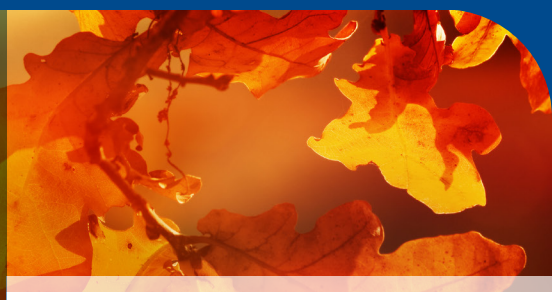
IN YOUR BEST INTEREST

FALL 2019



A QUARTERLY FINANCIAL PUBLICATION BROUGHT TO YOU BY

KLEIN FINANCIAL ADVISORS INCORPORATED

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PRESIDENT'S MESSAGE

Remember in June 2015 when the Greek economy was in dire straights? It was big news at the time and, predictably, the global stock market reacted wildly. After being tossed into an economic decline by the global recession and its own government-debt crisis, Greece had accumulated public debt of €365 billion—equivalent to about $400 billion in US dollars and an incredible 172% of Greece's GDP. To survive, the government negotiated the largest debt restructuring in history. (See my blog post from that wild week **here**.)

Today, as I experience Greece first-hand on a wonderful, relaxing vacation, it's hard to imagine the desperation this gorgeous country was in just over four years ago. Here, they call that period "The Crisis." Happily, their economy has turned around and the country has achieved small but real GDP growth for the past two years. More importantly, the people here seem quite happy. Happier, in fact, than many of the people I know who inhabit the US and enjoy its own economic "strength."

What a beautiful example of the fact that even the worst economic times eventually become a mere blip on the roadmap—and that both happiness and wealth are built on our ability to take each blip in stride. So sit back, relax, and think of Santorini. I'll see you on the other side of bliss!

Lauren Klein

MARKET HIGHLIGHTS: Q3 2019

Much like the second quarter, this quarter was full of ups and downs. As investors responded to continuous rhetoric about the US-China trade war, as well as the Brexit debacle in the UK, waves of conflicting economic news, and swirling political turmoil here at home, stock prices experienced a level of volatility that has become the new normal. By quarter-end, the result was modest upticks for the Dow and the S&P 500, and small declines for the Nasdaq and the Russell 2000. The most dramatic movement came from the 10-year Treasuries, which fell by more than 100 basis points due to the Fed's two interest rate cuts.

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MARKET HIGHLIGHTS: Q3 2019

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Market/Index	2018 Close	As of September 30	Monthly Change	Quarterly Change	Year to Date Change
DJIA	23327.46	26916.83	1.95%	1.19%	15.39%
NASDAQ	6635.28	7999.34	0.46%	-0.09%	20.56%
S&P 500	2506.85	2976.74	1.72%	1.19%	18.74%
RUSSELL 2000	1348.56	1523.37	1.91%	-2.76%	12.96%
Global Dow	2736.74	3021.34	2.31%	-1.73%	10.40%
Fed. Funds	2.25%–2.50%	1.75%–2.00%	-25 bps	-50 bps	-50 bps
10-year Treasuries	2.68%	1.67%	17 bps	-33 bps	-101 bps

Performance data based on data reported in the WSJ Market Data Center as reported by Forefield, Inc.

As we head into the final quarter of the year, there is uncertainty about the short-term outlook for stock prices. News on the trade war seems to change by the minute, global economic growth is continuing to slow, and the potential impeachment of Donald Trump is sure to throw some uncertainty into the minds of investors. Still, there's plenty of good news to be had. Unemployment remains at record lows, the cut in interest rates is boosting buying power, wages and spending are still growing, and the US economy remains solid overall.

Because history does repeat itself, my confidence in the long-term strength of the capital markets remains stronger than ever. If there are short-term blips in growth ahead, remember why you've invested the way you have, and keep faith in your plan. If you have questions along the way, I'm always happy to offer the long-term perspective.

FROM THE BLOG

Don't miss **Lauren's Blog** on our website to stay informed on topics that impact your finances, your family, and your future.

Decisions, decisions, decisions

"I checked online: It's a brain tumor!"

Retirement Distributions: Getting RMDs right the first time

Is there a topic you'd like Lauren to tackle? Send us an email with your thoughts. We'd love your suggestions and feedback.

IT'S TAX PLANNING TIME!

When the new tax law came into effect last year, tax surprises became too common for comfort. Some surprises were good—including higher-than-expected refunds—and others made taxpayers less than thrilled with the new 'simpler' process of filing.

Real tax planning is a multi-year process, and the fourth quarter is the time to consider opportunities to reduce taxes. We will be reaching out to you as we take a team approach toward tax planning. It is a lot of work, and it's worth it! Waiting until after January 1 obviates any opportunities we may have to adjust your strategy to make the most of the current tax law.

In addition to paying attention to the Q4 deadlines (see 'Dates to Remember'), we will do the analysis, identify key tax planning strategies, and work with you to implement them to help ensure that you are penalty-free and that you don't pay one penny more in taxes than required.

