

WEALTH MANAGEMENT MIDWEST, INC

Quarterly Investment Newsletter

Volume 6, Issue 5



As I see it—Spring 2019

April brings showers, baseball, and historically, the best month of the year for the S&P 500 Index (for the last 20 years). On top of that, the S&P 500 had its best first quarter since 1998, and in March we celebrated the 10-year anniversary of the current bull market. Although the U.S. economy hit a soft patch to start 2019, the fundamentals supporting economic growth and corporate profits lead us to believe the bull market and this economic expansion could continue.

While stocks rallied in the first quarter following the sharp December decline, expectations for first quarter gross domestic product (GDP) appeared to dampen and stand at about half the pace that it did last year. Slower GDP growth was due mainly to lingering effects from the government shutdown, bad weather, U.S.-China trade tensions, and slower growth overseas—particularly in Europe. The good news is these temporary headwinds are expected to clear, setting up a potential pickup, albeit slower, in economic growth in the second quarter and beyond. In addition, the U.S. consumer spending outlook remains solid, buoyed by continued gains in employment and wages.

A U.S.-China trade deal, a persistent roadblock for business spending, could be finalized in the coming weeks or months, which should help business confidence and spur capital investment. At the same time, last year's package of additional government spending of roughly \$300 billion is still giving the economy a boost. Together, these bode well for an increase in business investment, which tends to lead to greater productivity and profit growth, keys to extending this economic expansion.

Signals of weaker growth from the bond markets have not gone unnoticed, yet these are seen more as evidence of an aging business cycle and something to expect as we enter the later stages of the cycle. Parts of the yield curve inverted briefly in March, which means long-term interest rates fell below short-term rates, and some consider this movement a harbinger of recession. While this garnered a lot of media attention, the inversion was very small and short-lived, and the attention may have been a little overblown. For its part, the Federal Reserve made a point to reiterate its pause on interest rate hikes to help support market sentiment during its March meeting.

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As I See It-Continued From Page 1

Like April showers that bring May flowers, the outlook for the rest of 2019 continues to look positive. But that doesn't mean a storm or two might not also come through in the form of increased market volatility. Stocks are still expected to be higher at year end than they are now, despite weathering potentially slower economic and earnings growth. U.S. growth should stabilize and slow slightly, and inflation may creep higher as the risks subside. Overall, there's still plenty of evidence that solid U.S. fundamentals are firmly planted and a recession is unlikely on the near-term horizon.

As always, if you have any questions or concerns, I encourage you to contact me, I am just a phone call or email away.

Let's make it a great quarter.



David E Purdy

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual security. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing.

All performance referenced is historical and is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Economic forecasts set forth may not develop as predicted.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a nondiversified portfolio. Diversification does not ensure against market risk.

Investing involves risks including possible loss of principal. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

QUOTE OF THE QUARTER



**The best way
to teach your
kids about
taxes is to eat
30% of their
ice cream.**

Wealth Management Midwest: Mission & Vision

Mission

To inspire our clients to make sound financial choices, avoid costly mistakes, and live their best financial life.

Vision

Our industry needs leadership to move forward and be reshaped into a valued and supportive role in our clients' lives. We will help lead this change by committing to always do what we believe is in our clients' best interest. Our clients must have faith that our advice is drawn from our knowledge and desire to help them work towards their unique goals.

Events Calendar

Gardening Workshop

Location: Splitrocks
Wyoming, MN

Saturday

April 27, 2019
10:30 am

Estate Planning Workshop

Location: TBA

Thursday

October 10, 2019
6:30 pm

Annual Holiday Open House

Location: Purdy Residence
Forest Lake, MN

Friday

December 6, 2019
2:00-6:00 pm



**Not receiving our Weekly
Market Update?
Contact Danielle at
danielle.urman@lpl.com
to be added to our email list.**

From the desk of Dave Purdy:**How I Explain the Stock market vs The Economy**

Each day, investors are treated to news about the economy and information about how the stock market has done recently. It can be very difficult to process what's going on because at any given moment in time, there may be very little correlation between how things are going in the real world and how prices are acting on Wall Street.

The noted fund manager and author Ralph Wagner once described the relationship between the economy and the stock market thusly:

"There's an excitable dog on a very long leash in New York City, darting randomly in every direction. The dog's owner is walking from Columbus Circle, through Central Park, to the Metropolitan Museum. At any one moment, there is no predicting which way the pooch will lurch."

"But in the long run, you know he's heading northeast at an average speed of three miles per hour. What is astonishing is that almost all of the dog watchers, big and small, seem to have their eye on the dog, and not the owner."

