HAMBURG FINANCIAL GROUP

YOUR FINANCIAL FUTURE

Your Guide to Life Planning

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In This Issue

HIGHLIGHTS

- Corporate earnings drive stock prices; when looking at international markets, it's tempting to focus on macro factors, but earnings are still the most important driver.
- After years of stagnation, profits in almost all foreign markets have been growing. We expect this growth to continue in 2017, despite global economic risks.
- The Japanese market has experienced significant changes over the past few years, warranting further consideration by suitable long-term investors.

INTERNATIONAL STOCKS -- WE LOOK EAST TO JAPAN

After years of earnings recession, improving corporate earnings and relatively low valuations are making overseas investments more attractive. For the all consternation over and discussion of geopolitical and macro-economic issues, what ultimately drives stocks everywhere are corporate earnings, and earnings almost everywhere are increasing. Furthermore, analysts' estimates of future earnings have also been increasing, despite lingering uncertainties around the impact of the Brexit vote and the U.S. election. We have already seen a dramatic increase in earnings for emerging markets (EM) in 2016, while 2017 expectations for both EM and developed market stocks, as measured by the MSCI EAFE Index, continue to improve. The biggest positive surprise may be coming from Japan as its market climate restructures. Valuations are generally attractive on both an absolute and relative basis across most markets. We have been relatively constructive on EM for most of 2016 and are now looking at other international markets.

EARNINGS ESTIMATES

All earnings expectations discussed reflect consensus opinion from FactSet and Thomson Reuters.

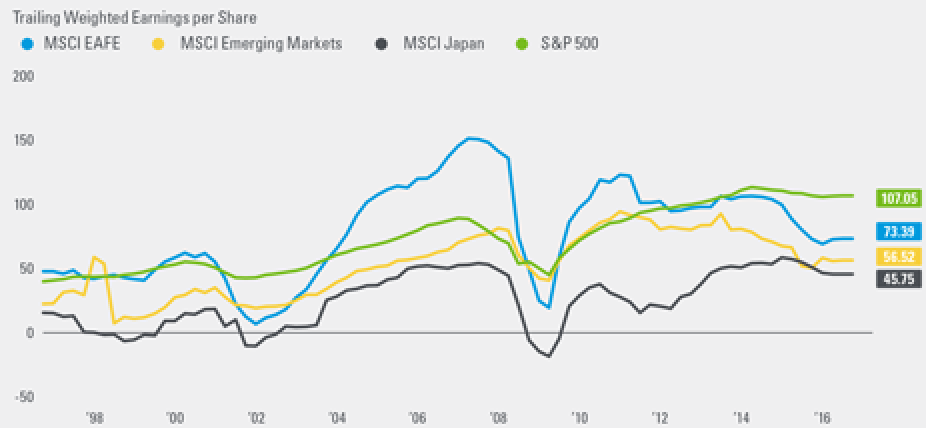
International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging market.

END OF THE DROUGHT

Before something can go up, it must stop going down. Corporate earnings have been declining since Q2 2011 for both the MSCI EAFE Index and MSCI Emerging Markets Index **[Figure 1]**. Note that what gets referred to as the earnings recession for the S&P 500 was very shallow by comparison, and only began in Q3 2014. Only a handful of companies in the MSCI EAFE Index have reported Q4 2016 earnings as of January 20, 2017. However, expectations are for a strong quarter and for calendar year 2016 earnings to end with just over 1% growth. While hardly inspiring, if the year should show positive growth as expected, it would be the first annual growth since 2011. Some of this growth will come from the energy and energy-related industrial sectors, in which earnings have been declining along with oil prices in 2015 and early 2016. The positive impact of oil over $45/barrel will be evident in Q4 2016 earnings, but it will not be until 2017 that the effect is more fully apparent.

The drought in EM earnings growth turned in Q1 2016. Though less than 3% of EM companies have reported earnings yet for Q1 2017, market expectations are for over 17% earnings growth for the index for 2016. As in developed markets, earnings for energy, but also materials stocks have been rebounding with higher prices globally.

