



SilverOak

WEALTH MANAGEMENT LLC

Quarterly Webinar
January 24, 2019

Presented by:
Shannon King and
Jonathan Scharlau



SilverOak
WEALTH MANAGEMENT LLC

Introduction

- Shannon King, CPA, CFP[®], PFS, CIMA[®], CPWA[®], MBT
President, Partner and Chief Compliance Officer
- Jonathan Scharlau, CFA, CFP[®]
Partner and Lead Analyst

Agenda

- Economic data
- Market data
- SilverOak's outlook
- SilverOak updates and “New Year” planning tips
- Questions

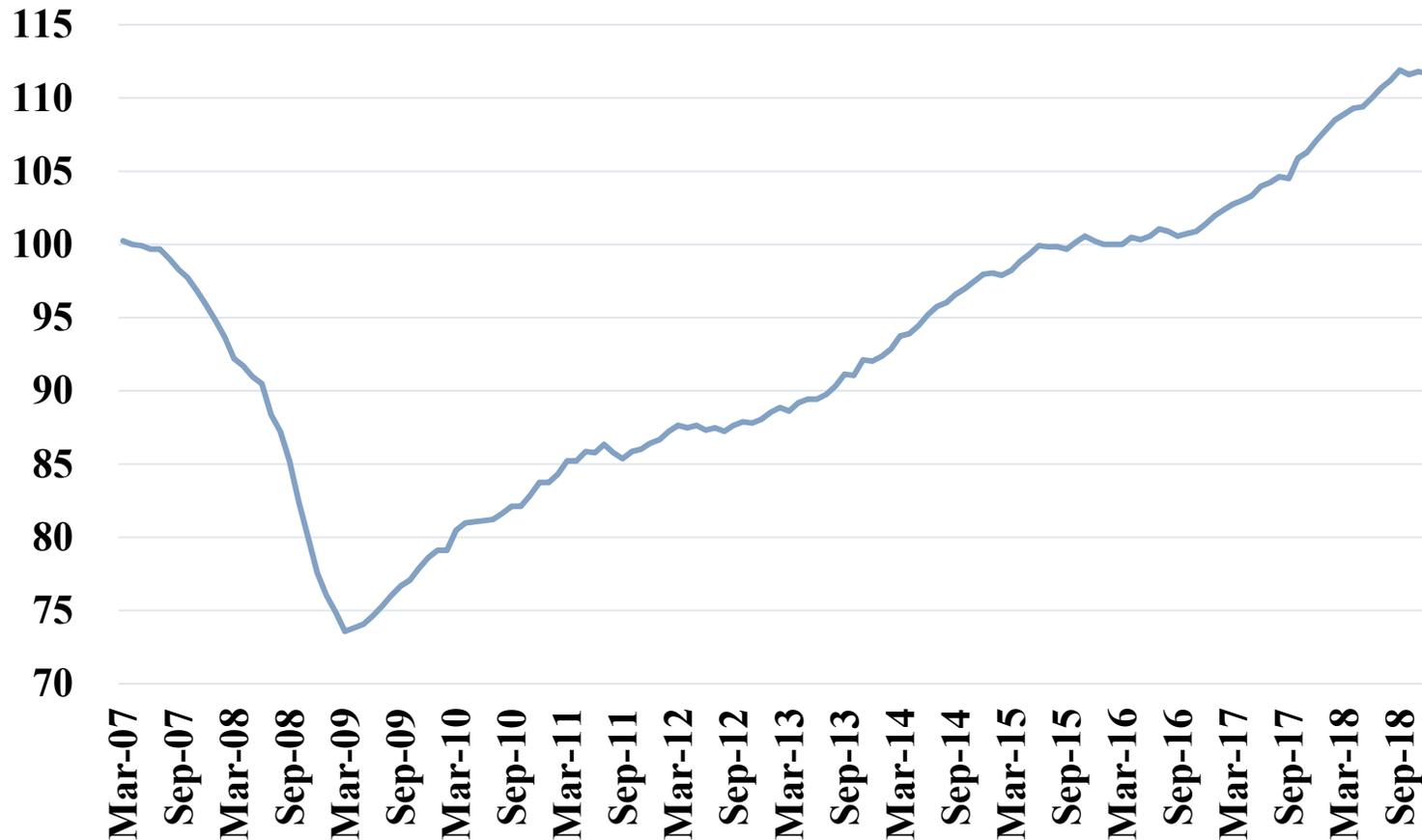


*Economy:
Continued Growth
During 4th Quarter But
Slowing Growth in 2019*



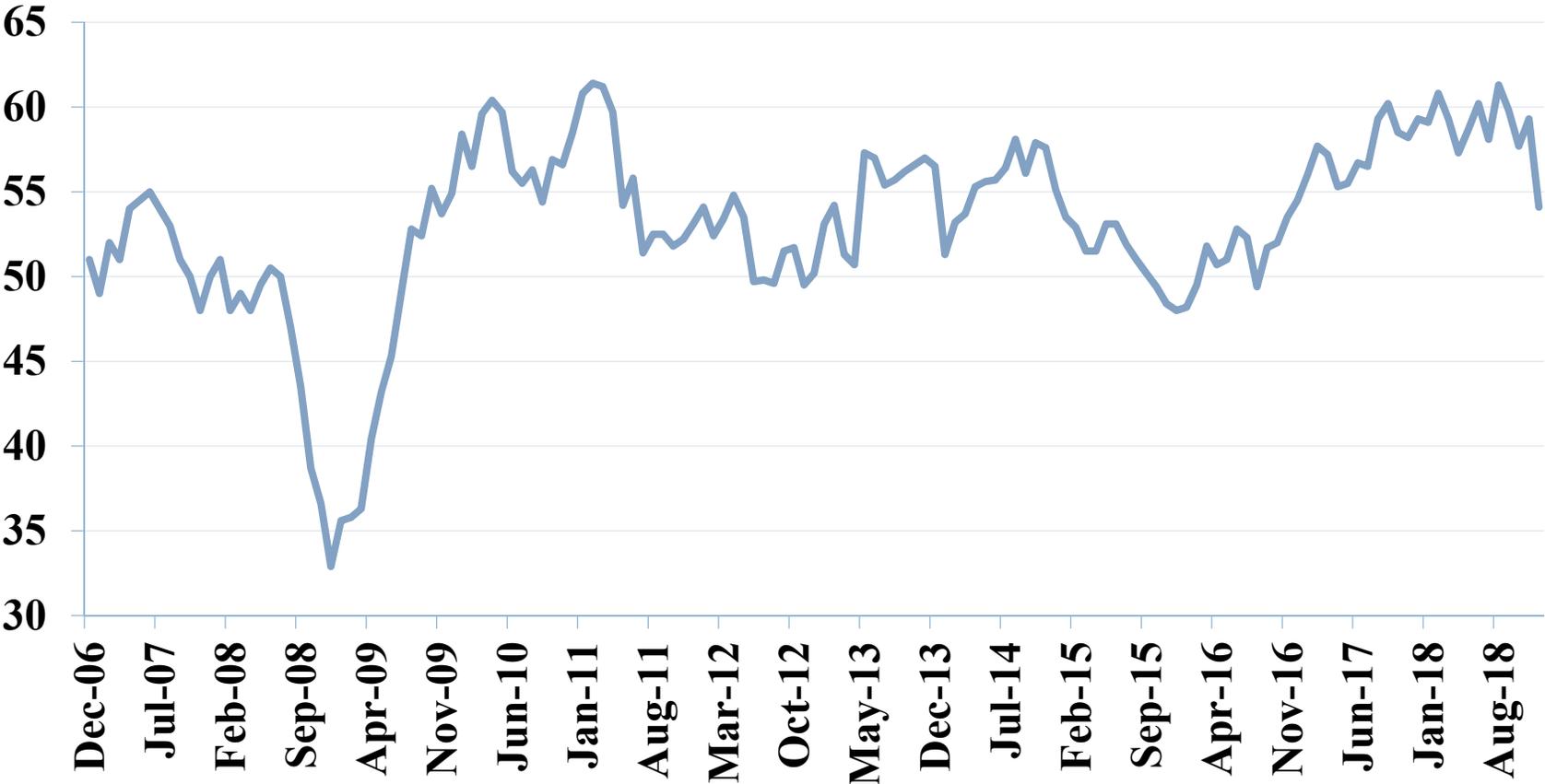
Leading Indicators Strong but Moderating

