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401(k) UPDATE

4TH QUARTER 2016

Reevaluate Your Portfolio

Periodically, you should thoroughly review your portfolio to ensure it is still helping you work toward your investment goals. Follow these steps during that review:

Review your current portfolio mix. List the current value of all your investments. Determine what percentage of your portfolio is held in stocks, bonds, cash, and other investments; but don't stop there. Take a closer look at where the stock portion of your portfolio is invested. Break down investments by market capitalization (small-, mid-, and large-cap), by style (growth and value), by area (domestic and international), and by sector (technology, financial, utilities, energy, etc.).

Analyze each investment. Determine whether it still makes sense to own each investment. Don't let emotions get in the way. Review why you purchased each investment and whether those reasons are still valid. Emotionally, it is difficult to sell an investment at a loss, but holding on until you get back to breakeven may not be the best strategy. The investment may never get back to that price or may take an excessively long time to do so. You may want to sell the investment and reinvest in another with better prospects. Instead of worrying about what you paid for the investment, decide whether you would buy it today at its current price.

Determine if changes are needed to your current allocation. If we've learned anything over the past few years, it's that a portfolio should not be highly concentrated in one area or sector. Instead, look to broadly diversify your portfolio. Some points to consider include:

✔ **Decide how much to allocate to stocks and bonds.** Your stock and bond mix is a major factor in determining your expected portfolio return and how much

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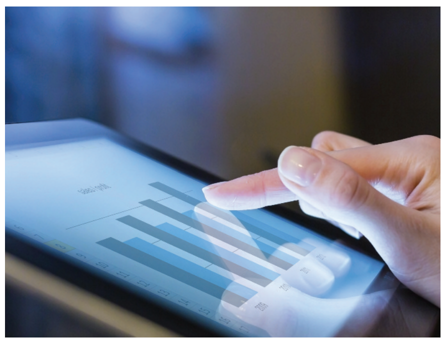

Is Personal Savings Increasing or Decreasing?

Since the 1960s and first half of the 1970s (when the personal savings rate averaged nearly 12% per year), personal savings rates in the U.S. have generally declined, bottoming out at an average of just 2.9% between 2005 and 2007. Since 2008, personal savings rates have nearly doubled to an average of 5.7%. In general, the savings rates since 2005 reflect a shift in thought: from one of higher spending most likely generated by soaring stocks, real estate prices, and home refinancing, to a more conservative approach.

While lower savings rates can prove bad for the economy in the long run, some economists believe they can be good in the short term, particularly if the economy needs a boost in spending. Growing savings rates won't negatively impact the economy if they accompany income growth, allowing us to simultaneously save, pay down debt, and make purchases.

You can calculate your own personal savings rate by dividing the amount you save each month, year, or quarter by your after-tax monthly, yearly, or quarterly income. Please call to discuss whether your current investment plan supports your long-term personal goals. ❍❍❍

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Reevaluate

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your portfolio will fluctuate with market movements. However, be careful not to let recent events cause you to allocate too much to bonds just to avoid stock market fluctuations. Make this decision based on your financial goals, risk tolerance, and time horizon for investing. If you are investing for the long term, say 10 years or more, you probably still want a major portion of your investments allocated to stocks.

✔ **Reassess your stock allocation.** Is your stock portfolio too heavily weighted in technology or blue-chip stocks? Have you selected only growth stocks, ignoring value stocks? Do you prefer large-cap stocks and avoid smaller stocks? The stock market moves in cycles, with varying sectors outperforming other sectors at different times. Since no one can predict when one sector will outperform, it is typically best to broadly diversify your stocks over all areas.

Move your allocation closer to your desired allocation. When making changes, first consider the tax ramifications of the transactions. If you can make changes without incurring tax liabilities, you may want to make the changes immediately. But if substantial tax liabilities will be incurred, look for other ways to get your portfolio closer to your desired allocation. For instance, any new investments should be made in areas that are underweighted in your portfolio. Or you may be able to reallocate in your tax-deferred accounts, such as individual retirement accounts and 401(k) plans, where you typically won't incur tax liabilities. However, if you can't get your allocation in line within a year using these approaches, you might want to sell some of the poor performers and reinvest the proceeds. ❍❍❍

Should You Stay or Go?

Choosing a place to live is one of the most important decisions you can make when planning for retirement. And it's not always an easy choice. You'll have to weigh financial, emotional, and lifestyle issues before you can decide where to live after you stop working. Below are some tips that may help you make your choice.

You can start your retirement housing search by asking yourself some or all of these questions: Where do I really want to live? Where can I afford to live? If I'd like to relocate, how much will that cost? Will relocating allow me to save money on housing and other expenses? Can I save on taxes by moving to another area? If I'd like to move, what price can I expect to get for my house? Where do my friends and family live?

Deciding on the answers to these questions is the first step in preparing to make a decision about where to live in retirement.

