

January 20th, 2017

Thank You! – Sandi, Alex and Alex III

We – Sandi, Alex and Alex III – would like to say ‘thank you’ to our clients and our PWFS team for a seamless merger and successful 2016.

As you can imagine, the merger presented many challenges. We did our best to ensure our clients’ transition to the combined firm was as painless as possible. We enjoy serving our clients and are honored that you have placed your trust in us.

None of this would have been possible if not for our team members’ hard work, flexibility and cohesiveness. Sandi’s team of Jim, LaDonna, Marsy and Jeannine brought innumerable skills and vast experience to the new firm. Rey and Ann have been wonderful additions, both in terms of their technical skills and enjoyable personalities. We have great clients and a great team.

We are fortunate and very thankful for all of you!



Market Update and Surprises – Alex II

I’m not talking about the Trump election victory, I am talking about the Chicago Cubs winning the World Series on November 2nd. The Cubs won game seven in the tenth inning and broke the most epic drought in sports history. The Cubs had not won a World Series in 108 years. Most baseball experts thought the Cubs had a good chance to be in the national championship series, but we know it takes a good team and some luck to become the champions.

Now let’s pivot to the morning of November ninth where most political pundits were sure that Hillary Clinton would be the 45th President of the United States. Wow! We witnessed another November surprise! 2016 was full of surprises. What types of surprises might 2017 bring to investors?

What is the market going to do in 2017? It seems to me it may have a surprise or two for investors. President Trump and the Republican Congress have the votes to make significant changes to the tax code, regulations, trade and foreign relations. Many political and economic experts are uncertain how President Trump will govern. The stock market has made new highs based on the belief that the new administration will lower taxes and stimulate the economy with a massive infrastructure endeavor. Expectations are high, and if Trump and crew are delayed in their promises, or if such promises are not largely fulfilled, the markets are likely to fall from the present all-time highs.

My guess is that the market will go up 6%-10% in 2017. But I will be wrong. Actually, if that was my answer for US large-cap stocks including dividends (as measured by the S&P 500) over each of the last 91 calendar years (1926-2016) I would have been correct just four times using that wide 4% range. The S&P 500 returned 7.62% in 1992, 6.27% in 1984, 6.56% in 1978, and 6.56% again in 1965. Thanks to Ibbotson data, we know that the S&P 500 has returned about 10% annually for those 91 years on average, but only once did it earn 10% plus or minus 0.4% in a calendar year (1993 return was 10.08%). It is always interesting to me that the public and the media want a one-year prediction from Wall Street strategists who almost never get it right.

Jeff Saut, Chief Investment Strategist, Equity Research at Raymond James was recently quoted as saying, “I think stocks are going substantially higher. The markets are transitioning from an interest rate-driven secular bull market to an earnings-driven secular bull market.” We have been enjoying this secular bull market for about seven years. The average secular bull market cycles last around 14-15 years and compound at a 16% rate. If this secular bull lasts the average 14 years, we have another seven years to reap its rewards. This is not to say we won’t have corrections. Remember, we had a fourteen percent correction in the first two months of 2016, followed by a good rally that finished with a 12% return for the year in the S&P 500.

What needs to happen for the markets to go up in 2017? The easy answer is corporate earnings must go up. They could make substantial earnings gains if Congress passes corporate and individual tax cuts, if we avoid a costly trade war, the U.S. dollar remains flat relative to other major currencies, and the Trump administration avoids any costly political mistakes.

What will the bond market do this year? Has the “Great Rotation” started and how far will it go? In short, the line of thinking behind the rotation is that, after 30+ years of generally falling interest rates in the United States and the corresponding good returns for bond investors, the next long term trend will be rising interest rates followed by poor bond returns. Thus, investors will rotate out of bonds and into stocks or maybe even cash. David Kostin of Goldman Sachs contends that “we are certainly not going to see most fixed income investors suddenly switch to stocks – institutional investors (the ones who really move markets) are generally limited in what they can invest in terms of their portfolio agreements, and bonds will still play a large role for retail investors, who need the diversification and income benefits that they can provide.” So, on a net basis, I’d say that “the Great Rotation” may help provide a tailwind for stocks, but it may not be as “great” as many believe. Most of our clients hold a decent amount of bonds in their portfolios and we continue to believe they are an asset class that will continue to provide investors income and stability over the long term.