Some of the strategies we consider include:

- **Projecting your 2019 and 2020 income** for income-shifting opportunities
- **Comparing your withholding amounts** with your projected tax bill
- **Analyzing the Qualified Business Income deduction** if you own a business
- **Planning charitable giving**, including 'bunching' your donations or Qualified Charitable Donations from an IRA
- **Harvesting unrealized losses (or gains)** on securities
- **Considering a Roth conversion** to diversify future taxes, or **executing a back-door Roth** strategy
- **Managing annual gifts** to family members

Tax planning is one of the ways that we are different than other advisors. For many of you, taxes are your largest expense, so it is an important area of focus as tax-savvy planners and advisors.

CONNECT WITH US ON SOCIAL MEDIA

Add Klein Financial Advisors news to your feeds by connecting with us on LinkedIn, Facebook, and Twitter? Our content is always carefully selected with the goal of offering valuable financial education and guidance. And watch for our Saturday emails for an easy roundup of all the news!

Q4 DATES TO REMEMBER

OCTOBER 15
October 15
Medicare open enrollment for 2019 begins (ends December 7)

OCTOBER 15
October 15
Final deadline to:
- file extended individual tax returns for 2018
- fund a SEP-IRA or solo 401(k) for tax year 2018 (if an extension was filed)
- file extended returns for C-Corporations (IRS Form 1120)

NOVEMBER 3
November 3
Daylight Savings Time ends

NOVEMBER 5
November 5
Election Day (Please vote... and bring two friends with you!)

NOVEMBER 28
November 28
Thanksgiving

DECEMBER 22
December 22
Hannukah begins

DECEMBER 25
December 25
Christmas Day

DECEMBER 31
December 31
Last day to:
- Establish Keogh or Solo 401(k) plan
- Make 401(k) contributions
- Sell stock to realize gains/losses
- Take RMDs
- Pay expenses for tax deductions
- Make tax-deductible gifts to charities
- Make annual tax-free gifts

Looking ahead to 2020: January 1–March 31
Medicare General Enrollment Period (with the option to switch to a different Medicare Advantage Plan)

Note: Klein Financial Advisors will be closed for the Thanksgiving holiday on November 28-29, and (for the first time ever!) our offices will be closed for the week between Christmas and New Years. Cheers!

SPOTLIGHT

HOW TO BE A SMART INVESTOR
with guest Joel Hefner

COCKTAILS & CONVERSATION

On Wednesday, September 18, Klein Financial Advisors hosted a Cocktails & Conversation event that included a presentation from Joel Hefner, Vice President at Dimensional Fund Advisors (DFA). In a time of dizzying stock market volatility, it was the perfect time to talk about the importance of adhering to an investment philosophy that is designed to take advantage of the capital markets and increase your odds of reaching your goals.

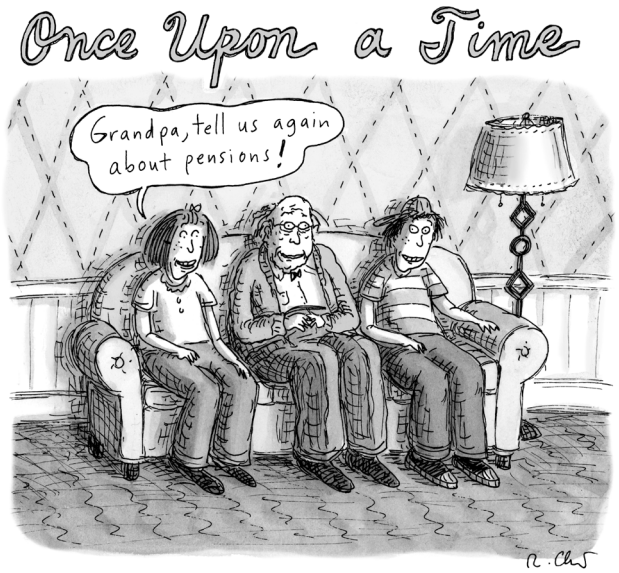
Here's just a peek at some of what Joel shared with the group:

Can money managers really "beat the market"?
While the idea of "beating" the market can be incredibly tempting (and makes for great headlines!), all it takes is a close look at history to see how random anyone's ability to "beat the market" really is. Studies have shown that while active managers sometimes do better when the market is heading lower, even then, their performance is generally lower than index funds and other balanced investment strategies. Over the long-term, investors are likely to do better using evidence-based investing and, of course, sticking to their investment strategy.

"The most important thing about an investment philosophy is that you have one you can stick with."
This great quote from David Booth (one of the investment world's smart ones) says it all. In today's media hype, it's easy to get sucked into the frenzy of trying to figure out what's next for the stock market. The truth is that no one has a crystal ball. The good news is that, as long as you have a strategy that is designed to address your long-term goals, "what's next" is the last thing you need to worry about. By allowing your goals to dictate your allocations—and then changing them only as your own life and goals change—the impact of the market's short-term movement is minimized.

Why your portfolio really shouldn't be flying as high as the S&P 500.
The recent rise of the S&P 500 has thrown some investors into a vicious trap based on the 'Fear of Missing Out.' In reality, a well-diversified, carefully balanced portfolio will never match the returns of the top performer of the day—no matter which asset class is winning in the moment. The reason: unlike an investor who is investing only in today's winning asset class, your portfolio is diversified to protect against a multitude of market conditions. It's an approach that is designed to deliver more consistent returns over the long term. The performance of asset classes rotates over time, and diversification is the key to making the most of that constant cycle.

Want to learn more about the value of evidence-based investing? Have questions about your own investment strategy? Let's schedule a time to review the details.



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