



# SilverOak

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WEALTH MANAGEMENT LLC

Quarterly Webinar  
October 23, 2017

Presented by:  
Shannon King and  
Jonathan Scharlau

# Introduction

- Shannon King, CPA, CFP<sup>®</sup>, PFS, CIMA<sup>®</sup>, CPWA<sup>®</sup>, MBT  
President, Partner and Chief Compliance Officer
  
- Jonathan Scharlau, CFA, CFP<sup>®</sup>  
Partner and Lead Analyst

# Agenda

- Economic data
- Market data
- SilverOak's outlook
- Cyber security review
- SilverOak updates and other reminders
- Questions

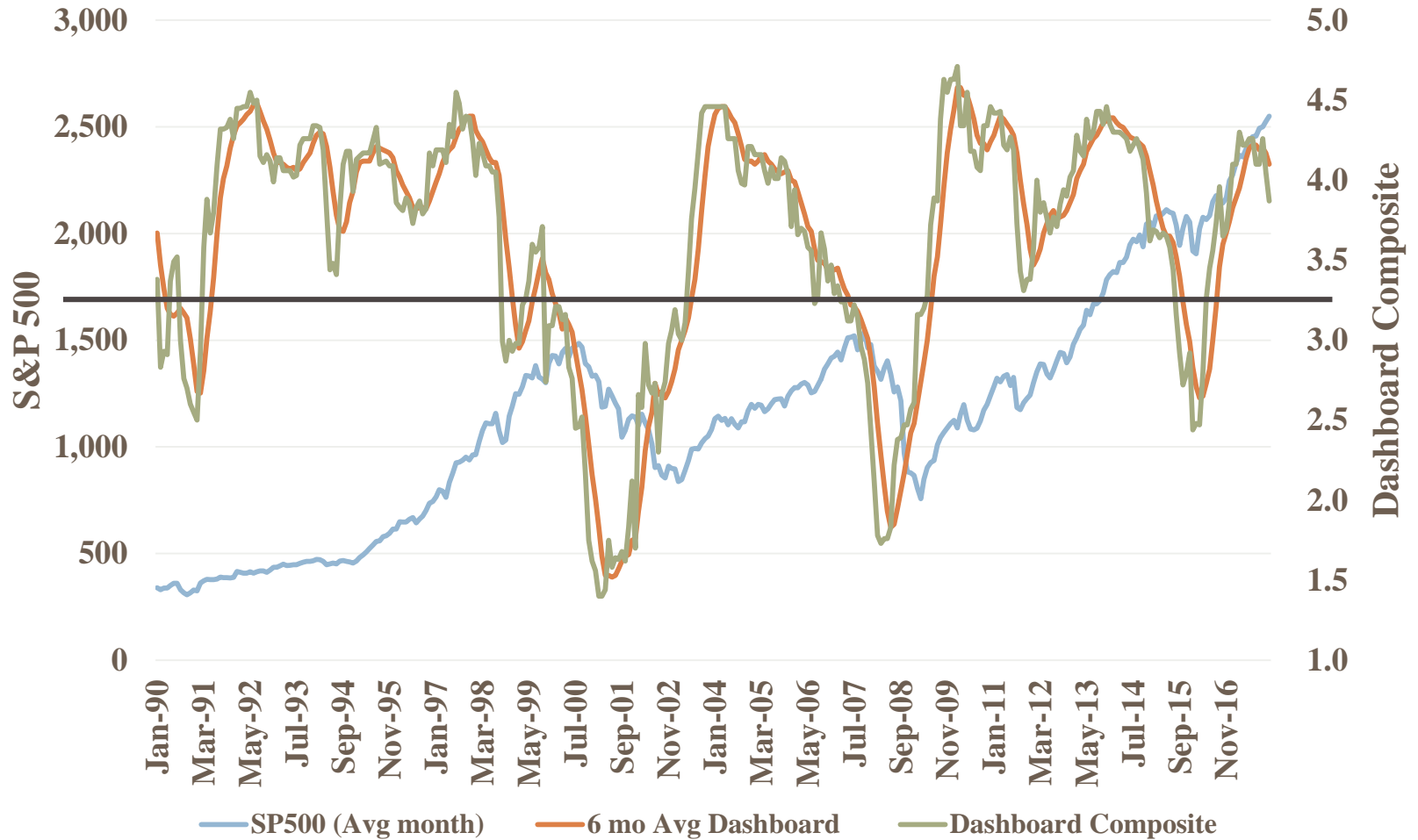
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*Economy:  
Solid Growth During  
3<sup>rd</sup> Quarter*

# Market Dashboard

	1Q 2014	2Q 2014	3Q 2014	4Q 2014		1Q 2015	2Q 2015	3Q 2015	4Q 2015		1Q 2016	2Q 2016	3Q 2016	4Q 2016		1Q 2017	2Q 2017	3Q 2017	4Q 2017
Economy																			
Credit Markets																			
Valuations																			
Market Sentiment																			
Composite																			

