Warren Financial
Investing for a Greater Purpose

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Q2 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:

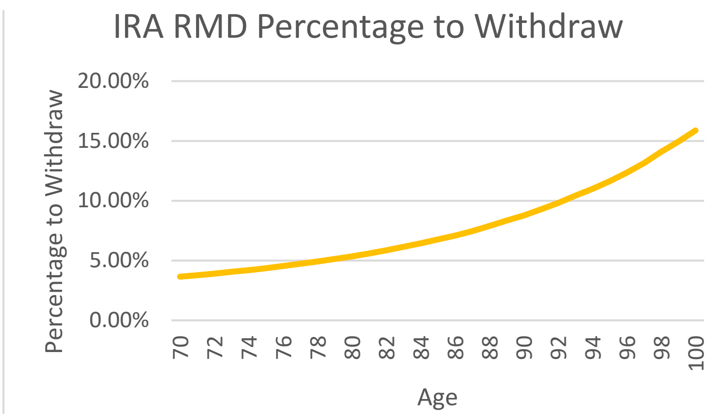
- New York,
- Hilton Head, and
- Atlanta
- Philly (Exton)

Proud of Warren Safer-Equity Fund
Our own fund is now sporting a 9.79% average annualized return on investment for the past 5 years running. We attempt to grab as much of the upside as possible, but are ready to take action to protect, and benefit from downside in the market.

IRA Required Distributions

We get a lot of questions about required distributions from IRA accounts. The following chart simply shows the percentage that the IRS requires you to withdraw from your IRA each year as you get older. The first "required minimum distribution" begins in the year you reach age 70 ½. That's not a typo, 70 ½. The first year, the IRS gives you some grace to get your distribution accomplished by allowing you extra time – all the way up until April of the next calendar year. However, we don't recommend it because there is no grace for year #2, which means that two distributions would occur in the same year causing a potential increase in tax rates.

Warren Financial works with you to help ensure that these distributions get done on time because there is a 50% penalty if the distributions are late.



Company 401k, Simple, SEP Plans

For small businesses, some prefer the extra cost of the 401k over other plans while other owners prefer the less expensive plans. Why would anyone want to pay more? Simple. With a 401k plan the plan assets are protected be ERISA, not just by state law. Safe harbor plans are excellent. Warren Financial can setup your plan, soup to nuts.

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. Watch your email for annual updates on SEC required documents from Warren Financial as well as for the Warren Safer-Equity Fund audited financials.

Sage Words of Advice

The average annualized return of the "well diversified portfolio" which is the most frequently recommended strategy by "other" advisors (not Warren) is only 3.75% per year. How can it be so bad? Because it's over diversified. Yes, there is such a thing as over diversification. Not all assets around the globe are performing well. And diversification is becoming a myth due to rapid communication across the world via the internet. Communication causes all assets to move together which is the opposite of diversification.

One of the few portfolio strategies that is worse is the do-it-yourself portfolio strategy. It's hard to get an exact number here, but research shows that the 10 year average annualized return for the do-it-yourselfer has been less than 3% per year.

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10 Ways to Get a Great Return on CASH

1) Pay off your highest interest debt first, such as debt on a mortgage or a vehicle.
2) Refinance your 30 year mortgage into a 15 year mortgage which will increase the monthly payment – a good use for cash – building equity in your home.
3) Top off your HSA (Health Savings Account) if you have one. The max for 2017 is $3400 for an individual, and $6750 for a family. It's triple tax free: you put pre-tax money into it; your money grows tax free; you make tax free withdrawals for health care.
4) Consider a Roth. Please read last quarter's newsletter about conversions. But if a pile of cash is sitting around earning nothing, even an expensive Roth conversion might be worth it.
5) Update your plan with Warren Financial. Make sure we all know your Greater Purpose, your goals, objectives, and time frames.
6) Use cash to max out your pre-tax workplace retirement plan such as a 401k
7) Work with Warren Financial and our partner attorneys to create an estate plan – well worth spending some cash on this project.
8) Buy a burial plot or two – yes, it's morbid, but practical.
9) Use cash to build an after-tax investment account.
10) Have Warren Financial build you a CD ladder, or invest in super conservative cash-like investments.

Why is gold NOT a good investment now?

Gold is pretty. It's shiny. And some people believe that when all else fails, the only thing that won't fail is gold. We don't really buy into that idea, simply because you can't eat gold and if all else fails, who will want your shiny brick of gold? Bread will be much more valuable than gold. And we'll all have a lot to worry about in such a scenario.

In any case, while shiny and beautiful, gold just sits there doing nothing. It doesn't work for you. It doesn't pay interest to you. It doesn't pay you dividends or capital gains. It just sits there, looking pretty.

So, when rates rise, and all OTHER assets begin to look more attractive because they DO pay you something, the shine on gold becomes less attractive.

The Federal Reserve is scheduled to raise rates 2-3 MORE times this year. While no one can predict exactly what will happen, it is clear that rates will be rising. It is also clear that gold becomes less attractive when rates are rising.

And thus, gold may be relatively less useful in your portfolio during 2017.

Warren Safer-Equity Fund

Q1 was a great quarter for the Warren Safer-Equity Fund (previously known as Big Dividend Hedge Strategy), as well as for all our portfolios in general.

STRATEGY

The election certainly changed one thing: the market now turns to Washington D.C. ("fiscal policy") for ideas about what may cause stocks to go up or down instead of looking at the Federal Reserve ("monetary policy").

Even while we keep an eye toward Europe and Emerging Markets (both looking better all the time), we have been overweighting and increasing our investments in technology, financial, industrials, and reducing investments in utilities, telecom, and REITs.

Don't believe it! The market is not overly expensive. It is cautiously pricing-in the idea that some tax cuts and stimulus might happen, so it's a bit ahead of itself, but nothing scary.

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