



2017 Celebrates OUR tenth YEAR IN BUSINESS!

FIRST QUARTER – 2017 CLIENT NEWSLETTER

REVIEW OF THE MARKETS:

Index:	1Q17	2017
S&P 500	6.07%	6.07%
S&P Mid-Cap	3.94%	3.94%
S&P Small Cap	1.06%	1.06%
Morgan Stanley's EAFE (International Stocks)	7.25%	7.25%
Barclay's US Aggregate (Bonds)	0.82%	0.82%

ECONOMY & MARKETS:

The strength in the stock market has continued into the first quarter of 2017. The rebound in corporate earnings continues to be quite strong. Factset has stated that 4Q16's earnings growth was nearly 5% and also marked the first time the index has seen year-over-year growth in earnings for two consecutive quarters in nearly two years. First quarter earnings growth is estimated to be around 8.9%. **While corrections can occur at almost any point in time, we still do not believe a recession is on the near-term horizon.** Other economic figures continue to provide support with the latest unemployment rate coming in at 4.5% and inflation slowly increasing and now at 2.7% year-over-year. The fourth quarter GDP had its final revision at 2.1%, which now puts it up 2.0% on a year-over-year basis. Historically, GDP has grown around 3% on an annual basis, which still leaves room for improvement. We may see slightly higher economic growth in 2017 (perhaps, truly in 2018) as market deregulation and fiscal stimulus packages potentially get passed through Congress. As of the close of April 7th, the Price-to-Earnings ratio on the S&P 500 is 17.43, still on the high side of recent historical averages. While this economy should still support slightly escalated valuations, the bond market continues to look "shaky". The Federal Reserve raised interest rates again last month and is forecasting two-three more rate hikes this year. The Fed is also contemplating reducing its balance sheet later this year (aka the accumulated loan holdings through its asset purchase programs) which could push longer-term interest rates upwards.

Department of Labor Rule (DOL) taking effect April 2017 – This new compliance obligation requiring additional disclosures on moving retirement accounts is delayed at the moment. While we are completely in favor of requiring Brokers to adhere to a Fiduciary standard, our belief is that the current version is a bit too cumbersome. The additional documentation for Brokers is exceptionally overwhelming and while less stringent on Registered Investment Advisors, will still require more effort and paperwork for the client too.

YAIA Firm Update:

Leslie Dinello, our Assistant, has just surpassed her two-year anniversary at the Firm. Over the last year, she has substantially increased her responsibilities and strengthened her relationship with clients. As a result, she was recently **promoted** to "**Office Coordinator**". We want to take the proper time to thank her for her dedication to YAIA!

On a different note, our dear friend, Janet, passed away at age 102. As we have mentioned in the past, I became POA for my Grandmother's best friend about two-and-a-half years ago. At the time, Janet, was our client and in a surprise move, a "friend" convinced her to have her POA and Will re-written. Long-story-short, "red-flags" were raised, Janet's Doctor and I got the Department of Aging involved and revoked the former POA. When the dust-settled, I was asked to help her and got clearance from the State's Securities Commission to do this on a pro-bono basis (one cannot be POA and Advisor). Many of our clients knew her or knew of her. We are not only mentioning this to make people aware, but to also stress the importance of proper estate plan documents as is discussed on the next page.

Finally, upon partnering with another family residing in Florida, compliance required us to now register with that State's Securities Commission. Most State's (such as Florida) follow the national "De Minimus rule", which only requires registration upon working with more than five clients.

REMINDER; SET-UP YOUR ESTATE PLAN:

In the last few months, we have worked with three separate instances of clients' passings. All three utilized different, yet suitable, estate plan techniques. In February, after one of our clients passed away, we flew to California to assist the widow and her lawyer in the coordination of her husband's estate. Due to the family having proper estate documents drafted, the overall effort for this widow will be minimized. As I told her: "Be prepared to fill out many forms, some which may require notarization and other's medallion stamp guarantee (banks offer this). Also, only give original death certificates to custodians who will not accept a copy." From a non-legal perspective, outlined below are common estate plan terms and techniques:

Wills – A document that states your final wishes. For non-complex situations, normally a Will should suffice. In these less complex situations, assets generally flow to the beneficiaries through a Will (excluding potentially jointly titled assets, retirement accounts, and some others). Wills do become public record and the Executor will likely need to get sworn in at the county courthouse taking an oath to legally fulfil these responsibilities.