—Leading Economic Indicator Index

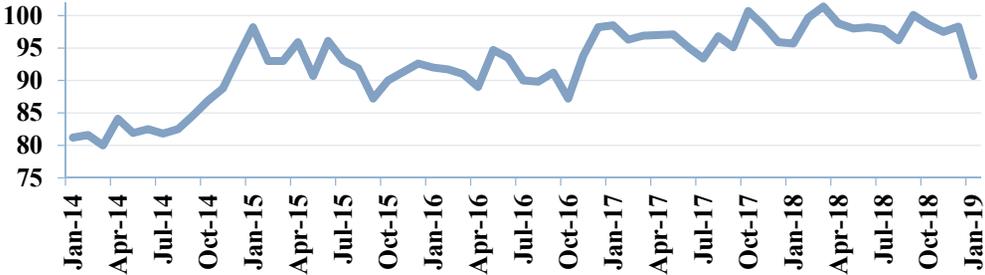


Manufacturing Growth Slowing

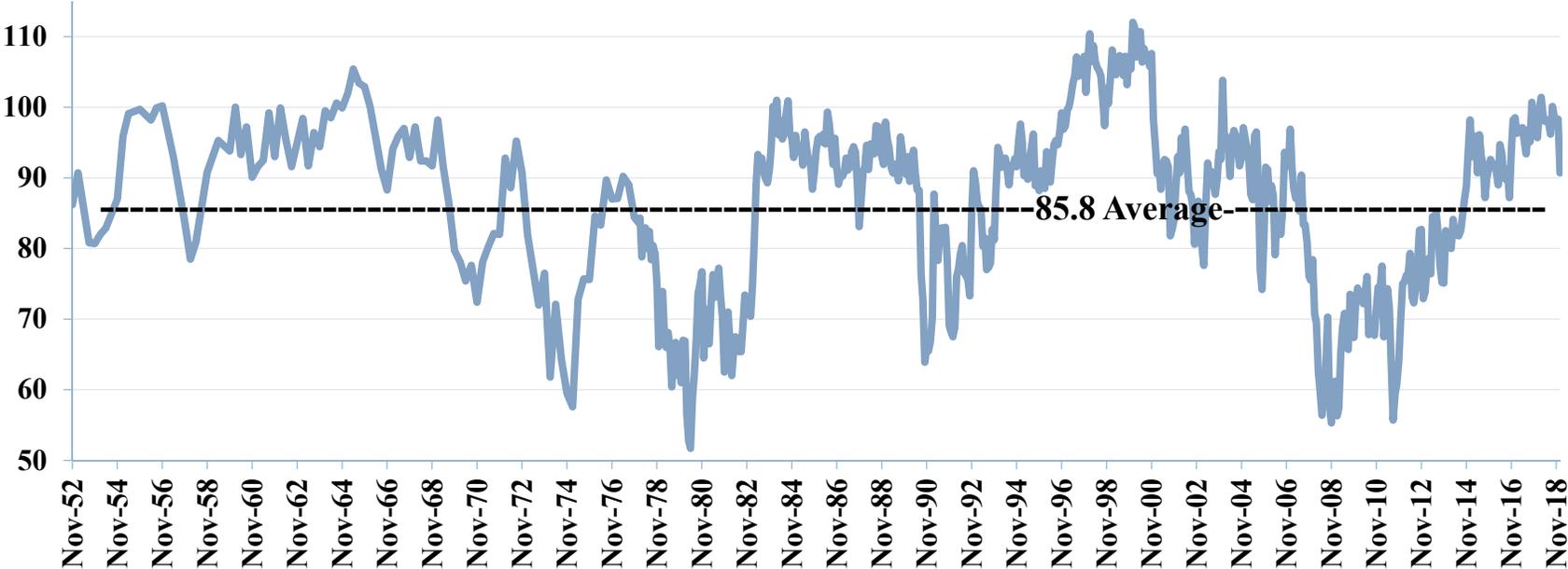
Purchasing Managers Index (PMI)



