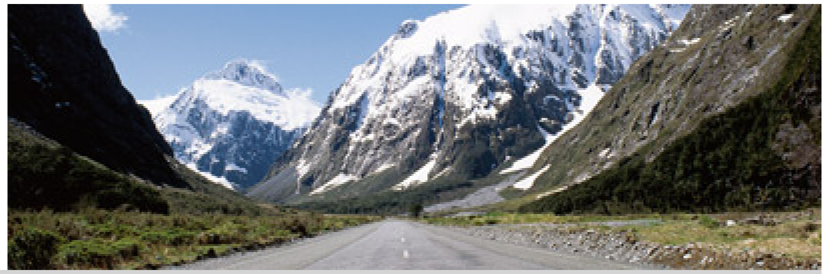

YOUR FINANCIAL FUTURE

Your Guide to Life Planning

November 2016

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Dear Valued Investor:

The consensus view heading into the presidential election was that a Donald Trump victory would result in an equity market sell-off and a flight to the safety of U.S. Treasuries and other high-quality bonds. Many were surprised to see the opposite result--bond prices moved lower, whereas equity markets rallied.

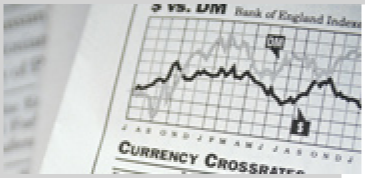
Sharp increases in interest rates can be painful for fixed income investors, as bond prices fall in order to adjust to higher prevailing yields. Generally, growth and inflation expectations have the greatest impact on long-term interest rates, while the Federal Reserve (Fed) is a more important driver of short-term rates. The bond market seems to be pricing in stronger economic activity, so any significant further moves in long-term rates seem unlikely until we have greater clarity on the president-elect's policies. The market has also largely priced in a Fed rate hike, with fed fund futures, a market that represents rate expectations, pricing in a 98% chance of an increase at the Fed's December 13-14, 2016 meeting.

A number of factors have been pushing down on interest rates this year, including: low economic growth, deflationary pressures overseas, and low to negative rate policies from several major central banks. Elements that could push bond prices higher (and yields lower) from current levels include issues with the Trump transition, a policy mistake by a government or central bank, uncertainty regarding the future of the European Union (EU) as a result of the U.K.'s planned separation from the EU (e.g., Brexit) or from upcoming European elections.

Historically, large interest rate moves in one direction, such as we've seen, tend to lead to a reversal in the near term. This could happen even in the absence of stock market negative events; given that the significant yield advantage that U.S. bonds hold relative to many other developed nations could lead to more foreign demand for Treasuries.

As a result, we believe that rates are likely to be range bound for the near-term, though volatility is possible as new policy details emerge from the incoming Trump administration and the Fed continues to move toward normalizing interest rates. It is important to keep pullbacks in perspective by remembering that the majority of a bond's return comes from interest income, and that the diversifying effect of bonds may help limit portfolio losses in the event of a stock market pullback.

As always if you have any questions, I encourage you to contact me.