1 LONG-TERM EARNINGS TREND: THE DROUGHT IS ENDING AND REGIONS SHOWING RECOVERY



Source: LPL Research, Bloomberg 01/23/17

All indexes are unmanaged and cannot be invested into directly. Past performance is not indicative of future results.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share is generally considered to be the single most important variable in determining a share's price.

WHEN IT RAINS, IT POURS

We often say it's earnings that determine stock market performance in the long run. However, we are also very interested in the shorter-term impact of estimate changes for future earnings. For almost all international markets, earnings forecasts for 2017 have increased since September 30, 2016 **[Figure 2]**. A number of major geopolitical events have occurred since then, including the likelihood the U.K.'s departure from the European Union will happen with more substantive changes (the so-called "hard Brexit"), an anti-European vote in Italy, and the election of Donald Trump, who has promised a more protectionist U.S. trade policy. Each of these events could have dampened earnings forecasts and they still may diminish earnings as the year unfolds. Yet despite these events, and others looming on the horizon, analysts have been increasing their 2017 estimates.

2 EARNINGS GROWTH EXPECTATIONS HAVE IMPROVED IN THE PAST FOUR MONTHS

	2016 Growth Expected 1/20/17	2017 Growth Expected 9/30/16	2017 Growth Expected 1/20/17
MSCI EAFE	1.27	13.07	14.68
MSCI EM (Emerging Markets)	17.57	12.63	13.77
MSCI Japan	4.46	8.66	11.65
MSCI Europe	0.46	16.00	17.03

Source: LPL Research, Thomson Reuters 01/20/17

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Earnings estimates may not develop as predicted.

Valuations continue to be attractive in overseas markets **[Figure 3]**. Typically, we look at this sort of data over a shorter time frame. This longer perspective shows how harmonized global equity markets (including the S&P 500) have become. Market movements are more synchronous now than they used to be, which is a negative for investors looking for increased diversification overseas. However, if markets are indeed more correlated to each other, that implies that buying when markets are attractively valued may be even more important. The earnings acceleration overseas, combined with lower valuations, strengthen our conviction on emerging markets, despite the heightened risks, and suggest that developed markets may be looking more attractive as well.

3 VALUATIONS BECOMING IN SYNC ACROSS GLOBAL MARKETS

Source: LPL Research, FactSet, Thomson Reuters 01/20/17

The PE ratio (price-to-earnings ratio) is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. It is a financial ratio used for valuation: a higher PE ratio means that investors are paying more for each unit of net income, so the stock is more expensive compared to one with lower PE ratio.

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THE EAST LOOKING MORE WESTERN

The Japanese economy, and for the most part its stock market, has been waning for so long it's hard to remember that Japan used to matter to global investors. However, even after years of stagnation Japan is still the world's third-largest economy and second-largest stock market by overall capitalization at approximately 8% of global stock markets combined. Japan may finally represent a long-term investment opportunity. Why? First, there is earnings growth potential, likely to be 4.5% for 2016 and expectations for 11.7% growth for 2017. The bigger issue for Japan is the potential change in how investors view the country and its stocks as a result of a significant change in how the country and the companies in it operate. This shift usually only happens in emerging markets. Japan has seen major changes since its equity market peaked in 1989. Historically, the Japanese market had features that made the market relatively unattractive. Many of these attributes have evolved **[Figure 4]** in some ways making the Japanese market more conventional, and therefore perhaps more attractive to foreign investors.

4 NOT YOUR FATHER'S TOYOTA—THERE HAVE BEEN MAJOR CHANGES IN THE JAPANESE MARKETS

	12/01/89	12/01/16
Market Capitalization (Total Stock Exchange)	590	591
Cross Holdings	50%	6%
Foreign Holdings	4%	31%
Price-to-Earnings (PE ratio)	61x	16x
Earnings per Share (EPS)	21	80
Return on Equity (ROE)	1.90%	8%
Number of Companies	1,165	1,885

Source: LPL Research, Tokyo Stock Exchange, Wisdom Tree 01/20/17

Data as of 12/01/16.

Cross Holdings is a system where Japanese companies own shares of each other.

The PE ratio (price-to-earnings ratio) is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability.