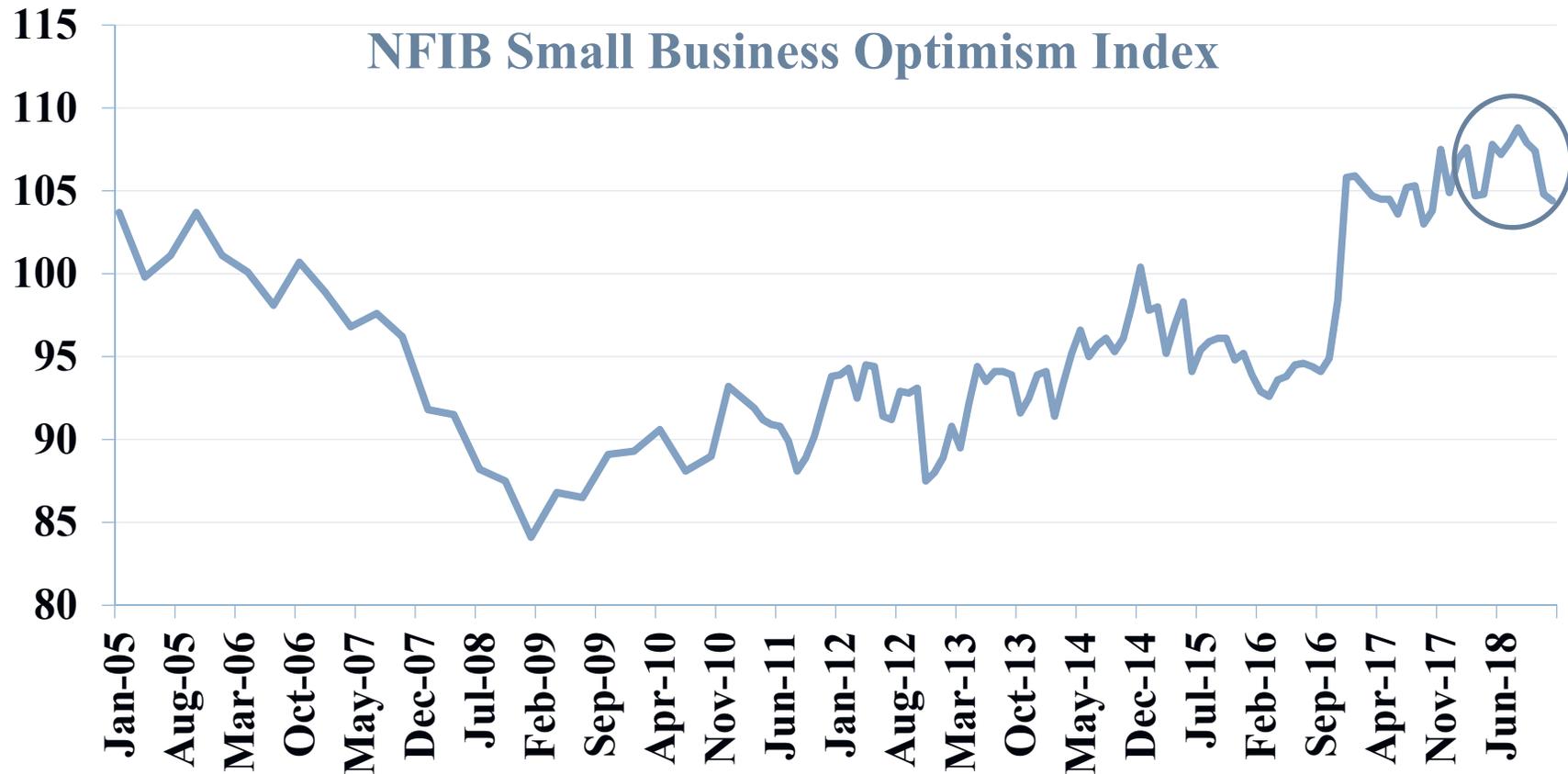
Consumer Sentiment Moderating



University of Michigan Consumer Sentiment Index



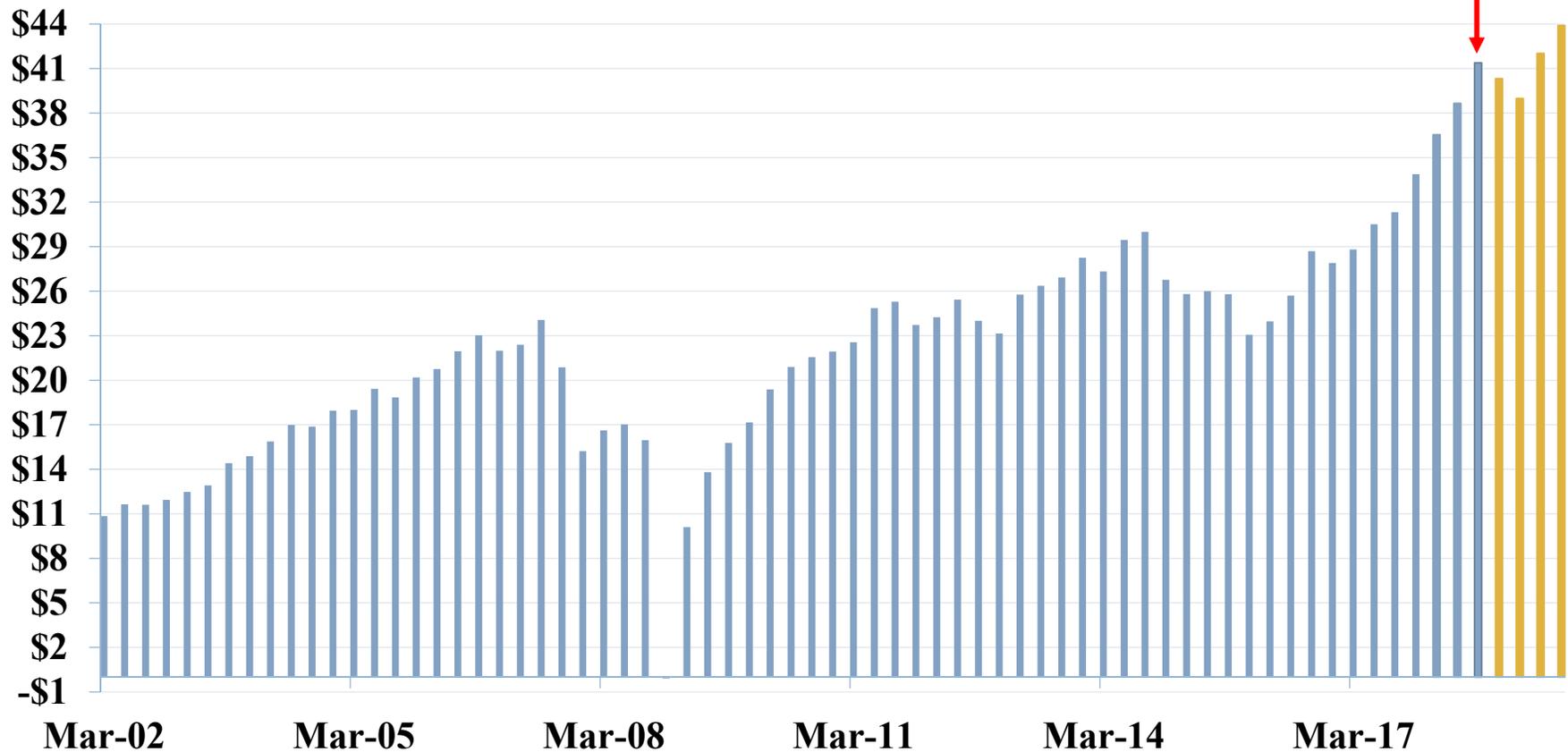
Small Business Confidence Moderating



Earnings Growth Set to Moderate in 2019

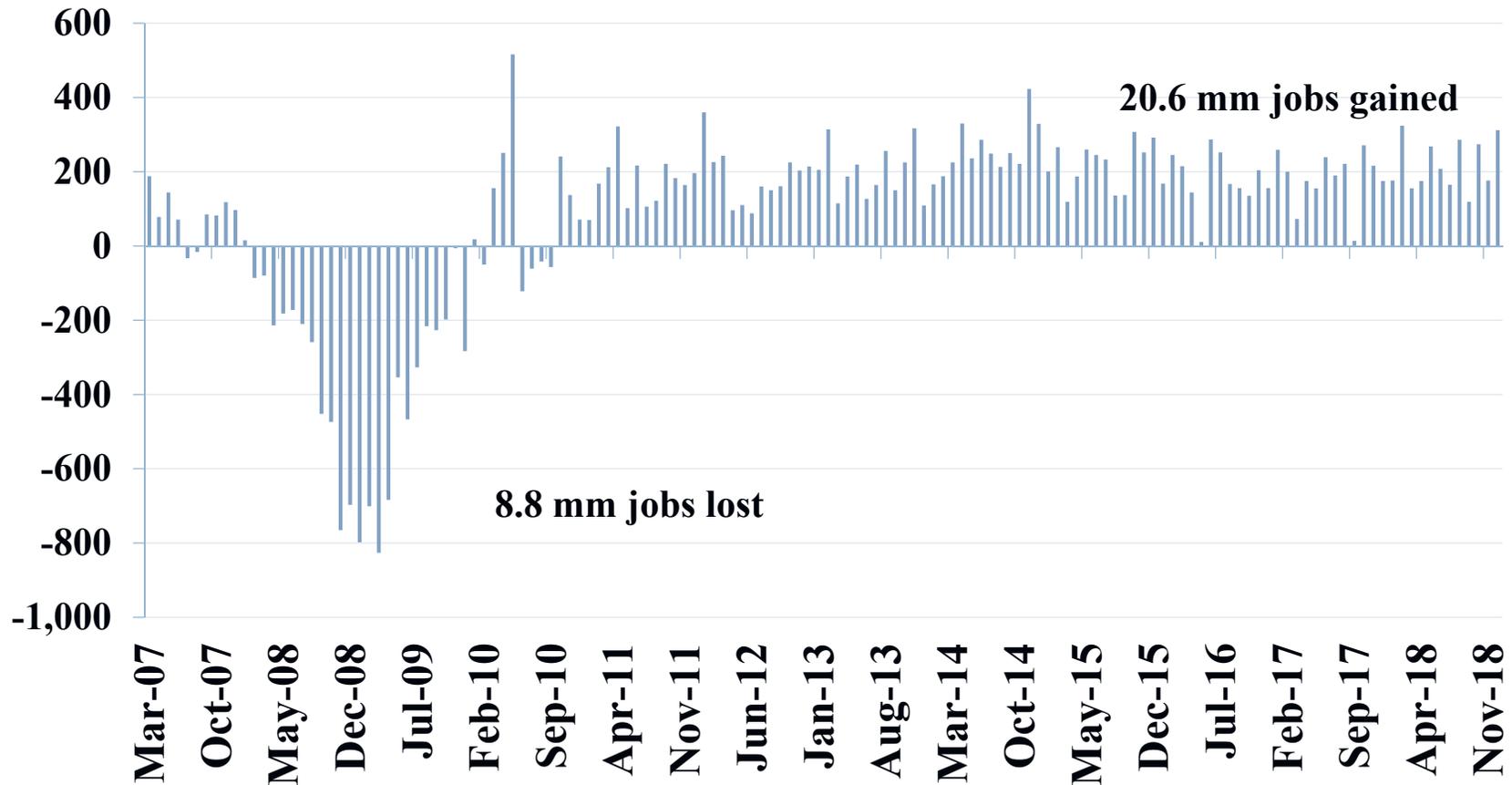
S&P 500 Quarterly Operating Earnings

Q3 2018A:
\$41.38

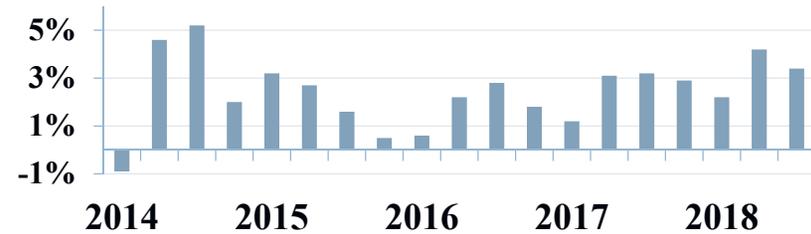


Continued Strong Job Growth

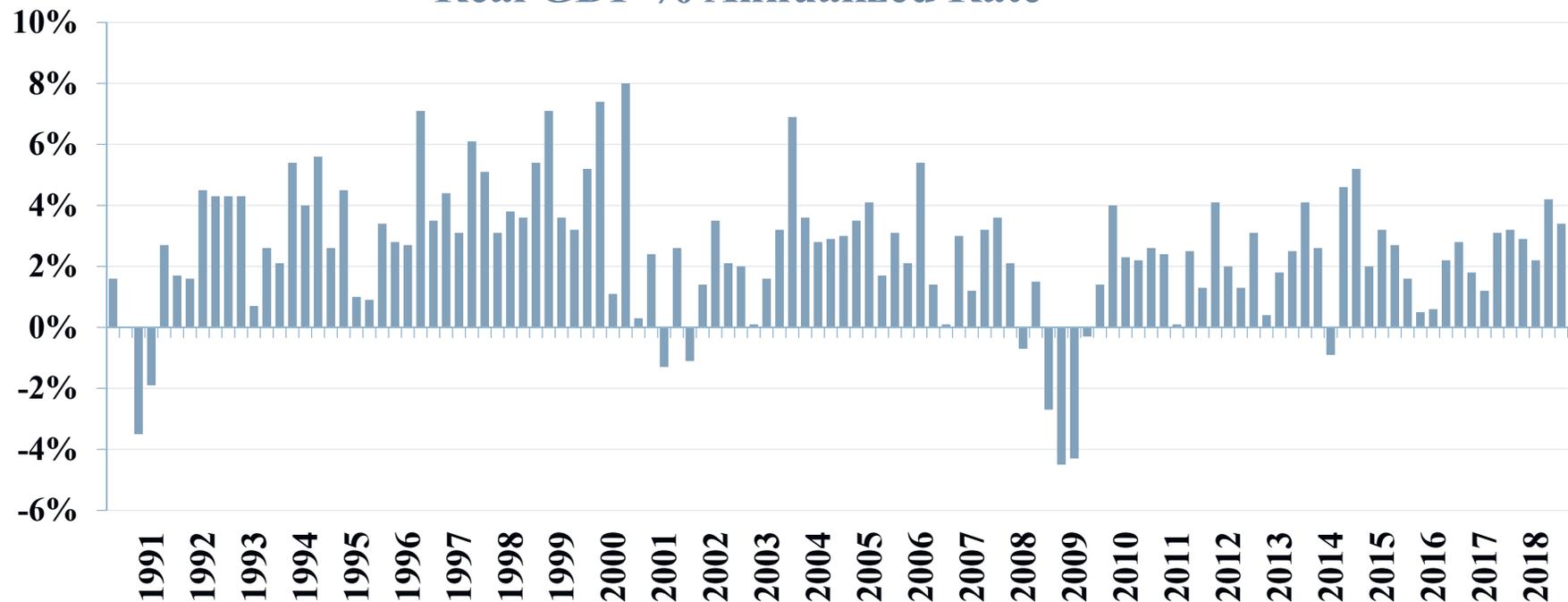
Monthly Change in Thousands of Jobs



Strong GDP Growth in the 3rd Quarter



Real GDP % Annualized Rate



Current Economic Factors Scorecard

Positive

Credit Conditions

Housing ↓

Consumer Confidence ↓

Employment ↑

Corporate Sector

Fiscal Policy

Neutral

Commodity Prices ↑

Interest Rates ↑

U.S. Politics ↓

U.S. Dollar

U.S. Inflation

Global Growth ↓

China ↓

Negative

Geopolitics

Tariffs

Eurozone (-)

