COMPASS ADVISORS

Investment Directions

WINTER 2017

BACK TO THE FUTURE!

Let's look back to 1999: Pierce Brosnan was playing James Bond, the Euro currency was born and Joe DiMaggio died. Michael Jordan retired temporarily, John Elway retired permanently and Safeco Field opened. Y2K, or the millennium bug, was looming large -- some were predicting a computer catastrophe at year's end.

In March of 1999 the Dow Jones Industrial Average closed above 10,000 for the first time. While that was a milestone on Wall Street, less than two months later the Dow closed above 11,000. There may be lessons for us to learn this year as the Dow flirts with the 20,000 level.

Complications…

Nearly two decades have passed and much has happened -- technologically, socially and on Wall Street. While some may see 20,000 on the Dow as a precariously high point, I am not among them. In my opinion, 18 years is a long time to wait for this. There is nothing to fear in the number. Yes, there is a lot of emotion attached to it and the media likes to make it a big deal but the Dow is a complicated critter.

We are aware of the major stock market indexes but other factors are much more important when we decide whether to buy or sell Boeing today. Earnings come to mind. If a company reports significantly higher profits this year than last, I suspect investors will take note no matter where the Dow closes that day.

… And Distractions

20,000, or any number, can be a distraction from more important financial considerations: your long-term goals, big-picture economic trends and saving for the future. Leave the distractions to others. Whether the distraction is a milestone on Wall Street, a new occupant in the White House or the latest social media meltdown, you have more important things to do.

Life is too short to get caught up in the thick of thin things. Rise above it! Think big and live big. Find joy in small things every day. You can seek happiness or you can create it. While both are good, I find creating is better.

1 Source: Yahoo.com. The Dow Jones Industrial Average is an unmanaged index of 30 companies and cannot be invested in directly. Past performance does not guarantee future performance.

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Tax Humor
From our Late-Night Friends

"Today is April 1, April Fools' Day, a day that people try to fool their friends and relatives. Don't confuse that with April 15, when people try to fool the IRS." –Jay Leno

"Tax Day is the day that ordinary Americans send their money to Washington, D.C., and wealthy Americans send their money to the Cayman Islands." –Jimmy Kimmel

"It's fitting that April 14 is National Pecan Day because today, we recognize nuts. And tomorrow, on April 15, we pay our taxes to support them." -Craig Ferguson

"The IRS says it's been getting death threats since the health care bill passed because the IRS is going to be the ones in charge of implementing it. They say the threats people are making to the IRS are so bad, that they are actually hindering the IRS's ability to threaten people." –Jay Leno

"The U.S. Senate is considering a bill that would tax Botox. When Botox users heard this, they were horrified. Well, I think they were horrified. It's difficult to tell." --Craig Ferguson

Compass Welcomes Jorge Bustamante

Jorge Bustamante joined Compass Advisors in September 2016 as the Service Manager. He is a Senior at the University of Washington Tacoma pursuing a Bachelor's Degree in Finance and a minor in Economics.

Prior to joining Compass, Jorge worked for various small businesses, benefiting the development and direction of each. He received valuable training in investments as an intern for a financial advisory firm during the summer of 2016. He is excited to be part of Compass Advisors serving each individual and family.

Jorge and his wife Kristi enjoy being part of their community by volunteering as coaches for the Junior Soccer League and by teaching Spanish to children in the Fife School District. They also enjoy hiking, swimming, and traveling.

Late Night Humor source: PoliticalHumor.About.com
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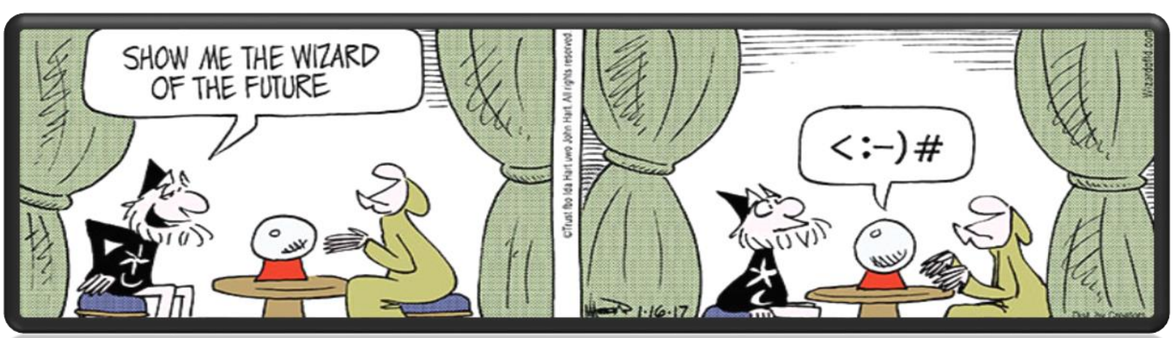

RETIREMENT INCOME STRATEGIES

New Retirement Landscape

For better or worse, gone may be the “golden” days of retirement where anyone over age 65 could look forward to a time of life spent enjoying leisure pursuits. As people live longer and healthier lives, retirement is taking on a new look--one filled with new activities, longer working lives and perhaps even new careers.

