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Laraway
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The Laraway Report

Is 3% Growth Possible?

by Steven A. Laraway, J.D., CPA®, CFP®

When then Presidential candidate Donald Trump was on the campaign trail he suggested that based on his policies and changes he would make if elected President we could grow our economy at minimum of 3% per year and even 4% if things went right. President Trump's recent budget proposal uses an assumption that our economy will grow at 3% per year. Initially I thought that if China can grow their economy double digits why can't we grow ours 3 to 4%? I recently listened to a Planet Money podcast entitled "Here We Grow Again" on what it would take to achieve the 3% growth. The steps necessary to reach this growth were interesting to say the least. According to Marc Goldwein of the Committee for Responsible Federal Budget growing at 3% is doable but means everything must go right.

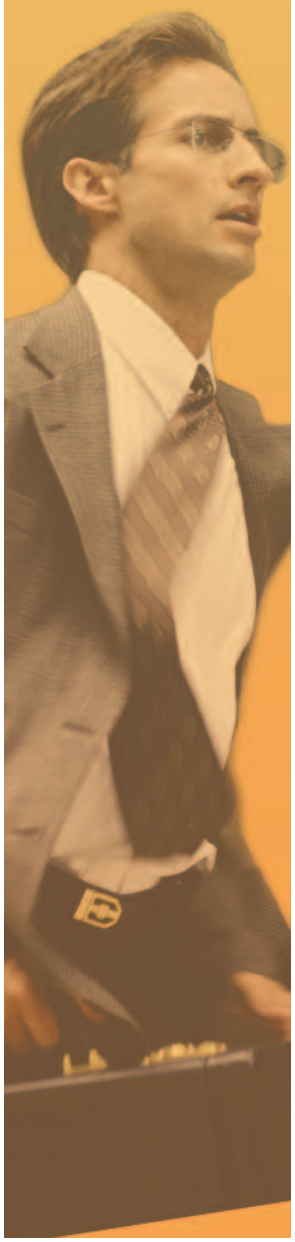
Possibility number one is to increase our workforce. Mr. Goldwein mentioned that in the past the baby boomers drove economic growth. Currently, baby boomers are leaving the work force. In other words we need more workers. One way is more immigration. In fact, our immigration rate would have to approximately double over the next decade. This means 40,000,000 more immigrants. That alone would get us to 3% growth. A second way is for baby boomers to work longer. If everyone worked longer instead of retiring we could get to 3% growth. It would require delaying retirement from 5 to 10 years. Advances in health care have created a much healthier, longer lived "baby boomer" generation which could work longer if they chose. We would need to change the signals we send: like Social Security retirement age of 62, normal retirement age of 66, Medicare at 65, pulling out from IRA at 59½, etc. In addition, tax incentives could be given for working longer.

Possibility number two is capital. We need to double our capital investment. This requires technology for everyone, starting with every city. If we went back to the 1990's level of capital investment we would get to approximately 2% growth. We would need close to two dot-com booms to get to 3%. Encouraging businesses to expand in a number of small ways would add growth. This would primarily happen through tax incentives.

Possibility number three is productivity or efficiency. We would need to be more productive (percentage wise) now than we were in the 1960's when electrification and the interstate highway system came into play. We can do more research and experimentation. We need to find something we haven't ever thought of to drive this efficiency. When you consider smart phones and other relatively new technology this seems feasible.

In the end, the answer may be a combination of all three methods-replace the baby boomers, institute capital incentives and create productivity. As stated in the podcast and borrowing from JFK perhaps President Trump will adopt these goals "…not because they are easy but because they are hard…and we intend to win."

Happy Investing!



DOL Fiduciary Rule Changes

by Chris Wayne

On June 9, 2017, the Department of Labor (DOL) rolled out the first phase of the fiduciary rule and will be fully effective on January 1, 2018. This rule requires financial advisors to act in the investor's best interest and includes anyone who handles retirement assets and gives advice. By anyone, I mean any financial professionals – brokers, financial advisors, financial planners, wealth managers, financial representatives, etc. – *must abide to a fiduciary standard* rather than a more laidback suitability standard. You are probably thinking… "What?"