Bond Market Perspectives | Week of November 22, 2016

Highlights

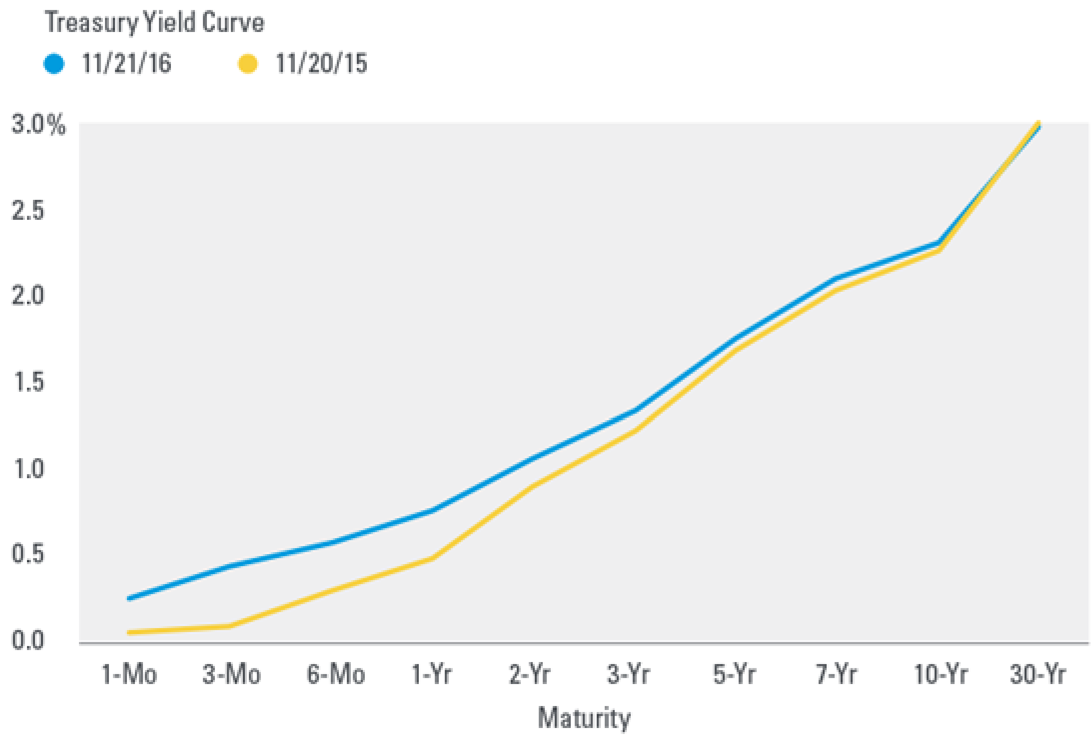
- Treasury yields are very similar to this time last year, despite their recent sharp rise.
- We expect domestic growth and inflation expectations to push rates higher, though low foreign rates may continue to keep U.S. yields lower than they otherwise would be.
- We continue to believe bonds' potential diversification benefits makes the asset class important from a portfolio context.

What Has Changed from a Year Ago?

November 2016 is shaping up to look a lot like November 2015 in the bond market, but it doesn't necessarily feel that way. During 2016, investors became more accustomed to rates falling than rising, though this wasn't the expectation as markets entered the 2015 holiday season. Looking back gives a sense of déjà vu in some respects. Following discussions throughout the year, markets were fixated on the possibility of a Federal Reserve (Fed) rate hike at the Federal Open Market Committee's (FOMC) meeting in December 2015, and intermediate- and long-term Treasuries were trading in a very similar range compared with today. In fact, the closing yield for the 10-year Treasury on November 14, 2015, was the same as it was on November 14, 2016: 2.26%. The 30-year Treasury yield is also near 2015 levels, closing at 3.03% on November 18, 2016, compared with 3.04% in November 2015.

Figure 1 shows the Treasury yield curve now (late November 2016) and then (late November 2015). Some may be surprised to know that even following the recent steepening (where long-term interest rates have risen more than short-term rates, an indicator of improving economic expectations), the yield curve is actually flatter today than it was in 2015, as short-term rates are higher today on the prospect of another December Fed rate hike. Fed rate hike expectations drive short-term yields, whereas economic growth and inflation expectations are larger drivers of long-term yields.

1 DESPITE A VOLATILE YEAR, LONG-TERM RATES HAVEN'T CHANGED MUCH FROM A YEAR AGO



Source: LPL Research, FactSet 11/21/16

Performance is historical and no guarantee of future results.

Yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates.

HOW DID WE GET HERE?

In November of 2015, market participants were broadly expecting higher rates in 2016, not the lower rates that we ended up seeing. Does this mean that rates could end up following the same pattern in 2017?

We don't believe the path of rates in 2017 is likely to look like 2016, and taking a look at the reasons behind the moves can offer some insight into why. Shortly after the Fed's rate hike in December of 2015, the S&P 500 took a tumble, declining 14% peak-to-trough [Figure 2].

Click here Figure 2: The 10-Year Treasury Yield and S&P 500 Over Past Year

The fall in equity markets in early 2016 led investors toward the relative safety of Treasury bonds.* Equity markets soon recovered however, helped by stabilization in oil prices, less volatility from China, and the Fed lowering their forecast for 2016 rate hikes from 4 to 2 in mid-March. Additionally, the Bank of Japan announced in January of 2016 that it was moving to a negative interest rate policy, and the European Central Bank (ECB) announced an expansion of its quantitative easing (QE) program a couple of months later in March 2016. Liquidity from global central banks, intended to help correct anemic growth rates in their local economies, have helped to keep a lid on U.S. yields over the past year, as the safety and yield advantage of U.S. Treasuries has caused an increase in foreign demand.

WILL WE REPEAT THE CYCLE?

The major difference between this year and last are expectations of future growth. Economic growth and inflation expectations have moved higher following the election, on expectations of increased fiscal spending and business-friendly policies. One of the easiest places to see this change is in implied inflation expectations, as measured by the difference between the 10-year Treasury and 10-year Treasury Inflation-Projected Securities (TIPS) yields (which have semiannual principal adjustments based on headline Consumer Price Index [CPI]).