To prepare for this new and expanded version of retirement, you should consider developing a financial plan suited to your specific needs and goals. Following are some key factors you will want to consider.

Retirement Income -- A good starting point might be to examine your sources of retirement income. There is widespread concern about at least one traditional source of income for retirees--Social Security. The reality is that Social Security was always intended to be a supplement to other sources of retirement income. In fact, today Social Security benefits account for only 34% of the aggregate income of retirees.[1]

Even pension plans, once considered a staple of retirement income, account for only 18% (government employee and private pensions combined) of the retirement-income pie.[1] In recent years, employers have been moving from traditional defined benefit plans based on salary and years of service to defined contribution plans, such as 401(k) plans, funded primarily by employees.

You may want to seek the assistance of a professional financial planner who can help you assess your needs and develop appropriate investment strategies.

Time --The number of years until you retire will influence the types of investments you include in your portfolio. If retirement is a short-term goal, investments that provide liquidity and help preserve your principal may be most suitable. On the other hand, if retirement is many years away, you may be able to include more aggressive investments in your portfolio. You will also need to keep in mind the number of years you may spend in retirement.

Inflation -- Consider this: An automobile with a price tag of $25,000 today will cost almost $34,000 in 10 years, given an inflation rate of just 3%. While lower-risk fixed-income and money market accounts may play an important role in your investment portfolio, if used alone they may leave you susceptible to the erosive effects of inflation. To help your portfolio keep pace with inflation, you may need to maintain some growth-oriented investments. Historically, stocks have provided returns superior to bonds and cash equivalent investments.[2] But also keep in mind that stocks generally involve greater short-term volatility.

Taxes -- Even after you retire, taxes will remain an important factor in your overall financial plan. If you return to work or open a business, for example, your tax bracket could change and the income you earn might affect the amount of tax you pay on your Social Security benefits. In addition, should you move from one state to another, state or local taxes could affect your bottom line. Tax deferral offered by 401(k) plans and IRAs may be effective tools for addressing your retirement goals.

To ensure that retirement lives up to your expectations, begin establishing your plan as early as possible. With proper planning, you can make retirement whatever you want it to be. Give us a call, we can help.

1-Social Security Administration, “Fast Facts and Figures About Social Security, 2015” September 2015.
2-Investing in stocks involves risks, including loss of principal. Past performance is no guarantee of future results. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price. Information contained in this article was gleaned from an article by DST systems, Inc. LPL and DST Systems, Inc. are not affiliated entities.

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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 investments may be appropriate for you, consult your financial advisor prior to investing.

All performance referenced is historical and is no guarantee of future results.

All indices are unmanaged and cannot be invested into directly.

Stock investing involves risk including loss of principal.

The economic forecasts set forth in the presentation may not develop as predicted. No strategy ensures success or protects against a loss.

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New Tools for New Times

Income Investors Get Creative

Often, when interest rates change I get asked what an income investor should do. While this is a poor forum in which to give specific advice, it is a decent place to share information and general recommendations. First, a bit of information: in recent years income investments have multiplied and gotten more complicated. You have a lot of choices.

Now a general recommendation: beware all those choices. If you don't understand it, you probably should not invest in it. The Union Gospel Mission may give out free lunches but Wall Street does not.

Sources of Income

All income investments can be divided into two categories: Own or Loan. You could loan out your money and earn interest on it. Banks pay interest, bonds also pay interest. Each are quite different, more about the differences later.

You could also own shares in a company which pays dividends. Dividends are not interest but profits from the company paying them. If profits dry up, your dividends can too.

This becomes the income investor's first choice: do you want to own (earn dividends) or loan (earn interest)?

Loan and Earn Interest

Banks serve a wonderful purpose but may be best suited to meet shorter-term needs. For longer-term needs bonds are often used because they typically pay more interest.

When you buy a traditional bond, you loan your money to the issuer for a set term (say ten years) at a set interest rate (say 3%)[1]. Beware the issuer and beware the interest.

You want the issuer to be around until the end of your term and you want to be happy with the interest rate for the next ten years. These guidelines also apply to more complicated, non-traditional bonds.

Non-traditional bonds may not have a set term or may not have a set interest rate. For example, mortgage-backed bonds are only good until the mortgages are paid off. Variable-rate bonds may pay you more or less if interest rates change. You will note, in both cases the risk is yours, not theirs.

Own and Earn Dividends

For some, owning stock in one of America's great companies and cashing dividend checks may look attractive. Some companies issue preferred stock (different from common stock) which pay dividends.

Beware the company – their business is the source of your income. You want them to be profitable. Also, beware the terms of a preferred stock – they can be confusing. If you don't understand them, look elsewhere.

Whether the company is an electric utility, a famous old firm or a new manufacturer of chrome widgets, stock investing involves risk – to both your principal and your income.

You do indeed have a lot of income choices. Fortunately, you also have us and can call anytime. Together we can find strategies best suited to your needs.

[1]This is a hypothetical example, not intended to represent any specific bond one might purchase.
The payment of dividends is not guaranteed. Companies may reduce or eliminate the payment of dividends at any given time. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Mortgage backed securities are subject to credit, default, prepayment, extension, market, and interest rate risk.