So, what if your answer to the above questions suggests that relocation is a good idea? It's hardly an unusual situation. Getting a fresh start in retirement is a dream for many. But depending on your current financial situation, it may not be realistic. Many baby boomers saw their home values plummet during the most recent financial crisis, and some are still underwater on their homes. Others still have hefty mortgage payments heading into retirement. Some people who want to relocate simply may not have the financial ability to do so.

If you are interested in moving, it pays to do your homework. Looking into housing in your ideal location is just the start. You'll also want to think about how much you can get from the sale of your current home (be realistic). Taxes are another issue. Some retirees can save money by moving from a high-tax state to one that offers tax breaks to retirees, like Georgia, Mississippi, or Illinois. Another thing to consider? The cost of travel back to your original hometown if you still have family and friends living there.

According to a study by the Demand Institute, while most boomers won't relocate in retirement, a significant minority — 37% — are planning to do so. Of those who do expect to relocate, roughly 40% plan to upsize rather than downsize, choosing larger, more expensive properties than their current residence. If you count yourself among that number, make sure you have the financial resources to turn that dream of a palatial retirement abode into a reality.

If you're sure that relocating in retirement is the right choice for you, don't rush into a decision. A trial run of a month or two in your ideal destination will allow you to see how you really like living there. A place that's great to visit for a week might lose its luster after a month. In addition to obvious considerations like weather, make sure you think about amenities both fun and not so fun. Are there hospitals nearby? What about public transit in case you're eventually unable to drive? Will you be part of a ready-made retirement community, or will you be on your own when it comes to making new social connections? Are the amenities you'd like to use affordable? Knowing the answers to these questions in advance can help you avoid making a costly financial mistake. ❍❍❍

What Happens If You Are Disabled?

For many people, a long-term disability would be financially devastating. Find out what benefits you would be entitled to under sick leave policies, short-term disability policies provided by your employer, and workers' compensation. Another source of funds might be your emergency fund of three to six months' of living expenses. When considering a long-term disability, assess your income needs until age 65, when presumably retirement benefits would begin. During this analysis, consider the following items:

✔ **Estimate your monthly expenses following a disability.** Typically, some of your disability benefits would be free of income taxes (if you paid the premiums) and you won't incur work-related expenses. However, don't underestimate your expenses, since your medical and rehabilitation expenses might be much higher after a disability. Find out if you would continue to be covered under your employer's health insurance plan.

✔ **Review your annual Social Security statement for an estimate of disability benefits.** However, keep in mind that eligibility requirements are quite stringent — you must be totally disabled, have little or no chance of recovery, and wait six months or longer for your first check. Even if you do qualify, benefits tend to be modest.

✔ **Decide what personal resources you would use.** You can access funds from individual retirement accounts, annuities, or 401(k) plans without penalty if you are disabled.

✔ **Investigate any long-term disability benefits provided by your employer.** Long-term group disability plans are less common than short-term plans. The policies frequently have strict definitions of disability, pay up to 60% of your base salary, pay two to five years of benefits, and don't provide cost-of-living increases. Also factor in income taxes that must be paid on any benefits paid for by your employer. Check to see if your employer-sponsored retirement plan offers an option for early retirement in case of disability.

✔ **Consider purchasing disability income insurance to fill any gaps.** However, you might not be able to replace more than 60% to 80% of your income through insurance, since insurers want you to have an incentive to return to work. Any benefits from policies you funded are received income-tax free. Coordinate your employer-provided insurance and your own policy so the maximum benefits do not exceed the amount the insurance companies will pay. Otherwise, you may pay for coverage you won't receive.

If you decide to purchase disability income insurance, make sure to consider these things:

✔ **Pay special attention to the definition of disability.** There are three basic types of coverage: own occupation, any occupation, and income replacement. Own occupation pays benefits when you can't work at your specific occupation. Many professionals, such as doctors and lawyers, opt for this coverage. However, due to substantial claims, this coverage is now more difficult to obtain. You may be able to find own-occupation coverage for a specified period, with the policy then converting to any-occupation coverage. Any occupation means you must be unable to work at any occupation that you would be suited for based on your training and education. Income-replacement policies pay the difference between what you were earning before the disability and what you are earning now. For most individuals, income-replacement policies will provide the best balance between cost and benefits.

✔ **Opt for a long waiting period before benefits start.** This is a good way to reduce premiums, provided you have other resources to rely on for the short term, such as sick leave, personal savings and investments, and short-term disability coverage. Waiting periods can range from one week to two years, but the most common option is a 90-day delay in benefits.

✔ **Consider coverage that pays benefits until age 65.** Disability insurance is designed to protect your financial situation from a serious disability, so you should obtain coverage for the long term. Policies for lifetime benefits are rare and expensive. It's probably not needed, however, since you will probably be eligible for Social Security and other retirement benefits once you turn 65.

