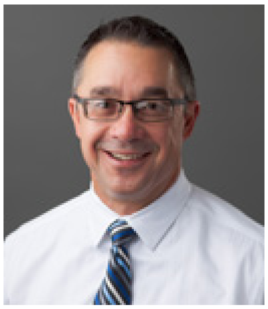
FIRST QUARTER 2017 NEWSLETTER

Your Guide to Retirement and Personal Planning

January 2017



Happy New Year! I hope you find these articles to be of interest. If you have any questions regarding your account, please feel free to give me a call or send me an email.

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Understanding and Managing Your Credit Score

Your credit score is a critical piece of information that lenders use to determine how creditworthy you might be. Knowing your score -- and what it takes to maintain a healthy score -- is key to your financial outlook.

Financial Capability in the United States: How Do You Stack Up?

The FINRA Investor Education Foundation set out to determine how skilled Americans are at managing their financial lives. Details of their research is shared here.

Social Security: Income Replacement Trends Declining for Working Couples

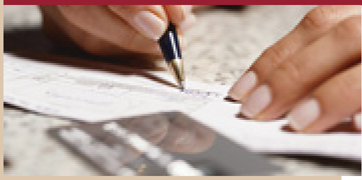
Recent research has found that when it comes to collecting Social Security benefits, the income replacement rate for two-income couples has been declining steadily for a number of years.

When Planning, Focus More on Goals, Less on Numbers

Creating a long-term financial plan that ties your life aspirations to your financial goals can help you to distinguish wants from needs, establish clear priorities, and avoid misguided investment decisions.

Investors: Don't Let Fear Keep You on the Sidelines

Fear is a powerful emotion and market losses can be fear inducing. But history shows that emotion is a poor compass for charting your investment course.



Understanding and Managing Your Credit Score

Your credit score is a number that lenders use to gauge how likely you will be to repay your debts on time. As an informed consumer, you can make yourself more attractive to lenders by taking steps to boost your credit score.

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Your FICO® Score: The Standard Measure

The FICO® Score (an acronym for its creators, the Fair Isaac Corporation) is a standard gauge lenders use to measure a consumer's credit risk. According to myFICO.com, 90% of top lenders use FICO scores when making lending decisions. A typical credit score will range between 300 and 850 points. Although all lenders make decisions based on the particulars of the lending situation, generally speaking, the higher your credit score, the lower the perceived risk to the lender, the more attractive the interest rate you may be offered, and the more money you may save over time.

For instance, at current rates, a borrower with a credit score of between 760 and 850 can expect to pay a rate of 3.174% on a 30-year, $200,000 fixed-rate mortgage, according to myFICO.com's Loan Savings Calculator. By contrast, an individual with a score of between 620 and 639 can expect a rate of 4.763%, which amounts to an extra $183 in monthly payments and an additional $65,797 in total interest paid over the life of the mortgage.[1]

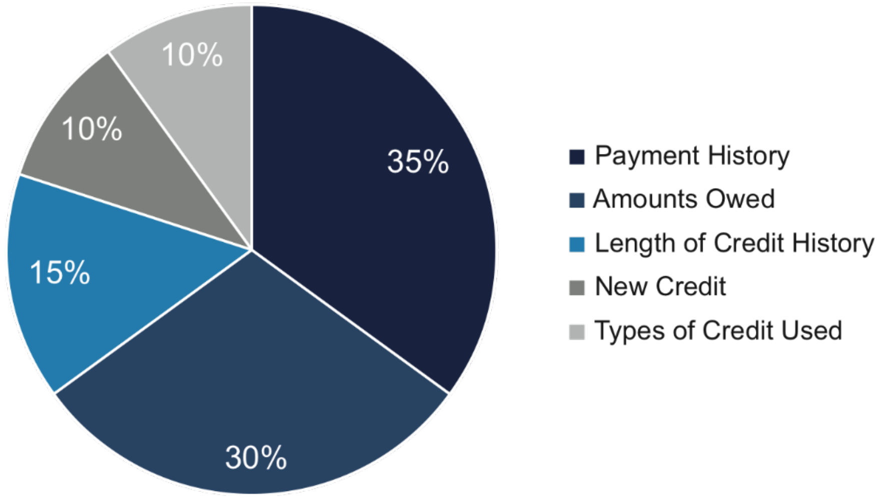
Key Factors

The three major credit reporting agencies -- Equifax, Experian, and TransUnion -- compile credit scores based on information provided by creditors. These agencies generate scores using a proprietary formula that assigns weightings to five main factors:

- **Payment history (whether you have missed or been late with any credit payments).** On-time payments are an important component of your credit score. Using your credit responsibly and paying bills on time are great ways to maintain a good credit score.
- **Credit utilization.** Credit utilization is defined as the total debt you have divided by the total available credit that is available to you. High credit utilization can be a warning sign of credit risk.
- **Length of credit history (how long various accounts have been open).** Credit history is a significant component of your credit score. Accordingly, the average age of your credit cards can be a strong indication of your credit history. Care should be used in keeping old accounts open and in good standing.
- **The amount of new credit on your record.** While opening one new credit card might be normal, opening several in a short span of time could be a warning sign to potential creditors that something is amiss in your financial life.
- **Mix of credit accounts.** Both the total number of credit accounts you have and the mix of credit you have will affect your credit score. A healthy mix of revolving credit cards, charge cards, installment loans and mortgages will also impact your credit score.

What's in a Score?

The percentages in the chart below reflect how important each of the five main categories is in determining how your FICO score is calculated.



Source: myFICO.com (Fair Isaac Corporation), retrieved April 2016.

[1]Source: myFICO.com. Interest rates as of October 17, 2016. The rates shown are averages based on thousands of financial lenders, conducted daily by Informa Research Services, Inc.

Financial Capability in the United States: How Do You Stack Up?

On many fronts, the financial situation of Americans has improved over the past several years.

Managing one's personal finances is a complex task that requires focus, judgment, and discipline. There are budgets to maintain, various types of debt to manage, long-term goals to plan for, savings and investments to select and oversee. And in today's uncertain economic environment, keeping all of these components on an even keel takes more than a little skill.

To measure how well Americans are coping with their financial responsibilities, the FINRA Investor Education Foundation sponsors the National Financial Capability Study (NFCS), a multi-year research project first commissioned in 2009, again in 2012, and most recently in 2015, the results of which were published in July 2016.

The NFCS focuses on four key components of financial capability: Making ends meet, planning ahead, managing financial products, and financial knowledge and decision making. Drawing on responses from more than 27,000 American adults from all 50 states and the District of Columbia, the NFCS is one of the largest and most comprehensive financial capability studies in the country.

Key Findings

On many fronts, the financial situation of Americans has improved over the past several years. For instance, when asked about their comfort level with covering expenses and paying bills, nearly half of the respondents -- 48% -- said they "find it not at all difficult," compared with 40% in 2012 and 36% in 2009. Similar improved responses -- 46%, 40%, and 35% respectively -- were tallied when survey participants were asked if they had set aside three months' worth of expenses in an emergency fund. While still improving, fewer numbers of respondents -- 31%, 24%, and 16% -- claimed to be satisfied with their overall financial condition.[1]

Demographic Breakdown

When analyzed through a demographic filter, certain groups face heightened struggles in specific areas:[1]

Have been late with mortgage payments ...

Millennials (18 to 34-year olds)	29%
Generation-X (35 to 54-year olds)	16%
Baby boomers (55+)	7%

In case of emergency, probably/certainly could not come up with $2,000 in 30 days ...

High school education or less	45%
Some college	36%
College or more	18%

Have difficulty with medical costs ...

Women	31%
Men	24%

Debt: A Widespread Problem

Overall, debt continues to be a problem for many Americans.[1]

- 40% feel they are carrying too much debt.
- 20% have unpaid medical bills.
- 47% of credit card holders carry a balance.
- 22% of credit card holders have been contacted by a collection agency in the past year

Financial Literacy: On Shaky Ground

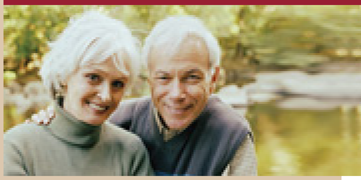
The 2015 NFCS revealed a deterioration in general financial knowledge among survey participants over previous years. The percentage of individuals considered to have a high level of financial literacy -- meaning they answered four or more questions on a five-question quiz correctly -- has declined steadily since the study's inception. In 2009, 42% of participants answered at least four questions correctly. That percentage dropped to 39% in 2012 and 37% in 2015.[1]

Commenting on the findings, FINRA Foundation Chairman Richard Ketchum said, "This research underscores the critical need for innovative strategies to equip consumers with the tools and education required to effectively manage their financial lives."[2]

For more on the study or for a state-by-state breakdown of results go to USFinancialCapability.org.