Return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Japan used to be an expensive market with price-to-earnings (PE) ratios regularly above 70, and at times in the hundreds, during some of the market peaks, such as 2002 and 2008. Valuations in Japan were high for two reasons. First, Japan had extraordinary low interest rates for years, but Japan is no longer alone in having low or negative interest rates. Second, for all their success in gaining market share and creating major global brands, Japanese companies were not as efficient, as measured by statistics like return on equity (ROE) and were not as profitable as similar companies based in other countries.

There were many reasons for why the Japanese market was different from western markets, and many of these reasons are changing. Japanese companies often offered lifetime employment; firing or laying off workers was a rare concept in Japan, even during periods of recession or changing business conditions. Today, fewer than 10% of Japanese companies still use lifetime contracts. Being able to lay off workers has had several impacts on business in Japan; they are now more profitable because they are able to react to economic changes. But also, Japanese companies are more inclined to hire and Japan's workforce is growing, despite an overall aging population. This increase in workforce has increased consumer spending, and therefore boosted Japanese consumer stocks.

The final structural component in the potential Japanese equity revival is the undoing of the system of cross holdings across Japanese companies, known as the *keiretsu*. Under the keiretsu system, Japanese companies often own shares of each other. This suggests that sometimes corporate decisions are made for the benefit of other companies under the umbrella, rather than profit maximization or shareholder return. The number of shares held within the keiretsu system has declined dramatically. As a result, the percentage of Japanese shares held by foreigners has increased, as investors gain confidence that corporate managers are working for them, not for themselves, their employees or other companies within the keiretsu.

CONCLUSION

Improved earnings oversees are motivating global investors to examine areas that have been out of favor, either for the past few years, like emerging markets, or the past few decades, like Japan. What they are finding are improving expectations for future earnings, more attractive valuations, and in the case of Japan, positive structural changes in the way companies operate. LPL Research has been positive on emerging markets for some time, and are now looking to the more developed markets for opportunities.*

**As noted in our Outlook 2017: Gauging Market Milestones, we expect mid-single-digit returns for the S&P 500 in 2017 and the continuation of the nearly eight-year-old bull market, consistent with historical mid-to-late economic cycle performance. We expect S&P 500 gains to be driven by: 1) a pickup in U.S. economic growth partly due to fiscal stimulus; 2) mid- to high-single-digit earnings gains; 3) an expansion in bank lending; and 4) a stable price-to-earnings ratio (PE) of 18-19. Gains will likely come with increased volatility as the economic cycle ages.*

IMPORTANT DISCLOSURES

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.

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.

Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal, and potential liquidity of the investment in a falling market.

Because of their narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies.

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

The PE ratio (price-to-earnings ratio) is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. It is a financial ratio used for valuation: a higher PE ratio means that investors are paying more for each unit of net income, so the stock is more expensive compared to one with lower PE ratio.

All investing involves risk including loss of principal.

INDEX DESCRIPTIONS

The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The MSCI EAFE Index is recognized as the pre-eminent benchmark in the United States to measure international equity performance. It comprises the MSCI country indexes that represent developed markets outside of North America: Europe, Australasia, and the Far East.

The MSCI Emerging Markets Index captures large and mid cap representation across 23 emerging markets (EM) countries. With 822 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Japan Index is a free float-adjusted, market capitalization-weighted index that is designed to track the equity market performance of Japanese securities listed on Tokyo Stock Exchange, Osaka Stock Exchange, JASDAQ, and Nagoya Stock Exchange.

This research material has been prepared by LPL Financial LLC.

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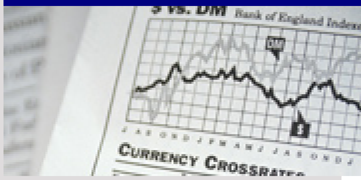


