Can I get your Number?

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Often, when markets get maddening, there is one number that gets people agitated. Do you have a portfolio balance in your mind which, if the value drops below that number, you begin worrying you'll be living on canned beans? Do you keep a savings account with which you're only comfortable if you have a minimum amount? How and why did these numbers get established: was it fear or rational?

Depending upon who you read in the financial press, certain numbers or trends carry more weight. Each and everyone one of us – including the press –have our own biases. At Pine Haven, we are driven first by what you, our client, is trying to accomplish, and then we apply a specified asset allocation to help you reach that goal. That asset allocation is constructed with particular assumptions regarding growth, income and stability. Investing in the stock markets also requires, in our mind, a long term view. If funds are required in the near term, they're best not in the stock market. We believe in holding throughout market cycles despite short term news and developments. With the multitude of headlines and economic indicators, we could trade many times a day in reaction to each and every headline.

Major trends will influence asset allocation and our expectations for growth, stability and income. Before the surprise vote in Great Britain, we were looking at a mixed bag in terms of economic indicators. Take a look at the below table for examples:

Indicator	As of June 30, 2016 or noted otherwise	Average	Notes
Real GDP year over year change	2.1%	2.8%	50 year average
Annual Housing Starts	1164	1323	As of May 2016
Capital Goods Orders	57.7	62.7	As of May 2016
Unemployment	4.7	6.2	50 year average
Wage Growth	2.4	4.3	50 year average
Core Consumer Price Index – Inflation gauge	2.2	4.1	Excludes energy and food, 50 year average
Consumer Confidence	93.5	85	55 year average
10 year Treasury	1.49	6.19	58 year average

Consumption accounts for over 68% of our GDP and consumers have higher than average confidence. We have low unemployment, but the wage growth is low and so is inflation. Business spending, as seen in the Capital Goods Orders, is lower than average, yet companies are not getting paid to keep cash on their balance sheets with a low interest rate as evidenced by the 10 year treasury. (Currently cash accounts for about 30% of S & P 500 companies current assets. At the low of the market in 2008 it accounted for under 20%). Due to these factors, our economy is operating at an unusual tension of slow or low growth. Growth is the operative word. Since the United Kingdom accounts for only 0.7% of our Gross Domestic Product (GDP), it's hard to imagine that a recession in the UK, alone, will throw this meager growth off track.

In light of the various positive and negative economic readings, market watchers will continue to extrapolate this varied news onto their daily or hourly trades continuing to fuel volatility. Adding to this volatility will be the continued election cycle uncertainty. So, as dull as it might sound, we expect more of the same: high volatility and low growth and income.

Now, let's get back to YOUR number: Do you have a number and have you shared that with us? How might we be able to help keep you focused on your long term goal(s)?

Here is one tool to help those saving for retirement. With the benefit of data from consumers of Chase Bank, JP Morgan has done extensive research on retirement spending and behaviors and created the following Retirement Savings Checkpoints. You will be looking for the intersection of your current age and closest household income and multiply that number by your current income. (Instructions are below the numbers.)

Retirement savings checkpoints | 15

Saving

Current Age	$30,000	$50,000	$75,000	$100,000	$150,000	$200,000	$250,000	$300,000
	Checkpoint (x current household income)							
30	-	0.4	1.1	1.3	1.8	2.1	2.3	2.4
35	0.3	0.8	1.6	1.9	2.4	2.8	3.1	3.2
40	0.6	1.2	2.2	2.6	3.2	3.7	4.1	4.2
45	1.0	1.8	3.0	3.4	4.2	4.8	5.3	5.5
50	1.5	2.5	3.9	4.5	5.4	6.2	6.7	7.0
55	2.1	3.3	5.1	5.7	6.9	7.9	8.5	8.8
60	2.9	4.3	6.5	7.3	8.8	9.9	10.7	11.1
65	3.9	5.6	8.4	9.4	11.3	12.7	13.7	14.2

MODEL ASSUMPTIONS

Pre-retirement investment return: 6.5%

Post-retirement investment return: 5.0%

Retirement age: 65

Years in retirement: 30

Inflation rate: 2.25%

Confidence level represented: 80%

Assumed annual contribution rate: 5%

How to use:

- Go to the intersection of your current age and your closest household income.
- Multiply your household income by the checkpoint shown to get the total amount your household should have invested today, assuming you continue to save 5% going forward.
- Example: For a 40-year-old with a household income of $100,000: $100,000 x 2.6 = $260,000.

This chart is for illustrative purposes only and must not be relied upon to make investment decisions. J.P. Morgan's model is based on J.P. Morgan Asset Management's (JPMAM) proprietary long-term capital market assumptions (10-15 years). Household income replacement rates are derived from an inflation-adjusted analysis of: Consumer Expenditure Survey (BLS) data (2011-2014); Social Security benefits using modified scaled earnings in 2016 for a single wage earner at age 65 and a spousal benefit at age 62 reduced by Medicare Part B premiums; and 2016 OASDI and FICA taxes. Households earning $30,000 will need to replace at least 16% of their pre-retirement income; $50,000 23%; $75,000 34%; $100,000 38%; $150,000 45%; $200,000 51%; $250,000 55%; $300,000 57%. The income replacement needs may be lower for households in which both spouses are working and the second spouse's individual benefits are greater than their spousal benefit. Single household income replacement needs may vary as spending is typically less than a two-spouse household; however, the loss of the Social Security spousal benefit may offset the spending reduction. Consult with a Financial Advisor for a more personalized assessment. Allocations, assumptions and expected returns are not meant to represent JPMAM performance. Given the complex risk/reward tradeoffs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve.

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Asset Management

Armed with this information, can you breathe easily or do we have some work ahead? Let's discuss your number whether it's retirement or college savings, or simply a peace of mind goal. Together, we can focus on what we can control and leave the mania of the markets behind.