While only about 0.3% higher than this time last year, 0.23% of that change came within the last month-mid October 2016 through mid-November 2016 , showing that markets are clearly giving President-elect Donald Trump the benefit of the doubt when it comes to growth. Recent Fed comments indicating that it may allow the economy to "run hot" in order to generate stronger inflation numbers may have also helped.

Actual reported growth and inflation numbers today are also slightly better than they were in November 2015. As Figure 3 shows, the quarter-over-quarter change in real gross domestic product (GDP) for Q3 of 2016 was nearly a percent higher than reported in Q3 of 2015, though the year-over-year change in CPI is nearly the same. The yield curve is actually flatter as short-term rates have moved higher in anticipation of a Fed rate hike in December 2016.

Click here Figure 3: GDP and Implied Inflation Expectations are Higher Today Than They Were in November 2015

A potential boost in fiscal spending and pro-business policies may help U.S. yields move higher in 2017, though the path of foreign economies, and especially their central banks, may again have an impact. Negative interest rate policies (NIRP) in Europe and Japan restrained U.S. yields over the past year, and have the potential to continue to exert downward pressure in the year ahead. Recent news of anti-European Union (EU) parties leading in Italian election polls have started to stoke fears of Italy leaving the EU and going back to the lira (the Italian currency previous to their adoption of the Euro). If this happens, it could force the ECB to further ease monetary policy, which would put additional downward pressure on foreign, and potentially U.S., yields.

SPREADS ARE TIGHTER

One final difference between markets in late 2016 and late 2015 is the relative valuations of bond sectors. The valuations of some bond sectors are measured by how far their yield is from a comparable Treasury, a concept known as a spread. Spreads have broadly compressed since last year, meaning many areas of the bond market are more expensive relative to Treasuries than they were a year ago [Figure 4]. These moves may be somewhat justified by the improvement in economic growth forecasts and stabilization of oil prices, though if things don't materialize the way the market expects, it could lead to spread widening, where bond sectors would underperform Treasuries. However, we continue to believe that high-quality bonds, such as investment-grade corporates and mortgage-backed securities (MBS), will be able to continue to be important from a diversification perspective, and may benefit from a flight to low-risk bonds if economic reality doesn't match current forecasts and equity markets (and bond yields) move lower.

Click here Figure 4: Many Bond Market Sectors are More Expensive Now Than They Were in November 2015

CONCLUSION

Unlike the path of rates in 2016, we expect rates to have an upward bias in 2017, though at a measured pace. A boost in fiscal spending and pro-business policies may help U.S. yields move higher in 2017, though the path of developed foreign economies, and the central bank moves that go along with them, may continue to keep domestic rates lower than they otherwise would be. Many bond sectors are more expensive than they were a year ago. This could reflect improving economic prospects and stabilization in the price of oil, but may also mean that if forecasts aren't met, there could be more downside due to spreads widening. But even though bonds are more expensive and rates may rise over the course of the year, we continue to believe rates may rise slowly enough that interest income will help offset any principal losses, and that bond holdings offer potential portfolio diversification benefits, helping investors manage any volatility that may lie ahead.

**U.S. Treasuries may be considered “safe” investments but do carry some degree of risk including interest rate, credit and market risk.*

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 reference is historical and is no guarantee of future results. All indexes are unmanaged and cannot 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.

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

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.

Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate, and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features

Treasury Inflation-Protected Securities (TIPS) help eliminate inflation risk to your portfolio, as the principal is adjusted semiannually for inflation based on the Consumer Price Index (CPI), while providing a real rate of return guaranteed by the U.S. government. However, a few things you need to be aware of are that the CPI might not accurately match the general inflation rate; therefore, the principal balance on TIPS may not keep pace with the actual rate of inflation. The real interest yields on TIPS may rise, especially if there is a sharp spike in interest rates. If so, the rate of return on TIPS could lag behind other types of inflation-protected securities, like floating rate notes and T-bills. TIPs do not pay the inflation-adjusted balance until maturity, and the accrued principal on TIPS could decline, if there is deflation.

Mortgage-backed securities are subject to credit, default risk, prepayment risk (that acts much like call risk when you get your principal back sooner than the stated maturity), extension risk, the opposite of prepayment risk, and interest rate risk.

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

Investing in foreign and emerging markets debt securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical and regulatory risk, and risk associated with varying settlement standards.

Yield spread is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings, and risk.