# Market Dashboard



# Current Economic Factors

## Positive

Credit Conditions

Housing

Consumer Confidence ↑

Employment ↓

Corporate Sector ↑

## Neutral

Commodity Prices

Interest Rates

U.S. Politics

U.S. Dollar ↑

U.S. Inflation

Global Growth ↑

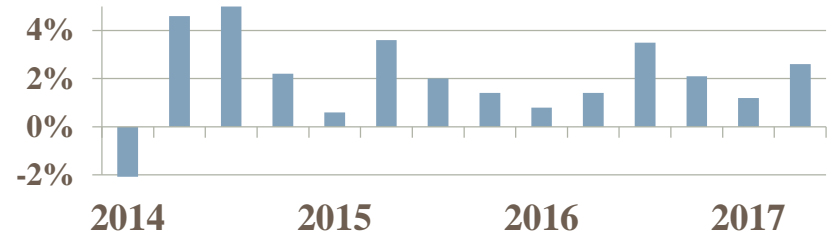
Geopolitics ↓

Eurozone

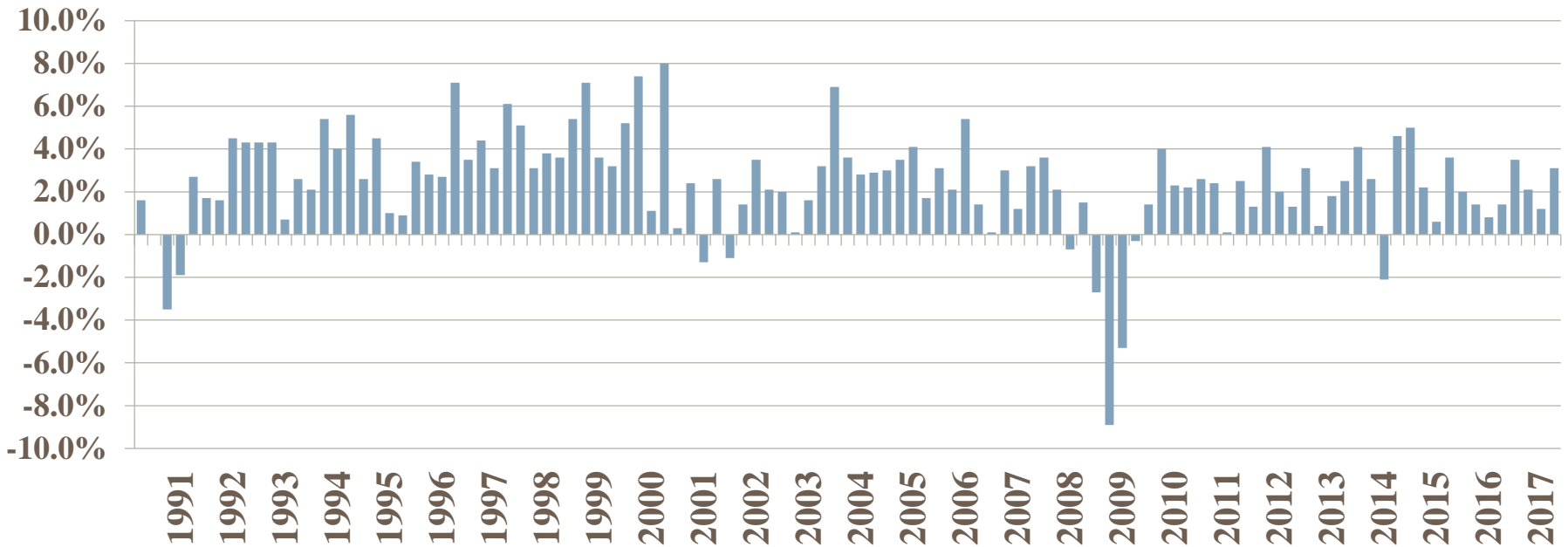
China

## Negative

# GDP Growth Rate Accelerated in Q2



## Real GDP % Annualized Rate

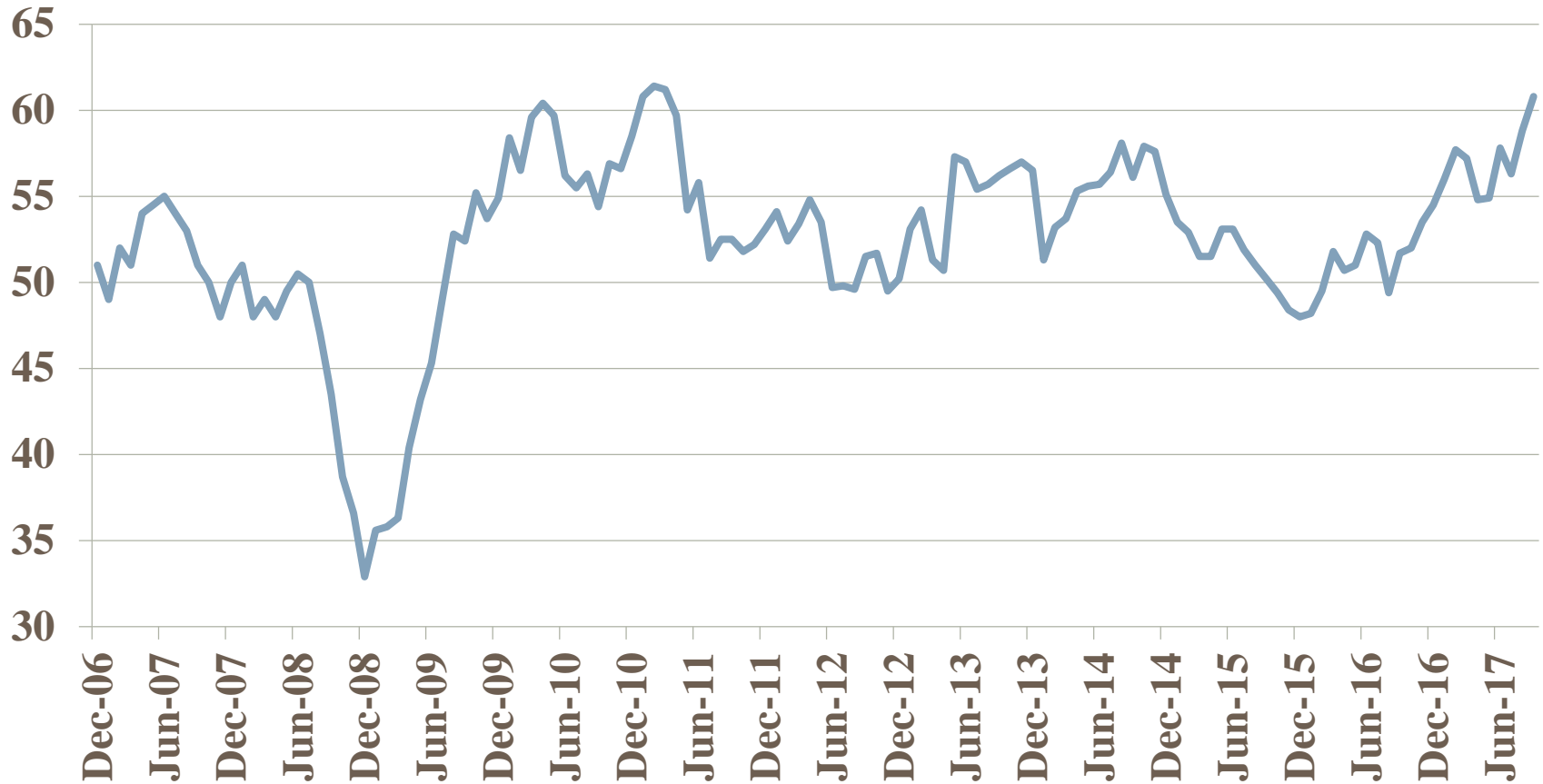


Source: Bureau of Economic Analysis



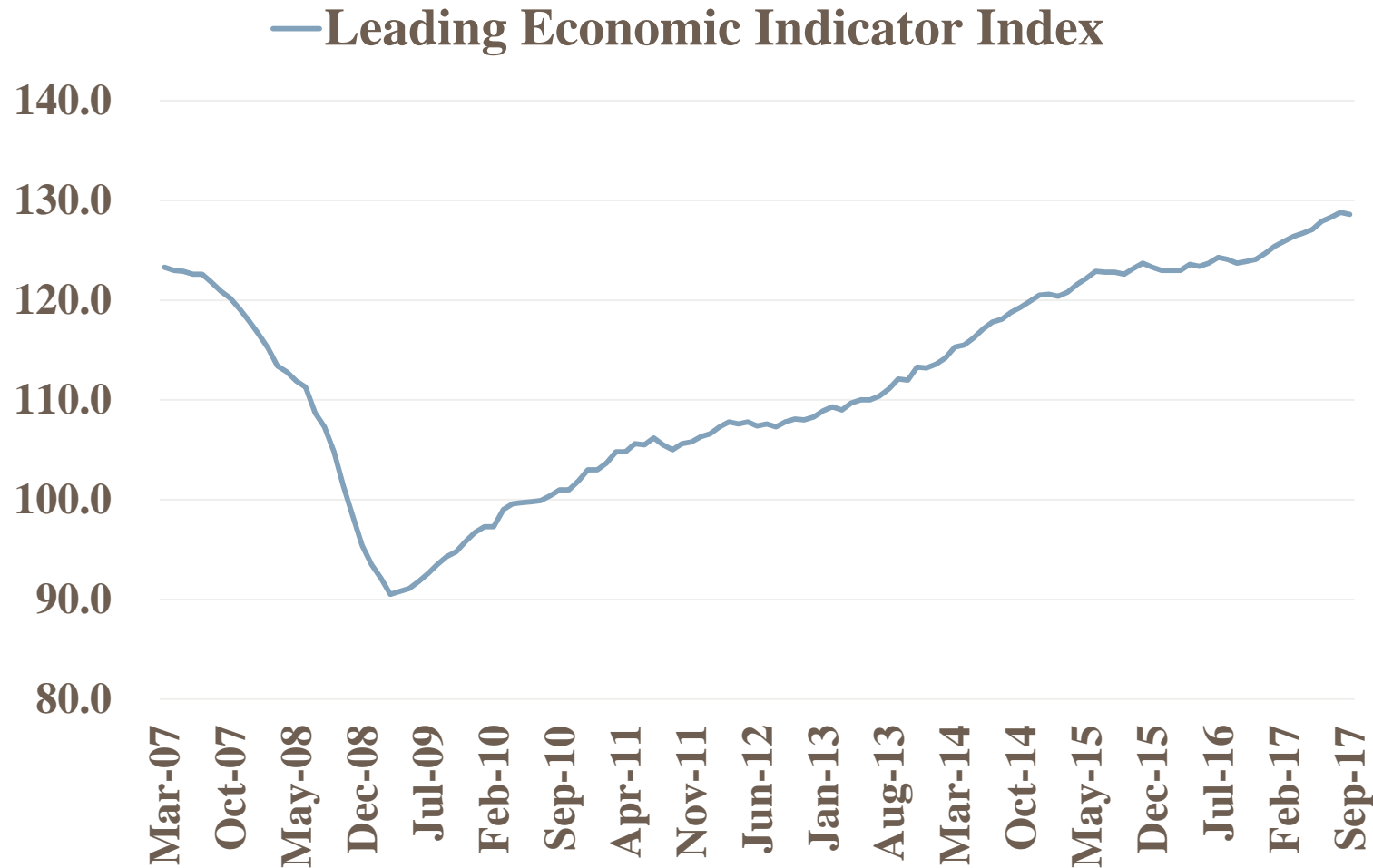
# Manufacturing Activity Continues To Rise