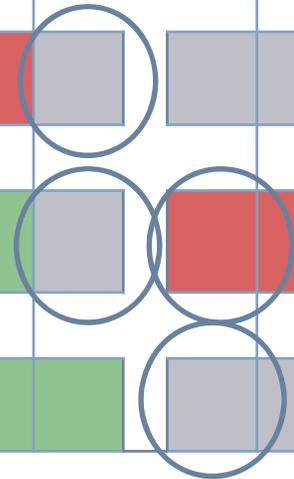


Market Dashboard

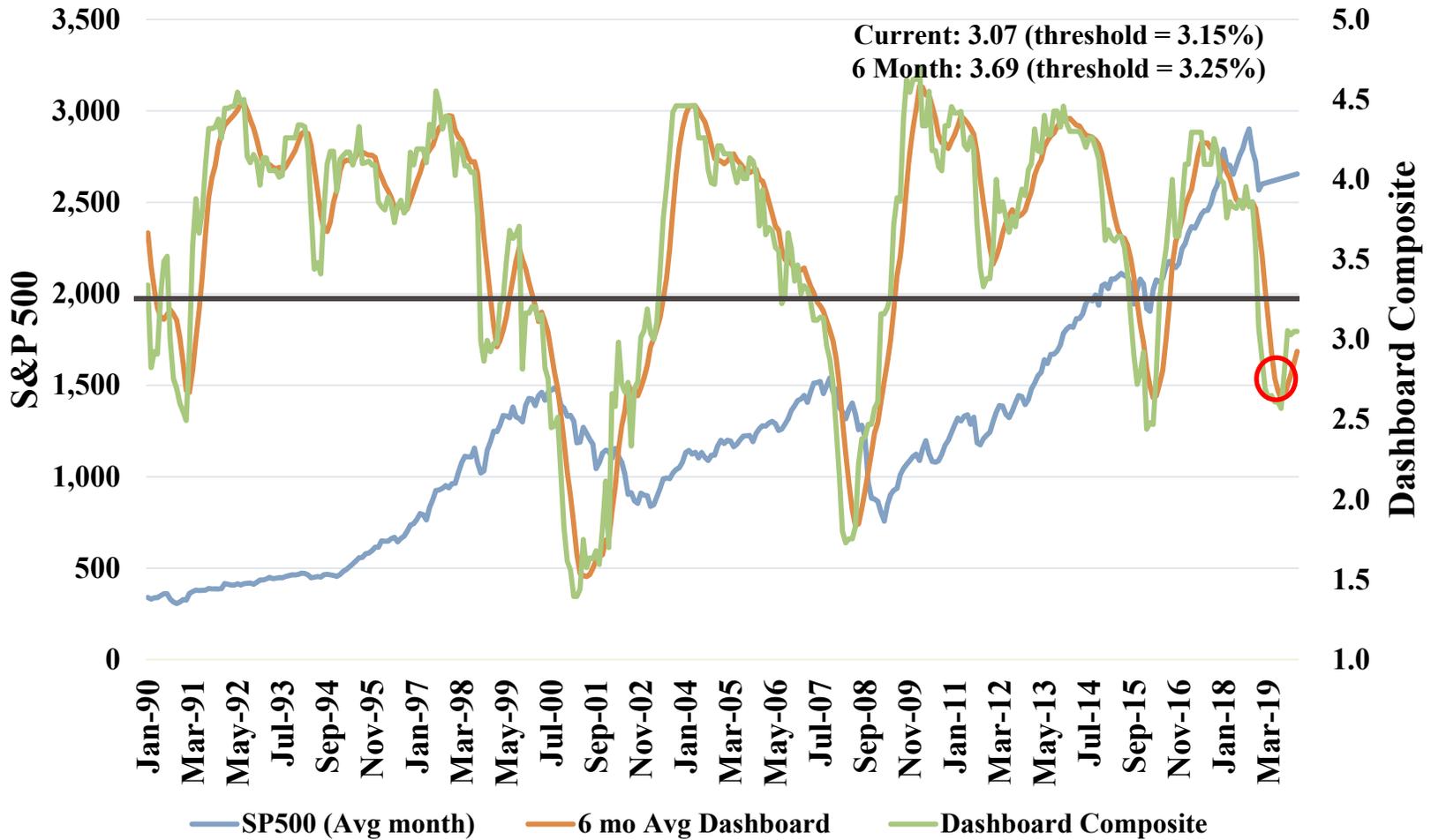
Projected



	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019	2Q 2019
Economy	Green	Grey	Grey	Grey	Grey	Green	Grey	Grey								
Credit Markets	Grey	Grey	Grey	Grey	Green	Grey	Grey									
Valuations	Grey	Grey	Grey	Red	Grey	Grey	Grey									
Market Sentiment	Grey	Grey	Red	Green	Grey	Green	Grey	Red	Red							
Composite	Grey	Grey	Red	Grey	Green	Grey	Grey									



Market Dashboard



Markets:

*“Risk Off” Quarter Led to
Weak 2018 Performance*



Market Summary

■ Equity market performance

	<u>1/1/18–10/3/18</u>	<u>Q4</u>	<u>2018</u>
– US large cap			
• S&P 500	+11.0%	-13.5%	-4.4%
– US mid cap			
• Russell Midcap	+6.9%	-15.4%	-9.1%
– US small cap			
• Russell 2000	+9.9%	-20.2%	-11.0%
– International equities			
• MSCI ACWI ex US	-3.9%	-11.5%	-14.2%
– International small cap			
• MSCI ACWI ex US SMID	-4.3%	-14.0%	-17.1%
– Emerging markets			
• MSCI Emerging Markets	-8.8%	-7.5%	-14.6%



Market Summary

■ Bonds and other asset class performance

	<u>1/1/18-10/3/18</u>	<u>Q4</u>	<u>2018</u>
– US fixed income			
• Barclay’s Aggregate	-2.1%	+1.6%	+0.01%
– Global fixed income			
• Barclay’s Global ex US	-3.6%	+0.9%	-2.2%
– Commodities			
• Bloomberg Commodity TR	+0.9%	-9.4%	-11.3%
– Long short			
• Morningstar Long Short	+2.1%	-8.6%	-6.7%
– REITS			
• MSCI US REIT NR	-0.9%	-7.1%	-5.8%

Equity Market Conditions

■ Fourth Quarter

	<u>Value</u>	<u>Blend</u>	<u>Growth</u>
Large	-11.7%	-13.5%	-15.9%
Mid	-15.0%	-15.4%	-16.0%
Small	-18.7%	-20.2%	-21.7%

■ 2018

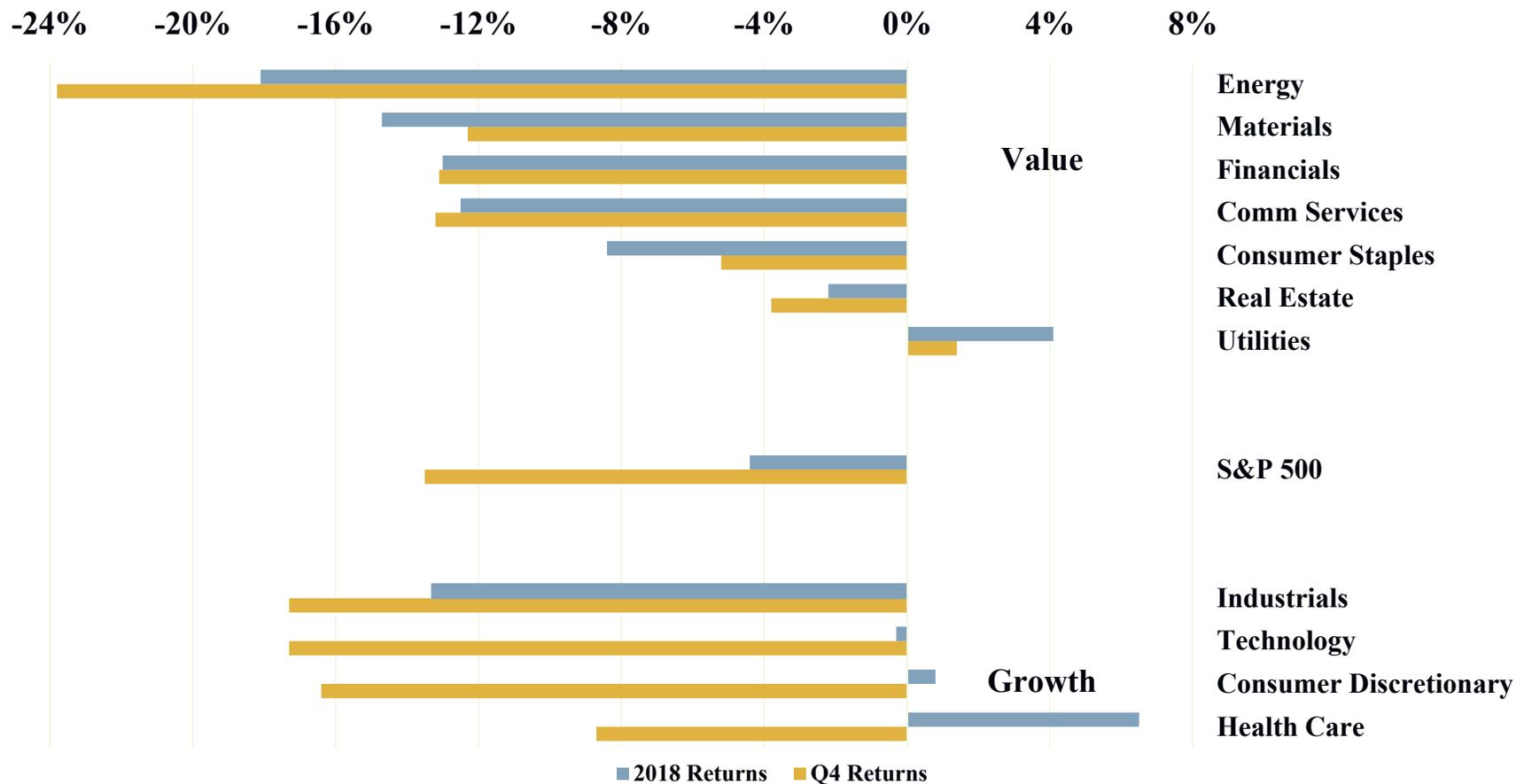
	<u>Value</u>	<u>Blend</u>	<u>Growth</u>
Large	-8.3%	-4.4%	-1.5%
Mid	-12.3%	-9.1%	-4.8%
Small	-12.9%	-11.0%	-9.3%

All calculations are cumulative total return as of 12/31/2018.

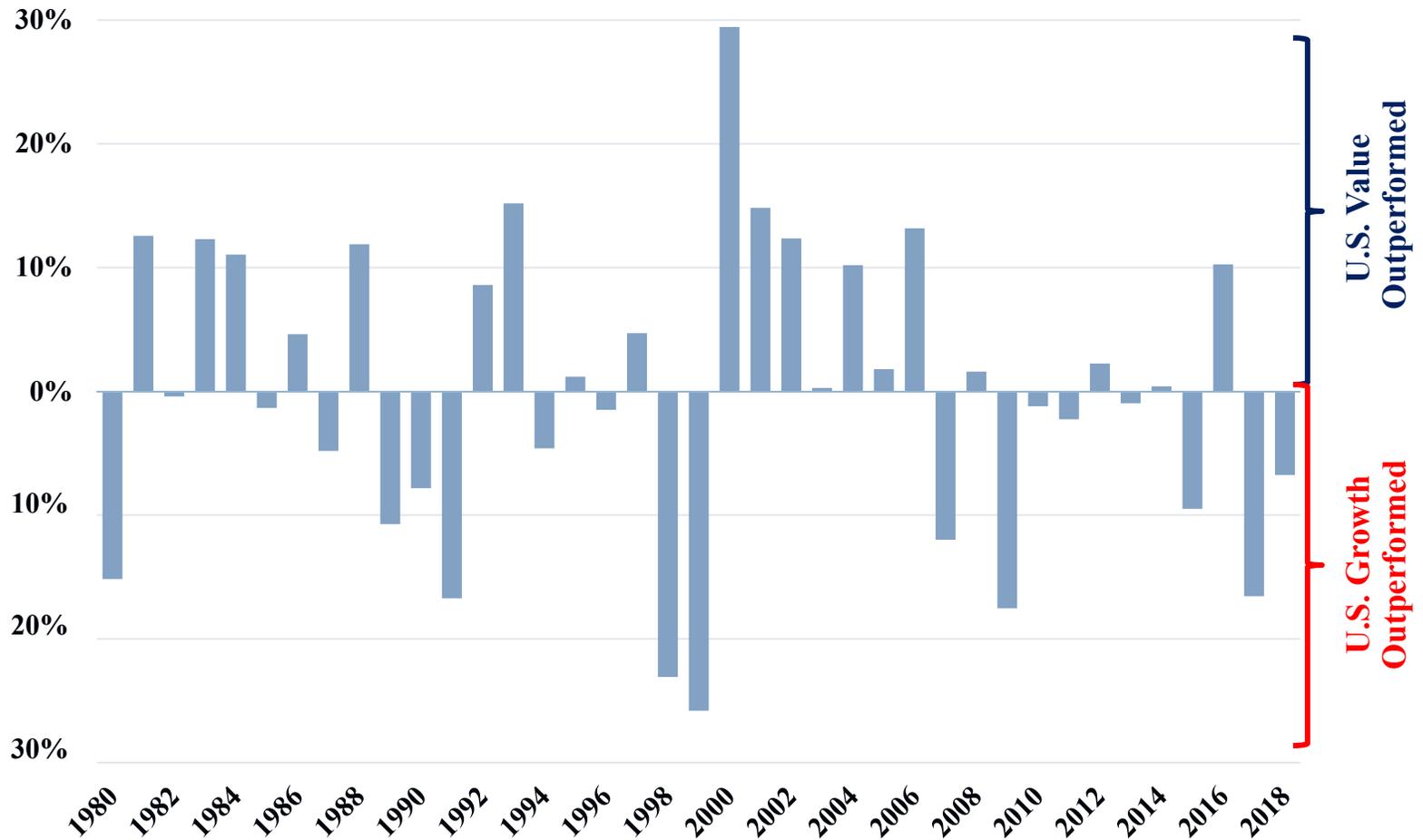
Russell style indices utilized for all performance with the exception of large blend, which reflects the S&P 500 Index.