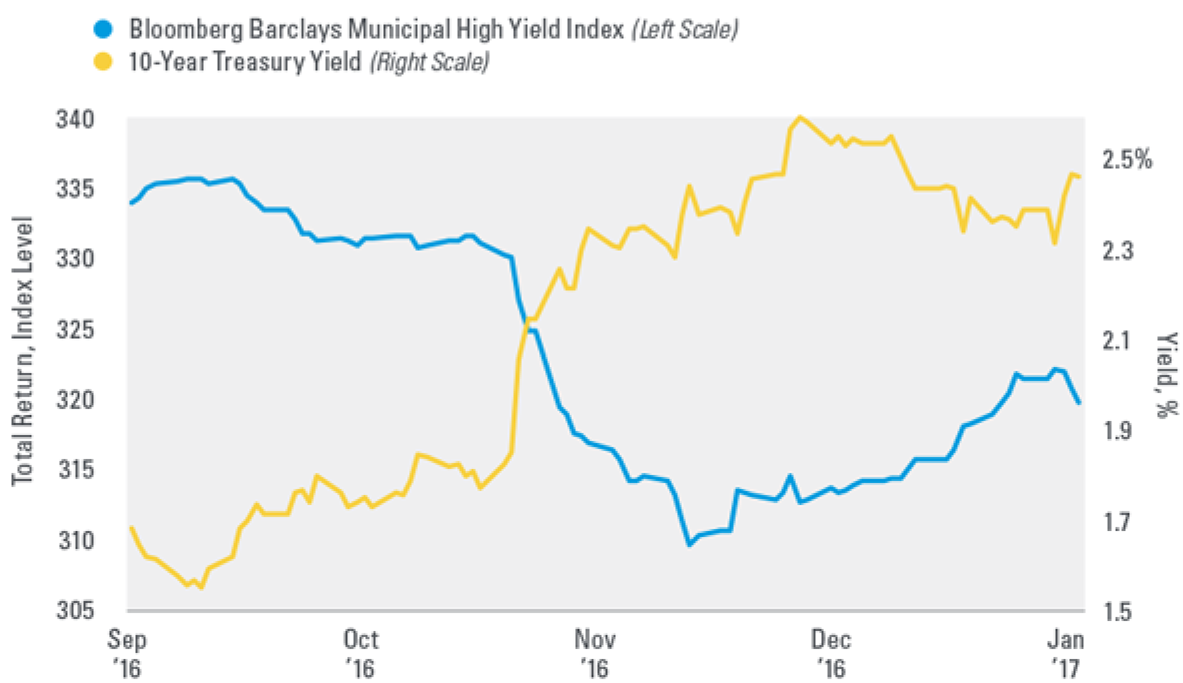
Highlights

- High-yield municipal bonds have started to recover following the November 2016 sell-off.
- Prices are up, presenting investors with a favorable opportunity to trim longer duration municipal high-yield in favor of shorter duration high-yield municipal bonds or funds.
- Taxable equivalent yields are compelling compared with high-yield corporate bonds, BBB-rated municipals, and 30-year U.S. Treasuries.
- Municipal high-yield default rates are lower than comparable corporate bonds, with problem issuers remaining isolated.

High-Yield Municipals: Does Risk Outweigh Reward?

With a positive return of 1.93% for December 2016, followed by month-to-date (January) returns of 1.27% (as of 1/20/2017), the Bloomberg Barclays Municipal High Yield Index has recovered dramatically. This improvement comes after a post-election sell-off resulting in a -5.95% return in November 2016. Benefiting from lower supply and a technically favorable month where coupon payments, maturities, and refinancing cash flows tend to be reinvested back into the market, January may have investors looking at high-yield municipals once again to seek additional yield. We remain neutral on high-yield municipal bonds because of the longer maturity profile and greater price sensitivity in rising rate environments [Figure 1]. Additionally, the sector comprises lower-rated issues, with exposure to riskier securitized bonds like tobacco, corporate-backed, project financed, and hospital bonds-a sector that could be impacted by changes to the Affordable Care Act. On a positive note, yields are compelling, and default risk, a key variable in determining price volatility, remains subdued and unlikely to pose a notable risk in 2017. The recent recovery may also offer an opportunity for suitable investors to take advantage of the higher prices to reduce longer exposure in favor of shorter duration.

1 HIGH-YIELD MUNICIPAL BONDS EXPERIENCED A PULLBACK AS RATES MOVED HIGHER POST-ELECTION



Source: LPL Research, FactSet, Bloomberg 01/20/17

Indexes are unmanaged and cannot be invested into directly. Past performance is not indicative of future results.