## Purchasing Managers Index (PMI)



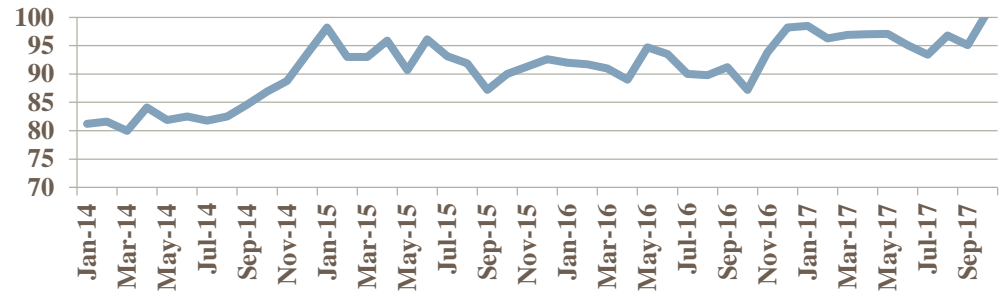
Source: Institute for Supply Management

# Leading Indicators Continue to Trend Higher

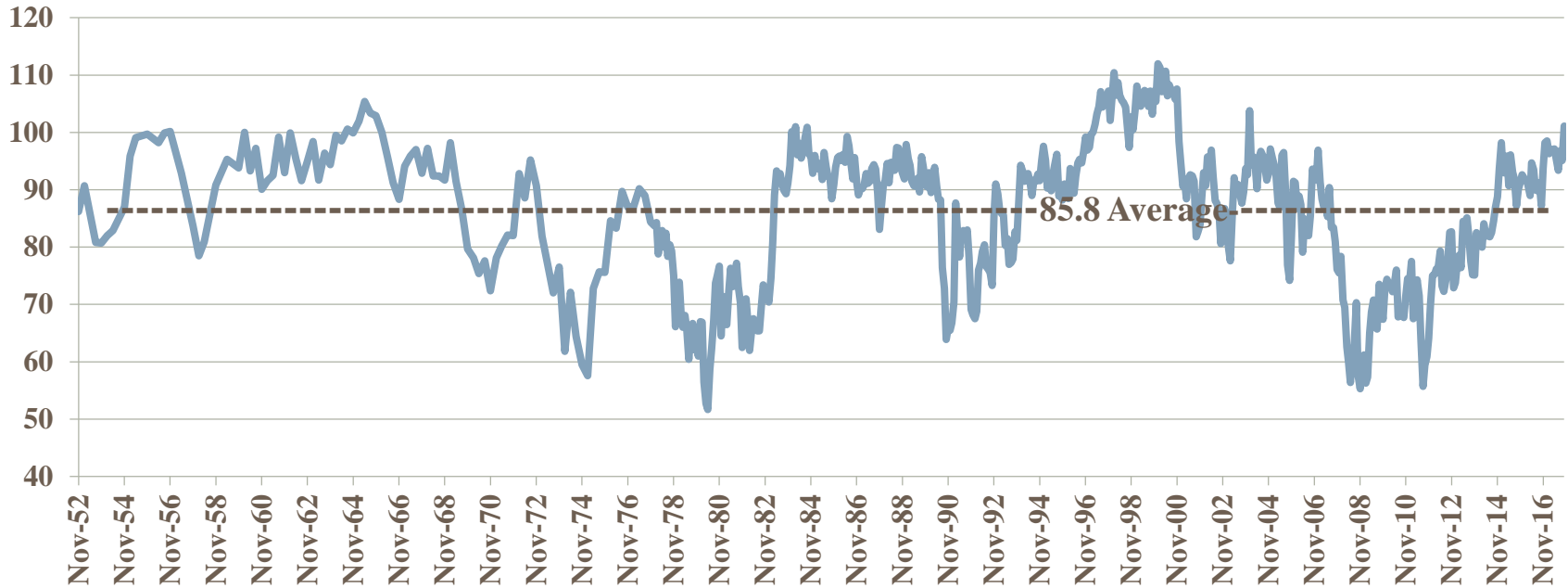


Source: The Conference Board

# Consumer Confidence Remains High



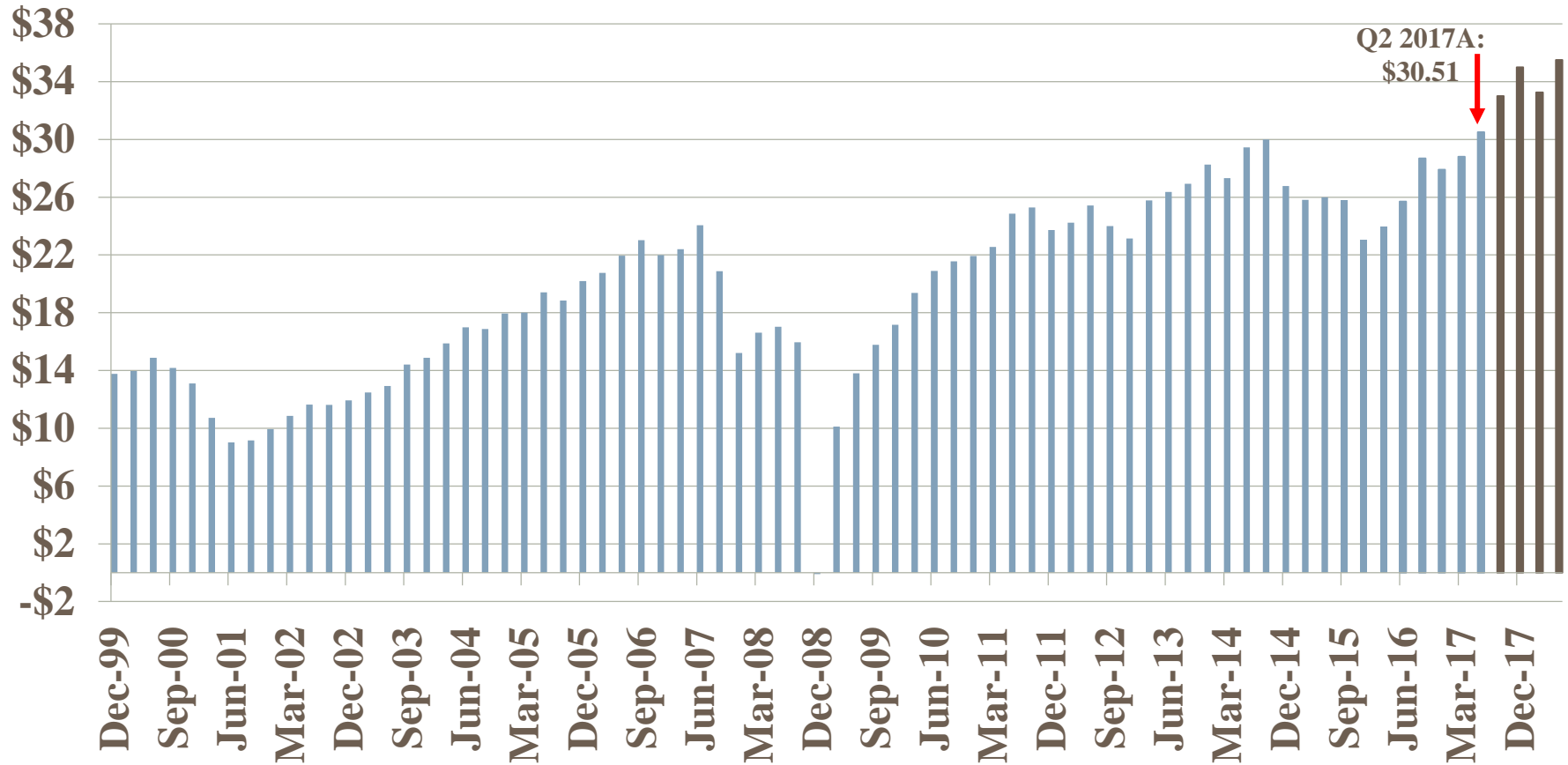
## University of Michigan Consumer Sentiment Index



