

**FOURTH QUARTER – 2019 CLIENT NEWSLETTER
REVIEW OF THE MARKETS:**

Index:	4Q19	2019
S&P 500	9.07%	31.49%
S&P Mid-Cap	7.06%	26.20%
S&P Small Cap	8.21%	22.78%
Morgan Stanley's EAFE (International Stocks)	8.17%	22.01%
Barclay's US Aggregate (Bonds)	0.18%	8.72%

ECONOMY & MARKETS:

Despite the on-again-off-again trade war (which seems to be getting better), and getting closer to another very contentious election, the markets produced these above average returns. Stock returns once again favored larger cap stocks. Inside large cap stocks, only two of the eleven S&P 500 sectors actually beat the index. Currently, the S&P 500's P/E is about 18.4, which is slightly above its five-year historical average of 16.7. Despite no major signs of a recession on the horizon, the historical wide gap between stock performance and earnings suggests strong earnings growth is needed to support these valuation levels. Earnings growth is expected to finish the year around 0.2%, but rise to 9.4% in 2020. Similar to previous newsletters, unemployment remains low and inflation measures remain tame, but increasing.

In the last few weeks, the yield curve unwound its inverted position and is now back to being positively sloped. Essentially, this means that long-term interest rates are higher than short term rates. In addition, the Federal Reserve is now forecasting to keep interest rates at these levels for the next several months. According to its forecasts (aka the "dot plot"), the Committee appears to still be inclined to be biased towards raising rates in the upcoming years ahead. Most experts believe interest rates are going to remain stable for a while with some believing mid- and longer-term rates may move slightly upwards if the economy remains stable.

SECURE ACT: After a several month delay, the SECURE ACT became law late last year. First outlined in our 2Q19 newsletter, this Act will implement these and additional rules:

1. Raise the Required Minimum Distribution (RMD) age from 70.5 to 72 starting in 2020. If someone already started their first year RMD in 2019, that will continue in 2020.
2. Removes the age limit for Traditional IRA contributions.
3. To help pay for the Bill, non-spousal Inherited IRAs will need to be liquidated within 10 years. This eliminates Stretch IRAs where formerly non-spousal Inherited IRAs owners could take distributions out over their entire lifespan.

YAIA News:

Recently, Matt attended the all-day Pennsylvania Banking & Securities Compliance (PASC) Seminar. The main highlights include:

- Be prepared to discuss & disclose anything in upcoming audits including trading, money movement, and cybersecurity! YAIA has successfully been through two PASC audits and paid for two separate mock audits.
- A session for Preventing Financial Exploitation for the Elderly with speakers from Adult Protection Services.
- SEC's new Form CRS – Advisors will need to disseminate this new compliance document to clients by summer. The Form itself is similar, but a more concise version of existing compliance documents currently filed. Regardless, the PASC has decided not to incorporate this new rule.

Schwab purchase of TD Ameritrade:

- Schwab is buying one of its competitors, TD Ameritrade. We believe this is a good thing and should provide better economies of scale. In addition, many articles have stated we should expect to see better pricing and additional resources, mainly technological advancements.
 - Schwab also moved to zero commission stock and ETF trades.
 - Schwab is also now permitting fractional share trades for stocks.
- ➔ Schwab remains our partner and "custodian of choice". While clients have the option to use other custodians, we remain confident in their pricing, technology, and their support structure remains a strong fit for our clients.

YAIA TECHNOLOGICAL ADVANCEMENT:

In an effort to improve our Firm efficiency, YAIA purchased a new trading & reporting software called **Tamarac**. In the long-run, Tamarac is offering many technological improvements for both YAIA and our clients as outlined below:

- ➔ **Quarterly Reports** - The quarterly report dissemination to clients will be transitioned over time from the existing emailing of the reports to Tamarac's portal (including a secure "vault") software. The portals are client specific website logins (similar to how our client's log into the Schwab website). Inside the portals are secure "vaults" which permit documents to be transferred back-and-forth.
 - In essence, YAIA will send quarterly reports to the client's vault inside their specific portal.
 - Clients will be notified by email that a document is available for review in their portal and will be asked to log into www.yanniassociates.portal.tamaracinc.com website. The first time you log in, it will require you to create a password, security questions, etc.
 - Once inside the portal, clients will be able to view the quarterly (or other) reports.

Advantages to this portal also include:

- Dual-factor authentication for clients every time they use a different computer.
- Clients have the ability to just "view" the document whereby it will not be saved in their download and/or temp files (nice security feature). Clients can also download the file to their computer if they choose to as well.
- YAIA and the clients both have the ability to share documents back and forth via this portal.

Previously, we had been using an encrypted email software called RPOST. While we are still going to maintain our relationship with this software, we found it had a few drawbacks.

- In the first version, RPOST would send a password protected encrypted email. RPOST did require the computer to use Adobe Reader for PDF documents. As time went on, computers would auto-update and at times, would change the PDF viewer back to their own proprietary software. When this occurred, clients could not view the attachments. Notoriously, we found this mainly occurred with Apple products, but Microsoft Windows also started employing the same tactic. We found that computer companies prefer individuals use their software versus competitors (even if both are free). While there is a way to change the PDF viewer back to Adobe Reader (which, is not necessarily easy to do), we continually kept encountering this issue. We then upgraded our version of RPOST to what is termed "point-to-point encryption", which did not require a password. It would simply send the email from YAIA to clients in a pure encrypted format. However, in some small instances, clients still could not view the attachments. While we still plan on maintaining our relationship with RPOST and it still may be used from time-to-time, we will be transitioning to the portal software provided by Tamarac.

- ➔ **Improved Client Views** – Clients will be able to log into www.yanniassociates.portal.tamaracinc.com and see up-to-date account information, asset allocation and holdings figures, performance statistics, and other items. Currently, Schwab's website for clients over counts additions and withdrawals on its performance figures.
 - We can now also easily enable clients to view family member accounts (with appropriate permissions, of course).

- ➔ **Tamarac App** – Clients will also be able to view and access these reports via a Tamarac App on their cellphones.

- ➔ **Internally @ YAIA** - Tamarac will also give us a variety of capabilities including up-to-date performance figures for both client accounts, holdings, and indexes. The rebalancing & coordinated trading parts of the software is superior in terms of efficiency to what we had been using in the past; this will save us a tremendous amount of time.