LILANI WEALTH MANAGEMENT

educate. empower. experience.

FINANCIAL TEA TIME

Your freshly brewed cup of financial updates

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Greetings!

We are pleased to announce that Rashida Lilani has recently earned the designation of Certified Personal Wealth Advisor® (CPWA®). The Investment Management Consultants Association (IMCA), an organization providing premier, world-class education to advisors (www.imca.org) awards this designation to experienced professionals who have successfully completed graduate level coursework, passed the CPWA examination, and met stringent ethical requirements.

Sophisticated investors recognize that the financial world's increasing complexities call for objectivity, experience, and expert evaluation. The CPWA professional is armed with the knowledge and skills necessary to guide sophisticated clients through the life cycle of wealth accumulation, preservation and distribution. Advisors are taught to identify and analyze specific strategies pertaining to minimizing taxes, monetizing and protecting assets, maximizing growth and transferring wealth.

The Department of Labor Fiduciary Rule is scheduled to go into effect on June 9, 2017. This month we're shedding light on some basics of that rule and how it applies to how we do business at Lilani Wealth Management. Please read the article below, and feel free to call our office if you have questions or comments.

Happy Mother's Day!

Economic and Market Review

Sometimes there is a bit of a disconnect between the soft data indicators (such as consumer confidence and sentiment) from hard data indicators such as economic data. We may be witnessing one such incident at the present time.

One explanation for this phenomenon is that expectations are forward-looking and heavily influenced by human emotion. Animal spirits ensuing from high expectations of fiscal policy changes may continue to lift economic growth, or conversely, a continued lack of progress on the policy front may dissipate optimism. While these two measures will eventually converge, it is difficult to say when. This type of decoupling can get to be quite extreme before returning to historic means. So for now, although economic data has registered slightly below consensus for the first quarter of the year, investor confidence remains unshaken.

Higher investor confidence equals low market volatility. In fact, the stock market volatility in the U.S. has been hovering around decade low numbers. This, despite a high degree of uncertainty regarding the U.S. policy outlook and implementation, as mentioned earlier. Besides taking a wait-and-see approach on fiscal policy changes, meaningful changes in the tax code are also highly anticipated, which in turn continues to boost earnings expectations.

Other policy initiatives against immigration and international trade may hurt growth, to put it mildly. The Fraser Institute's economic freedom index reveals a correlation between ease of trade to economic prosperity - and vice versa. Tariffs on wood for instance, will have a direct impact on the housing and building industry,

which in turn can stagnate growth and affect employment levels.

Speaking of, U.S. unemployment rate in April ticked down from 4.5% to 4.4%, same as 10 years ago, in May 2007. As I have often referred to in my past commentaries, the measure of underemployment (U-6) is also significant as it demonstrates how many people are not working to the capacity that they desire. That measure fell to 8.5%, a full 4.1 percentage points higher than unemployment rate, which is roughly in the normal range for the gap between these two indicators.

Another strength of the labor market is also reflected in the last 12 months, when the average hourly earnings rose by 2.6%. While employment is almost full, workers need to be able to keep up with the rise if cost of living. Per Doug Cote, Chief Market Strategist of Voya Investments, "Core inflation (CPI) which excludes food and energy was up, but only by 0.1%, lighter than expected. This muted inflation figure jives with the Fed's plan for gradual rate increases."

And yes, at their last meeting, the Federal Reserve decided against raising interest rates.

The first round of France's presidential election caused a global rally, mostly from relief after centrist candidate Emmanuel Macron came in first, ahead of far-right leader Marine Le Pen. As for the rest of Europe, while political uncertainty remains elevated ahead of crucial elections in France, Germany and potentially Italy, both fiscal policy and monetary policy are expansionary, and the recovery in global trade growth supports exports and investment. European purchasing managers' indexes point to the strongest economic activity in six years.

In Asia, China's public sector credit bubble and private sector capital outflows look like they're under control for now. And while growth may slow down, policymakers will prioritize financial stability over economic stimulus. For now, any potential trade wars between China and the U.S. will most likely be limited to words, with no action.

To sum, Richard Turnill, Global Chief Investment Strategist at Blackrock Investment Institute has this to say about the stock market outlook: "We are encouraged by strong U.S. earnings but are keeping our neutral view of U.S. stocks. We see greater upside in European, Japanese and EM shares, and advocate geographic diversification in equity portfolios."

Your Go-To Resource for Information on the Department of Labor Fiduciary Rule

What is the Department of Labor Fiduciary Rule?

The Department of Labor recently issued new regulations for retirement accounts, which include 401(k) and pension plans as well as Individual Retirement Accounts (IRAs). Although the rule has been working its way through review and approval channels for several months, you will likely hear more about it in the media now that the final rule has been released.

The rule changes are intended to ensure financial advisors act in the best interest of the client, something we have always prided ourselves on at Lilani Wealth Management. Our industry has several months to meet some of the rule requirements, with later deadlines on other provisions. We have plenty of time to determine if your account is affected and whether additional disclosures or other paperwork will be involved.

How we have prepared

Our broker-dealer, Securities America Inc., has several task forces in place to implement the regulations and communicate their impact on clients and the client-advisor relationship. The task force is determining all the options available to you under the new regulations. Once they have communicated that information to us advisors, we will be in touch with you regarding any changes we may need to make.

How you can prepare

In the meantime, please let us know of any changes in your contact information, including your email address and cell phone number. If we don't have your bi-annual / annual review scheduled for 2017, please call our office to set up a time for us to discuss your total financial picture. If you have accounts with multiple financial services firms, now may be the time to discuss consolidating them with one advisor to ensure the requirements for the Department of Labor rule have been met.

For additional information about this rule, please click on the link below to the Department of Labor site: https://www.dol.gov/agencies/ebsa/laws-and-regulations/rules-and-regulations/completed-rulemaking/1210-AB32-2

We appreciate your business and look forward to serving you for many years to come. Please feel free to call our office any time with questions or concerns about your finances. We're here to help.

Know someone who needs help getting their financial house in order? Let us help. Call us at (916) 782-7752 (Sacramento) or (408) 513-7417 (Bay area)

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