

THE \$TRATEGIST

Are We There Yet?



By Tom Warggin, CFP®, CFA

I'm a parent who drove four children on vacations and long trips before the advent of DVDs in the back seat! The question was incessantly asked: "Are we there yet?" Eventually, the response became "NO, we'll let you know when we get close; just read your book."

The markets have been going up since November of last year and have reached multiple new highs. You, along with others, might be asking, "Are we there yet?" Or, "Have we reached the top and should we prepare for the fall?" While the current stock market valuations are higher than normal and the economic numbers haven't confirmed faster growth, our reading is that there is

no imminent danger of recession yet. Therefore, as March has shown that a pullback is possible and may be a good thing, we are in the camp of "hanging in there" and seeing what the numbers tell us as we "read our book." Looking out further than this year, it's a different story.

Economically, job growth is good and the unemployment rate is continuing to decline. Wage growth is increasingly prompting more job changes. These do put pressure on inflation increasing. However, the Fed is happy with that so it can continue to raise short-term interest rates to a more historically normal level. If that continues, happy savers may someday actually earn some interest on their deposits.

On the productivity side of the ledger, GDP still hasn't busted out above the 2 to 2.5% annual growth rate yet. We'll see if any of the expectations come to fruition this year and result in faster growth. We are not political scientists, so we don't know the odds that reducing corporate tax rates will become a reality this year. That would potentially boost earnings and reduce the average price to earnings ratio (P/E) of the market.

On the technical side of the market, the advance-decline line continues to go up, although the number of stocks making new highs is shrinking. Overall, momentum is still positive. Therefore, we are maintaining our current equity allocations and trying to make selective purchases for those of you who had more cash or short-term bonds than our allocations called for.

Naturally, our crystal ball is always cloudy so our powers of prognostication remain extremely limited. We know that sometime in the next few years we will have a large drop because "trees don't grow to the sky" and we are firm believers in reversion to the mean. What that means is that, as the market becomes more over-valued, there is an increased chance it will fall to an under-valued level, since it operates like a pendulum and never stays in one position.



Planning Notes

By June A. Schroeder, RN, CFP®

Credit card fraud is still increasing. The new chip cards provide extra security for in-person transactions, but have not deterred online theft when the chip can't be used! Online fraud last year is up nearly 20% over 2015. Banks and card issuers are working on more secure systems, but are not there yet. So be diligent about checking your credit card statements and check your credit reports at least annually at www.annualcreditreport.com.

Parental financial help is more generous for Millennials than it was for their parents. According to Bank of America, over 65% of those ages 18-34 say their parents helped "a lot" as they started out. But only 36% of the parents said they received financial help at the same stage in their lives.

Auto insurance premiums are likely to rise after an accident by about 10%, even if you are not at fault, according to ConsumerFed.org. (I'll let you know how much they go up when you *are* at fault since I just totaled my Honda Fit. I sneezed 3 times in a row and hit a stopped pickup truck! I'm OK, just my pride is damaged along with the car.)

Estate planning is not on everyone's radar. Though most LFG clients have an estate plan, a survey by Caring.com shows that only 42% of U.S. adults have a will or other important documents, like powers of attorney. The percentages are lower for those with children under age 18. Please encourage your friends to get those documents completed for themselves and their adult children before they go off to college.

The Society of Actuaries reports that the top **unexpected retirement expenses** include 1) Major home repairs/

upgrades, 2) Major dental expenses, 3) Out-of-pocket medical or prescription costs due to a chronic condition or disability, 4) Drop in home value, and 5) Inability to care for oneself.

According to *Remodeling Magazine*, only two projects **raised home value by as much as they cost** – midrange kitchen remodeling and replacing windows with midrange wooden ones.



Client Alerts

By Shannon Nook, RP®

Investment Policy Statement Review

We manage your accounts in accordance with your most recent designated investment objectives or IPS (Investment Policy Statement). At your review meetings, we periodically add this to the agenda. But remember:

It is your responsibility to advise us if there is a change in your financial situation, investment objectives, or if you would like to impose, add, or modify any reasonable restrictions to the management of your accounts. Please contact us to discuss the changes so we can make adjustments or schedule a time to discuss further.

ADV and Privacy Statement

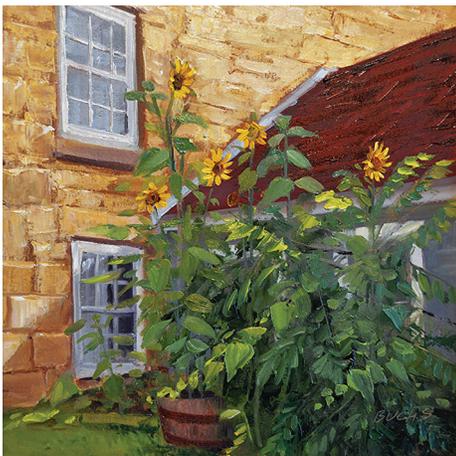
We are required to send you our Privacy Policy and obligated to offer our Advisor Registration Form. Our Privacy Policy was sent with your year-end portfolio report. Contact Heidi@lfgwi.com or call our office if you would like a copy of the following:

- Advisor Registration Form (ADV Part 2A)
- Proxy Procedure & Guidelines
- Business Continuity Plan

Summer Hours

Memorial to Labor Day
Mon-Thurs 9-5, Friday 9-1
Evenings by request

Featured Artist: Thomas Buchs



outdoors) and is a founding member of the Wisconsin Plein Air Painters Association, whose members strive to interpret the natural and man-made beauty and diversity of Wisconsin's landscapes and culture.

Thomas has earned over 50 awards – including first, second, third, People's Choice, Honorable Mention and Merit awards – while participating in plein air painting events, juried art exhibitions, and art exhibitions.

The paintings on display at our office all feature Wisconsin landscapes. Come and see for yourself how he captures the light and atmosphere of a scene at a moment in time and takes you there. Or visit thomasbuchs.com.

Thomas attended Layton School of Art and became an illustrator, creating artwork for many national and local companies over the last 42 years. Recently, he has been doing plein air painting (painting from life



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