The current U.S. economic landscape is in pretty good shape. Interest rates will rise but at a slow rate, which will continue to make stocks attractive. We remain cautiously optimistic at this time. We do feel we are entering uncharted waters and we remain committed to carefully monitoring the economic and political landscape in 2017. We therefore are recommending high quality equities and fixed income with a tilt towards U.S. securities over foreign holdings.

Below are the year-to-date returns of various standard market indexes for year-to-date of December 31, 2016:

Asset Class	Index / Category	2015	2016
Cash & Cash Alternatives	Average 1-year CD rate	0.27% (annual yield)	0.32% (annual yield)
U.S. Govt & Corp. Bonds	Barclays US Agg Bond TR Index	0.6	2.7
World Bonds	Morningstar World Bond Category	-4.0	3.6
U.S. Large-cap Stocks	S&P 500 TR Index	1.4	12.0
U.S. Small-cap Stocks	Russell 2000 TR Index	-4.4	21.3
International Developed Stocks	MSCI EAFE NR USD	- 0.8	1.0
Emerging Market Stocks	MSCI Emerging Markets PR USD	-17.0	11.2
World Allocation	Morningstar World Allocation Category	-4.2	6.0
Diversified Commodities	Morningstar Long-Only Commodity Index	-26.3	12.9
Multi-Alternatives	Morningstar Multi-Alternative Category	-2.6	1.4

Source: Morningstar.com, Bankrate.com

Inclusion of these indexes and other information herein is for illustrative purposes only and should not be considered indicative of future results. Individual investor’s results will vary. Information included herein has been obtained from sources considered to be reliable, but we do not guarantee that such material is accurate or complete. Expressions of opinion are as of this date and are subject to change. Nothing contained herein should be considered an investment recommendation. You should consider any tax or legal matters with the appropriate professional.

2016 Tax Reporting Update – Alex III

The IRS has granted Raymond James, along with several other custodians (including Schwab), a reporting extension that allows them to delay 1099s for those clients who hold specific types that are considered “pass-through” vehicles (e.g. mutual funds) for tax reporting purposes. As a result of the extension, we are able to provide an up-to-date 1099 that otherwise may result in an inaccurate tax filing or require an amended tax return to be filed.

2016 1099 Mailing Schedule

By February 15
By early March

Mailing of original Form 1099s with no reporting issues
Mailing of amended 1099s and those delayed due to specific holdings

We apologize in advance if you receive a delayed or amended 1099. We know some of our clients have experienced delayed or amended 1099s over the years, but unfortunately there is little we can do. If you receive an amended 1099 after you have already filed your tax return, you should consult your tax advisor about the requirements to re-file based on your individual tax circumstances. Additional information can be found at <http://www.raymondjames.com/taxreporting.htm>.

Please note, changes in tax laws or regulations may occur at any time and could substantially impact your situation. We do not render advice on tax or legal matters. You should discuss any tax or legal matters with the appropriate professional.

Social Security to Stop Mailing Paper Statements – Alex III

A senior official of the Social Security Administration recently posted a blog alerting the public that paper statements will now be sent only to people who are 60 or over who have not established My Social Security online accounts and who are not yet receiving Social Security benefits. This is due to a cost savings move that is expected to save about \$11 million this year.

Life With Donald Trump – Sandi

We have a new president, one who will surely shake things up. He is more businessman than politician. He tweets more than he holds news conferences. How does this affect you?

Repeal of Affordable Care Act.