Past performance is no guarantee of future success.

Growth Hit Hard During 4th Quarter



U.S. Value vs. Growth Equities



Based on Russell 1000 Value TR and Russell 1000 Growth TR Indices , as of 12/31/18

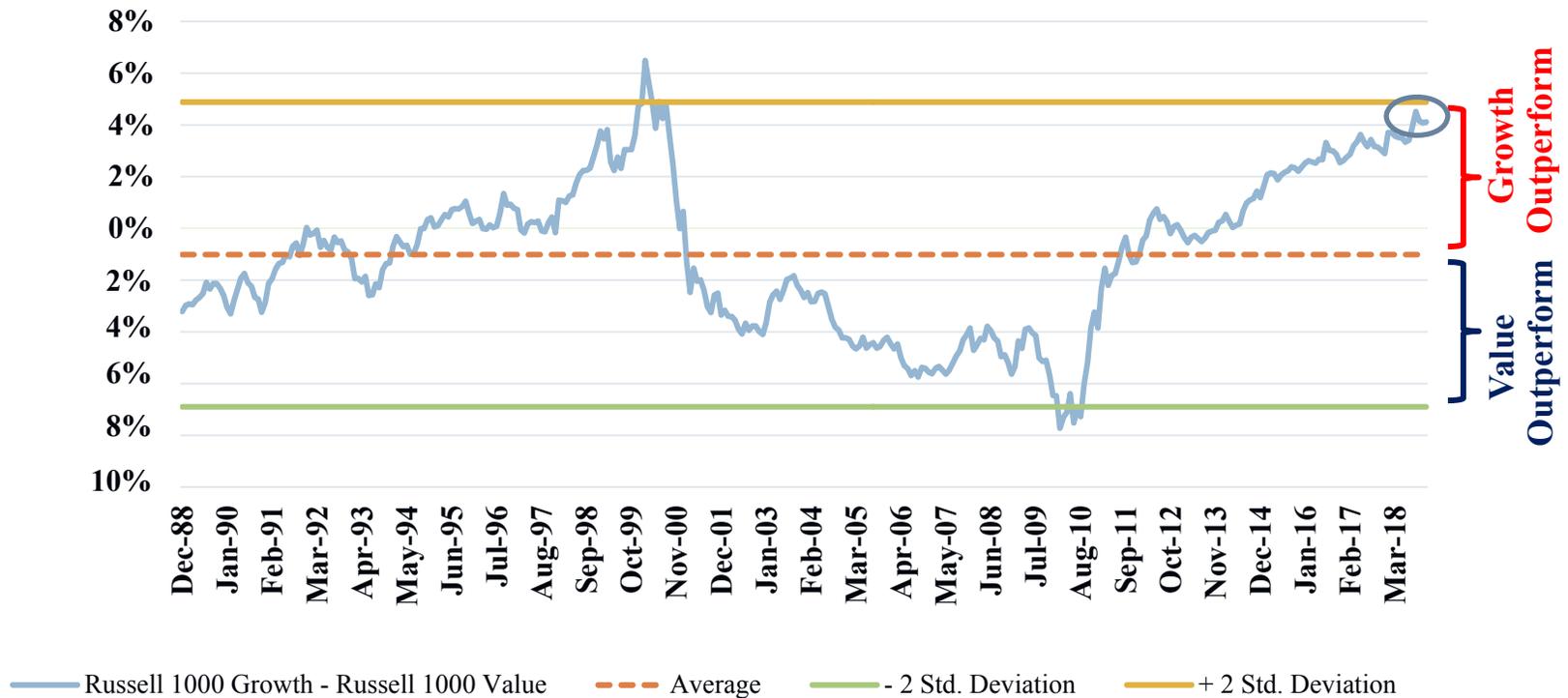


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PLAN TO LIVE WELL

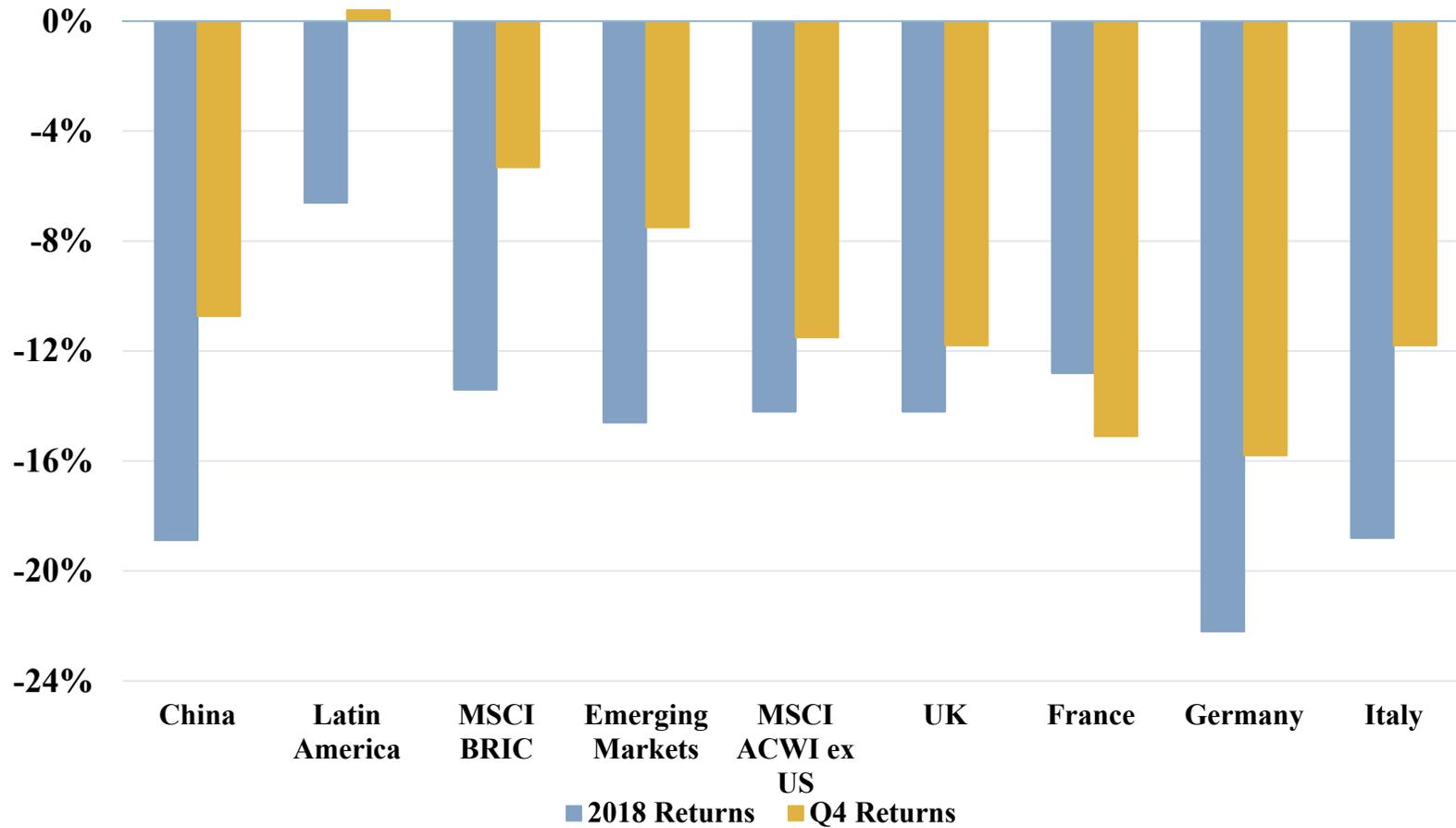
Growth Cycle Near a Peak?