I use this analogy all the time to help people understand how the economy and stock market play off of each other. One of the hardest things to do as an investor is to entertain two opposing thoughts in our minds at once, and find a way to keep them despite the cognitive dissonance this can produce.

One of the most ironic aspects of investing is that the greatest gains lie ahead at times when things are bad, but not quite as bad as everyone suspects, and slowly, almost imperceptibly getting better. This is the moment when assets are selling at discounted values and the opportunities are laying at our feet, there for the taking.

Conversely, the worst time to invest is once everyone agrees that the environment is terrific and that the gains will continue as far as the eye can see. It is at this moment we find ourselves paying up for assets and competing with lots of other buyers.

But most of the time, neither the economy nor the stock market is as good as it could get, or as bad as it could get. Typically, the economy trudges along a straight path for years at a time and it's the stock market that is easily excitable, ripping to and fro based on the latest information to hit the tape. Over longer periods of time, we do see a correlation between stocks and the economy, but over periods of less than a year, there is literally no rhyme or reason for what has happened. All explanations are simply ex post facto; an expert grasping at straws to assemble a reasonable take on what has occurred, and why it ought to have been obvious to everyone.

Source: Josh Brown CNBC.com 2019

Brunch With Bobby Gardening Workshop
Don't Forget To RSVP

***Spring gardening workshop featuring KARE 11's Bobby Jensen,
Saturday morning April 27, 2019 at Splitrocks, Wyoming, MN.***



IRA Withdrawals that Escape the 10% Tax Penalty

The reason withdrawals from an Individual Retirement Account (IRA) prior to age 59½ are generally subject to a 10% tax penalty is that policymakers wanted to create a disincentive to use these savings for anything other than retirement.

Yet, policymakers also recognize that life can present more pressing circumstances that require access to these savings. In appreciation of this, the list of withdrawals that may be taken from an IRA without incurring a 10% early withdrawal penalty has grown over the years.

Outlined below are the circumstances under which individuals may withdraw from an IRA prior to age 59½, without a tax penalty. Ordinary income tax, however, generally is due on such distributions.

1. **Death** — If you die prior to age 59½, the beneficiary(ies) of your IRA may withdraw the assets without penalty. However, if your beneficiary decides to roll it over into his or her IRA, he or she will forfeit this exception.
2. **Disability** — Disability is defined as being unable to engage in any gainful employment because of a mental or physical disability, as determined by a physician.
3. **Substantially Equal Periodic Payments** — You are permitted to take a series of substantially equal periodic payments and avoid the tax penalty, provided they continue until you turn 59½ or for five years, whichever is later. The calculation of such payments is complicated, and individuals should consider speaking with a qualified tax professional.
4. **Home Purchase** — You may take up to \$10,000 toward the purchase of your first home. (According to the Internal Revenue Service, you also qualify if you have not owned a home in the last two years). This is a lifetime limit.
5. **Un-reimbursed Medical Expenses** — This exception covers medical expenses in excess of 7.5% of your adjusted gross income.
6. **Medical Insurance** — This permits the unemployed to pay for medical insurance if they meet specific criteria.
7. **Higher Education Expenses** — Funds may be used to cover higher education expenses for you, your spouse, children or grandchildren. Only certain institutions and associated expenses are permitted.
8. **IRS Levy** — Funds may be used to pay an IRS levy.
9. **Active Duty Call-Up** — Funds may be used by reservists called up after 9/11/01, and whose withdrawals meet the definition of qualified reservist distributions.

With an IRA, once you reach age 70½, generally you are obligated to begin taking required minimum distributions.

Your required minimum distribution (RMD) may be based on your age or the deceased's age at the time of death. Penalties may occur for missed RMDs. Most are required to begin by December 31 of the year following the date of death. Any RMDs due for the original owner must be taken by their deadlines to avoid penalties. You will pay taxes on any distributions you take. Consider speaking with a financial professional who can help you evaluate the potential impact an inheritance might have on your overall tax situations.

The information in this material is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties. Federal and state laws and regulations are subject to change, which may have an impact on after-tax investment returns. Please consult legal or tax professionals for specific information regarding your individual situation.