We can already see that Trump and fellow Republicans plan to repeal Obamacare soon. A replacement, costing taxpayers far less, will replace it at some point. Thus some 20 million, or 5%-7% of U.S. citizens, may lose coverage. The ACA covered approximately 12 million, but additional people were covered through Medicaid expansion, young adults staying on their parents' policies until age 26, and more. Employees of small businesses and the unemployed will again scramble. Medical costs in 2014 increased at the lowest rate on record, under Obamacare. We can expect the health care field to return to a more laissez faire structure (think higher costs for you, employers, taxpayers).



Lower taxes.

Most predictors believe we'll see lowered tax rates. After all, Trump's tax plan isn't that far different than Representative Paul Ryan's, chair of the House Ways and Means. Republicans have majorities in the House and Senate. Those in the middle to upper income brackets will benefit most, and that probably includes you.

Less foreign trade.

Foreign trade is a concern. Trump professes he'll halt the TPP, be tough on NAFTA, negotiate hard with China, slap on tariffs, and more. The Trans-Pacific Partnership (TPP) is likely dead on arrival. It was meant to give us a strong base for trade with Asian countries (excluding China). China will likely now move in. NAFTA, the North American Free Trade Agreement, would be difficult to dismantle because that requires Congress's approval. More likely is that Trump may be able to modify terms to better favor the U.S. Mexico has already hinted they'd entertain such measures.

The U.S. has 14 trade agreements with 20 different countries promoting free(er) trade. We still have tariffs which we impose on certain products (think big lobbies by businesses to protect their own interests). So we U.S. consumers pay 35% more on some tuna, 20% more on some dairy, 130% more on some peanuts, and more. But our trading partners do the same to us, levying tariffs on some of our exports into their markets. So ours is a global system of "mostly free" trade.

Tariffs may backfire if applied to the almost 50% of our imports which are intermediate goods, finished here by our workers. For that portion, we would be making it more expensive for our own companies to sell here. Based on 2014 data, 14% of U.S. GDP comes from exports. Implementing tariffs may pressure that 14% downward, losing some economic growth.

China is an oft-cited example. GM sells more cars there than in the U.S. If we slap tariffs on imports from China, U.S. consumers will pay more and buy less. China will then profit less, and in turn buy fewer GM cars because they have less money, which means fewer auto industry jobs here. (Germany has a similar position in the EU.) But other countries such as Mexico and South Korea may more readily negotiate since they sell large quantities of goods here, and buy little from us.

If Trump is able to jawbone and delicately adjust trade agreements to garner a better deal, without inciting commensurate retaliation, we'll win. But that's a big "if". We'll see how foreign trade unfolds. At best, we'll win some jobs and export more. Worst case, we'll lose economic growth, jobs and exports, if we and other countries slap on excessive tariffs.

Fewer immigrants, but 25 million more jobs.

Trump says he wants to create 25 million jobs. The best record is 20 million, under Clinton. With unemployment already at a low 4.7%, and a mature economy, that 25 million is a lofty goal. Trump seems to be tweeting a "if you sell it here, then you'd better make it here" policy. But economists warn that keeping more manufacturing jobs from moving to cheaper labor overseas will not grow jobs overall, but will increase the already-rapid turn to automation.

We could put everybody to work now, if those 4.7% unemployed had the skills needed for the job openings now at hand. So even if Trump produces millions of jobs, where will the workers come from? One source is through retrained workers, which are desperately needed. Another source is the 38% of people not in the labor force. Some retirees may choose to work again. A third source is immigrants. Farmers are already not able to harvest all of their fields, because they cannot get enough workers (immigrants) in to pick the fruits and vegetables. Crops rot in the fields of California. More than half of the country's agricultural workers are undocumented immigrants, according to the USDA. The American Farm Bureau estimates that an immigration policy that focuses solely on enforcement could cost the country \$60 billion in crops. Or farmers can increase wages enough to entice Americans (not immigrants) to harvest their own crops, which will increase food costs.

So Trump will likely manifest more jobs, a good thing, but not reach the goal.

Problems with the press.