Annualized Trailing 10-Year Relative Total Return
Russell 1000 Growth – Russell 1000 Value

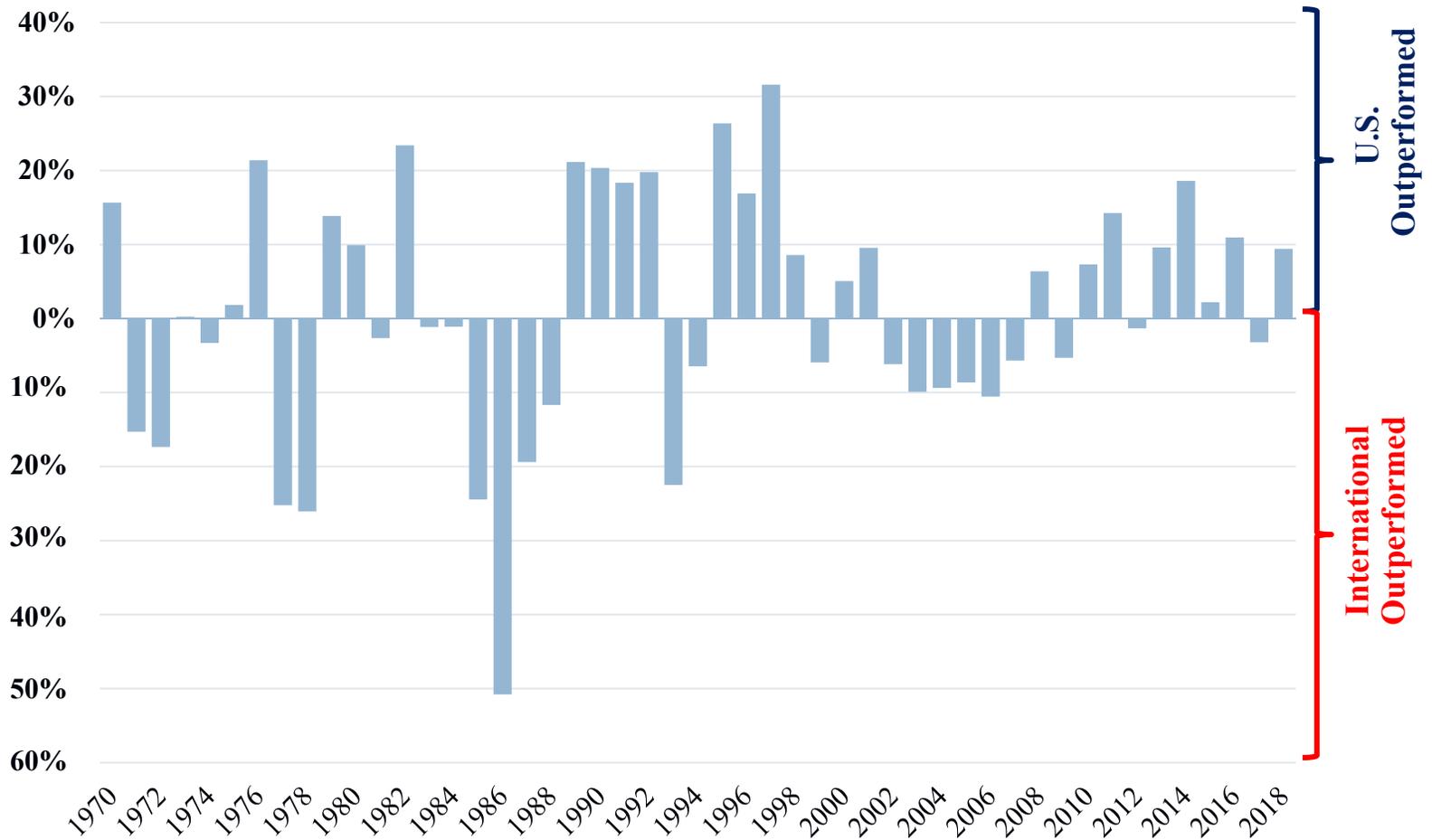


Source: Morningstar, as of 12/31/2018. Past performance is no guarantee of future success.

Strong Dollar and Tariffs Hit Int'l Equities



U.S. vs. International Equities

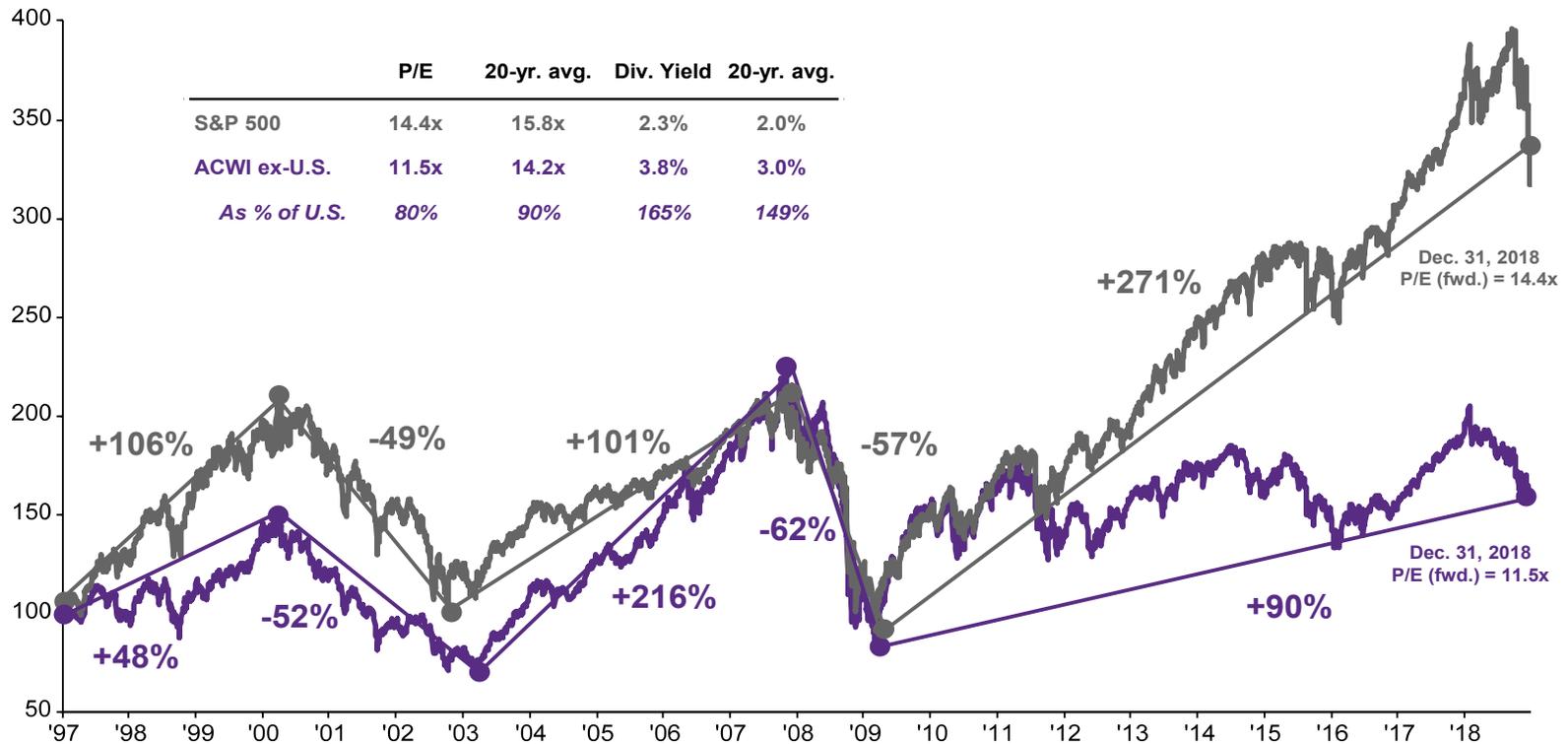


Based on S&P 500 TR and MSCI EAFE NR Indices, as of 12/31/18

Significant Performance Gap

MSCI All Country World ex-U.S. and S&P 500 Indices

Dec. 1996 = 100, U.S. dollar, price return



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

Forward price to earnings ratio is a bottom-up calculation based on the most recent index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on price movement only, and do not include the reinvestment of dividends. Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by FactSet Market Aggregates. Past performance is not a reliable indicator of current and future results.

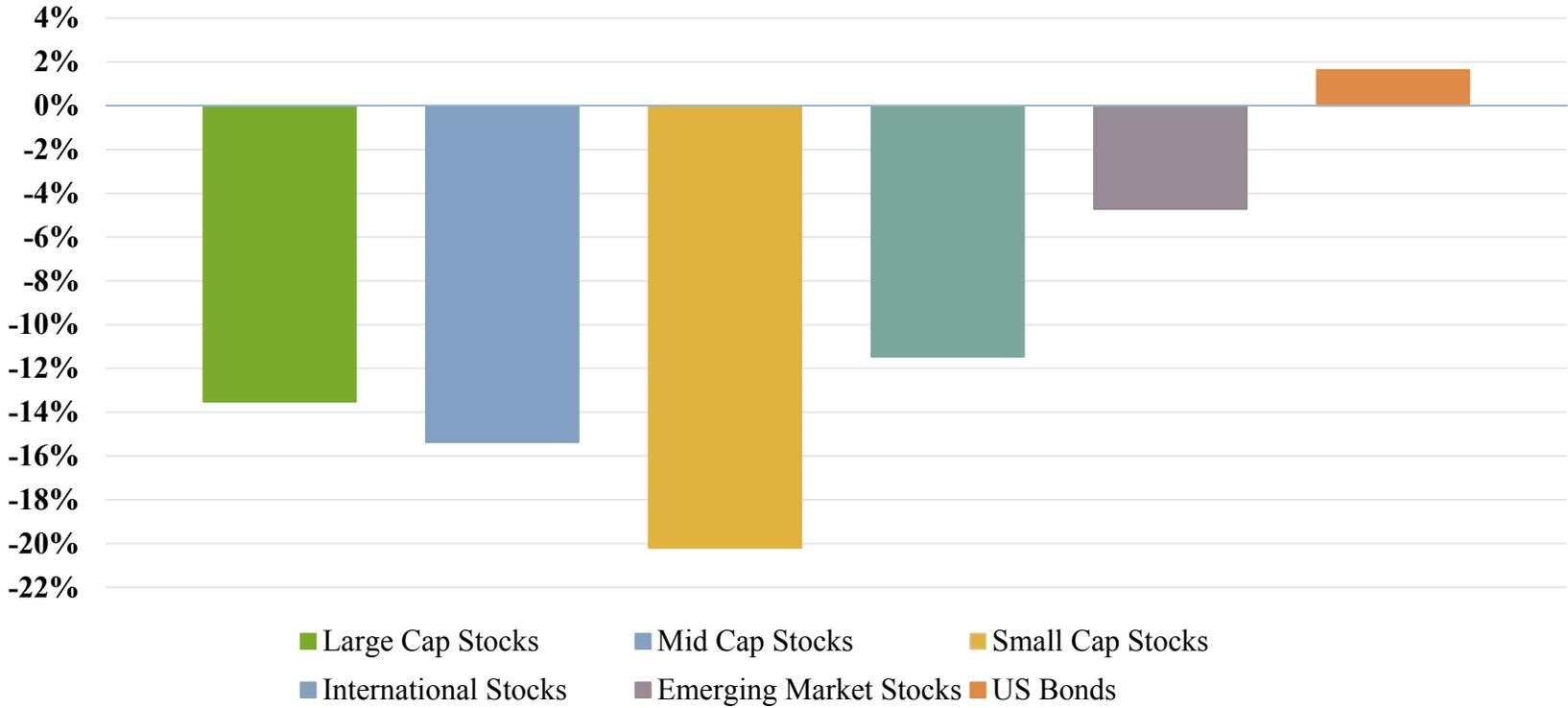
Guide to the Markets – U.S. Data are as of December 31, 2018.