✔ **Look for a policy that provides residual benefits.** This allows you to return to work on a part-time basis and still receive partial benefits.

✔ **Make sure the policy is either noncancelable or guaranteed renewable.** Noncancelable means you can renew the policy every year at the same premium. Guaranteed renewable means you can renew the policy every year, but the premium can increase as long as it is not done so in a discriminatory manner. Either provision will ensure that the policy can't be canceled due to medical problems. ❍❍❍

4 Reasons for Goal-Focused Investing

The fact is investing isn't just about making your money work for you. It's about making your money work for you for a particular purpose. Here are four specific reasons why a goal-focused approach to investing is important.

It Puts You in Control — When you first start investing, you may feel like you have little control over what happens to your money. But if you take a goal-focused approach to investing, you are making specific decisions designed to help you reach specific goals. If something's not working, you can change it.

It Will Be Easier to Save —Saving money just to save money is no fun for most people. Having concrete goals can turn saving from an abstract concept to a specific step needed to achieve a certain aim. And studies have shown that the better you are at setting goals, the more you're likely to save.

You'll Be Less Focused on How Others Are Doing — If your father-in-law is bragging about the great return he got on his investments, it can be tempting to drop your plan and copy his moves. But if you're investing toward a goal with a clear plan, you'll be able to congratulate him on his success while staying focused on your goals.

It Will Help You Weather Market Fluctuations — The market goes up and the market goes down. These peaks and dips can make your stomach do flip flops, especially when your life savings is on the line. If you know that you won't need your money for another 30 years, you can handle some volatility today. But if you're going to need your money in the next couple of years, you can select less-volatile investments, so that the day-to-day movements of the market won't cause more stress. Knowing your specific goals will help you choose the right investments. ❍❍❍

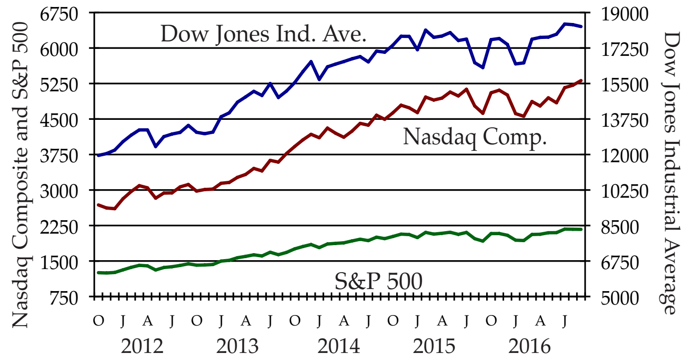
Market Data

	Month End			% Change	
	Sep 16	Aug 16	Jul 16	YTD	12 Mon.
Dow Jones Ind.	18308.15	18400.88	18432.24	5.1%	12.4%
S&P 500	2168.27	2170.95	2173.60	6.1	12.9
Nasdaq Comp.	5312.00	5213.22	5162.13	6.1	15.0
Wilshire 5000	22468.59	22461.65	22458.52	6.5	12.6
Gold	1322.50	1309.25	1342.00	24.5	18.7
				Dec 15	Sep 15
Prime rate	3.50	3.50	3.50	3.50	3.25
Money market rate	0.28	0.27	0.26	0.27	0.29
3-month T-bill rate	0.25	0.34	0.32	0.26	0.02
20-yr. T-bond rate	2.06	1.91	1.90	2.60	2.67
Dow Jones Corp.	2.57	2.51	2.54	3.43	3.26
Bond Buyer Muni	3.81	3.74	3.79	4.22	4.40

Sources: *Barron's, Wall Street Journal*

Stock Indices

October 2011 to September 2016



Past performance does not guarantee future results.

Thoughts about Retirement Planning

Approximately 37% of workers retire early. Some of the more common reasons for early retirement are health shocks, the retirement of a spouse, and layoffs without being able to find another job (Source: Center for Retirement Research, September 2015).

After retirement, the death of one spouse can reduce annual income by 30% to 40% as a result of a reduction in Social Security and pension benefits (Source: *AAII Journal*, January 2016).

In 2014, the average duration for a nursing home stay was 321 days for men and 525 days for women, compared to 892 days in 1999 (Source: American Association for Long-Term Care Insurance, 2015).

In a study regarding investing for retirement, men saved an average of 6.8% in 401(k) plans while women saved slightly more at 7.0%. However, the average 401(k) balance for men was 55% higher than women ($123,262 versus $79,572), due to women's lower wages (Source: Vanguard, October 2015).

In a recent survey, 60% of respondents said caring for two aging adults is more demanding than caring for two children between the ages of 3 and 5. Experienced caregivers indicated that financial support and personal hygiene were the aspects of caregiving that caused the most anxiety (Source: *Financial Advisor*, December 2015).