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Winter 2017

THE INDEPENDENCE

OAK PARTNERS INC.

ISSUE HIGHLIGHTS

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Trying to Trade Around Events

By Steve Kavois

What do the Brexit vote, our presidential election, and the Italian referendum all have in common? They were "shocks" to the global markets, yes, but more importantly they were events that people tried to trade around.

We all remember last spring when the surprise vote to move forward with the Brexit resulted in steep declines across global stock markets. The Dow Jones Industrial Average was down nearly 900 points in 2 days. But less than a week later, the markets were rebounding just as ferociously as they had dropped. What did we learn? Nothing, apparently, as the lead up to our presidential election had many investors asking if they should get out of the market. What happened? Trump won in a big surprise and the overnight markets tanked. It took one day for that to recover and the following month plus saw new highs. With the Italian referendum, which can be viewed as an "anti-government" vote, the markets again briefly dropped before recovering.

What can we learn from all of this volatility? Market-timing or event-driven investing is a very difficult strategy to pull off, and as each of these votes surprised the investing world, we saw whipsaw reactions over the short term followed by a quick return to normalcy. None of these events have a material impact on your investment objectives over the short term and it will take months or years to determine the long term effects. In fact, the Trump election was "expected" to cause market losses and it did, but only for the overnight futures. So unless you are a very short term trader, it probably makes sense to focus more on the long term implications of these events and work with your advisor to make sure your portfolio is positioned correctly for the future.

If you would like to sit down with your advisor and discuss your allocations, don't hesitate to call.

NEWS & ANNOUNCEMENTS

by Crystal DeHaven

In 2016, Oak hosted 50 events, which drew in more than 2,000 attendees. We also celebrated Fred Ruiz's retirement, added some new faces to our team, and relocated our Valparaiso location to a larger office downtown. We look forward to what the year ahead has in store.

If you have any ideas for a future event, please do not hesitate to share them with us. Please be sure that we have your email on file so you can be included in the latest Oak Partners news and events.

HAPPY NEW YEAR! WE HOPE THAT YOU HAD A WONDERFUL HOLIDAY!

In December, we hosted our annual toy drive. This year we created an Angel Tree for the Carmelite home. We collected toys for 96 Angels. Once again, we were blown away by the generosity of our clients. Thank you for giving us the honor to deliver the toys. It was a very rewarding experience.

We also hosted our Client Advocacy Event at Gamba this year. This is the most prestigious Oak event of the year where we honor our clients who felt that someone in their life could benefit from a relationship with Oak Partners. That person then became an Oak client. A great night was had by all! Thank you for advocating for Oak!

MEET CHARLIE GREINER

Oak Partners is excited to welcome Charlie Greiner to our team. Charlie Greiner joins Oak Partners from Stifel, Nicolaus & Company. He was the Managing Partner (and Cofounding Partner) of SG Cap Trading, LLC, a proprietary trading firm based in Chicago, until an acquisition in 2012. Charlie has also consulted many of the largest trading firms in the United States, in his previous role as the Vice President of LDB Consulting, Inc.

Charlie is looking forward to using the tools and resources available through Oak Partners to continue managing innovative portfolio strategies for his select group of clients.

He holds a Bachelor of Arts, (B.A.) in Economics from San Diego State University and also holds a Series 7, Series 63 and Series 66.

Charlie lives in Valparaiso with his wife Jessica (of 17 years) and their four children.

Looking Ahead

by Mike Barancyk

Now that the holidays are behind us, we get to start looking forward to the New Year. Along with the joy of helping my clients achieve their retirement goals comes the headache of dealing with the uncertainty of a new regime in the White House and the completely divergent policies of the last 8 years. Uncertainty almost always leads to volatility and we have to work to prepare ourselves and our clients for the inevitable. If you haven't met with your advisor in the last 6 months, you really need to ask yourselves **"Why?"** If you've just been busy with life in general I get it, but if it's because your advisor has been too busy for you then I don't.

Although your advisor at Oak is just a phone call or an email away, I wanted to share a few basics with you while it's not too late for the 2016 tax year.

IRA Contribution limits

IRA contribution

• Under 50	$5500
• 50 or more (catch up)	$6500

Phase-out for deducting IRA contributions

• Married, joint	$98,000-$118,000 AGI
• Single, HOH	$61,000-71,000 AGI

Phase-out for deducting spousal IRA

$184,000-194,000 AGI

A big question that we are asked by our working clients that are of retirement age is how much one can earn without Social Security benefits being taxed or recaptured. The answer is that income in retirement causing Social Security benefits to become taxable hasn't changed in a while (although I expect that to change with the new administration will remain the same for 2017.)

Married filing Jointly

50% taxable	$32,001-$44,000 Modified AGI
85% taxable	$44,000 and up Modified AGI

I promise that none of us has a crystal ball to read the future. However, good communication with your advisor can help ensure that you have the best chance of reaching your goals. Have a Happy and Healthy New Year!!