Almost no president-elect has been more at odds with the press. Freedom of the press is in the Bill of Rights. Trump plays hardball with that, refusing access but tweeting instead, and granting interviews to unknowns in the media. That ongoing drama alone will make our lives more volatile under Trump. We will have more surprises from him, and the media coverage will be combative and negative.

Trump's first stumble, and future adventures.

Trump will undoubtedly say or do something that roils the nation in the coming months. He's a maverick president. We should expect more volatility: in the press, in the economy, and in the stock and bond markets. But those hiccups should be somewhat short-lived, if no lasting stance is taken. Remember, we have a government with power ensconced in three branches: executive, legislative, and judicial. We will have a cabinet of businessmen, with few women and few politicians. We will have four years of adventure. We've had lots of politicians leading. With Trump, we might learn something new, something that works well for us.

How to Stay on a Holiday Budget – Sandi

Channel 41 TV's Action News aired a segment "Tips to Manage Christmas Spending" November 18 by reporter Sarah Plake, and featuring Sandi Weaver. To watch to the segment, click on - <http://www.kshb.com/money/save-money-how-to-keep-holiday-spending-on-a-budget?autoplay=true>



Technology and Retirement - Rey

This is an exciting time for retirees when it comes to technology. It seems like every few months there is some new widget or thingamabob that younger generations are going crazy about. And although new technology might seem intimidating at first, these technologies could directly improve your retirement. The following are a few examples:

Uber/Lyft:

Uber and Lyft are two popular telephone applications that connect private drivers to anyone who needs a ride. They are usually much cheaper and speedier than taxis, and members of the retired community have found plenty of methods to take advantage of these apps.

When retirees go on vacation, some would rather get an Uber/Lyft from the airport to their hotel, as opposed to renting a car. Other retirees would rather let an Uber/Lyft drive them to and from church in the evening when it's too dark or too icy for them to drive comfortably.

In extreme cases, some retirees have given up their car completely, relying on Uber/Lyft to get from point A to point B. Given the costs of owning a car (the purchase, insurance, registration, taxes, maintenance, repairs, tires and fuel) it is not totally farfetched to think that these retirees are saving money in the long run.

So, if it's just a lift from the airport, or a complete lifestyle change in not owning a car, retirees are finding ways to improve their lives using these new services.

Google Home/Amazon Echo:

Google Home and Amazon Echo are new 'smart speaker assistants' that allow you to speak to 'Google Assistant' or 'Alexa.' By talking to them, you can connect and use multiple devices in your house using only your voice, including your light switches, coffee maker, entertainment system, thermostat, security system and even your dog or cat feeder.

As more partners develop programs for Home and Echo, experts are expecting these types of products to be very beneficial for retirees. Companies have already created programs that remind retirees about their appointments and/or when to take medications.

Play Parent One More Time

Has your child recently gotten their first job? Bought their first house? Gotten married? Had their first child?

Set them up with a phone or office meeting with us. We will review the financial planning steps to take to get started on the right foot.

No charge.

Other firms are developing apps that connect to a heart monitor, which can send alarms to EMS personnel or family members. Some seniors are using Home and Echo to order an Uber or get pizza delivered.

And for the couples who love to be right all the time, Home and Echo are connected to smart artificial intelligence which can respond to trivial questions. Next time you want to argue about how old Betty White is, all you have to do is ask Home or Echo.

Telehealth:

Modern technology in remote health monitoring has made great strides in recent years. The ability to measure how much exercise you get every day, your heart rate or your blood sugar level is making it much easier for medical professionals to remotely monitor and share test results almost in real time.

Some medical facilities are even using iPads or tablets to have appointments with their patients via video conference after a review of all the vitals they receive remotely. This type of remote practice might give retirees the flexibility of not having to drive all the way to the doctor’s office, while still receiving the care they need. Another benefit is that medical practitioners might be able to see more patients than if they brought the patients to their office. Overall, the idea might seem strange to some, but it could be a benefit to retirees and medical professionals.

