association of Intercollegiate Athletics' **2016 Company of Character** for our commitment to upholding the NAIA's core values:

Integrity | Respect | Responsibility | Sportsmanship | Servant Leadership

For more information on the Champions of Character program, visit http://www.championsofcharacter.org/.


*"Definiteness of purpose is the starting point of all achievement."*
*-W. Clement Stone*

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