PRESIDENT TRUMP & YOUR MONEY

Talk about an underdog story. Even more shocking than the Cubs finally ending a century long drought, was the Trump victory in November. I, for one, gave him no chance to win, but there was a silent majority that I didn't see coming. Now what does this mean for your portfolio? The night of the election the futures on the Dow Jones Index were down over 900 points. This was not a shock given that Trump offers tons of uncertainty. Yet the morning after, the market was up, and has continued to further gains ever since.

WHY?

Trump won the election on the premise of lower taxes, lower regulation, and domestic job growth. These are all positive for the US economy in the coming years. Most important is the repatriating dollars made overseas. Currently if a US company earns money overseas, it has to pay tax when the money comes back into the US. The company also pays tax to the country in which the profit has gained. This is a huge burden on US corporations, which is why companies tend to keep the jobs, and therefore money overseas. If allowed to bring the funds back to the US for little to no tax, US companies could then reinvest those dollars here; creating new jobs and opportunity for the US economy.

Of course, nothing is ever completely positive. Post-election we have seen interest rates go up, thus making interest rate sensitive investments go down. International markets have also taken a hit as the fear of less US outsourcing will hurt those economies. Let's hope Trump can accelerate the pace at which our economy is growing.

FINANCIAL PLANNING **FOR INDIVIDUALS WITH SPECIAL NEEDS**

by Marc Ruiz

We have a celebrity in our midst here at Oak Partners. His name is Ethan, or "E" as everybody know him, and he is my seven-year-old son. Everyone loves "E" and "E" loves everyone. He definitely knows how to light up a room. "E" also has Down Syndrome, which is a parenting adventure of an entirely new stripe. Being Ethan's Dad for seven years has taught me that an individual with Down Syndrome can do just about everything a typical kid can do, but often times he/she will do the same things, in just slightly different and unique ways.

For example, Ethan has been skiing now for three seasons. He is still in the learning stage, but he has good balance and a strong core. With my other kids at this stage we were very focused on learning HOW to stop, but with Ethan learning how to stop is predicated by also learning WHY to stop. You see, "E" is actually much more comfortable with speed on the hill than the other kids I've trained, and this presents some unique challenges in its own right (especially for Mom).

Financial planning for families with individuals with special needs is also unique. I've always been disciplined about saving for college for my other kids, and so when E was born I wanted to start saving for him as well. As it turns out however, this good intention was likely to have unforeseen consequences and could impact some of the important state benefits he could receive when he reaches age 18.

Fortunately, in late 2014 President Obama signed the ABLE Act into law, which provides a potential solution for families wanting to save for the future for loved ones with special needs. The ABLE Act enables a type of 529 Plan (the same type of plan used for college savings), that can be used to save and invest money for the benefit of an individual with special needs. Funds accumulated in the plan will not impact eligibility for federal or state benefit programs. ABLE accounts will be offered on a state by state level and at this time Indiana has not yet unveiled its account program. Other states, including Ohio, do have ABLE account programs available and most can be used by residents of any state.

As with any new government program, ABLE accounts can be technical. I have followed this new law and process closely so If you have questions feel free reach out to your advisor, I'll be sure to provide whatever support and assistance I can.

What to do with your RMDs if you just don't need the money:

by Mark VandeVelde

Most investors know that when you reach 70 ½, you have to begin drawing money out of your traditional IRA. But what if you get to that point, you are comfortable with your lifestyle, and you just don't need the extra money each year? This is a situation that many retirees face, especially if they have made good decisions with their money throughout the years.

First of all, even if you don't need the money, you still must withdraw it from the traditional IRA. There are what are called Required Minimum Distributions. The government wants you to start paying taxes on the money you have kept out of their grasps all these years. If you don't withdraw your RMD, they'll hit you with a 50% tax penalty!

If you don't need the money though, here are a few options that you have:

1. Deposit it into your savings account for a rainy day – Just because you have to take it out of the IRA doesn't mean you have to spend the money. Putting it in a savings account doesn't always give you the greatest financial reward, but having money liquid and available when you need it is always a good thing.

2. Invest the money directly into a non-qualified investment account – Perhaps you don't have immediate plans for the money and you wish to have more growth potential than that savings account can offer. You can have taxes withheld and have the net withdrawal amount swept right over to a non-qualified investment account.

3. Save for grandchildrens' college and get some tax benefits of your own – By investing the money into a 529 College Savings Plan, you can build a pool of tax free money for your grandchild to use for education beyond high school. But there's a bonus. In many states (including Indiana), when you deposit money into a 529, you receive a state tax credit or deduction for yourself. This is a great way to leave a legacy for future generations and help yourself at the same time!

4. Use your net RMD to fund a long term care protection plan – If you are in the fortunate enough situation of not needing the RMDs to live off of, you have probably done a good job of saving and planning. One of the greatest risks you face in your retirement that you may not have planned for is the devastation of long term health costs. Consider using your RMD to fund a solution to that problem.