That's right, because of this rule change; financial professionals now have to follow a fiduciary standard that puts the investor's interest ahead of theirs. I do have some good news, many financial professional have been doing this already and have been for years. It really boils down to the proper disclosures for the types of investments that are being offered and how the financial professional is paid when it comes to retirement accounts.

How will this rule affect the average investor? This rule should have a positive effect because the fiduciary standards are more focused and detailed versus the current broad suitability standards. Just because someone is suitable for an investment, does not mean it's the right one. Investors will receive even more disclosures on how the financial professional is compensated. Do they receive a fee or commission for this investment recommendation and how much. As the investor, you should and need to know what you're paying. You should also receive a few more recommendations that will compare the different investment options.

Another question you might be asking is how do you know your investment professional is a fiduciary? A few ways are if you signed an agreement, if you pay fees (ie. flat percentage or dollar amount), the firm is a Registered Investment Advisor (RIA) or fee-only or the financial professional holds industry credentials such as CFP® or AIF®. I had good news before and have even better news now. Laraway Financial Advisors, Inc. is a RIA, charge a fee by percentage, have written agreements and have advisors with the professional designations CFP® or AIF®.

In summary, together, we will decide on the right path to help you address your unique needs and goals. While the DOL rule may require some changes to how we work with you, it will not change our commitment to serving your interests, both today and in the years to come. As always, we are available for any questions or concerns you have regarding the new DOL rule or anything else.*by*

Some IRA Strategies have Potential Tax and Savings Benefits

By James Schmitz

Did you know that a nonworking spouse could open and contribute to an IRA? Non-wage-earning spouses can open and contribute to their own traditional or Roth IRA, provided the other spouse is working and the couple files a joint federal income tax return. A nonworking spouse can contribute as much to a spousal IRA as the wage earner in the family. The IRA contribution limits vary by year. Did you know alimony counts as earned income? Although former spouses receiving alimony might not like having to pay tax on these payments, the fact that alimony counts as earned income may qualify them to contribute to an IRA. Keep in mind, however, that tax-deductible contributions to an IRA cannot exceed total taxable earned income. If the total of your alimony payments and other taxable earned income is less than $5,500 ($6,500 if you are 50 or older), your deductible IRA contribution will be limited to the lower amount. For more information on IRAs and specifics regarding these contributions, please contact…Laraway Financial Advisors, Inc.

Health; Investment, Physical and Emotional

Chris Hastings, Investment Advisor

In the financial industry, we talk a lot about health: the health of your portfolio, the health of the markets, etc. As your financial planner, my job is to help you maintain and improve your financial health, but what about your physical health? Your emotional health? You can have all the money in the world, but without your physical health, will you feel free? You can be incredibly healthy in body and mind, but if you're unable to financially provide for yourself and your loved ones, the stress will negatively impact your total health. Money doesn't buy health or happiness, nor does having six-pack abs, which is why we need to enhance our health in all areas to truly live life to its fullest.

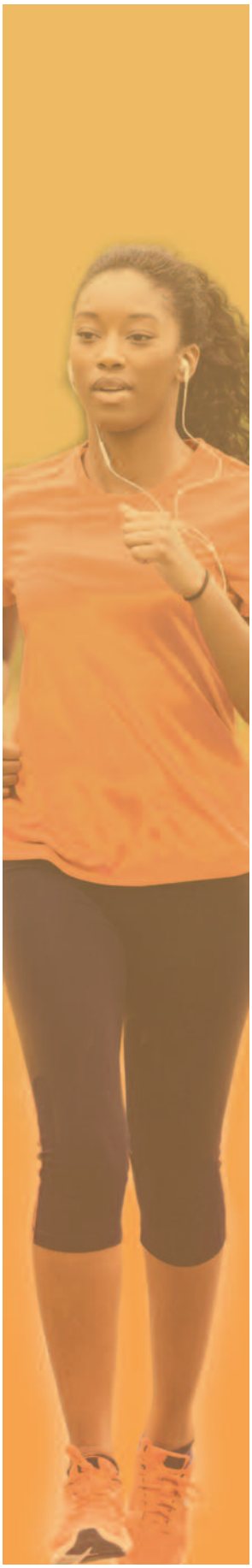
Two years ago my wife won a one-month membership to CrossFit. As a physical therapist, she had been curious about the CrossFit workout for some time, so this was a perfect opportunity for her to try it out. Fast-forward two years, and she has entered the Granite Games, a CrossFit competition in Saint Cloud. Not happy with my workout results and seeing how well my wife was doing, I started attending CrossFit. The first workout I did was ugly; I wanted to leave halfway through. But the instructor was adamant that we start and end together. Not one to quit right away, I told myself I'd give it a month.