INTEREST RATE SENSITIVITY

The Bloomberg Barclays High Yield Municipal Bond Index, a leading benchmark for this sector, has an average maturity of 20 years, which makes prices very sensitive to interest rate movements and explains the losses experienced in November 2016. By comparison, the average maturity of the Barclays High Yield Corporate Bond Index is 6.3 years. Generally, the longer the maturity and duration, the more sensitive the bond's price is to interest rate changes. The duration of the high-yield index is 8.6 years. Therefore, if interest rates rise by 1%, the price of the index would be expected to decline by approximately 8.6%, assuming no other changes. The longer the duration of the bond, the higher the yield should be as investors need compensation for the additional time it takes to recover their principal investment. Historically, short-term bonds perform better in rising rate environments, since investors can recover their principal sooner and reinvest at higher interest rates.

Prior to October 2016, as interest rates moved lower, investors piled into lower rated municipals in search of higher yields. As a result, average yield spreads between top-quality AAA-rated general obligation (GO) bonds and BBB-rated GO bonds fell to post-recession lows of 1.25% in August 2016 [Figure 2]. Increased supply then came into the market during October and November as issuers pushed forward deals in hopes of getting ahead of the U.S. election and a well telegraphed Federal Reserve (Fed) rate hike in December. This caused spreads to move higher (cheaper for BBB bonds) entering into December 2016. Although spreads widened to more attractive levels, it is important to remember that technical conditions tend to weigh heavily on municipals entering into the May through August periods. With interest rates still historically low and the Fed signaling two to three additional rate hikes this year, issuers may come to market with more supply, which could negatively impact spreads.

Click here for Figure 2: The AAA to BBB Municipal Bond Yield Spread Has Increased, Though Remains on the Expensive Side of its 10-year Average

COMPELLING YIELD

Proposed tax rate reductions discussed by the Trump administration have investors wondering if the tax-exempt benefit in the municipal bond market will be negatively impacted. At current prices, high-yield municipals appear to have a large enough after-tax advantage to mitigate the risk of lower tax rates. For example, the yield of the Bloomberg Barclays Municipal High Yield Index is 6.34% (as of 1/20/2017), with a taxable equivalent yield of 10.5% (assuming a 39.6% tax rate) [Figure 3]. In comparison, the yield on the Barclays High Yield Corporate Index is 5.87%. A comparably priced high-yield municipal bond offers more yield even before factoring in the tax advantage, which makes sense given that investors demand more yield for longer duration securities. Even if the tax rate moves lower to 25%, the municipals would still offer more tax-adjusted yield than the corporate bond at 8.95% after-tax yield. In short, on an after-tax basis, high-yield municipals appear to offer a more compelling yield than corporate high-yield bonds at this time, though the longer duration of high-yield municipal bonds may be a headwind if rates rise. Keep in mind that Puerto Rico bonds can be found in some high-yield funds, adding to the yield. Investors should be aware of this risk and be comfortable owning non-investment grade credits before buying high-yield municipals.

3 HIGH-YIELD MUNICIPAL BONDS OFFER COMPELLING TAXABLE EQUIVALENT YIELDS

Tax Rate	Taxable Equivalent Yield*
10%	7.04%
15%	7.46%
25%	8.45%
28%	8.81%
33%	9.46%
35%	9.75%
39.6%	10.50%

Source: LPL Research, IRS Personal Tax Brackets, Bloomberg 01/20/17

*Based on a yield of 6.34% as of 01/20/17.

This is a hypothetical example and is not representative of any specific situation. Your results will vary. The hypothetical rates of return used do not reflect the deduction of fees and charges inherent to investing.

LOWER DEFAULT RATES

Historically, compared with taxable corporate bonds, municipal bonds have had a very low default rate. Municipal general obligation bonds are backed by the full faith and credit of the issuing municipality, which has the authority to raise taxes to make payments on the bonds. Revenue bonds are backed by the income stream of the project. Corporate-backed bonds, on the other hand, rely on the issuing company's credit strength. In addition, municipal high-yield has very little exposure to oil and commodities, whereas these are present in most corporate bond indexes.