[1]*FINRA Investor Education Foundation, infographic, "Financial Capability in the United States 2016," July 12, 2016.*

[2]FINRA Investor Education Foundation, news release, "Americans' Financial Capability Growing Stronger, but Not for All Groups: FINRA Foundation Study," July 12, 2016.



The declining income replacement rate is a critical issue to keep in mind as couples plan for their retirement years.

Social Security: Income Replacement Trends Declining for Working Couples

In a way it seems counter-intuitive. Yet a recent report published by the Center for Retirement Research at Boston College found that as more women have left their posts as full-time homemakers and joined the workforce, the income replacement rate that Social Security provides to two-earner married couples has been in steady decline.

Demographic Shifts

The study found that as more women went to work, the "family benefits" component of Social Security -- i.e., spousal and survivor benefits -- began to decline sharply as a source of household retirement income. For instance, more than half of all women born in the early years of the Depression who became eligible for Social Security benefits in the 1990s were entitled to a spousal and/or survivor benefit in their initial claim. By contrast, fewer than a third of the oldest baby boomer women were entitled to family benefits when they first became eligible for Social Security benefits between 2010 and 2015.[1]

This decline in family benefits has been the main catalyst behind the erosion in household Social Security replacement rates, which have dropped from about 50% for older couples born in the early 1930s, to 45% for the oldest baby boomer couples. Another steep decline in replacement rates (to just 39% of pre-retirement income) is forecast for Generation Xers when they begin to retire after 2028.[1]

The study summed up the factors driving the trend quite simply:

"The labor force activity of women has a significant effect on the couple's replacement rate, which is the household's total Social Security benefit as a percentage of pre-retirement earnings. As women work, they increase the couple's pre-retirement earnings more than their Social Security benefits, so the household's replacement rate declines."[1]

Estimate Your Benefits Annually

The declining income replacement rate is a critical issue to keep in mind as couples plan for their retirement years. Make a point of checking out your estimated benefits at least annually so you know how much to expect -- and how much you'll need to provide from your own savings. You can estimate your retirement benefits online at SSA.gov, using one of the following methods:

- The Retirement Estimator gives estimates of your retirement monthly benefit, based on your actual Social Security earnings record. The calculator shows early (age 62), full (ages 65-67 depending upon your year of birth), and delayed (age 70). The Retirement Estimator also lets you create additional custom estimates by inputting different stop-work ages and future earnings.
- If you do not have an earnings record with Social Security or cannot access it, there are also other benefit calculators that do not tie into your earnings record. The calculators will show your retirement benefits as well as disability and survivor benefit amounts if you should become disabled or die.

Social Security should be a part of your retirement income planning. Also, remember that Social Security benefits don't automatically increase every year. They typically are raised to reflect an increase in the cost of living.

[1]*Center for Retirement Research at Boston College, "How Work and Marriage Trends Affect Social Security's Family Benefits," June 2016.*

When Planning, Focus More on Goals, Less on Numbers

Values have a significant role to play in determining how individuals manage their assets.

Financial planning is a complex, lifelong process that people tend to approach with a numbers orientation. What rate of return do I need to reach my goal? How much insurance do I need? Can I afford a bigger house? How much money do I need to save for retirement?

To support their pursuit of the "right numbers," people often use separate advisors -- for instance, a banker, a financial planner, an insurance agent, a tax professional, and an estate planning attorney -- to oversee the various components of their household wealth. But can too many cooks spoil the broth?

This "siloed" approach to financial planning can easily lead to redundant investment strategies that could create exposure to unnecessary levels of risk. It may also result in multiple, random investment accounts in need of consolidation. Furthermore, such an approach may inadvertently overlook crucial tools, leaving entire planning areas to chance.

Unlocking Financial Synergies

When viewing their financial goals -- such as buying a home, paying for a child's education, or saving for retirement -- individuals typically think in terms of what those goals cost rather than how achieving them might affect their lives. If, however, they were to reengineer the planning process and assess their current life issues and future aspirations prior to selecting investments and asset allocation strategies, they may be in a better position to achieve satisfactory outcomes. Perhaps equally important, by putting life circumstances at the center of financial decision-making, individuals may find more meaning in their actions with regard to money.