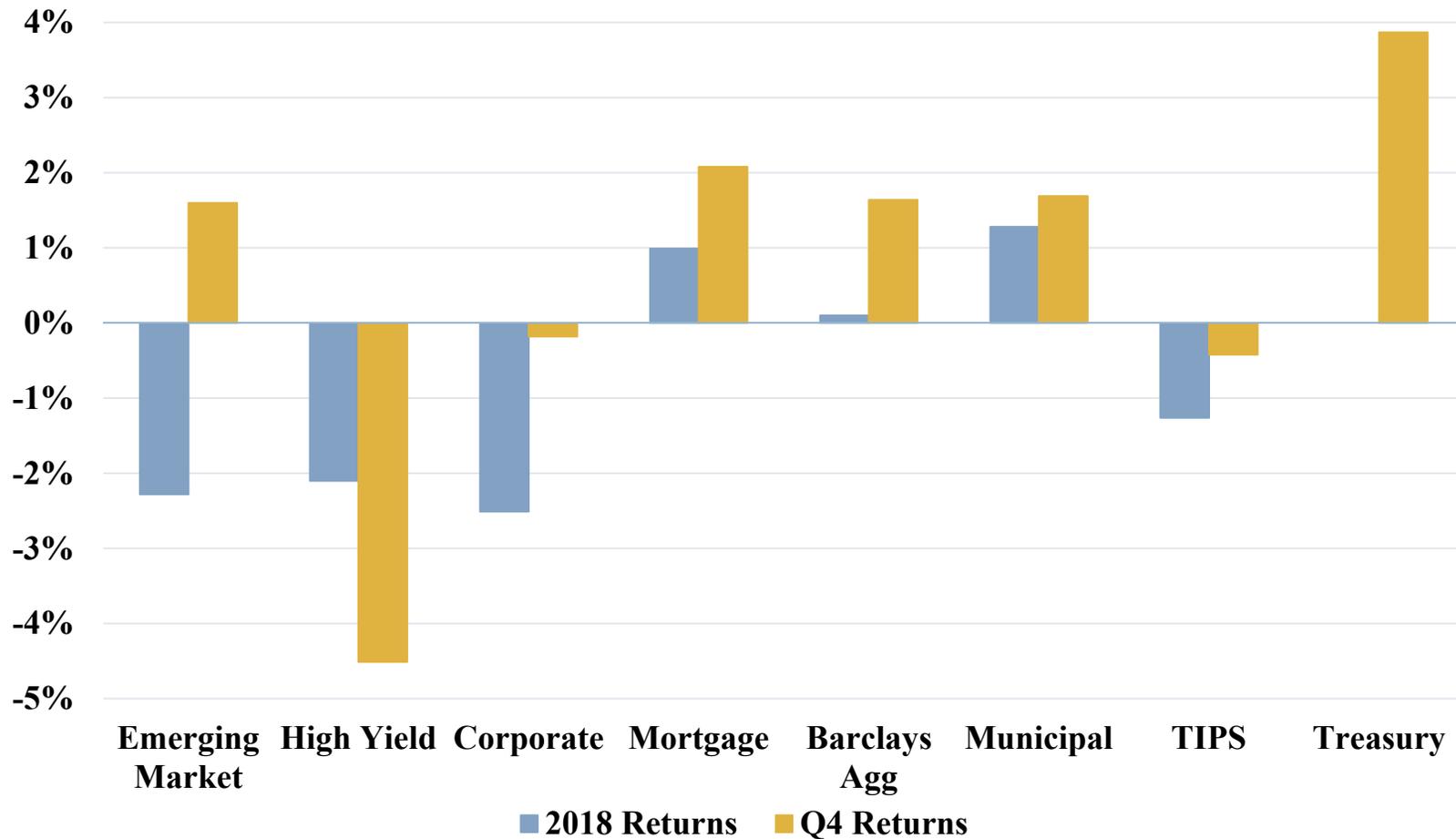
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How Did Bonds Do During Decline?

Fourth Quarter Returns

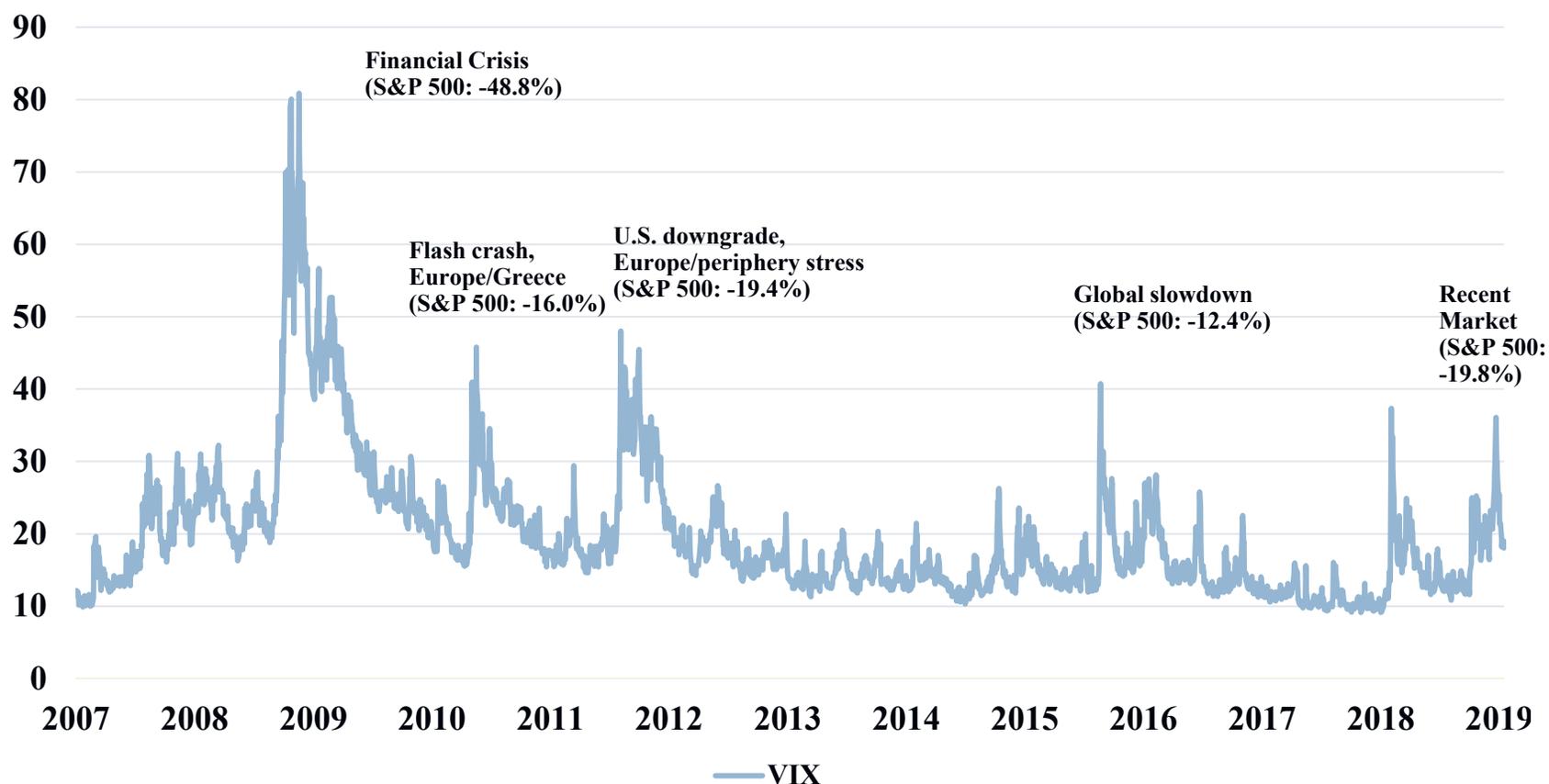


Credit Bonds Weaker During 4th Quarter



Increase in Volatility - Update

CBOE Market Volatility Index (VIX) Level



January Market Summary

Approximate Market Performance Through January 18, 2019	
	Month to Date
US Fixed Income Barclays Aggregate	-0.01%
US Large Cap S&P 500	+6.5%
US Mid Cap Russell Midcap	+8.5%
US Small Cap Russell 2000	+10.0%
International Equities MSCI ACWI ex US	+5.5%





SilverOak's Outlook

SilverOak's Outlook

■ U.S. Economy

- US recession risk remains low
- Fading effects of tax cuts and uncertain trade policies will slow GDP growth in 2019
- GDP likely to be impacted by partial government shutdown
- Earnings will grow but earnings growth will decelerate
- Fed policy likely to be more moderate than originally thought

■ International Economy

- Global growth will likely slow further in 2019 as central banks continue to reduce liquidity
- China's slowing growth and corresponding stimulus will be a swing factor for global growth this year
- Brexit and Europe another big variable in 2019



