



SUMMER 2017

Being Optimistic – Fundamentally

Based on facts and data, I’m a glass-three-quarters-full kind of optimist. Pessimists have a role to play, their concerns can be well founded, but in my opinion, they are wrong more often than they are right. My fellow optimists and I see the world getting better over time not worse. Based on facts and data and my native optimistic view of the world, I believe recent gains in the value of America’s great companies may continue.

Focus on Fundamentals

Fundamental market factors (facts and data) may help us assess both individual companies and whole markets. Company specific factors such as earnings, profitability and dividends – and market factors such as economic growth, monetary and fiscal policy. By looking at these factors we can judge whether we are in an unsustainable bubble or building on a solid foundation.

This is where optimists and pessimists often part ways. Fundamental data are expressed in statistics – and statistics can be used to prove anything. Personally, I believe market fundamentals will propel this market higher over the next year or two. Here are three factors to support this view:



A Reasonable View of Fundamental Factors

Fundamental factor #1: economic growth.

In a recent publication, LPL research concluded: “We continue to look for the U.S. economy to expand up to 2.5% in 2017...” This was supported by data on employment, manufacturing, services and consumption.¹

Fundamental factor #2: corporate earnings. In that same recent research, we find this: “In 2017 we expect solid gains in corporate profits...” They go on to credit improvement in economic growth, strong profit margins including improvement in the energy sector and a stable U.S. dollar.

Fundamental factor #3: fiscal policy. The research concludes: “...anticipated fiscal legislation may provide further incentives for businesses to take economic risks, such as investing in property, plant, and equipment, to position for future growth.” Note here the fiscal legislation has not yet passed but it seems likely based on current policy.

We are a resilient nation with great people who have succeeded, and I expect will continue to succeed, in the face of daunting challenges. It is reasonable to acknowledge these challenges and still see a prosperous, bright future. I do.

CHART
◆
NAVIGATE
◆
ARRIVE

Produced by
Randal L. Nicholls
(253) 661-3100
(877) 334-3100

33600 – 6th Ave. So.
Suite 208
Federal Way, WA 98003

¹ LPL Financial Research, Midyear outlook 2017, published June 2017. Full report available upon request.



COMPASS
ADVISORS

Re-Wording

Having our Way with Words

Adult: A person who has stopped growing at both ends and is now growing in the middle.

Arbitrator: A cook that leaves Arby's to work at McDonald's.

Balderdash: A rapidly receding hairline.

Burglarize: What a crook sees with.

Claustrophobia: The fear of Santa Claus.

Committee: A body that keeps minutes and wastes hours.

Counterfeiters: Workers who put together kitchen cabinets.

Debate: What lures de fishes.

Egotist: Someone who is usually me-deep in conversation.

Flatulence: Emergency vehicle that picks up someone who has been run over by a steamroller.

Inflation: Cutting money in half without damaging the paper.

Intoxication: Euphoria at getting a tax refund, which lasts until you realize it was your money to start with.

Lymph: Walk with a lisp.

Octopus: An eight-sided cat.

Parasites: What you see from the top of the Eiffel Tower.

Raisin: Grape with a sunburn.

Reintarnation: Coming back to life as a hillbilly.

Relief: What trees do in the spring.

Wrinkles: Something other people have. You have character lines.

Re-Wording source: funny2.com/daffynitions
B.C. Comic Strip © John L. Hart FLP, printed with permission. www.johnhartstudios.com



Staying Safe Online



email may claim to be from a reputable company but includes typos or errors in grammar. Here is an actual excerpt from such an email:

“Be informed that we will be deleting all mail account that is not functioning to enable us create more space for new students and staffs of the school...”

It went on to ask for the person’s username, password and date of birth.

Other scams are more sophisticated so that even after close inspection appear to be the real thing. Here is an actual example:

“We regret to inform you that we had to lock your Wamu account access because we have reasons to believe that it may have been compromised by outside parties. In order to protect your sensitive information, we temporarily suspended your account access. [Click Here](#) to verify and reactivate your account access by completing the secure form that will appear.”

Common sense is the key to avoiding these more sophisticated attempts. No reputable bank would ever ask you to disclose your sensitive information like that.