FS 89.3 FM KCUR Radio Replay

Market Peaks – Should Investors Adjust Their Portfolios Given Historical Highs in Stocks and Bonds?

On December 19th, Alex Petrovic, CFP® was a guest speaker on KCUR's *Up to Date!* discussing the historic market high, the interest rate hike and the “Trump Rally.” If you would like to listen to the show go to: <http://kcur.org/post/smart-money-experts-historic-market-highs-interest-rate-hike-and-trump-rally>.



Inside & Outside of PWFS

Alex Petrovic III – Looking back from a personal and professional perspective, 2016 was a very good year. Not without a few trying moments of course, there are many highlights: seeing my son develop and learn; learning with Dasha how to try to be good parents and balance work and life; a wonderful Florida vacation and family wedding; and seeing two quality businesses successfully join together into one team. We have much to be thankful for!

Benjamin turned one on December 8. We held his 1st birthday party on December 11 at our house. My wife Dasha made Barefoot Contessa's Raspberry French Toast Casserole for the first time – delicious! Benny and I were quite happy eating the leftovers. We would also recommend McLain's Bakery in Brookside; the quiches we ordered were a hit. However, if they tell you they don't make quiches, tell them they do and be persistent! Dasha was told by three different employees, on three different occasions, they didn't make quiches. Was it worth the hassle? Absolutely!



Peggy, my awesome step-mother, made Benny his 'smash cake' and cupcakes. Benny was timid with his cake, but the rest of us devoured her cupcakes. He mainly moved his little index finger around in the icing and tasted it. One of his many nicknames around our house is 'Little Pointer' because he loves to point at things and say their names. More recently though, I have been calling him 'Captain Cling' and 'Screamy'. He is a sweet, happy and inquisitive little munchkin, when you give him attention and/or hold him. ☺ In his defense, he has been sick on and off for a couple of months... and so have Dasha and I.

Christmas and New Years' holidays were busy but enjoyable. Our Christmas gift for my Grandmother Doris, my last remaining grandparent, was dinner and tickets for the three of us to see Cirque du Soleil's performance of Ovo at the Sprint Center. None of us had been to a Cirque du Soleil production, and afterwards all of us agreed it was a fun experience. Watching performers of that caliber conjured up some of my early circus memories of awe and amazement!

We hope you and your family's 2017 is off to a great start.

Sandi Weaver – The memories of my big annual trip are fading, but biking in India late last year was super! My first memorable moment was after touchdown in Delhi, eating a hard-boiled egg with a white yolk. Google came to the rescue, and I discovered it's because they feed their chickens different food.



My latest tech toy, a Google Home, is such fun! It plays the radio, tells me the biz news of the day, and more.

If it could only cook.....

Alex Petrovic II – We have a new baby! Our sixth grandchild, Charles John Petrovic, was born on September 26, 2016. He is the child of our son John and his wife Kara. They now have three boys; two more and they can field a basketball team!

The holiday season was a festive time at our house. We celebrated both Thanksgiving and Christmas at our home and were joined by our five children, their spouses and six grandchildren and Grandma Mary Ruth. Santa made a special house visit a week before Christmas day and we took that opportunity to get several family photos.



Jim Stoutenborough – The holidays worked out pretty well this year. We made our first trek to the Plaza Light Ceremony – and it was pretty cool – lived up to the billing and the weather was perfect.

Did all my Christmas shopping on line except for 2 items – the big home run gift I gave this year - pun intended – was the Chicago Cubs World Series Champion T-shirt I got for my son.

My brother and I texted consistently from the middle of November through New Years as he toured with the Moscow Ballet as they traveled throughout the U.S. and Canada. They even made the news one day as their troupe traveled into the teeth of that first cold snap across Wyoming in (-30) degree weather. This was his second year with the troupe – he sets up the stage using his expertise in electrical and lighting.

Rey Arellano – I just turned 29 earlier this month, barely clinging onto my twenties (29 is still mid-twenties, right?).

