SARD
WEALTH MANAGEMENT GROUP, LLC

CLIENT NEWSLETTER **BY: JONATHAN SARD, CFP®**
1st QUARTER - 2016

IMPORTANT INFORMATION

Well, 2015 is in the books and while market performance will not be remembered fondly, the market has gotten off to an even tougher start in 2016. This is the type of environment where risk management is critically important and we have been employing varying strategies for the past six to twelve months to help reduce risk in most client portfolios. Keep in mind that with lower stock prices, future returns are enhanced due to better valuations, so there is a long-term upside to this sell off.

We continue to hold conference calls and regular meetings with all of you to keep you updated on your financial situation, and please remember to contact us with any questions.

Quarterly Economic Review

Thanks to a great October offsetting a flat November and a down December, U.S. stock indices posted sizable gains during the fourth quarter. The Dow Jones Industrial Average rose 7.00% in Q4, but even so, the blue chips lost 2.23% for the year. In the last quarter of 2015, the Federal Reserve finally raised interest rates, the slowdown in global manufacturing spread to America, and oil prices fell on the NYMEX. Terrorism, ongoing weakness in Chinese manufacturing, the oil supply glut, and declining corporate profits and dollar strength all bred considerable anxiety among investors.

The quarter's biggest financial story was the Federal Reserve's big move – its December 16th decision to raise the federal funds rate by a quarter of a point. Investors widely expected a December rate hike, so the focus quickly turned to what the Fed might do in 2016.

How much had the economy grown in the third quarter? As Q4 drew to a close, we received the final answer from the Bureau of Economic Analysis: 2.0%, far from the 3.9% expansion in Q2. Indicators from the fall months made analysts wonder if GDP would even reach 2% in Q4. The manufacturing PMI (Purchasing Managers Index) from the Institute for Supply Management slipped lower and lower as the quarter went on…50.1 in October, 48.6 in November, and 48.2 in December. So by ISM's measure, the year ended with two months of contraction in the U.S. factory sector. (In December 2014, the ISM manufacturing PMI was at 55.1.) In contrast, ISM's non-manufacturing PMI was holding up well as 2015 ended, at 59.1 in October and 55.9 in November (though the November reading was the lowest since May). Total durable goods orders were up 2.9% in October but flattened a month later.

Leaders of China, the second-largest economy in the world, claimed that their economy would meet its 7% growth target for 2015, but their claims were met with some skepticism. China's manufacturing sector appeared to be firmly in contraction territory, with the nation's official factory PMI at 49.7 when the quarter ended, barely better than the 49.6 November reading that represented a 3-year low.

Crude oil sank 17.85% during the quarter on NYMEX, ending the year at $37.04 after cresting the $50 level in early October.

As Q4 concluded, gold settled at $1,060.50 per ounce on the COMEX, retreating 10.53% for 2015. Silver ended the year at $13.82, slipping 11.69% in 2015. Platinum and copper fell harder…platinum lost 26.00% for the year and copper lost 25.09%.

How will stocks fare in the first quarter of 2016? As mentioned above, they have started out the year quite poorly. For stocks to regain momentum in this and subsequent quarters, oil prices probably need to rebound at least slightly, corporate profits have to rise (Thomson Reuters data shows they were flat last year, in contrast to 8.3% improvement in 2014), Wall Street has to accept the long-planned slowdown in China's economy, and the dollar needs to be a little less dominant – a rather long wish list.

So, what should you do now? We always preach how important it is to plan. Be sure you are sitting down with us on a regular basis to discuss your entire financial situation. Each quarter we want to remind you to alert us to changes in your financial situation or investment objectives to ensure that we are aware of any situation that might require changes in the management of your accounts. Please remember to contact us to discuss how these changes impact your investment accounts!

Financial Tip of the Month

Clean your financial house for the New Year

"Auld Lang Syne" has been sung, the twinkling lights have been returned to the attic, and the inflatable Santa Claus is safely ensconced in a plastic bin in the garage. Now you're ready to tackle a new year. To get started, take stock of your household finances and set goals for 2016. Here's a suggested to-do list.

- **Credit reports.** By law, you're entitled to a free credit report every year from each of the three major credit reporting agencies: TransUnion, Experian, and Equifax. January is a good time to review at least one of these reports. Check for unexpected charges and inaccuracies and follow up as needed.

- **Home inventory.** With camera in hand, go through the house and shoot a video or snap photos of your possessions. Combine the photographic record with a list of estimated value for each item. Secure a copy of the pictures and the list in a safety deposit box or off-site cloud storage. If disaster strikes, you'll be able to itemize your assets to support insurance claims. Be sure your homeowners and auto insurance is review at least once every three years.

- **Important documents.** If you haven't prepared a will, the start of a new year is a good time to do so. Without a will, your assets may not be distributed according to your wishes. In addition, you'll want to compile a list of other vital records such as wedding licenses, insurance policies, and real estate title deeds, noting their location and contents.

- **Financial goals.** How much will you save in an emergency fund this year? How quickly will you pay off outstanding debts? Are your retirement plans on track? Revisit your goals and lay out steps to achieve them.

- **Net worth.** Calculate the value of your assets. Then subtract your liabilities to arrive at your net worth. Ideally, the number will follow an upward trend from year to year as the value of your assets (house, investments, retirement plans) increase and your liabilities (bank loans, mortgages, credit accounts) decline.

- **Old records.** How long to keep records is a combination of judgment and state and federal statutes of limitations. For example, since federal tax returns can generally be audited for up to three years after filing and up to six years if the IRS suspects underreported income, a general recommendation is to keep tax records at least seven years after a return is filed. Requirements for records kept electronically are the same as for paper records.

Please keep in mind that this tip is designed to be of help for you, but is not to be relied upon as advice. It is merely a reminder that there are many choices you have available to you, and that planning may be the only way to find the right answers for your situation. As with any financial issues, make sure you get the right information before making a decision. If you have any questions, we'll be glad to help you!

Client Quiz

Question: You are permitted to name a trust as beneficiary of an IRA? True or False

We wanted to thank those of you who have participated in our Client Introduction program. As you know, marketing for new clients takes a great deal of money, time, and energy and we would much rather spend our resources improving your financial health. We, like most businesses are looking to grow; however, for the benefit of our existing clients we are only able to take on a limited number of new clients each year. Over the years, we have learned that encouraging you to introduce us to people you know works well for all of us…we help you, and you help us. If you aren't familiar with our friends helping friends program, please call our office or be sure to ask us at your next meeting. The few minutes it takes to learn about how it works will be well worth your time and energy!

Answer: True. A trust may be the beneficiary of an IRA; however, the trust must qualify as a "see through" trust in order to be a designated beneficiary. To qualify, the trust must be:

- Valid under state law
- Irrevocable or become irrevocable at the death of the account owner
- Trust beneficiaries must be identifiable and must all be living
- The trustee of the trust must provide a copy of the trust to the IRA custodian by October 31st of the year after the account owner's death

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