Large municipal defaults have occurred in recent years, including Puerto Rico, Detroit, and Jefferson County Alabama, but the problems exhibited in these situations were years in the making and forecast well in advance of the defaults. These type of credit issues remain isolated, and can be minimized through proper diversification across several different municipal high-yield sectors.

As mentioned in our Outlook 2017: Gauging Market Milestones, we expect the 10-year Treasury yield to end the year in the 2.25% to 2.75% range, with the potential to reach 3% if meaningful fiscal stimulus is enacted. We also don't expect deterioration in the economy, which could pressure lower-rated states and municipalities leading to default. That said, it is important to realize that an allocation to states that are experiencing pension liability funding issues such as Illinois, New Jersey, and Puerto Rico, can be found in the in many high-yield funds. Investors should shy away from funds with excessive exposure (greater than 20%) to CCC and non-rated bonds.

CONCLUSION

We remain neutral on high-yield municipal bonds overall. The asset class should remain sought after in 2017, as the yield advantage and lower default rates make this sector attractive. However, based on history supply tends to become a headwind moving into February and March, and investors should understand the interest rate risk involved. November 2016, when high-yield municipals lost 5.60%, should serve as a reminder of the potential volatility within high-yield investing. Although sell-offs of that magnitude are rare in fixed income markets, it is important for investors to remain diligent in their asset allocation choices. Well diversified portfolios, with a shorter duration profile and allocation across various sectors and asset classes, may help to protect investors from additional volatility.

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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.

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values and yields will decline as interest rates rise, and bonds are subject to availability and change in price.

Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

Municipal bonds are subject to availability, price, and to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Federally tax free but other state and local taxes may apply.

High-yield/junk bonds are not investment-grade securities, involve substantial risks, and generally should be part of the diversified portfolio of sophisticated investors.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a nondiversified portfolio. Diversification does not ensure against market risk.

INDEX DEFINITIONS

The Bloomberg Barclays Municipal Index is a market capitalization-weighted index of investment-grade municipal bonds with maturities of at least one year.

The Bloomberg Barclays Municipal High Yield Bond Index is comprised of bonds with maturities greater than one year, having a par value of at least $3 million issued as part of a transaction size greater than $20 million, and rated no higher than 'BB+' or equivalent by any of the three principal rating agencies. (The long and the short are subindexes of the Municipal Bond Index, based on duration length.)

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How Many Investment Options Are Enough for Your Plan?

Keep in mind that the larger your investment menu, the more time you and plan participants may need to spend on investment education.

Open-architecture environments and advances in recordkeeping technology have made it possible for sponsors to offer participants an ever-increasing array of investment choices. Providing as many choices as possible may sound like a good idea, but research indicates that having too many investment options may actually hinder participation. Sponsors may be more likely to enhance participation by limiting investment selections to a number that participants can understand and educating them about the potential benefits and risks associated with each fund.

More Funds, Less Participation?

According to the Profit Sharing/401(k) Council of America, plan sponsors provided an average of 18 investment selections in 2011.[1] But even when participants say they want more investment choices, research has documented that they often do not select new options when they are available.

After controlling for variables such as employer match and participant demographics, a survey by professors at Columbia University and the University of Chicago several years ago indicated a significant number of investment choices is likely to reduce the probability of participation.[2] The probability that a participant in a defined contribution plan with five funds would enroll was 72%. The rate dropped to 67.5% for a participant in a plan with 35 investment choices. On average, for every additional 10 funds available, the predicted individual participation probability declined by about 2%.

Keep in mind that the larger your investment menu, the more time you and plan participants may need to spend on investment education. Many participants may be unlikely to spend significantly more time on their plan even when new investment choices become available. The investment knowledge of plan participants varies widely, and many may lack the experience necessary to compare a large number of options. Also, providing too many choices may increase the likelihood that you'll eventually terminate a fund due to poor performance or lack of participation. Closing a fund may create administrative headaches and disappoint participants.

