



Warren Financial
Investing for a Greater Purpose

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Q1 2017 Client Strategy Update

by Randy Warren, Chief Investment Officer

Randy Warren

is Chief Investment Officer of Warren Financial, an investment management firm catering to

- self-made individuals,
- dual-income families
- and family-owned or small businesses

Headquartered, Exton, PA
offices in:

- New York,
- Hilton Head
- Atlanta
- Philly (Exton)

Proud of Big Div Fund

Our own fund, built for you (those clients qualified to invest according to the SEC) is producing an 8.34% average annualized return on investment for the past 6 ½ years! The return for 2016 was 8.49%. The fund attempts to protect from the downside yet also provide almost all the upside in the stock market.

10 Boring Months Lead to 2 Months of Gains – Choppy, But Worth It

Markets don't move in smooth, slow motion. Rather, markets tend to be choppy. But it is uncanny how, when we are patient, the gains will eventually come. Last Jan/Feb was very painful, this Jan/Feb '17 is likely to be better.

The stock market chopped around during the first 10 months of 2016, sometimes up a bit, then retreating again. As recently as October, the stock market was showing 0% gain for 2016. Yet in the end, the market warmed our hearts with a rally.

Patience pays off. Literally.

4 Planning Items for 2017

A new year promises changes on many fronts. We tend to make resolutions that this year, we won't procrastinate. So, here are a couple of big items to think about in your planning for 2017...

- 1) Review beneficiaries on your accounts. Did you know that beneficiaries supersede your will? As such, beneficiaries are a highly efficient and effective way to leave money to your heirs and favorite charities.
- 2) Speaking of charity, 2017 would be a good time to setup your own Charitable Gift Trust account. Ask us about how this works. Increasing your giving to charity will increase your tax deduction for the new year.
- 3) The beginning of a new year is also a good time to review your Net Worth (Assets – Debts). Once all the statements have come in for Dec 31, take a few minutes and throw those numbers into a simple spreadsheet to add up what you have, compared to debts you owe.
- 4) Now is the best time to get on track with savings for 2017. There is no shortage of vehicles for retirement, college, and other expenses. A 529 for college. Increase contributions to your 401k at work. Add savings to an IRA or Roth IRA.

Disclosures: Warren Financial has long positions in some of the stocks mentioned in this article both for our clients and our own portfolios. The fact that a company is mentioned is not a recommendation or offer to buy or sell that stock or bond. Investors should always seek advice from an advisor that knows their particular financial situation and not assume that general information such as the information in this article will always apply directly to their portfolio. Investing includes the risk of loss. For more information on how to protect your investments from volatility, visit www.WarrenFinancial.com and make sure to investigate our volatility strategies.

Sage Words of Advice

Helping our customers stick with the market is one of the most \$valuable\$ things we can do as an advisor. Naturally, we can't "make" you stick with the markets when you get nervous, but we find that those folks that stick to their plan, folks who don't sell when they get nervous (about an election, or whatever) are typically the clients that make the most \$profits\$.

It has been widely reported that individual investors get some of the very worst returns on their investment dollars. The overwhelming reason is that money is emotional and an individual investor does not have a trusted advisor helping them to see the big picture and helping them to stick with markets and see the long term. Also, those who get scared into buying an annuity tend to make even less than individual investors.

Hang in there = Make money



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Oil is relatively high right now, but still within the \$40-\$60 range. With Trump's pro exploration stance, oil will not likely top \$60, but we'll keep an eye on it.



Gold has tanked since interest rates have risen. It may be at a short term bottom for now.

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What's the story with the Roth, and how can I put money into a Roth IRA?

You may have heard that there are back-door ways to get money into a Roth. True, but not tax free. Here's the deal.

Straight-up: For 2016...To "contribute" money to a Roth, you would be eligible only if your income is less than (single) \$132k, (married joint) \$194k. Max "contribution" is \$5500 (under age 50) or \$6500 (age 50 or over).

Back-door: If you make too much money to "contribute", then maybe you can "convert". To convert, you first make a contribution to an IRA (since you're in a high tax bracket you get no break for the IRA contribution). Now you "convert" those funds over to a Roth (no income limitations). Yes, you get all the benefits of a Roth, such as no Req Min Distributions at age 70.5, no tax forever, etc.; however, the conversion will cost you more tax dollars (taxed at income tax rates – which since you were unable to contribute in the first place will likely be at a high tax rate. Or, look at it this way, if you already have money in an IRA that you would prefer to be in a Roth, consider the possibility of paying the tax to "convert" the money.

Also, to get money into a Roth, if you ever have a bad year, where income is abnormally low (and thus your tax rate is low) a conversion would be a great idea!

Note, IRA and Roth contributions can be done any time prior to April 15, 2017. "Conversions" have to be completed within the calendar year, so start thinking about 2017 not 2016.

What does Warren Financial do for YOU?

- 1) Advice specific for your situation – make sure you meet/talk with us regularly.
- 2) Comprehensive Financial Planning. Do you know where you are in your financial plan? Do you feel confident? We want to help. We can put together a written plan for you. Some people want a summary. Some want a long book-like description of everything. Either way, Warren Financial is here to put together a plan for you.
 - a. Have you had a comprehensive Monte Carlo statistical model run for your financial situation? This can be part of your plan.
- 3) Access to "good", "better", or "special" investments such as picking good funds & ETFs, providing access to Big Dividend Hedge Strategy, or WFS Angels.
- 4) Tax strategies, trusts, loop-holes. We are here to help you determine what your best strategies might be.
- 5) Want to start a company? Need help with your corp? We are here with strategy and advice.
- 6) A network of other advisors including tax and estate planning.
- 7) An opportunity for a better return-on-investment

Warren Dividend Hedge Strategy



Looks like about an 8.49% up year for the fund. Beats a 60/40 balanced strategy again, and protects the assets in the process. Slightly less return than the SP index this year.

STRATEGY

Rotation. We're looking to see if the stock market will rotate again on Jan 1. Last year it rotated away from Biotech. We don't expect it to rotate back in favor of Biotech because Trump wants Medicare to be able to negotiate drug prices.

Rotation means that whatever has done well, goes out of favor. And whatever has done poorly comes back into favor. That's a big generalization, but we are watching closely to see what portfolio moves need to be made based on January market rotations.

Possible rotation candidates this year: semiconductors may go out of favor, utilities or healthcare may come back into favor.

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