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Election 2016 | November 2016

Dear Valued Investor:

Donald Trump has completed his landmark quest and will become the nation's 45th president after a contentious and often divisive campaign. In addition, the Republican Party has retained control of both houses of Congress. This outcome marks a significant reversal from just a few weeks ago when a Hillary Clinton presidency was highly probable and even a Democratic Party sweep of Congress was possible.

While this outcome is certainly a shock to many, it is important to remember that the result isn't a surprise to the plurality of American voters that spoke their collective will at the ballot boxes. The strength of a democracy is not in whether we like the outcome, but rather in how we accept the result as the voice and will of our republic.

While many things are promised on the campaign trail, all newly elected presidents enter with a constrained ability to enact their agenda unilaterally. As a result, immediate and sweeping political changes are a process, which give markets and the American public time to digest and react. Although often derided by partisans, the inability of a president to swiftly change policies is a strength of our political system, not a weakness of it.

Moreover, any market volatility we may experience in the short term should not be attributed to who was elected president, as markets do not have political affiliations. Rather, this volatility would reflect the market's adjustment to a surprise presidential winner and the market's tentativeness regarding the vast uncertainty over which of President-elect Trump's stated policies he will be able to enact. The first major step towards clarity will come with Trump's choices for key administration officials; his selections will give a better sense of the priorities for the Trump administration. This should provide further understanding and facilitate calm markets.

For the first time in 10 years, the Republican Party will have control of the presidency and both houses of Congress. As in all things, this may solve some problems, and perhaps exacerbate others. For example, potentially divisive upcoming issues, such as the necessary expansion of the debt ceiling and reforms to the corporate tax code, could be easier to navigate. There is a common perception that the markets like divided government. While that may often be correct, it is not necessarily true at every point in time.

Most importantly, however, over time we have witnessed corporations and financial markets adapting smoothly to new political environments. The uncertainty surrounding the Trump presidency could be greater than a typical transition; therefore, the markets may take additional time to process any changes. However, the uncertainty itself is not unusual.

Separating political views and emotions from investment decisions is difficult. Whether this election result was your favored outcome or not, what we have learned over the years is that although presidents can set an overall tone for the markets, over the long term, it is the underlying fundamentals of the economy and the strength of corporate profits that matter more. Overall, we continue to be encouraged by the underlying fundamentals in the economy and the related resilience of the stock market. Recently, encouraging economic data, including a record 73 consecutive months of private sector jobs growth, high consumer confidence, and an increase in manufacturing activity, all suggest a recession in the next year is unlikely. * And, although the stock market has been essentially flat over the past three months, the S&P 500 has returned 5.2% year to date (through market close on November 8, 2016).

As this historic election cycle comes to a close, I suggest casting a "vote of confidence" for the U.S. economy and markets. While uncertainty will certainly be prevalent over the short run, our political and economic systems are resilient and can, after a period of adjustment, adapt to new realities. As investors, we all need to try and put this election into perspective, as our investment horizons extend far beyond any political cycle. And, the keys to your investment success of relying on independent investment advice and sticking to your long-term investment strategies should not change, regardless of who is in office.

As always, if you have questions, I encourage you to contact me.

**According to U.S. Bureau of Labor Statistics, ISM Manufacturing Index, and Consumer Confidence Index data as of 11/7/16*

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual security. 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. Indexes are unmanaged and cannot be invested into directly.

Economic forecasts set forth may not develop as predicted.

The S&P 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.

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

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Tracking # 1-553712 (Exp. 11/17)

What Can a Dollar Buy? Depends on Where You Live

You know that $25,000 car you've had your eye on? In just 10 years, it could cost almost $34,000, assuming prices rise by a mere 3% per year. That's the reality of inflation, which is commonly understood as the increase in the price of any product or service.

While the consumer price index (CPI), which is based on a monthly survey by the U.S. Bureau of Labor Statistics, serves as the standard measure of inflation nationwide, prices on all sorts of goods and services -- from a gallon of gasoline to a house -- can vary widely by region, state, and even within states.