In addition, remember that an investment smorgasbord may increase your costs. As a plan fiduciary, you are responsible for minimizing discretionary expenses levied against the assets within your organization's retirement plan. If an investment roster that numbers close to the industry average meets your needs, offering a larger menu may result in unnecessary expenses that could ultimately dampen participants' returns and their likelihood of participating.

Implications for Plan Sponsors

When developing your menu of investment selections, you may want to focus on a limited number of core funds -- such as domestic equity, diversified bond, asset allocation, and money market funds -- that participants are likely to understand. You may want to supplement your core group with target-date or lifestyle funds that offer simplified diversification.[3]

There is no magic number for plan sponsors to focus on, but too many investment choices may detract from your ultimate goal of enhancing participation. Keeping things simple may streamline your administrative responsibilities while making it less complicated for participants to save for their later years.

[1]*Source: Profit Sharing/401(k) Council of America, 55th Annual Survey of Profit Sharing and 401(k) Plans, October 2012.*

[2]Source: "Choice Overload and Simplicity Seeking," Sheena S. Iyengar, Columbia University, Graduate School of Business, and Emir Kamenica, University of Chicago, Graduate School of Business; February 2007.

[3]Diversification does not ensure a profit or protect against a loss.

1-139739

In Volatile Markets, Investors May Find Comfort in Dividends

Dividend payouts are often seen as a sign of a company's financial health and management's confidence in future cash flow.

As uncertainty at home and abroad roils the financial markets, income-minded investors seeking protection from the bumpy road ahead may find dividend-paying stocks offer an attractive mix of features and warrant a place in their equity portfolios.

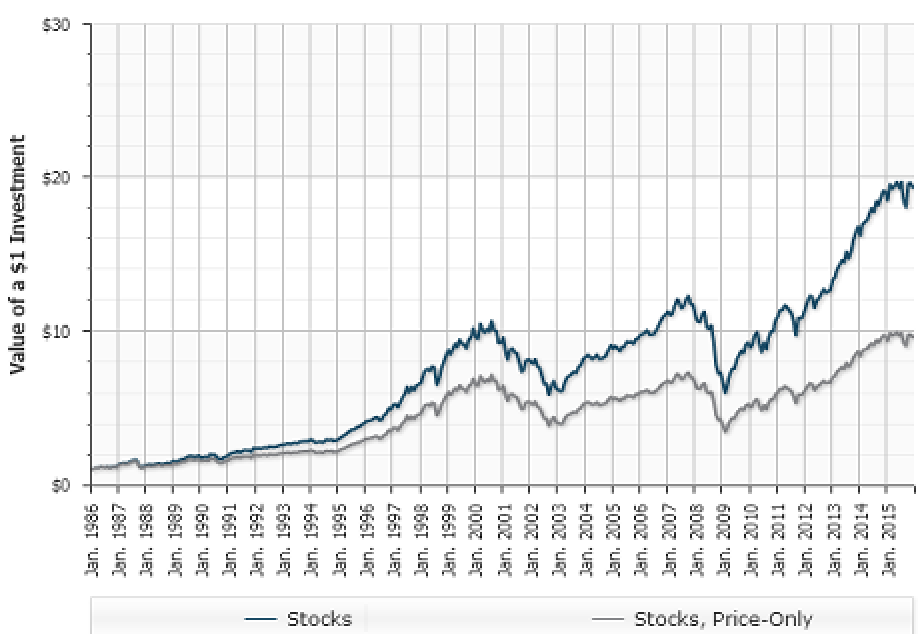
The appeal is simple: Dividend-paying stocks can provide investors with tangible returns on a regular basis regardless of market conditions.

The Benefits of Dividend-Paying Stocks

If you own stock in a company that has announced it will be issuing a dividend, or if you are proactively considering adding an allocation to dividend-paying stocks, history provides compelling evidence of the long-term benefits of dividends and their reinvestment.