Transfer-on-Death Accounts (TOD) (aka "designated beneficiary account") – One can name beneficiaries to specific non-retirement accounts using TOD accounts (as opposed to relying on a Will). TOD accounts avoid probate (not the same as inheritance taxes), which some construe as a benefit as compared to assets that pass via a Will.

Trusts – Trusts are typically used in more complex estate planning purposes. Trusts can be Revocable (changes can be made) or Irrevocable (changes cannot be made) and with many sub-forms as well. Using Trusts in estate plans tend to be more applicable in larger estates with young children, second marriage situations, beneficiaries who may be spendthrifts, or other unique situations. For example, using Trusts you can set age-rights-of-withdrawals for young children to have access to funds (perhaps beyond "health, maintenance, & support") so that they do not inherit a large sum upon turning 18 or 21.

IRA & other retirement account disposition – Typically, retirement accounts will flow directly to the next of kin through beneficiary designations. Lawyers can link IRAs & Trusts together through creative estate planning. The rules for inheriting IRAs are very complex and well beyond what can be explained in this newsletter. These inherited IRA rules are also different for a spouse as compared to a non-spouse; in short, the spouse has additional options available.

Powers-of-Attorney (POA)/Executor – The POA document enables someone to act on another person's behalf while alive. Once the person passes away, the POA's authority ceases and the Executor takes over (Executors are typically named in the Will). The POA document can be written granting a variety of responsibilities; be cognizant of your intentions. For example, do you want your POA to be able "gift" your money away while you are still alive? For both POA & Executor responsibilities, we would recommend naming a contingent and also a tertiary person in the event the first named person cannot fulfil this responsibility. Upon an individual passing away, a custodian (for example, Schwab) may potentially "lock" the account (making it "view-only") from the Advisor & beneficiary until the estate documentation is submitted.

Inheritance Taxes – Estate taxes generally come in two different forms; state and federal. Some states have an inheritance tax while others do not, and that rate could vary depending on the relationship of the beneficiary to the decedent. The federal inheritance tax currently only applies to assets over \$5.49m. Using a technique termed "portability", the surviving spouse can transfer the unused exemption on the deceased spouse's estate and thus, use that exempt amount plus her exempt amount. Another technique termed "disclaiming" where permitted allows the beneficiary to let the inheritance pass to his/her heirs. For example, a recent widow "disclaims" part of her husband's estate enabling the couple's children to inherit this portion today rather than them waiting for her passing.

Social Security (SS) – For most married couples, the surviving spouse will receive the greater SS amount after the spouse has passed away (on top of a nominal one-time disbursement). For retired couples relying on both SS amounts for income, this also means the surviving spouse will be losing part of their income.

Life Insurance – Life Insurance is an excellent way to provide families with immediate cash. It is not suitable for everyone, but can serve a variety of purposes to protect heirs. It is often used to help beneficiaries for spending needs when other assets may predominantly be in an illiquid format (ex. privately held business), or to pay for debt levels that would be beyond the surviving spouse's ability to pay. Depending on who owns the life insurance and who is the named beneficiary can affect whether there is an estate tax due. In some situations, Trusts will own life insurance policies in an effort for these funds to pass inheritance tax-free; that vehicle is called an Irrevocable Life Insurance Trust (aka ILIT).

It is very important to have estate plans properly aligned to one's goals and they should be reviewed every few years or when material life changes are made. Being in this business now for 20+ years has also enabled us to work with families transitioning through many different unique experiences. **A core belief of YAIA's philosophy is working with clients well beyond just "picking mutual funds".**