5. Give the amount of your RMD, or up to it, to a qualified charity – By giving money directly from your IRA to a charity, you completely remove the contribution amount from your adjusted gross income. Evven if you don't itemize your deductions and can't deduct charitable contributions, the IRS allows you to contribute up to $100,000/year this way. This counts as your RMD but the amount is not included
in your adjusted gross income. Of course, you should always consult your tax advisor on matters concerning your personal taxes.

by Curt Magurean

ARE YOU SUSCEPTIBLE TO RETIREMENT FAILURE?

Imagine you're a guest on Family Feud. Steve Harvey asks, *"Give me reasons why retirees fail in retirement."* You immediately hit the buzzer, and confidently answer, *"investment performance."* Like most who believe this myth, you would've guessed wrong. The 7 most common reasons for why retirees fail in retirement are as follows: 1) divorce, 2) multiple homes, 3) freeloader adult children, 4) starting a business, 5) health care 6) overspending assets, 7) elder abuse. The elephant in the room may appear to be investment performance, but any one of these factors can cause a much larger drag on your retirement than investment performance alone.

Financial advisors don't control financial markets, clients' savings, or their spending habits. However, advisors have the opportunity to educate clients of the potential pitfalls they may face. It's our job to prevent you from making the same mistakes that plague so many retirees.

Honest conversations about why clients fail during retirement aren't always comfortable, but neither is the thought of sending a retiree back into the workforce in an effort to make ends meet.
Source: www.fa-mag.com

by Brent Hill

WARNING:
NOT ALL PORTFOLIOS ARE CREATED EQUAL

Everyone has current and future financial needs, as well as an end financial goal that is unique to each individual and household. With that being said, it would make sense that each individual or household would have a portfolio built to meet their specific financial needs and goals. However, there are a lot of services out there claiming they "meet your objectives" based on a generic set of questions on a questionnaire that is supposed to somehow provide everything this computer based program needs in order to go give you the perfect portfolio.

How can someone or something meet your needs and goals when they don't even ask what yours are, or haven't even met you to understand your unique situation? The answer: THEY CAN'T. Be smart when investing, and be even more diligent on who takes into account your actual circumstances, needs, and goals when deciding what portfolio is best for you and your family. Yes, risk tolerance is important, but it should not be used to funnel you into a portfolio shared by thousands of others because the computer thinks you fit a certain set of criteria.

Own your portfolio, build it with your advisor and make sure that there is someone on the other end of the phone who knows and cares about you and your family's financial success, in the short term and in the future. Oh yeah, and someone who and can actually explain why you are in the investments you are in.

401K MISTAKES

by Shane Crist

A 401K PLAN IS ONE OF THE MOST POWERFUL TOOLS THAT YOU CAN HAVE IN PLANNING FOR RETIREMENT.

Many people accumulate a large part of their assets in these retirement plans but the wrong approach could have a very bad impact on the final goal. In this article I want to outline some of the biggest mistakes that people make with using 401k plans and planning for retirement.

1. Waiting too long to start contributing. Consider this hypothetical exaple: if you contributed $5,000 a year into a 401k for 10 years starting at age 25 and stopping at age 35 (assuming 8% annual return and all earnings reinvested) your account value at age 65 would be about $787,000. However, if you made the same contributions starting at age 45 and stopping at age 55, your account value at age 65 would only be about $170,000.

2. Not taking advantage of your employer's matching contributions. Many employers offer matching contributions up to a certain percentage of what you contribute. At a minimum,you should always try to contribute as much as your employer is willing to match.

3. Using your 401k as a piggy bank. Many 401k plans offer loans and hardship withdrawals to plan participants. Anyone considering one of these options should do some careful analysis to assess the overall impact that it will have on their long term savings plan.

4. Set it and forget it investment plan. Studies have shown that 401k participants' accounts regularly under perform the market over time. One reason for this is that many participants simply choose a couple of investment options upon enrollment and then just let it ride without monitoring it. Another reason is that many participants only make changes to their accounts in reaction to market downturns. Participants tend to get out of the market after a correction has already occurred and then get back in after a recovery has already taken place.

5. Putting too much of your investment into your company's stock. This can be a recipe for disaster. Owning employer stock could be more risky than owning any other stock. If your company becomes impaired, not only might you lose your job but your retirement savings could be wiped out as well. That is why a general rule of thumb is to not allocate more than 10% of your retirement savings to your employer's stock.

6. Lack of guidance. Many 401k plans do not provide education or advice to participants on how to allocate and manage their investments. As a result, many participants end up randomly choosing their investment options without really considering their individual goals, risk tolerance, and time horizon. Participants also tend to overlook the fees and performance history when selecting their 401k investment options.

As I mentioned earlier, 401k plans are a great tool for planning and saving for retirement but it is a tool that needs to be used wisely. Participants should be sure to take advantage of all of the benefits that your plan offers. If you feel like you could use some additional guidance on your 401k plan, give your Oak Partners representative a call.