- **A sign of corporate financial health.** Dividend payouts are often seen as a sign of a company's financial health and management's confidence in future cash flow. Dividends also communicate a positive message to investors who perceive a long-term dividend as a sign of corporate maturity and strength.
- **A key driver of total return.** There are several factors that may contribute to the superior total return of dividend-paying stocks over the long term. One of them is dividend reinvestment. The longer the period in which dividends are reinvested, the greater the spread between price return and dividend reinvested total return.
- **Potentially stronger returns, lower volatility.** Dividends may help to mitigate portfolio losses when stock prices decline, and over long time horizons, stocks with a history of increasing their dividend each year have also produced higher returns with considerably less risk than non-dividend-paying stocks. For instance, over the past 10 years, the S&P 500 Dividend Aristocrats -- those stocks within the S&P 500 that have increased their dividends each year for the past 25 years -- produced annualized returns of 10.25% vs. 7.31% for the S&P 500 overall, with less volatility (13.99% vs. 15.06%, respectively).[1]

The Growth of Dividend-Paying Stocks, 1986-2015[2]



If you are considering adding dividend-paying stocks to your investment mix, keep the following thoughts in mind.

- **Dividend-paying stocks may help diversify an income-generating portfolio.** Income-oriented investors may want to diversify potential sources of income within their portfolios. Given current realities present in the bond market, stocks with above-average dividend yields may

compare favorably with bonds and may act as a buffer should conditions turn negative within the bond market.
- **Dividends benefit from continued favorable tax treatment.** The extension of the Bush-era tax cuts helps to reinforce the current case for dividend stocks. The tax bill that passed in early 2013 made the 15% top tax rate on qualifying dividends and other forms of investment income permanent for most investors, though it did raise the top rate to 20% for certain high-income investors. However, this is still lower than the 39.6% top rate on ordinary income.

Note that dividends can be increased, decreased, and/or eliminated at any time without prior notice.

[1]*Return and standard deviation cover the 10 year period ended December 31, 2015. Volatility is measured by standard deviation. Past performance is no guarantee of future results.*

[2]*Source: ChartSource®, DST Systems, Inc. For the period from January 1, 1986, through December 31, 2015. Stocks are represented by the S&P 500 index. Stock prices are represented by the change in price of the S&P 500 index. It is not possible to invest directly in an index. Past performance is not a guarantee of future results. Copyright © 2016, DST Systems, Inc. All rights reserved. Not responsible for any errors or omissions.(CS000029)*

1-044954

For many nonprofits, the best way to evaluate their operations is to simply ask representatives about their mission, programs, financials, and board of trustees.

Choosing a Cause With Care

Prospective donors can find a suitable charity just about anywhere they look. However by doing some homework, you can better distinguish among the many giving opportunities available to you.

What Makes a Charity a Charity?

Generally, a charity is a tax-exempt organization that can receive tax-deductible contributions. To be recognized as a charity, most organizations must file an application with the IRS. Once approved, the IRS generally issues a determination letter confirming that the organization is tax exempt and that contributions to it are tax deductible for federal income tax purposes.

Mission Critical

While the IRS designation recognizes an organization's intent to operate in the best interest of a cause, it does not evaluate the effectiveness with which the organization pursues its mission. To be successful, a charity needs:

- A mission statement/strategic plan: Does the organization's mission statement clearly state whom or what it serves and what it hopes to achieve -- and how it will execute its plan?
- Financial statement/Form 990: This form provides a financial snapshot of the charity's fiscal strength. The IRS requires most tax-exempt organizations to file a Form 990 annually, although there are many exceptions. Individuals can request copies of a charity's Form 990 directly from the charity or view them online at Foundation Center and other websites.
- Board of Trustees: The board oversees an organization's financial and legal responsibilities, manages its executives, and guides the vision that promotes the organization's cause.

Choose Carefully

While independent groups such as the BBB Wise Giving Alliance and GuideStar provide helpful information, it is ultimately up to you to judge whether a particular charity matches your giving objectives. Before choosing a charity, consider the organization's programs and whether they reflect its stated mission. Request copies of the organization's financial documents, including its annual report and a list of its board members. These should provide a clear view of the charity's operations and its management team. Also, spend some time browsing the charity's website to learn more about its activities, capital campaigns, and other unique features.

Most importantly -- Ask questions! For many nonprofits, the best way to evaluate their operations is to simply ask representatives about their mission, programs, financials, and board of trustees.

In charitable giving, information is critical. By taking time to research your choices, you can rest assured that your generosity will be put to good use.

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