Source: The University of Michigan

# Earnings Hit New Highs

## S&P 500 Quarterly Operating Earnings

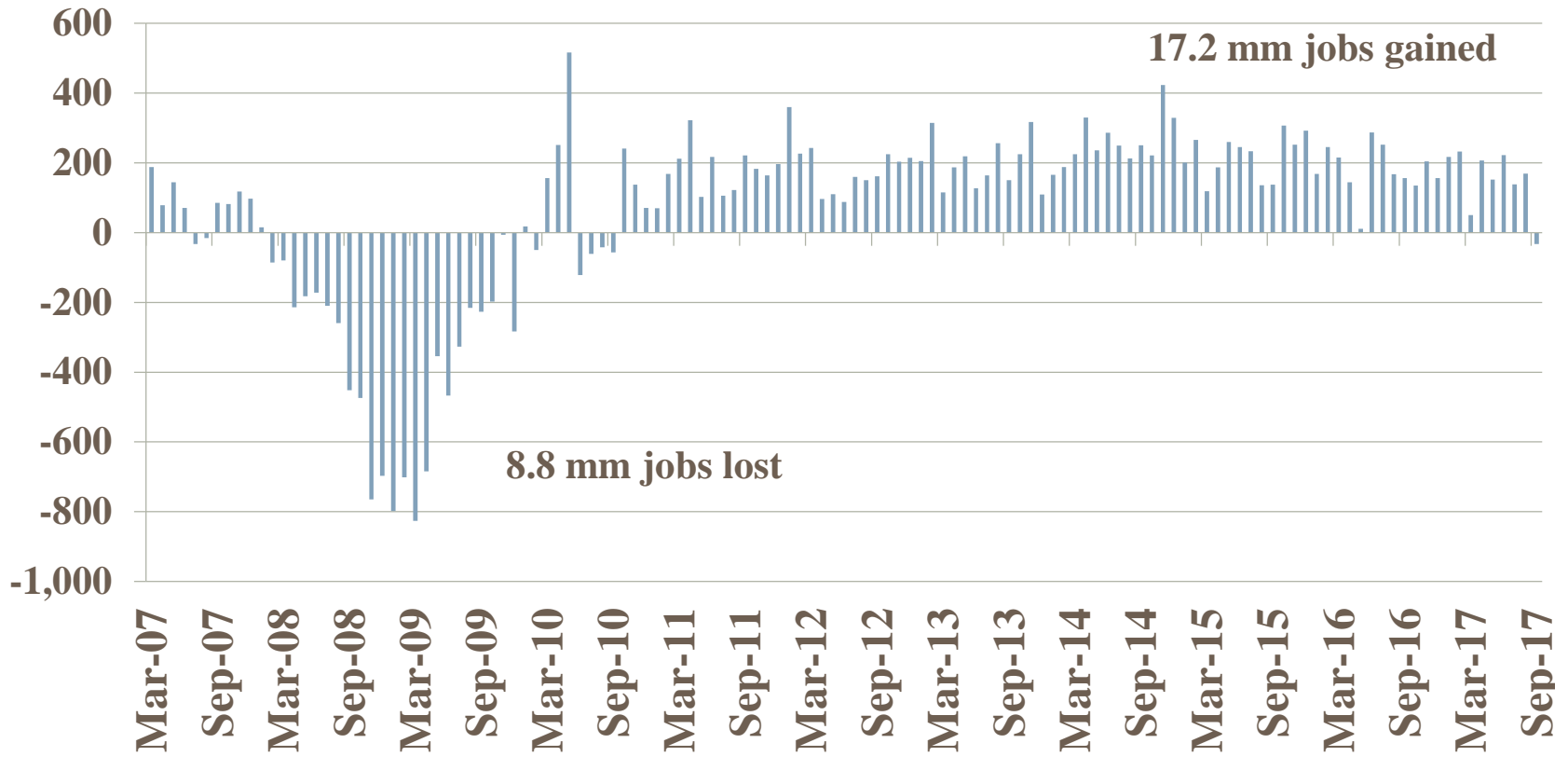


Q2 2017A:  
\$30.51

Source: Standard & Poor's, J.P. Morgan Asset Management

# Q3 Job Data Impacted by Hurricanes

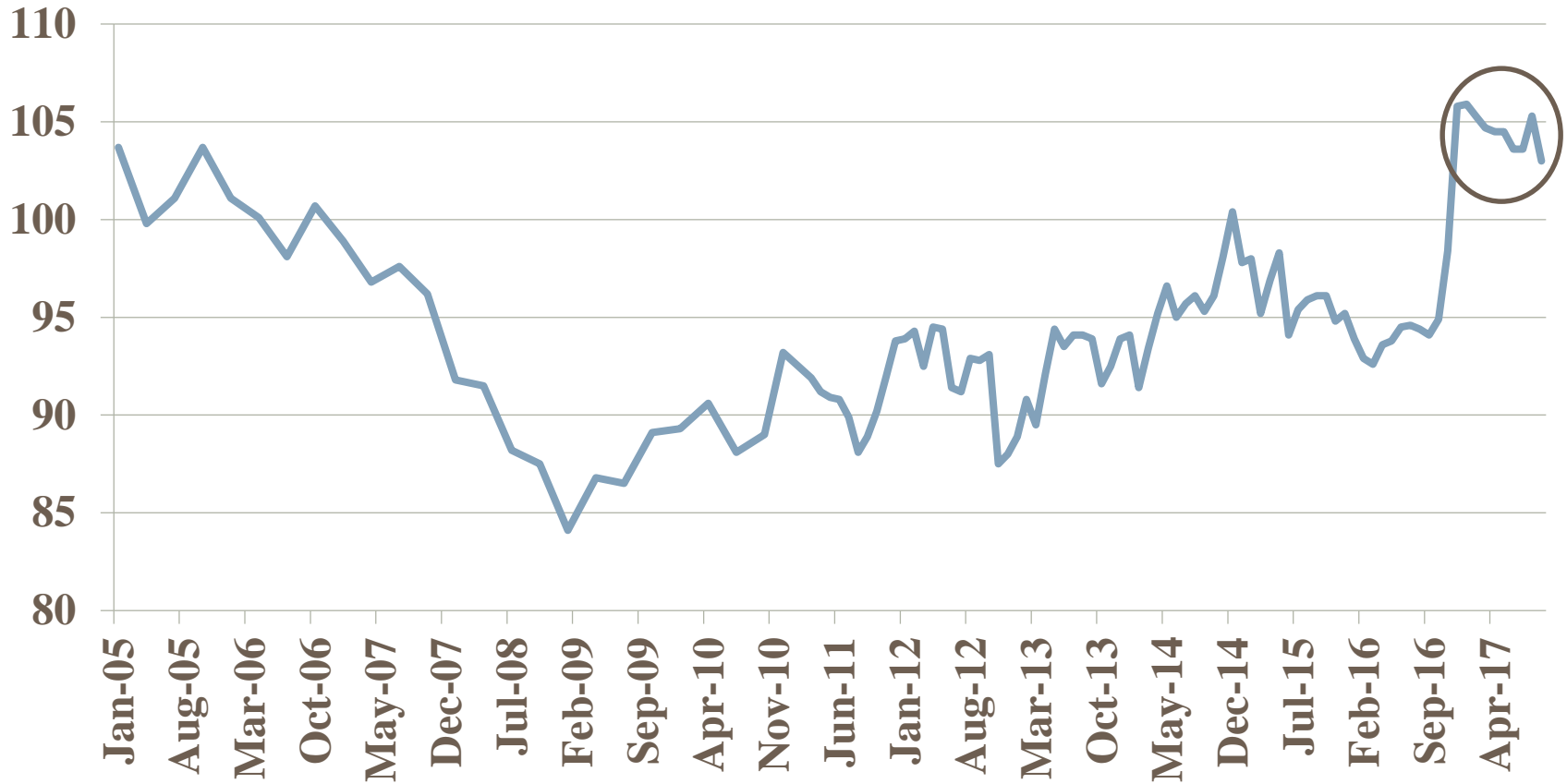
## Monthly Change in Thousands of Jobs



Source: Bureau of Labor Statistics

# Small Business Confidence Moderating

## NFIB Small Business Optimism Index



Source: National Federation of Independent Business

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*Markets:*

*Equity Market Strength  
Continued in 3<sup>rd</sup> Quarter*

# Market Summary

## ■ Equity market performance

	<u>Q3</u>	<u>YTD</u>
– US large cap		
• S&P 500	+4.5%	+14.2%
– US mid cap		
• Russell Midcap	+3.5%	+11.7%
– US small cap		
• Russell 2000	+5.7%	+10.9%
