GREENE WEALTH MANAGEMENT LLC

"Just because I'm old doesn't mean I don't have dreams."
– John Glenn -

October 16, 2017

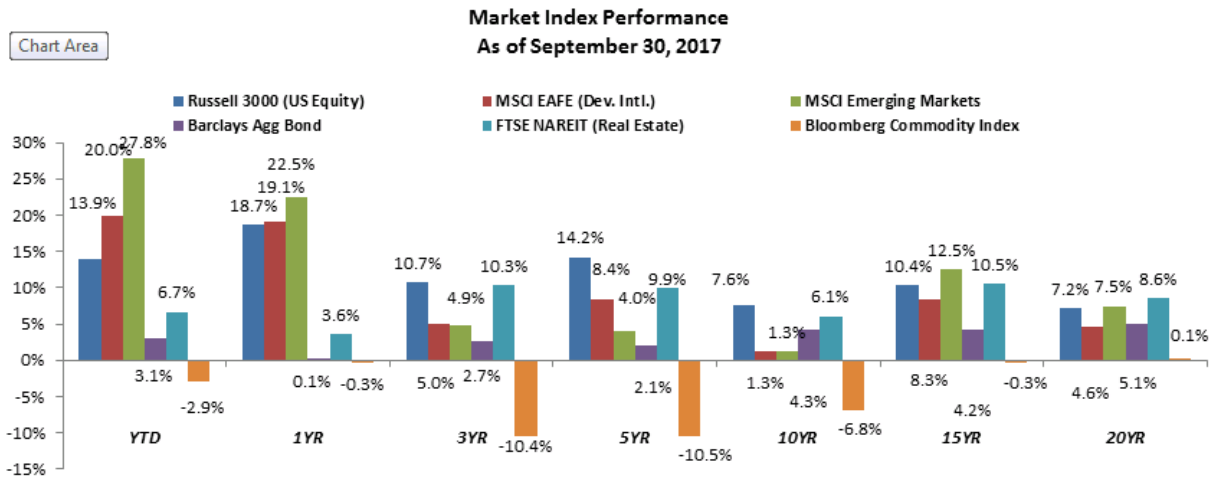
Much of our work is helping clients seek to reach important goals and dreams. This typically means working to help kids/grandkids get a good education and clients enjoy a secure/comfortable retirement free of worry about running out of money. But we often have meaningful conversations about goals that go well beyond this—what I believe is a deep desire to move from success to significance.

For John Glenn, this meant a lifetime of service to his country as a fighter pilot, Mercury 7 astronaut, and US Senator. When most folks have been retired for years, Glenn served on the crew of Space Shuttle Discovery at age 77. He received the Medal of Freedom in 2012 from President Barack Obama in recognition of his lifetime achievements. Now, there's a guy who never stopped "reaching for the stars". American writer E.B. White said "I get up every morning to both change the world and to have one hell of a good time. Sometimes, this makes planning the day difficult".

This might be a great time to seriously think about your dreams. Take the time to write down your goals and dreams, to talk about them with your family/friends, and to learn from the experiences of others. There are many resources available too. I have enjoyed a professional relationship that dates back over 20 years with Ken Dychtwald, Ph.D., a renowned psychologist, gerontologist, speaker, and founder of Age Wave. Ken has written a number of amazing books that redefine aging and retirement—including "A New Purpose" that talks about redefining money, family, work, retirement, and success. In his book, Ken said "while dour economists and fatalistic policymakers have been wringing their hands over the coming retirement tsunami of boomers, I've been contemplating a more optimistic model. Might this massive generation, which has repeatedly re-shaped society since birth, re-order the world one more time--with glowing results?". How cool is that?

So, what are your dreams? Please share them with us so we can help you plan how to finance them. We can review and update your financial plan to help make sure you stay on-track to meet your goals and dreams. Remember, financial/investment planning is a process, not an event, with periodic reviews needed to determine what (if any) changes should be made. If you haven't been in for a while, please call us to schedule a planning update.

Meanwhile, markets have continued to be quite kind to investors with most asset-classes posting nice returns as you can see from the chart below:

