

FINANCIAL FORUM

November 2016

Market Commentary

It's been a bad year for political prognosticators. In the last five months, they've been wrong on the two largest, and most important, votes around the globe. In June, there was Brexit and last week, of course, the U.S. Presidential election. Contrary to the polls, on November 8th Donald Trump was elected the 45th President of the United States, while the Republicans maintained control of both Houses of Congress. The upset by President-elect Trump was stunning considering most of the major news outlets had the probability of a Clinton victory in the 70%-90% range. Also, equally as stunning, was how wrong Wall Street market strategists were in predicting what would happen to the stock market if Trump won the election. Almost unanimously, market strategists were predicting an immediate 5% to 10% drop in stock prices upon a Trump victory. Instead, the strategists were witness to one of the largest reversals in the S&P futures markets ever recorded. On realization of a Trump victory on Tuesday night, S&P futures fell around 100 points, causing that market to temporarily close to restore order. However, by day's end on Wednesday the market actually closed up 1.1%. From trough-to-peak, the S&P rallied nearly 7%. It would appear that, based on their performance this year, we might need to add political "experts" to our list of professions whose predictions are about as accurate as a coin toss. They would join market strategists, economists, and, of course, weathermen ☺.

Although history is a guide but never gospel, one of the most accurate predictors of U.S. Presidential elections is the market itself. And this year was no exception. According to market lore, the performance of the S&P 500 in the three months before the election will tell you your winner. When the S&P is down from August through October (as it was this year), it is bad news for the incumbent party. In fact, going back to World War II, the S&P 500 performance between July 31 and October 31 has accurately predicted a challenger victory 86% of the time when the stock market performance has been negative. It would seem that the collective "votes" of millions of equity investors that drive stock prices are very similar to the collective votes of the American populace. As author and management expert Ken Blanchard would say, "None of us is as smart as all of us."

Wealth Management

Believe it or not, it's that time of the year again. Only six weeks remain to get your financial ducks in a row... so even if you've procrastinated it's not too late to finish out the year on a high note. Below is a [Last Chance Financial Checklist](#). It is a quick way to determine if you need to take any actions before December 31st.

Personal Changes

- Did you sell a major asset like your home, business, or other real estate?
- Did you transfer any major financial assets?
- Did you refinance your house?
- Did you receive a gift or inheritance?
- Did you lose a loved one?
- Did you change jobs?

Milestones

- 50: Now you can make catch-up contributions to IRAs and some qualified retirement plans.
- 55: If retired, you can take distributions from 401(k) plans without penalty.
- 59 ½: You can take distributions from IRAs without penalty.
- 62-70: You can apply for Social Security benefits.
- 65: You can apply for Medicare.
- 70 ½: You must begin taking Required Minimum Distributions (RMDs) from IRAs.

Investments

- Consider if the 3.8% Medicare surtax on unearned income applies to you.
- Confirm investment goals, strategies and review asset allocation.
- Revisit income and savings needs.
- Review life insurance policies and costs.

Retirement

- Take Required Minimum Distribution from IRA.
- Review overall retirement income strategy.
- Analyze Roth IRA conversion scenarios: full vs. partial vs. none.
- Max out 401(k) or IRA contributions including catch-up contributions.
- Open a retirement plan if newly self-employed.

Family

- Is there a severe illness in the family?
- Do you have a family member in need of assisted living?
- Estate planning review - get estate documents in place. Review advanced year-end gifting strategies.
- Make any cash gifts to family members and/or plan charitable contributions.

Health

- Review Health Savings Account contributions.
- Spend down your Flexible Spending Accounts for healthcare and/or childcare.
- Calculate medical insurance deductible, and, if not met, consider holding off on certain medical treatments until Jan. 1. If met, consider the opposite.
- Evaluate your family's benefit needs during your employer's open enrollment period.
- Review Medicare enrollment options.

Taxes

- Review sales of any appreciated property including, but not limited to, real estate and artwork.
- Collect cost-basis information on sold securities.
- Review realized and unrealized gains and losses.
- Check loss carry-forwards from last year.
- Identify transactions that could improve tax situation.
- Have a tax advisor prepare a year-end tax projection, including AMT.
- Review potential deductions and credits before the end of the year.

Weekly Thought – Working Together

"Coming together is a beginning. Keeping together is progress. Working together is success."

--Henry Ford

Have a great week.

Dan

Daniel A. Cesta, CPA, CFP[®], MST

President

Pinnacle Wealth Management Group, Inc.

www.pwmgj.com

Securities offered through Private Client Services, Member FINRA/SIPC. Advisory products and services offered through Pinnacle Wealth Management Group, Inc., a Registered Investment Advisor. Private Client Services and Pinnacle Wealth Management Group, Inc., are unaffiliated entities.

*The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly.

* The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.