Source: www.irs.gov

From Dave's Guitar Collection:***Playing Dirty—"A story about a unique guitar"***

I thought it would be fun to feature a guitar from my collection in this quarter's newsletter. I have always found it interesting to hear about the history of a particular guitar. I will start this column with the guitar I call "Playing Dirty" AKA the Hallberg Blue guitar. When visiting the Fender/Charvel Custom shop in Corona, California back in 2007 I asked the head of the custom shop who does all the cool paint work on the Charvel guitars? He explained that custom motorcycle painters are now doing guitars and they are really good at it. Upon talking to Dana Hallberg I mentioned that because Dana is a custom motorcycle painter and builder extraordinaire. His Forest Lake Company is called Deadline Customs. I met Dana when I first came to Forest Lake in 1988, anyway, Dana had been bugging me to paint a custom guitar for me and I thought it would be cool to make a retro 80's guitar! In June of 2011 I purchased a genuine unpainted Charvel body from Wayne Charvel in California. With expert luthier John Brown of Browns Guitar Factory's help I ordered an unpainted custom banana headstock all maple one slab 22 fret neck with stainless steel frets, from there—John Brown custom wound a pickup based on Eddie Van Halen's original Frankenstein guitar and bolted it direct to the body for sustain. Dana painted the body, headstock, and had all the metal parts chromed and engraved. He painted the guitar a metallic blue/with pinstripes based on his new custom motorcycle with the same paint scheme. This was awesome because with my over two dozen guitars I didn't have a blue guitar. His bike is called "Rollin Dirty" and I call this guitar "Playing Dirty". Dana surprised me with this guitar at my home on May 16th, 2012; Lori had food and treats to celebrate the unveiling as I had not seen the guitar. The guys from Deadline Customs who painted the guitar and John Brown, who built the guitar, were there along with other friends. All of the painting was a gift from Dana! It was truly one of the nicest thing's anyone has ever done for me. I ordered a G & G custom guitar case with blue lining for this guitar. On top of the beauty of this guitar it sounds just fantastic! It has a very full sound with tons of sustain.



Food for Thought From the Desk of Chad Olson, President/Operations Manager:

10 Important Career Lessons Most People Learn Too Late In Life

Keep your head down and your nose to the grindstone. That's what a lot of us were taught to believe about work. But is it really the best strategy?

I find that people often take this sort of advice to heart — and then learn too late in their careers that there's more to life (and success) than just keeping busy.

I've gathered up my top 10 lessons you should take to heart *now*, before it's too late!

1. **Life is short.** Here's the thing: Life is too short to put up with a job you hate, a boss who demeans you, or a company with no soul. Many people convince themselves that they can put up with a job or career situation that makes them unhappy because they need the income, because they don't know if they can find another job, or for some other reason. But the truth is none of us knows how long we have on this earth, and spending too much of it in a bad situation will only make you miserable and regretful. If you're in this situation, take a step today — no matter how small — toward a better situation.
2. **Social networks matter.** You might think that networking events are dull, that it's boring to chat with coworkers around the watercooler, or that you're simply a born introvert, but study after study confirms that social networks are vital to our success. In fact, the most successful people tend to have the broadest and most diverse social networks. The more time and effort you put into nurturing your social networks, the more successful you are likely to be.
3. **Sacrificing your health for success or wealth isn't worth it.** Many driven, successful people have a hard time creating work/life balance and can end up burning out or developing serious health problems from stress and overwork. The truth is, it's much easier to stay healthy than to heal from a problem or disease — and no amount of success or money can replace your health. Don't take your health for granted and take steps to mitigate stress that could cause problems later.
4. **None of the best moments of your life will take place looking at a screen.** In our connected world, it's tempting to let all the little screens we have access to dictate our lives. But you'll never reach the end of your life wishing you'd spent more time checking email on your phone. Disconnect regularly and experience real life.
5. **Never stop learning.** With the rate at which technologies are changing today, if you decide that you are "done" learning, you will be left behind within a matter of years, if not sooner. The idea that you can't teach an old dog new tricks is blatantly false, and you will never wake up and regret having invested in your mind by learning something new.
6. **Diversify.** Hand in hand with learning, if you stick to only doing what you know, or what you are good at, you may quickly find that you're only good at one thing. We need to be agile, nimble, and interested in many different things. Otherwise, you could get stuck in a job or career you don't love, or that goes with the times.
7. **You can go fast alone, but you can go farther together.** In other words, teamwork makes the dream work. Many people claim they don't like to work in teams, but the ability to work well in teams is vital if you want to succeed. The idea of the solo auteur is a myth; every big idea needs a team to make it happen.
8. **Worrying doesn't achieve anything.** The antidote to fear and anxiety is action and hustle. If you're wasting time because you're afraid to pursue an idea, speak up, or are worried what others will think of you, you won't achieve your goals. If you push through the worry and the fear, however, and take action, you'll almost always find that you were worried about nothing.
9. **Failure is not an end.** If you give up when you fail, you'll never learn anything. Instead, look at failure as an opportunity, as the beginning of a new journey. If you do, you're much more likely to try again and succeed at something else.
10. **Happiness is a journey, not a destination.** So many people put off their happiness; they think, "I'll be happy when I get that job, when I lose that weight, when I'm in a relationship, when I'm out of a relationship..." and so on. But we can choose to be happy. Happiness is a habit and a choice. No matter what your situation, if you can approach it with an attitude of happiness, you will be more successful.