A year of CrossFit later, I can reflect back on how far I've come, physically and mentally. I'm far from the strongest in my gym, but I go at least twice per week because it makes me feel better. For years I've struggled with chronic back pain. I have tried physical therapy, chiropractors, stretching, and even surgery, but the pain never left. Since starting at CrossFit, I have had considerably less pain than before. A few weeks ago, I woke up stiff and thought to myself, "I really need to get to CrossFit today." Knowing how much it helps my physical health keeps me going back. I may not feel the results every day. Some days are harder than others. Some days I want to quit. But I don't, because I know how good it is for my overall health and wellbeing.

Regular exercise also helps manage my weight. Some of us struggle with weight more than others, but managing it is essential to good health. As American adults, more than two-thirds of us are overweight or obese. Diseases such as hypertension, diabetes, and even knee pain and sleep apnea can be attributed to excess weight. I had a client who, like many of us, knew he had weight to lose. Tragically, he was diagnosed with cancer, but in successfully treating the cancer, he lost 40 pounds. His doctors found that because of the weight loss, he no longer needed to take blood pressure or cholesterol medications, and his risk of developing diabetes went to zero. The client went on to live another 15 fulfilling years.

Becoming our healthiest selves is much more challenging than simply going to the gym or investing in our IRAs. It takes hard work, dedication, and an eye on the big picture. Your physical fitness is similar to your financial fitness in that way. As I've often mentioned, looking at your portfolio every day, much like looking at the scale each day, doesn't always reflect the progress we've made. Our overall health - financial, physical, emotional - takes time, dedication, and consistency to see the results we desire. If we keep at it through strong financial management, regular exercise, healthy eating, and keeping our stress levels low, we can live our healthiest lives yet.

It's never too late to make a healthy change. I know I'm glad I did.



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Investment Performance Through June, 2017

Category	3 Months	YTD	1 Year	5 Year
MORNINGSTAR				
Large Cap Value	1.77%	5.57%	16.49%	12.60%
Large Cap Blend	2.90%	8.61%	17.17%	13.34%
Large Cap Growth	5.01%	14.14%	20.02%	13.86%
Mid Cap Value	1.03%	4.59%	17.28%	13.86%
Mid Cap Blend	1.91%	6.22%	17.41%	12.96%
Mid Cap Growth	4.70%	12.43%	18.53%	12.75%
Small Cap Value	0.25%	0.55%	21.18%	12.44%
Small Cap Blend	1.49%	3.19%	20.89%	12.72%
Small Cap Growth	4.35%	10.21%	23.11%	12.81%
Foreign	2.80%	7.24%	9.98%	5.94%
Govt. Bonds (Interm.)	0.71%	1.18%	-1.24%	1.04%
Corp. Bonds (Interm.)	1.48%	2.56%	0.94%	2.48%

Return information is provided by Morningstar. Morningstar style box returns and indices are unmanaged, cannot be invested into directly and return figures do not include any fees or charges. Returns are shown for illustrative purposes only and are not representative of actual or past performance of any particular investment. The information contained in this quarterly update is derived from sources believed to be accurate. You should discuss any legal, tax, or financial matters with the appropriate professional. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Diversification and asset allocation strategies do not assure profit or protect against loss in a generally declining market.

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