WEEKLY MARKET COMMENTARY

For the Week of October 31, 2016

THE MARKETS

In a volatile session, stocks fell sharply as investors got news the FBI will review more of Hillary Clinton's emails and weighed how that could affect the presidential election. After the initial reaction, investors appeared to calm down, and the market partially recovered. For the week, the Dow rose 0.09 percent to close at 18,161.19. The S&P fell 0.67 percent to finish at 2,126.41, and the NASDAQ lost 1.28 percent to end the week at 5,190.10.

Returns Through 10/28/16	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	0.09	6.47	4.91	7.89	11.01
NASDAQ Composite (PR)	-1.28	3.65	1.85	9.62	13.65
S&P 500 (TR)	-0.67	5.88	3.98	8.74	13.00
Barclays US Agg Bond (TR)	-0.50	4.90	4.00	3.43	2.98
MSCI EAFE (TR)	-0.39	-0.37	-3.49	-1.52	4.23

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.

Just Five Surplus Years — The budget deficit for the U.S. in fiscal year 2016 (i.e., the 12 months that ended Sept. 30) was $587 billion. The U.S. has run a budget deficit in 51 of the last 56 fiscal years, (i.e., 1961-2016). The only surplus years were 1969, 1998, 1999, 2000 and 2001 (source: Treasury Department, BTN Research).

Defense Dollars — America's spending on national defense (stated as a percentage of total government outlays) has fallen from 43.2 percent in fiscal year 1966 to 15.5 percent in fiscal year 2016 (source: Treasury Department, BTN Research).

Estate Taxes — The federal estate tax exemption is estimated to increase from $5.45 million (per decedent) in 2016 to $5.5 million as of Jan. 1, 2017, i.e., a married couple would be able to shelter $11 million from federal estate and gift taxes. The IRS announcement of the new limit is expected this week (source: BTN Research).

WEEKLY FOCUS – Scary Financial Mistakes Retirees Make

Many of us loved Halloween when we were young. We relished the costumes, sugary treats and good scares from sights and sounds that temporarily startled us. Prolonged scary situations aren't as pleasant. Consider a few financial mistakes that haunt some retirees throughout their golden years:

Retiring too soon. According to SmartAsset's analysis of U.S. Census Bureau data, the national average retirement age is 63. Barring known health conditions, those 63-year-olds could live another 30 years. A rule of thumb is retirees need 70 percent of their pre-retirement yearly salary to live comfortably. Multiply that amount times 30. If the math doesn't add up, it may be best to stay on the job longer.

Drawing Social Security early has its own downsides. An individual whose full retirement age is 66 will only receive 75 percent of their full benefits if they start taking them at 62. If that person has a lower-earning spouse who plans to draw on that account instead of their own, the spouse will only get 35 percent of the higher earner's check – instead of half if the higher earner waits until full retirement. Conversely, a person who waits until they're 70 to take benefits will receive an additional 32 percent. That extra monthly income will outweigh delaying benefits if they live to be 80.

Not having a balanced plan. With fewer years to recoup losses, some seniors are tempted to exit the equity market and turn to investments that are more stable but also have low growth potential. As a result, their assets may not keep up with inflation, particularly in the area of health care, and they could outlive their funds. While there are no guarantees in investing, a diversified portfolio including assets that provide predictable income is a rational approach to balance market risk and inflation.

In other cases, retirees and pre-retirees don't realize a well-conceived strategy is just as important during the distribution phase as it is in the accumulation phase. Such a plan should address the following goals: keeping the retiree from spending too much too soon, maintaining adequate liquid assets for expected and emergency expenses, incorporating growth potential and providing for required minimum distributions in a tax-efficient way.*

We'd like to help you avoid the ghosts of regret and enjoy the sweet treats of financial stability during your retirement. Contact our office and make an appointment to set up or review your retirement plan.

**Securities America and its representatives do not provide tax or legal advice.*

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America. SAI# 1631848.1