Such variations are captured by Regional Price Parities (RPPs), which measure the differences in the price levels of goods and services across states and metropolitan areas for a given year.[1] RPPs are expressed as a percentage of the overall national price level (gleaned from the CPI) equal to 100.[2]

For instance, if an area's RPP is greater than 100, it means that goods and services are more expensive than the national average; if an area's RPP is less than 100, goods and services are less expensive than the national average.[2]

In July the Bureau of Economic Analysis published RPPs for 2014. The data showed that the District of Columbia's RPP at 118.1 was greater than that of any state. States with the highest RPPs -- and lowest "real value" of a dollar -- were Hawaii (116.8), New York (115.7), New Jersey (114.5), and California (112.4).[1] States with the lowest RPPs -- hence, the biggest bang for your buck -- were Mississippi (86.7), Arkansas (87.5), Alabama (87.8), South Dakota (88.0), and Kentucky (88.7).[1]

How do these price differences play out in real dollars and cents? The same gallon of regular gas that costs $2.74 in Hawaii might run you $1.82 in South Carolina.[3] Or, viewed another way, if you had $100 to spend at a store offering a range of goods at national-average prices, in Hawaii, that $100 would feel more like $85.60, while in Mississippi the national-average $100 would be more like $115.30.[3]

The Bureau of Labor Statistics asserts that in areas where goods and services are more expensive, wages tend to follow suit -- but that is not always the case.[2]

Be a Savvy Shopper -- Wherever You Live

Regardless of where you live, consider some simple dollar-stretching tips.

- Cut back on nickel-and-dime items. You might be surprised at how much you can save by reducing out-of-pocket expenses. Instead of indulging on a "designer" cup of coffee, purchase a regular coffee. The amount saved can add up fast.
- Save on books, music, and movies. Visit your neighborhood library to check out books and music instead of purchasing your own.
- Brown bag meals. Work days can be hectic, but instead of buying breakfast or lunch out, carry it in. If you spend $8 per day on lunch, you could free up $160 per month for your long-term financial goals.
- Seek travel values. By traveling off-season or during the shoulder season -- the periods just before or after the peak tourist season -- you can receive discounted rates on lodging and airfares, which can cut your vacation expenses.
- Practice energy efficiency. By turning the thermostat back in winter while you're at work or sleeping, you can save on your heating bills. Same for the air conditioner in hot summer months.
- Be creative. Can't imagine skipping your daily trip to the vending machine? Don't fret. The main point is to look for effective ways to stretch a dollar -- and then do it. Over time, you might find that a little savings can make a big difference when it comes to funding your bigger ticket financial goals.

[1]*The Bureau of Economic Analysis, news release, "Real Personal Income for States and Metropolitan Areas, 2014," July 7, 2016.*

[2]The Bureau of Labor Statistics, Monthly Labor Review, "Purchasing power: using wage statistics with regional price parities to create a standard for comparing wages across U.S. areas," April 2016.

[3]*The New York Times*, "What $100 Can Buy State by State," August 8, 2016.

1-540208

When Planning, Focus More on Goals, Less on Numbers

Financial planning is a complex, lifelong process that people tend to approach with a numbers orientation. What rate of return do I need to reach my goal? How much insurance do I need? Can I afford a bigger house? How much money do I need to save for retirement?

To support their pursuit of the "right numbers," people often use separate advisors -- for instance, a banker, a financial planner, an insurance agent, a tax professional, and an estate planning attorney -- to oversee the various components of their household wealth. But can too many cooks spoil the broth?

This "siloed" approach to financial planning can easily lead to redundant investment strategies that could create exposure to unnecessary levels of risk. It may also result in multiple, random investment accounts in need of consolidation. Furthermore, such an approach may inadvertently overlook crucial tools, leaving entire planning areas to chance.

Unlocking Financial Synergies

When viewing their financial goals -- such as buying a home, paying for a child's education, or saving for retirement -- individuals typically think in terms of what those goals cost rather than how achieving them might affect their lives. If, however, they were to reengineer the planning process and assess their current life issues and future aspirations prior to selecting investments and asset allocation strategies, they may be in a better position to achieve satisfactory outcomes. Perhaps equally important, by putting life circumstances at the center of financial decision-making, individuals may find more meaning in their actions with regard to money.

Indeed, values have a significant role to play in determining how individuals manage their assets. This is one way in which a holistic approach to "financial life planning" enables individuals to better assess their wants and needs, establish meaningful priorities, and avoid misguided investments. And, as life circumstances and priorities change -- as they inevitably will -- so too do financial goals. In this way, individuals employing a holistic approach to planning can easily identify and address those areas of their financial lives that are still working well and those that may be hindering their financial well-being.

Crafting a Plan

Crafting a plan that reflects your unique situation and that ties your life aspirations to your financial goals is part art, part science. To achieve this level of planning you need to rely on the guidance of a single skilled advisor -- someone who will take the time to get to know you and your circumstances and who will put together an appropriate combination of vehicles, strategies and, where appropriate, additional planning professionals to help achieve your goals -- whatever they may be.

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