Indeed, values have a significant role to play in determining how individuals manage their assets. This is one way in which a holistic approach to "financial life planning" enables individuals to better assess their wants and needs, establish meaningful priorities, and avoid misguided investments. And, as life circumstances and priorities change -- as they inevitably will -- so too do financial goals. In this way, individuals employing a holistic approach to planning can easily identify and address those areas of their financial lives that are still working well and those that may be hindering their financial well-being.

Crafting a Plan

Crafting a plan that reflects your unique situation and that ties your life aspirations to your financial goals is part art, part science. To achieve this level of planning you need to rely on the guidance of a single skilled advisor -- someone who will take the time to get to know you and your circumstances and who will put together an appropriate combination of vehicles, strategies and, where appropriate, additional planning professionals to help achieve your goals -- whatever they may be.

Investors: Don't Let Fear Keep You on the Sidelines

One of the key determinants to investment success over the long term is having a disciplined approach to balancing short-term risk (stock price volatility) with long-term risk (loss of purchasing power).

While the U.S. stock market, as represented by the S&P 500 Index, has risen a stunning 205.66% as of March 31, 2015, since its low on March 9, 2009, some investors are still reluctant to participate after the near market collapse that accompanied the 2007-2008 financial crisis.[1]

Fleeing the market certainly may have felt like the right thing to do at the height of the financial crisis. But history shows that making investment decisions based on emotion has never proven successful. For instance, greed may have led an investor to own too many technology stocks when the bubble burst on that industry in 2000. Alternatively, fear may have caused investors to cash out of stocks following the crash of 1987 and miss some or all of the subsequent rebound.

Fast forward to 2015, and the reality is that investors who missed the extraordinary rally that has occurred since March 2009 may have helped to put their long-term accumulation goals at risk. This is especially true for investors with shorter time horizons, such as those approaching retirement. Consider this: From 2010 through 2014, U.S. stocks recorded an average annualized return of 15.5%, compared to 0.1% for money market securities.[2] The nearly nonexistent returns associated with cash-like investments could have a powerful impact on investors' purchasing power over time.

Maintain Balance to Manage Risk

One of the key determinants to investment success over the long term is having a disciplined approach to balancing short-term risk (stock price volatility) with long-term risk (loss of purchasing power). Finding a "middle ground" in your investment philosophy -- and portfolio makeup -- may go far toward helping investors manage overall risk and realize their investment goals.

For instance, history supports the case of stocks, as they have tended to outperform other asset classes as well as inflation over long periods of time.[3] But investors who are too focused on the long term may over-allocate their portfolios to stocks -- and over-expose themselves to short-term volatility risk. Alternatively, investors who are extremely averse to short-term risk may do the opposite and face heightened long-term risk.

Easy Does It

How might this balanced approach to risk be used to get investors back in the market? One of the best ways to take emotion out of investing is to create a plan and stick with it. And one of the best ways to do that is through a systematic investment plan called dollar cost averaging (DCA).[3] Dollar cost averaging is a process that allows investors to slowly feed set amounts of money into the market at regular intervals.

Although DCA does not assure a profit or protect against a loss in declining markets, it can help achieve some important objectives. First, it gives investors a measure of control while eliminating much of the guesswork -- and emotion -- associated with investing. Second, DCA can help investors take advantage of the market's short-term price fluctuations in a systematic way -- by automatically buying more shares when prices drop and fewer when prices rise.

It is important to remember that periods of falling prices are a natural part of investing in the stock market. But by maintaining a long-term focus and following a balanced approach to managing investment risk, you may better position yourself to meet your financial goals. A qualified financial professional can help you identify which strategies may be best for your situation.

[1]*Wealth Management Systems Inc. Stocks are represented by the daily closing price of Standard & Poor's Composite Index of 500 Stocks (the S&P 500), an unmanaged index that is generally considered representative of the U.S. stock market. The percentage increase represents the gain through March 31, 2015. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.*

[2]*Wealth Management Systems Inc. For the five years ended December 31, 2014. U.S. stocks are represented by the S&P 500 Index. Money market securities are represented by Barclay's 3-Month Treasury Bill rate. Example does not include commissions or taxes. Past performance is no guarantee of future results.*

[3]*Dollar cost averaging involves regular, periodic investments in securities regardless of price levels. You should consider your financial ability to continue purchasing shares through periods of high and low prices. This plan does not assure a profit and does not protect against loss in any markets.*