– International equities		
• MSCI ACWI ex US	+6.2%	+21.1%
– International small cap		
• MSCI ACWI ex US SMID	+6.5%	+22.9%
– Emerging markets		
• MSCI Emerging Markets	+7.9%	+27.8%



# Market Summary

## ■ Bonds and other asset class performance

	<u>Q3</u>	<u>YTD</u>
– US fixed income		
• Barclay's Aggregate	+0.9%	+3.1%
– Global fixed income		
• Barclay's Global ex US	+2.5%	+8.2%
– Commodities		
• Bloomberg Commodity TR	+2.5%	-3.7%
– Long short		
• Morningstar Long Short	+2.6%	+7.0%
– REITS		
• MSCI US REIT	+0.6%	+2.5%

# Equity Market Conditions

## ■ Third Quarter

	<u>Value</u>	<u>Blend</u>	<u>Growth</u>
Large	3.1%	4.5%	5.9%
Mid	2.1%	3.5%	5.3%
Small	5.1%	5.7%	6.2%

## ■ Year to Date

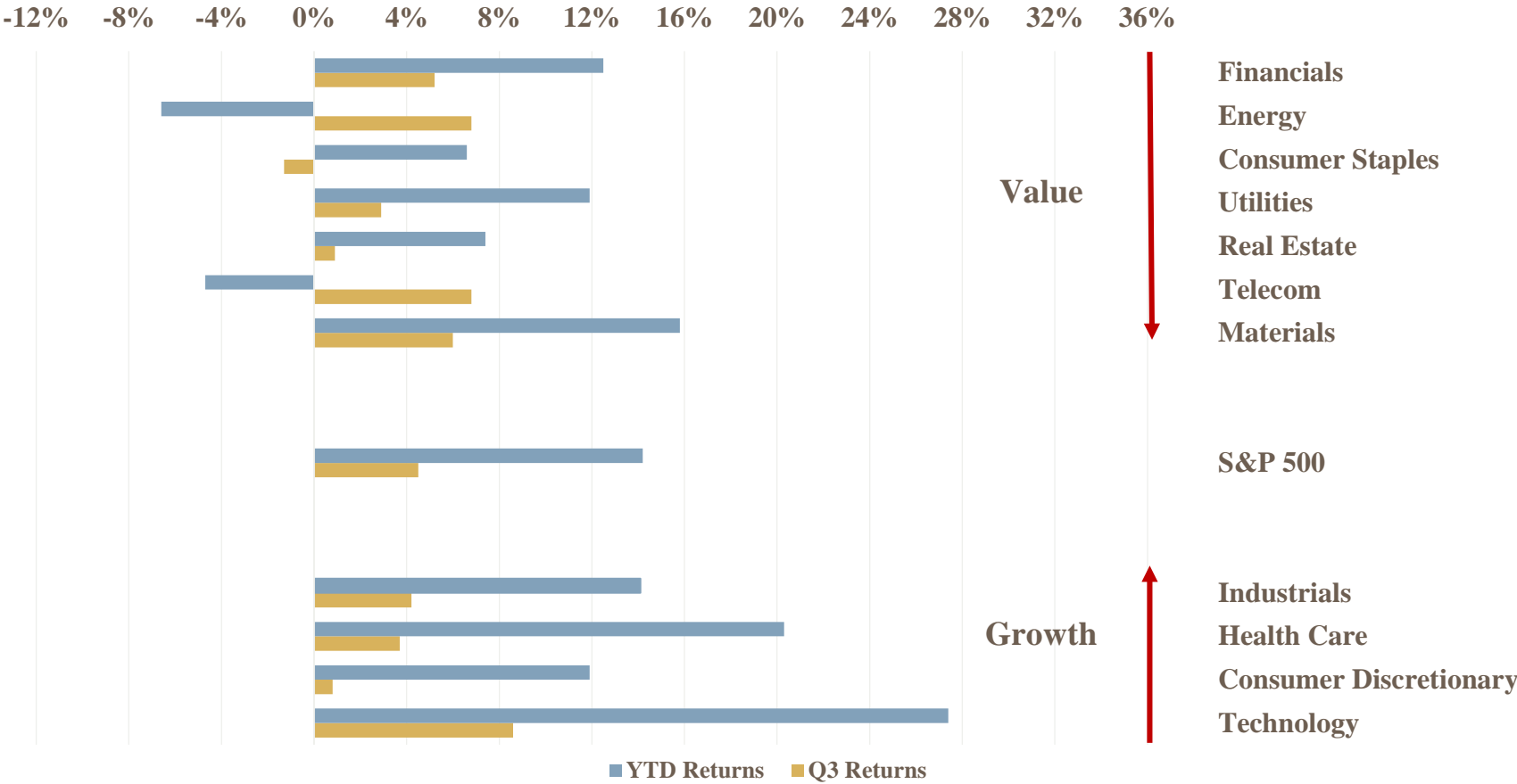
	<u>Value</u>	<u>Blend</u>	<u>Growth</u>
Large	7.9%	14.2%	20.7%
Mid	7.4%	11.7%	17.3%
Small	5.7%	10.9%	16.8%