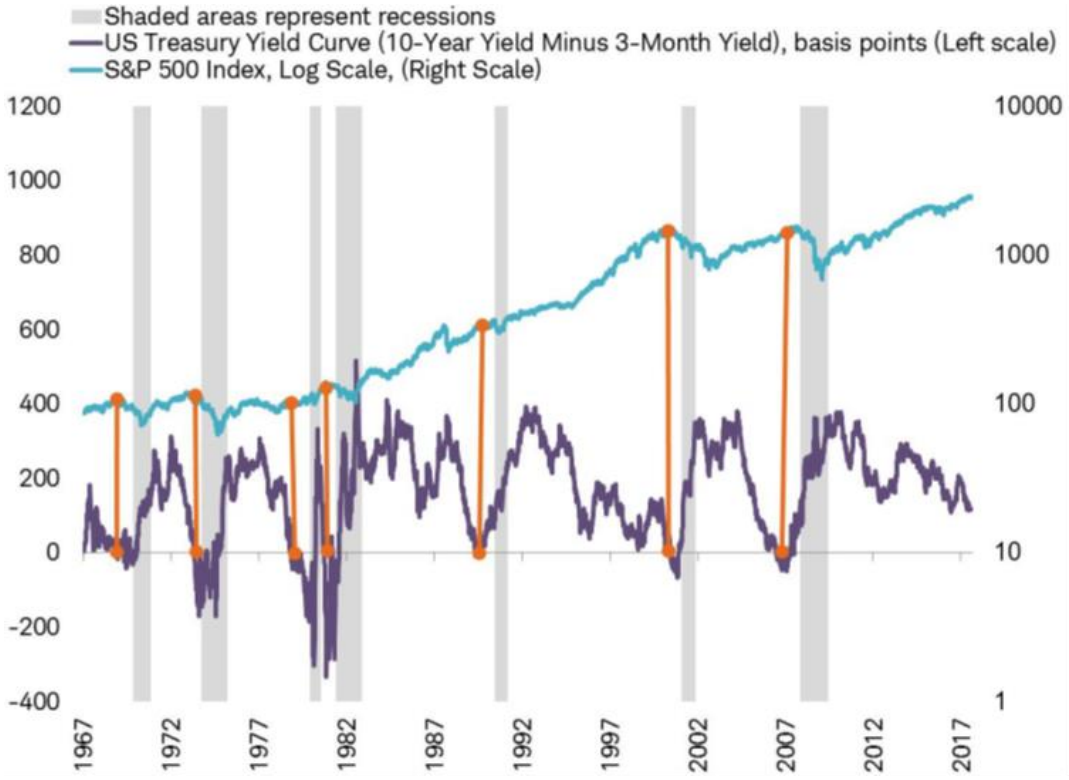


As you can see, market leadership has once again changed as we have been expecting. After 8 years of US stocks leading all other asset-classes, we are now seeing both developed and emerging non-US equities leading the way. While no one has a magic crystal ball that can accurately predict the future, we expect this trend to continue for some time going forward. Valuations for US equities are stretched under almost all methodologies—and our Federal Reserve is moving to reduce its huge balance sheet and slowly raise interest rates. By contrast, we believe valuations for non-US equities are generally more attractive and foreign central bank policies are still quite accommodative.

Schwab's Chief Global Investment Strategist, Jeffrey Kleintop, CFA recently provided an outlook entitled "Economic and Earnings Revival". Here are some interesting take-aways from his presentation:

- Global stocks saw gains every month (Jan-Sept 2017) for the first time ever
- Every major economy has grown YTD 2017 – the first time in a decade
- Stocks have been tracking analysts' earnings outlook
- Recessions have historically been preceded by negative yield curves (10-year yield minus 3-month yield in US Treasuries)

Consider the chart from Charles Schwab , Factset data as of 9/6/2017. The orange bars indicate when the yield curve began to invert (go negative with short term rates higher than long term rates). The shaded areas represent recessions. At least over the past 50 years, recessions have almost eerily followed negative yield curves. Right now, the yield curve is positive. As always, the past may or may not be a good indicator of future outcomes, but we thought you'd find this research worthwhile.



There are no "sure things" when it comes to investing—which we think supports our advice to "spread your bets" across a wide range of asset-classes, investment styles, and money managers. All the market ups/downs and market leadership changes over the years provides good support for holding a well-diversified portfolio—and sticking with it. We believe staying focused on long-term outcomes rather than short-term market changes is key. As noted in a paper from Research Affiliates, "Poor long-horizon outcomes can be blamed on a handful of usual suspects: high fees and expenses; ignoring rebalancing opportunities; performance chasing; lack of diversification; and improper expectations. Rarely do these usual suspects operate as lone wolves. They typically travel together." We agree.

We continue to work hard to keep investment costs low, manage to limit the impact of taxes, rebalance to keep portfolios aligned with your risk/return goals, stay diversified, and help clients set realistic expectations. In a recent meeting with Bill McNabb (who will retire as Vanguard's CEO this year) we talked about the challenge of getting investors to reframe return expectations going forward. Giant pensions and endowments are systematically reducing assumed returns in light of today's historically low interest rate environment—and we think individual investors need to also. Looking back over very long time periods shows returns of 10-12% for stocks and 6-8% for bonds. But going forward, we're thinking more in terms of 7-8% for stocks and 3-4% for bonds over the next 10-20 years. For most clients who prefer a more moderate-risk/balanced strategy, that translates into 5-6% return expectations, which is what we normally use in our financial planning models.

If these expectations are realistic, studies from sources including Morningstar, Vanguard, Russell, and others about the negative impact of poor investor behavior become more important than ever. These studies suggest that investors tend to lag actual market returns by 1-3% annually. If that's true, and future return expectations are 5-6%, it becomes critical to avoid the behaviors that lead to underperformance. We think that means riding market ups and downs in a well-diversified portfolio you can stick with. We think it means avoiding chasing into hot markets/funds when markets are euphoric--and selling when markets get scary. We've seen both over the years—and it seems wise to assume we'll see both again down the road.

Financial gurus today are predicting everything from continued stock market growth to a big correction—none with any assurances that their views are correct. We heard "experts" saying "markets are too high" over a year ago—and anyone who acted to get out lost out on some impressive returns. What we do see by studying history is that periodic corrections typically come with little or no warning as the price investors pay for seeking the higher returns stocks have provided over very long time periods. I truly wish we had a patented system or magic crystal ball that could help us accurately predict market peaks and valleys—but otherwise believe investors with a long time horizon ride out the ups and downs in a diversified portfolio that is prudently aligned with their goals and risk tolerance. Call us if you'd like to talk about how your portfolio is structured and if you feel that some change is warranted. We can review current plans and discuss what, if any, changes might be worth considering.

Our work with you is a partnership between you and our firm. We work hard to be a good partner to you—and always need to hear about what's on your mind. So please let us know if you have any questions, want to meet, or just want to talk things over. As always, we're here for you.

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The greatest compliment you can pay us is the referral of family and friends. Thank you for your continued trust and confidence.