

Summer 2017 Newsletter

Uncertainty...

Today in America the list of issues shrouded in uncertainty is seemingly endless. Whether the topic is our health care system, tax reform and/or tax cuts, regulatory reform, or our education system, the uncertainty is causing significant anxiety for many Americans. While it goes without saying that none of the above-mentioned systems are perfect as they currently exist, the significant and wholesale changes being discussed and voted on in Washington leave many of us wondering if we are living on Mars or in Massachusetts.

As we have discussed many times in the past, the stock markets usually do not like uncertainty. Generally, uncertain times lead to volatility in the markets. Why haven't we seen volatility this time around while there is so much uncertainty? We believe the reason for the current lack of volatility is two-fold: 1) The economy – which continues to grow, albeit very slowly. The continued list of strong earnings reports from many corporations continues to act as a foundation for current market levels in the US. 2) The belief that some type of tax reform will become reality.

We believe Paul Krugman's thoughts regarding the economy are important to consider. Paul Krugman is an American economist who is currently a Distinguished Professor of Economics of the Graduate Center of the City of New York, and a columnist for the New York Times. Mr. Krugman, in his New York Times Op-Ed entitled "The Priming of Mr. Donald Trump," published on May 14 of this year, stated: "There are times when temporary deficit spending can help the economy. In the first few years after the 2008 financial crisis, for example, unemployment was very high and the Federal Reserve – normally our first line of defense against recessions – had limited ability to act, because the interest rates it controls were already very close to zero." He continued "Now, however, unemployment is near historic lows; quit rates, which show how confident workers are in their ability to find new jobs, are back to pre-crisis levels; wage rates are finally rising; and the Fed has begun raising interest rates." He concludes that "...the economic engine no longer needs a fiscal jump-start."

Moving on to tax reform, we believe that there are significant challenges ahead for the passage of President Trump's one-page proposal for tax reform. We all know that proposals are a starting point for negotiations. However, we believe the current environment in Washington makes just about any discussion regarding sweeping tax reform extremely difficult. Although the proposal is only one page long, it is significant in terms of the magnitude of the types of changes it mentions. The highlights are a reduction in the number of tax brackets from seven to three (10%, 25% and 35%) and the elimination of the Alternative Minimum Tax, estate taxes, and taxes associated with the Affordable Care Act.

We believe President Trump's failure to deliver on his bold promise to get the economy moving at a much brisker pace of 4-5% growth (some would say an impossible pace) or his failure to deliver on his promise of tax reform could be a catalyst for volatility. It is worth noting that often volatility comes from something we had not anticipated but from something else entirely. The bottom line is that we need to be prepared for volatile markets as we believe the current uncertainty will eventually lead to a change in market sentiment.

We don't have a crystal ball, but all of us know that promises made but not kept could lead to a significant change in the national sentiment. We also know that tax reform is incredibly hard to push through Congress, even when one party controls both the House and Senate. It will be hard to keep track of all of the special interest groups that appear out of seemingly nowhere once the tax reform debate begins. Our current tax code is filled with loopholes because of the power of special interest groups. It is safe to say there is a consensus that making our tax system more streamlined is a great goal. However, streamlining the tax code is difficult to do; it requires a clear vision of the desired result, coupled with a steadfast commitment to figuring out the many details required to make it happen. Because of the complexity and difficulties involved, we will not be surprised if true tax reform does not occur now. We have seen a commitment to optics for political gain but no truly unified vision regarding tax reform. Who knows - maybe the result will be tax cuts. Tax cuts, however, are not tax reform.

We are by no means predicting Armageddon. However, we truly believe we need to be prepared for potential rocky times. Diversification, appropriate risk exposure, and a clear vision of what your goals are regarding your personal financial plan will help you weather whatever we have coming our way.

As always, never hesitate to contact us to talk through your situation and any questions or concerns you have.

Please be extra careful with emails...

Recently there was yet another attempt by malicious individuals trying to lure both clients and/or advisors into clicking on a link or document that would then install malware on the individual's computer or other device. We cannot overstate the importance of being wary of anything that you receive via email that you did not specifically request. Any time that you have questions or suspicions, please do not hesitate to contact us.

Social Security Presentation to Seniors

Vikki spoke on May 15 to a group at the Amherst Senior Center on one of her favorite topics, Social Security. She covered the history of the program, a recap of the most recent Trustees report, how benefits are calculated, breakeven ages for claiming at certain ages, as well as various claiming strategies and how they have been impacted by the Budget Bipartisan Act of 2015. She touched on the Windfall Elimination Provision and Government Pension Offset and how these rules impact those who receive a state pension in Massachusetts and who may also be eligible for Social Security benefits.

A key message to attendees was that they should understand the options available for their personal situation and the financials behind the options. We continue to hear from clients and others (including many at this seminar) that they have received incorrect information from well-

meaning friends and family, and even, in some cases, representatives at the Social Security Administration. When and how to claim Social Security is one of the most important financial decisions you can make. Please be in touch with us to review your options before you start collecting Social Security.

Shred Day Update

Thanks to ProShred, Mission Cantina and everyone who was able to attend our 2nd Annual Shredding Party on Friday, June 2 in the Hart & Patterson parking lot. After days and days of rain, we lucked out and even saw the sun.

Approximately 2,700 pounds of paper was processed during the event, and hopefully many of you are enjoying roomier closets and file cabinets as a result of your spring cleaning. No one left hungry with lunch provided by Mission Cantina. They whipped up incredible tacos and enchiladas from their food truck during the event.

Hart & Patterson 25th Anniversary Party

We are so excited to celebrate the firm's 25th Anniversary with you, so please mark your calendars for September 26th at the Look Park Garden House. We will send invitations as we get closer to this date.

From Lorraine's Kitchen

Celery Root Slaw

INGREDIENTS

- 1 cup pecan halves (3 1/2 oz), toasted and cooled
- 1 (1 1/2-lb) celery root, peeled with a sharp knife and quartered
- 3 tablespoons white-wine vinegar
- 1/2 teaspoon salt
- 3/4 teaspoon black pepper
- 1/4 cup coarsely chopped fresh flat-leaf parsley
- 2 tablespoons finely chopped shallot
- 1/4 cup olive oil

Preparation

Finely chop two thirds of nuts. Coarsely grate celery root in a food processor fitted with medium shredding disk or on a box grater.

Stir together vinegar, salt, and pepper in a large bowl until salt is dissolved, then add celery root, chopped nuts, parsley, and shallot and toss well. Drizzle salad with oil and toss again. Serve sprinkled with remaining pecans.

Salad can be prepared a day ahead.

Thank you for your relationship with us - we sincerely appreciate your trust.

Wishing you all a wonderful summer!

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