All calculations are cumulative total return as of 9/30/2017.

Russell style indices utilized for all performance with the exception of large blend, which reflects the S&P 500 Index.

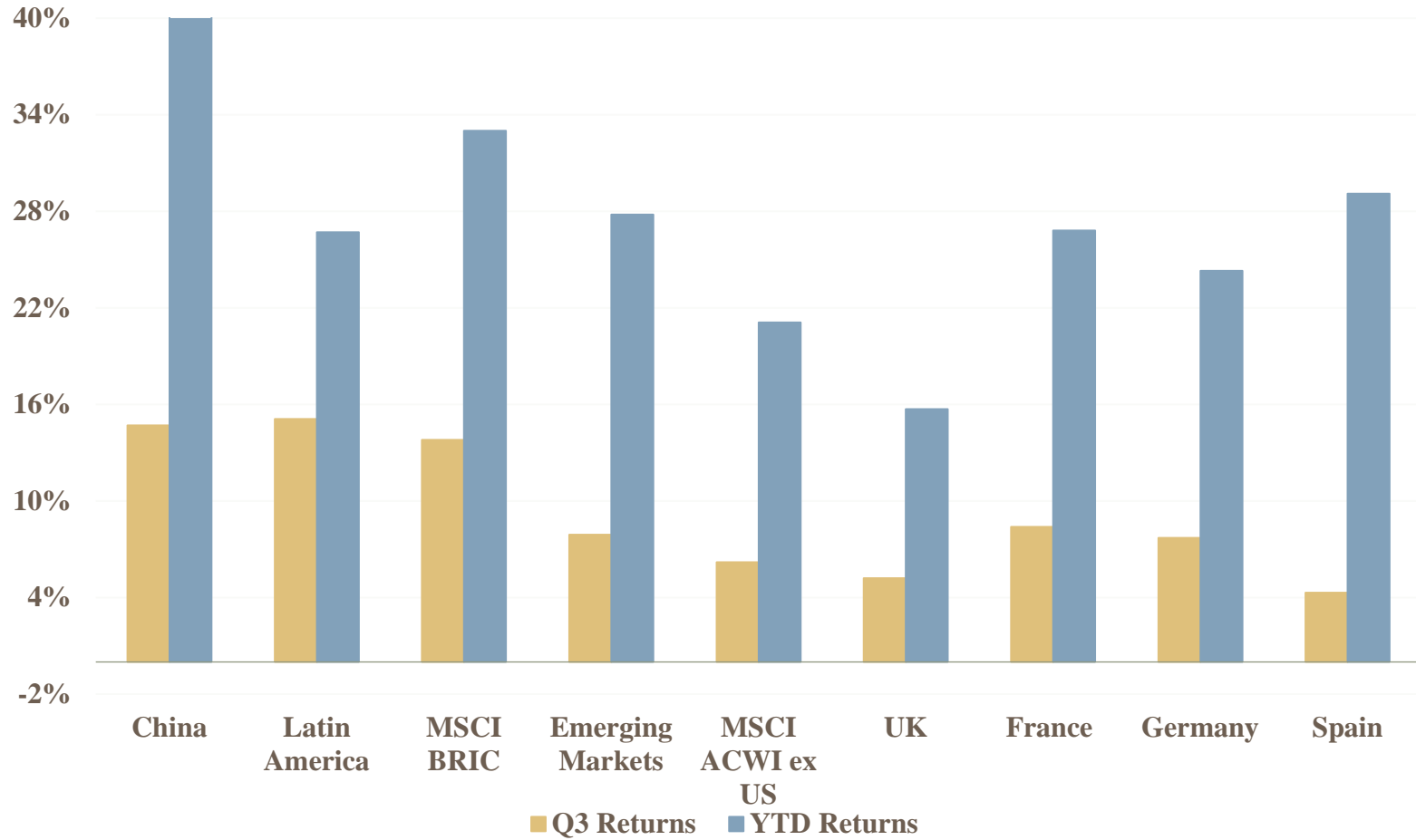
Past performance is no guarantee of future success.