It's been an excellent year for my wife and me. To kick off my year, we went to Punta Cana, in the Dominican Republic. Kaitlin has an almost irrational fear of sharks, but that didn't stop her from swimming with bull sharks with me. We also made the huge decision to leave Oklahoma and move to Kansas City. Although the move itself was rough, we couldn't be happier with the results.

Kaitlin and I both have grown professionally as well. She just finished her first semester in Nurse Practitioner school, and I completed my first year of my MBA. I also received my Certified Financial Planner (CFP) certification, giving PWFS its fifth CFP.

To celebrate this occasion, my wife and I went to Cabos San Lucas for a week, where we rode horses on the beach, snorkeled into some more shark infested water, and danced to salsa and cumbia music. Overall, being 28 was amazing. Hopefully being 29 is even better.

Marsy Gordon – The holidays are in the rear view mirror, and 2017 is in front of us as we travel life's highway – curves, straightaways, pot holes, and all.

The last few months have been busy, both at the office, and with my family. Our son and granddaughter from San Diego visited over Thanksgiving. Their visit included decorating the house for Christmas, and a sleepover at our house for our two 5-year-old granddaughters – lots of art projects and giggles!

Our daughter and family from Denver were here for Christmas. That visit included a trip to the model trains and Science City at Union Station. Thanksgiving and Christmas both included spending time with our daughter and family in Lawrence, as well as extended family.

Between Thanksgiving and Christmas, my big project (away from the office) was making wall hanging quilts for each of my three kids' families. They have a map of the world on one side, and a map of the U.S. on the other side. Who says that geography isn't fun?

With good memories, and a sigh of relief, we're happy to be back to "normal" and looking forward to spring.

Ann Kloster – Hello. I am the newest PWFS team member and the Office Administrator starting this past November. I was a legal secretary and paralegal for almost 30 years, so the financial investment field is all new to me! But, the other team members have been patient and extremely helpful in getting me up to speed.

I live in Fairway with my husband, Tom, and an ancient (and perpetually cranky) cat. At present, our lives are fairly quiet, but we shall see what adventures the coming spring and summer bring.

LaDonna Parker – A highlight of the holidays was working with the Caring Ministry at the church I attend. Before Thanksgiving we put together over 100 meals. Each could feed 6 people. The meals included everything from turkeys to pumpkin pies. A box of fresh produce was also included. I am not sure where all the meals went. I do know that some were given to families that had someone under hospice care.

At Christmas we put together similar meals. I especially enjoyed working with the Angel Tree ministry. Congregants chose a child to buy gifts for. We spent a day checking the gifts, making sure each child received appropriate and adequate gifts, and supplementing where needed.

When I was in Tucson I volunteered with Chuck Colson’s Prison Ministry Angel Tree program. I was area coordinator for Pima County and church coordinator for a mega church. We took 500 children and provided gifts to children with at least one parent in prison. The purpose was to help strengthen the bond between parent and child. I got to know some of the families and gave them support where possible.

That is enough for now. This is something very dear to my heart and I could talk about it for hours!

Jeannine Shaffer – Every year my New Years’ resolution is to clean out the attic, get my house in order and make our yard beautiful with lots of pretty flowers and bushes.

My plan this year is to enlist the help of my adult children, whose childhoods are stored in the attic. Some of those buried treasures (toys) might unearth memories and stories to share, that reveal what’s worth keeping and what’s not.

As for the house, where would the fun be of looking for missing things, if there was a place for everything and everything was in its place.

Lastly, we have been watching the grass we planted in the fall come up and have high hopes that we might finally have a lush green yard this spring. As for flowers, we’ll have to see how many rabbits show up this spring!

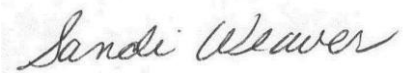
Maybe my resolution every year should be to just enjoy another year of the same old chores and have fun with family while doing them!



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P.S. Our offices and the financial markets will be closed for Presidents’ Day on Monday, February 20.