Source: www.BernardMarr.com



Personal Notes



Dave Purdy

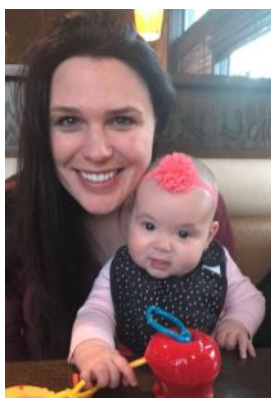


January started off with my birthday celebration at the Minikahda Club with my mother and Lori. We had a fantastic dinner and visit. The Minikahda Club is an exceptional and unique place. To get in better shape for 2019 we purchased a Peloton bike. It's easy, convenient and the personal coaching makes it as fun as exercising can be. We just love it! Lori was able to visit friends in Hawaii for a week long getaway. She along with her dive buddy, did the Manta Ray night dive on the Big Island. Upon her return, we went to Marco Island for a three day business conference and after that we visited my mother and celebrated her birthday on Sanibel Island. Marco was beautiful; I have never been in sand that had the consistency of powdered sugar before. And, Sanibel is just pristine with the nature parks. We were able to spend some quality time with my mother. Lori has been showing Gnatt, our Manchester terrier, in agility and barn hunt and doing quite well. She has dog shows coming up in Iowa and around the Twin Cities. To continue to elevate our client experience, this spring our whole office will be attending a wealth management industry conference in Chicago. Everything having to do with our business is changing so fast we have to be up to date with

the latest trends in financial planning, investments, client service and technology. Kayla and Danielle have never been to Chicago so we are arriving a day early to have a little extra fun. Have a great spring!

Kayla Hauble

Spring is here! I am happy the warmer weather is just around the corner. This picture is of me and my niece, Aria at my favorite restaurant Don Julio's. The taco love starts young in my family! She will be 8 months at the end of April, she is growing so fast and I'm very happy I get to watch it all happen. This summer will be fun as well; I'm going camping in Colorado at the end of May. In July I am participating in the FAT CAT Triathlon, I'm trying to beat my score from last year! My wish for you is to enjoy this spring and summer, and I hope you get to connect with some old friends and family because time keeps flying by.



Danielle Urman

It's finally looking like spring out there and I couldn't be more excited! I was lucky enough to get to go to Mexico again; my parents stay in Puerto Vallarta for a couple months and my sisters and I decided to surprise them for a week. It was pretty exciting and we had a great time. This is a picture of all of us at one of the pools we went to quite a bit. I celebrated my birthday at the end of March and went to Surly Brewing for the first time and I thought that was a fun experience. I'm looking forward to some more warm weather and I hope everyone has a great spring and hopefully some fun things planned!



Chad Olson

Warmer weather has arrived, and not a moment too soon! We were able to escape the crazy weather for a week in February, flying down to Florida and taking a Disney cruise. Our trip was bookended with Minnesota snow storms, changing to an earlier flight to avoid one storm, and returning from Florida in another. We had a great time on the cruise though and really enjoyed some sun and fun. We adopted a Doberman puppy a few weeks ago and are adjusting to life with a puppy. We named him Rhett and he is a very sweet, excited boy! Our daughters spend pretty much every waking moment playing with him, which he loves. He started puppy class this last week. Hopefully he will be a quick learner!





WEALTH MANAGEMENT
M I D W E S T I N C

"INDEPENDENT AND PROUD OF IT!"

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651-464-2664



David Earl Purdy

Founder, CEO

2012 • 2013 • 2014 • 2015 • 2016 • 2017 • 2018 • 2019

Award based on 10 objective criteria associated with providing quality services to clients such as credentials, experience, and assets under management among other factors. Wealth managers do not pay a fee to be considered or placed on the final list of 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019 Five Star Wealth Managers.

Need Financial Planning?

Contact us about our Five Step Financial Planning Process.

1. We help you get financially organized. All of your information will be organized and understood.
2. We will help you identify what your goals, priorities and concerns are when it comes to your finances.
3. We review your current financial situation along with your goals and develop a plan for working towards those things that are most important to you.
4. We assist you in implementing the plan.
5. We review and update you with an annual progress report. We will review any changes in goals and objectives, and analyze your investments with the goal to make sure your plan is on course.

So much of our happiness
depends on how we choose
to look at the world.