# Growth Continues to Lead the Way



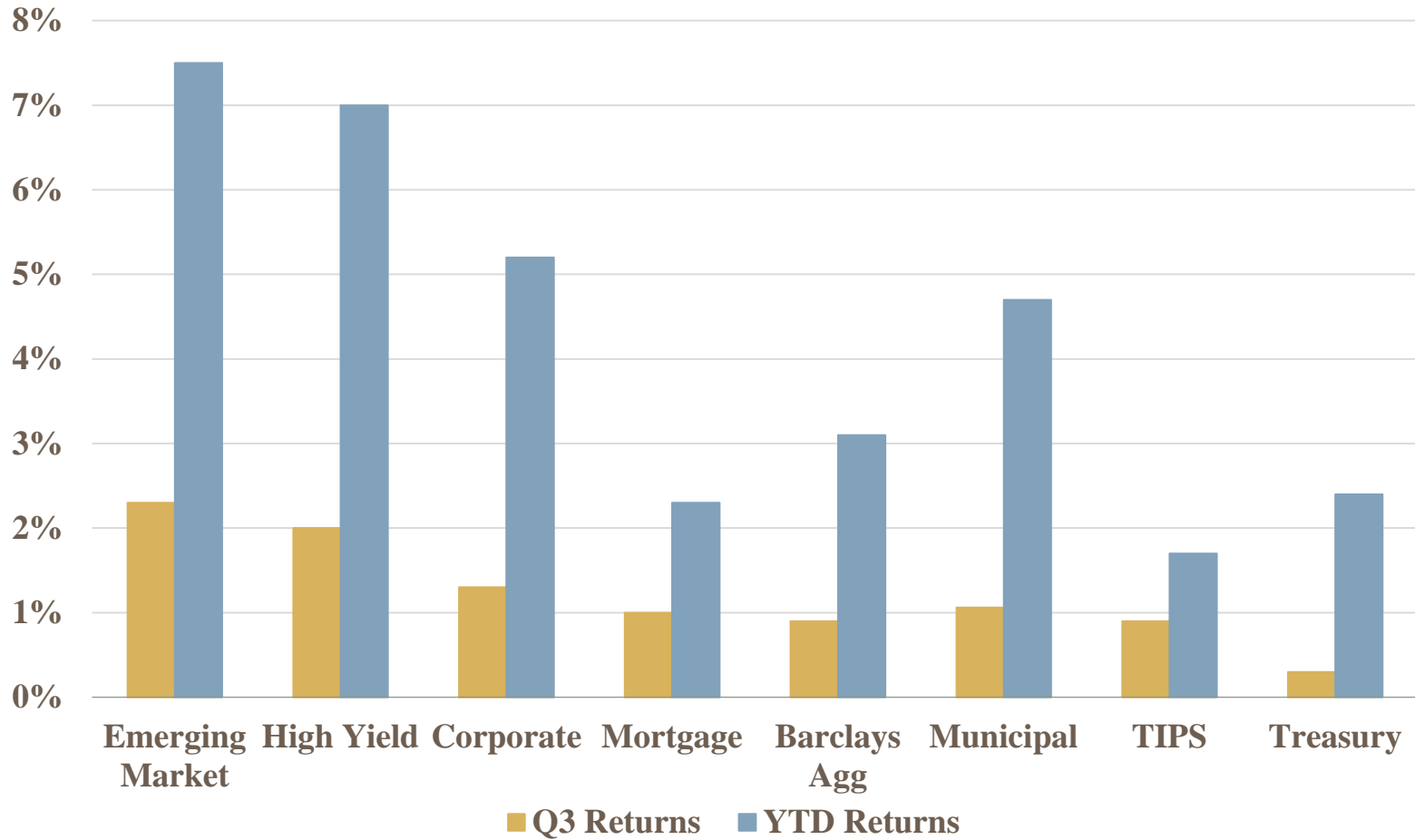
Past performance is no guarantee of future success.

# International Returns Continue to Lead in 2017



Past performance is no guarantee of future success.  
Returns in US dollars.

# Muted Bond Returns in Q3



Past performance is no guarantee of future success.  
Returns in US dollars.

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# *SilverOak's Outlook*

# SilverOak's Outlook

## ■ U.S. Economy

- Growth continues at expansion trend
  - Most economic indicators point to continued solid growth
  - Longer-term 3% GDP growth not likely, despite Q2 GDP report
- Corporate earnings rebound continues
  - Strong earnings reported in 2<sup>nd</sup> quarter
  - Expected growth over next 4 quarters remains high
- Federal Reserve unwinding Quantitative Easing

## ■ International Economy

- Synchronized global expansion with low inflation
- Global monetary policy becoming less accommodative
- Improving earnings from international companies

# SilverOak's Outlook

## ■ Equity Market Outlook

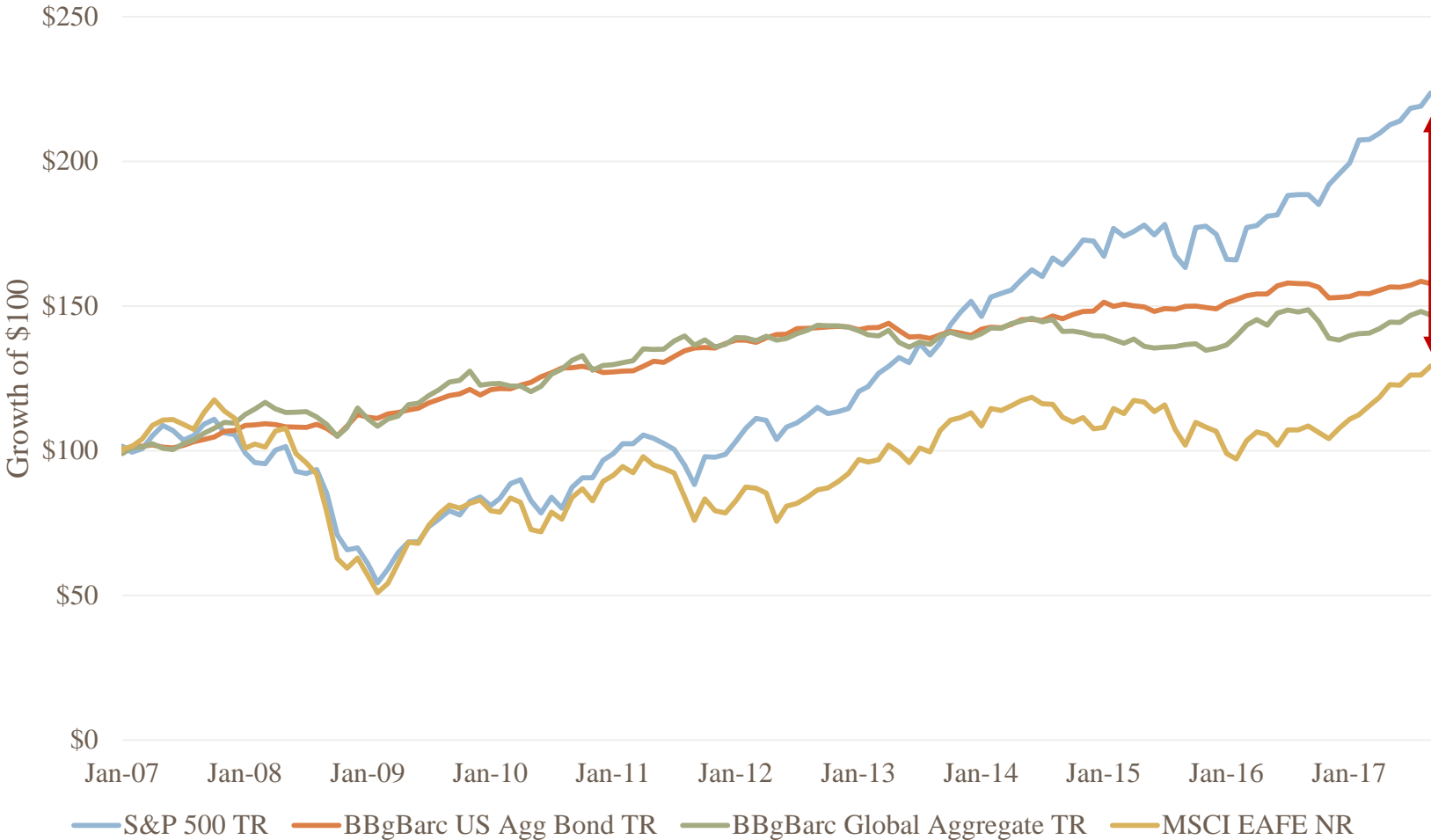
- Further U.S. market upside could be dependent on meeting high earnings expectations and lowering corporate tax rate
- Improving corporate earnings from international companies likely to continue to fuel strong international returns
- Low volatility likely to rise and could be driven by a geopolitical wild card event or the Fed tightening too aggressively in 2018

## ■ Positioning

- Maintain diversified mix across equity sectors
- International equities offer compelling valuations and improving fundamentals
- “Real assets” may offer protection against an upside inflation surprise



# SilverOak's Outlook



Past performance is no guarantee of future success.  
 Source: Morningstar; Returns in US dollars.