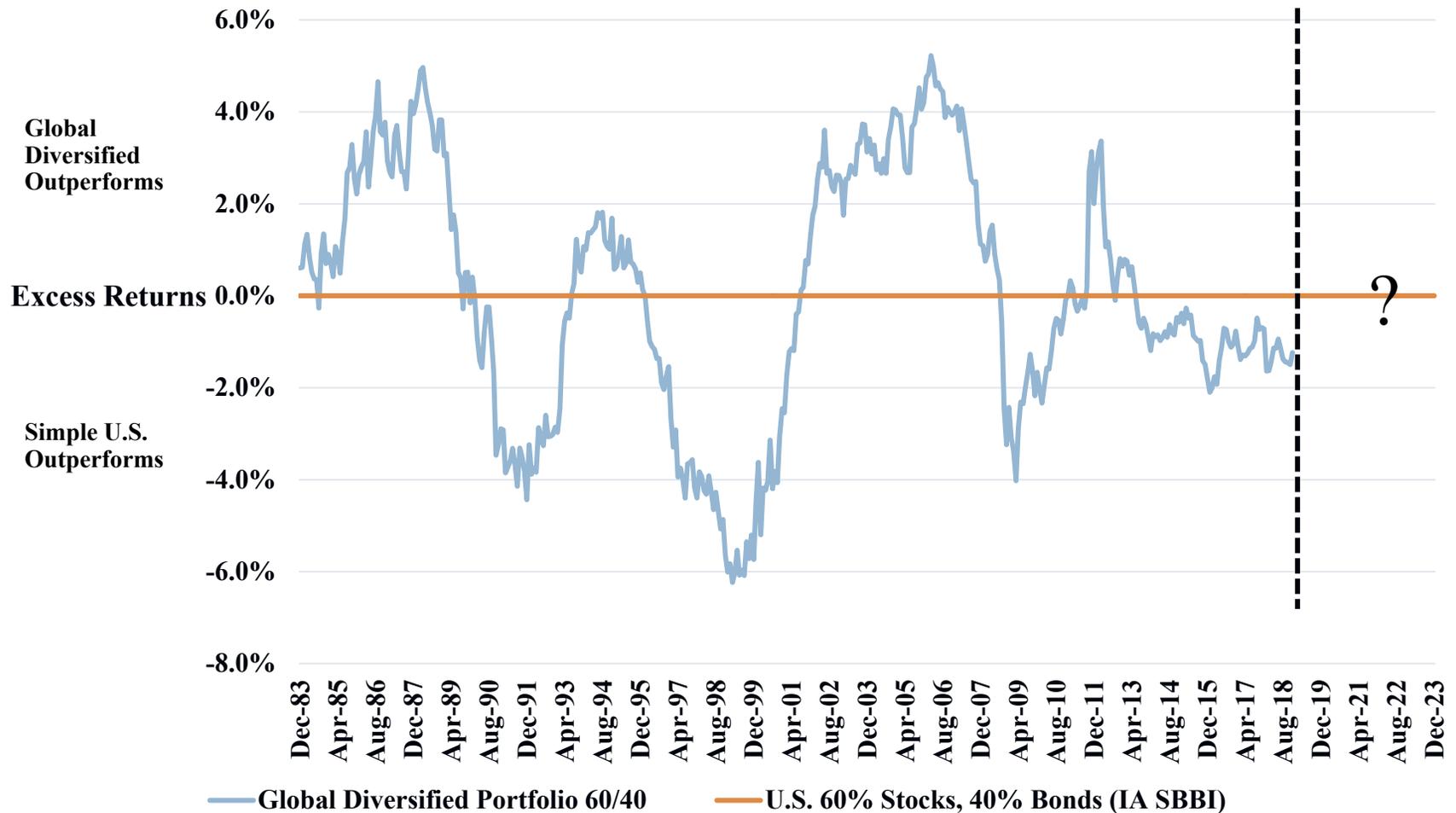
SilverOak's Outlook

■ Equities

- Valuations have become much more reasonable but certainly not cheap
- Volatility experienced in 2018 likely to continue in 2019
 - The low volatility in 2017 was the exception, not the rule!
- With increased uncertainty and volatility, diversification is more important than ever!

**Maintain a diversified approach
consistent with your risk profile**

Simple U.S. Portfolio vs. Globally Diversified Portfolio



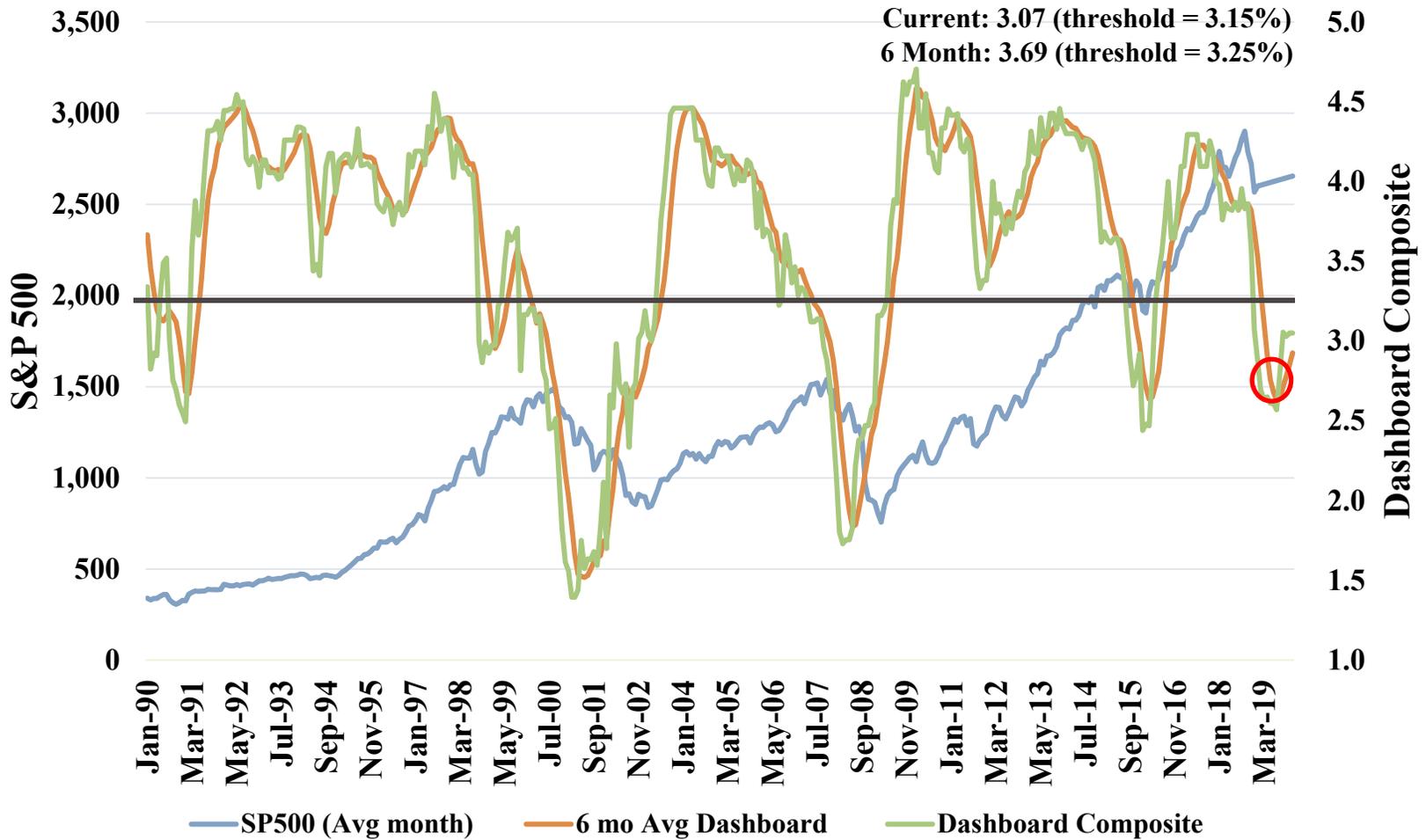
SilverOak's Outlook

■ Bonds

- With interest rates much closer to “normal”, returns will likely be less negatively impacted in 2019
 - Returns should be much closer to the underlying bond yield
- Bonds continue to offer protection from equity volatility and potential further downside
- Continue to focus on credit quality!
- With interest-rates higher, money markets, CDs and other shorter duration bonds are much more attractive



Market Dashboard



*SilverOak Updates
And “New Year”
Planning Tips*



SilverOak Updates

- **SilverOak team**
 - Alex Dunne promoted to Support Advisor
 - Duncan Pederson new Associate Paraplanner
- **IQSStm (Investment Quality Scoring Systemtm)**
 - Large cap growth position will be merging
 - Will be consolidating several positions that are not widely held
- **Tax loss harvesting**
- **Tax season starts**
- **New SilverOak website has launched**

“New Year” Planning Tips

- **Do not adjust risk tolerance solely based on recent market performance**
- **Remember April 15th tax filing deadline**
 - Make sure you have your tax information compiled
 - 1099s, charitable contributions, etc.
 - Get this information to your tax preparer
- **Foreign bank account reporting**
 - Two reporting requirements
 - Form 8938 (due with income tax return)
 - FBAR (due with income tax return – no longer due 6/30)
- **Now is a great time to start tax planning for 2019**
 - Adjust withholding and/or estimated tax payments
 - Create a good filing system for the year
 - Keep receipts for charitable donations above \$250



“New Year” Planning Tips

- **Review your 401(k) statement**
 - If not maxing out contributions, consider increasing
 - contribution rate (annual limit = \$19,000)
 - Rebalance investments
- **If you turn 50 in 2019, remember to increase your 401(k) contribution**
 - \$6,000 “catch-up” to a total of \$25,000
- **Make an IRA contribution for 2018 and/or 2019**
 - \$5,500 annual limit for 2018 and \$6,000 for 2019
 - \$1,000 “catch-up” contribution for age 50 and over
- **Consider a “Back Door” Roth IRA, if applicable**



“New Year” Planning Tips

- **Review 2018 spending**
- **Utilize HSAs for long-term investments**
 - \$3,500 annual limit for individuals, \$7,000 for family
 - \$1,000 “catch-up” contribution for age 55 and over
- **Review Social Security statement online**
 - <https://www.ssa.gov/myaccount/>
- **Review your estate documents**
- **Confirm beneficiary designations**
- **Rebalance other investment accounts**
- **Ensure you have proper insurance coverage**
 - Life, disability, auto, property and umbrella

“New Year” Planning Tips

- **If it’s been awhile, get a copy of your credit report**
 - www.annualcreditreport.com or 877-322-8228
- **Consider freezing your credit with all three credit bureaus**
 - 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>
 - Retain your PINs!



*Additional
Questions
and/or Topics?*



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