Phishing

Cute word that. See how they replaced the F with a PH, reads the same but is not the same? Online phishing scams work like that. They are typically fraudulent email messages which appear to come from a company or person you trust – the phone company, your internet service provider or your bank.

The email usually sounds urgent, the results of not acting appear dire, and they provide a link that looks legit. Often the link appears reasonable or is slightly misspelled so you wouldn’t notice. The scam is to get you to click the link and then disclose your password, social security number or other private information.

Don’t Trust... Do Verify

Phishing is just one way you can be tricked into helping a crook steal from you. You might be informed that you won a lottery you never entered, or inherited millions from a relative you don’t know. Perhaps you have already been accepted for a job that pays thousands but requires no actual work by you.

Some scams are not terribly sophisticated and are obvious by the mistakes they contain. For example, an

Be Wise, Be Careful

If you are aware, you may be able to avoid the many scams out there. Here are some tips to help keep you safe from the internet bad guys:

- 1- Be careful with your passwords and personal information. Reputable organizations will never use email or websites to “verify” sensitive information. One that does should raise a red flag.
- 2- When in doubt, call, or go to their website directly, not using the link or phone number the email provides.
- 3- Don’t open attachments from unknown senders even if the story seems compelling. Files attached to email can trigger lots of bad stuff.
- 4- Be wary of email from someone you know asking you to help them meet an urgent need. Their email may have been hacked -- your friend probably did not send it.

You can report scam emails at www.us-cert.gov/report-phishing or www.irs.gov/uas/report-phishing. If you have been a victim, contact the FTC at www.ftc.gov/idtheft.



COMPASS
ADVISORS

Securities, Financial Planning, and other Advisory Services offered through LPL Financial, a registered investment advisor and member FINRA & SIPC. Compass Advisors and LPL Financial are not affiliated companies.

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.

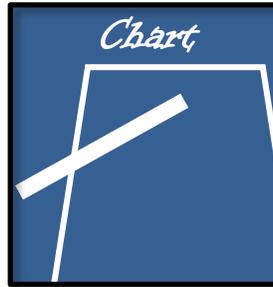
CHART ♦ NAVIGATE ♦ ARRIVE

New Tools for New Times

Generating Income in Retirement

Retiring is hard. It requires preparation emotionally, socially and financially. If you are not financially prepared, retirement can be stressful – if you are financially prepared those years are more likely to be enjoyable. I recommend the path to joy.

Over the years this newsletter may have emphasized one aspect of a comfortable retirement, building a generous nest egg, at the expense of another equally important aspect, effectively generating income from that nest egg. Consider this article an attempt to balance that scale.



A Good Start

Retiring comfortably requires we chart, navigate and arrive. Charting your course implies a starting point and a desired destination. Your starting point is the size of your nest egg and the date you choose to stop working. Your desired destination, a comfortable retirement, is more difficult to define and may be limited by your starting point.

Let's imagine you have thought this through, have a nest egg and are ready to retire. Now you must decide how much income you can draw without depleting those assets. This is no small question, you will likely be retired for decades and the future is uncertain.

Much of the academic research indicates an initial withdrawal rate of 4% may be sustainable. This may be a reasonable starting point if you can be flexible. The navigate phase

requires us to confront reality: are we sailing through smiling skies and dancing dolphins or stinging rain and bow breaching swells?

Come What May

To help us navigate the retirement years we must understand the difference between withdrawal rate (percentage) and withdrawal amount (dollars). If your investments perform well, your nest egg will grow, and a set withdrawal *rate* will result in an increasing withdrawal *amount*. If not, your nest egg and your withdrawal amount may shrink.

You may be thinking: "Wait, I need that income." If so, you may choose to navigate to a higher withdrawal *rate* to preserve your withdrawal *amount*. The danger here is what may have once been a sustainable rate (say 4%), after a period of poor investment performance that same withdrawal amount, might become a much higher rate (say 6 or 8%) and may even become unsustainable.

This brings us back to where we started: Retiring is hard. Retirement plans, like ships, need a capable captain at the helm. Conditions will need to be assessed, adjustments will need to be made and discipline will need to be followed.



Here at Compass we follow such a discipline: rules for managing the withdrawal rate through economic and market cycles so you can have greater confidence that your nest egg will not be depleted. The future is uncertain, stuff will surely happen, but come what may you can have joy in the journey.