# SilverOak's Outlook

## ■ Fixed Income Outlook

- The Fed likely to raise rates in December and in 2018 and stay on course to unwind QE
- Bond yields likely to remain in a trading range
- Volatility likely to continue as fixed income markets react to economy and wide range of policy outcomes

## ■ Positioning

- Bonds should provide protection when stock volatility increases
- Maintain diversified mix of bonds
- Stay away from lower quality bonds as the yield pick-up does not offset the much higher risk
- Municipals still offer attractive taxable equivalent yields

# *Cyber Security*

# Identity Theft Prevention

- **Why is it important?**
  - Data breaches are becoming more common!
  - Fraud is becoming more prevalent
    - Email hacks
    - WIFI hacks
  - Exposes you to negative financial ramifications
  - Could tarnish your reputation
  - May be costly to fix
  - Time consuming
  - Stressful

# Identity Theft Prevention

## ■ Prevention Best Practices

- Review your credit reports annually  
[www.annualcreditreport.com](http://www.annualcreditreport.com) or 1-877-322-8228
- Consider signing up for credit monitoring with Equifax or with one of the other two credit reporting agencies
- Strongly consider “freezing” your credit with all three credit reporting agencies (Equifax, Experian, TransUnion)  
[https://www.freeze.equifax.com/Freeze/jsp/SFF\\_PersonalIDInfo.jsp](https://www.freeze.equifax.com/Freeze/jsp/SFF_PersonalIDInfo.jsp)  
<https://www.experian.com/freeze/center.html>  
<https://freeze.transunion.com/sf/securityFreeze/landingPage.jsp>
- Opt out of pre-approved credit cards, junk mail, online marketing and telemarketing  
[www.dmachoice.org](http://www.dmachoice.org) or 1-212-768-7277  
[www.donotcall.gov](http://www.donotcall.gov) or 1-888-382-1222

# Identity Theft Prevention

## ■ Prevention Best Practices

- Safeguard your information
  - Shred documents that contain personal information
  - NEVER give out personal information unless you initiated contact
  - IRS only corresponds via US mail
    - They do not leave voicemail
  - Use anti-virus anti-spyware and a firewall on your computer
  - Keep all software up to date
    - Computer, mobile devices
  - Thoroughly wipe all computers and devices before trading them in or recycling them
  - Consider using a “vault” for passwords and other important information
    - Mobile apps
    - Desktop/laptop

# Identity Theft Prevention

- **Prevention Best Practices (continued)**
  - Safeguard your email and login information
    - Do not open SPAM!
      - Most contain malicious attachments or dangerous links
      - Do not open attachments or click on the links!
    - Keep your email information more private
    - Consider using a “secret” email for financial accounts
      - Do not use any identifying information – name, age, etc.
    - When establishing an email, select the most secure password reset option
      - Most common way hackers start process
    - When possible, utilize two-step verification process
    - Consider making up answers to security questions
    - Passwords should be at least 12-15 characters with at least one lower case letter, one upper case letter, one number and one symbol
      - Do not use information that can be found online!
    - Consider using mnemonic passwords
      - Start with a phrase and use first letter of each word
      - Add or swap out letters with symbols, upper case letters and numbers

# Identity Theft Prevention

- **Prevention Best Practices (continued)**
  - Safeguard your WIFI or wireless use
    - Whenever possible, use a wired connection
    - KRACK (Key Reinstallation AttaCK) that attacks Wi-Fi WPA security protocol
      - Hacker can intercept traffic between mobile device and router
    - Keep current with all software updates for mobile devices
    - Update router and access points with patch solution when available
    - Remember to update software of all other connected devices
      - Printers, security cameras, etc.
    - Consider using cellular data if concerned
    - Whenever possible, use HTTPS encrypted access
    - Be very careful when using public WIFI



# Identity Theft Prevention

- **How to tell if you have become a victim?**
  - Data breach at a company that you have an account
  - Unexplained withdrawals from your bank account
  - Credit card purchases are not yours
  - Bills or other mail you are expecting do not arrive
  - Debt collectors contact you about debts that are not yours
  - Unfamiliar accounts appear on your credit report
  - You receive medical bills for services you did not receive
  - You receive notification from the IRS that
    - More than one tax return was filed in your name
    - You have income from a source that you do not recognize

# Identity Theft Prevention

- **What to do if you are a victim?**
  - Immediately place a fraud alert and request your credit reports
    - Contact all three credit reporting agencies
      - Equifax 1-800-525-6285
      - Experian 1-888-397-3742
      - Trans Union 1-800-680-7289
    - Contact your state Attorney General's office
      - [www.naag.org](http://www.naag.org)
  - Create an identity theft report
    - Contact the Federal Trade Commission (FTC)
      - [www.ftccomplaintassistant.gov](http://www.ftccomplaintassistant.gov) or 1-877-438-4338
    - File a police report at the local police department where theft occurred
  - Create an identity theft file for your records
    - Save or print your FTC Identity Theft Affidavit
  - Review your homeowner's insurance policy for identity theft coverage

# Identity Theft Prevention

## ■ Next Steps

- Dispute any fraudulent purchases with the financial institution
- Have new credit cards reissued
- Report stolen checks and request bank to stop payment
- Contact your advisor or broker if suspicious activity occurs in your investment accounts
- Dispute errors on your credit report and request that the fraudulent information is blocked
- Report income tax fraud to the IRS
  - Contact the IRS Identity Protection Specialization Unit at [1-800-908-4490](tel:1-800-908-4490) or [www.irs.gov/identitytheft](http://www.irs.gov/identitytheft)
  - File a ID Theft Affidavit Form 14039 with the IRS
- Keep good records

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*SilverOak Updates  
And Other Reminders*

# SilverOak Updates

## ■ Personnel

- Emily (Operations Manager) will be returning from maternity leave in mid-November
- Investment Operations Analyst role added

## ■ IQSS<sup>tm</sup> (Investment Quality Scoring System<sup>tm</sup>)

- Global asset allocation optimization project almost complete
- Recently added a “Real asset” investment
- Completing review of all of the IQSS<sup>tm</sup> passive investments

# Other Reminders

- **Year-end planning**
  - Keep good tax records for 2017
  - Ensure that you complete a year-end tax projection
  - Take RMDs for the year (required minimum distributions)
  - Review beneficiary designations
  - Review personal property and casualty insurance coverage
  - Ensure proper riders in place for jewelry, electronics, etc.
  - Watch for year-end capital gains distributions
  - Consider tax loss harvesting
  - For gifting, current annual gift tax exclusion is \$14,000
  - Consider using low-basis stock for charitable donations

# Other Reminders

- **2018 Social Security COLA increase of 2%**
- **2018 401(k) contribution limits increased**
  - \$18,500 under 50
  - \$24,500 50 and over catchup
- **2018 HSA contribution limits increased**
  - \$6,900 family
  - \$3,450 single
- **2018 IRA and Roth IRA contribution limits unchanged**
  - \$5,500 under 50
  - \$6,500 50 and over catchup

*Questions?*



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## *End of Quarterly Webinar*

Please contact your SilverOak Advisor  
to discuss any questions and/or concerns.

If you are not currently working with SilverOak, feel free  
to contact us at 952-896-5701 to learn more about our services.

[www.silveroakwealth.com](http://www.silveroakwealth.com)