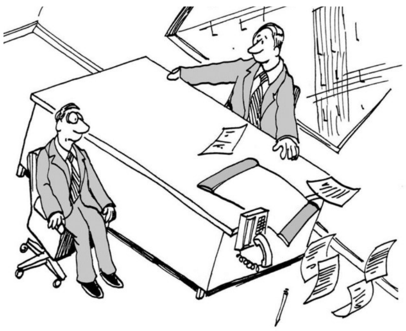
Insights: Volume 2, Issue 1

Processing Pointless Points

According to Bloomberg, LP, "there were eleven daily moves of 200+ points in the Dow Jones Industrial Average (the "Dow") for all of 2017, six up and five down." Through May 4th of 2018 the Dow has already had forty-three 200+ point moves, twenty-five up and eighteen down. When Debbie Hixenbaugh and John Thorsen began their broker training in 1983, they did not experience a single day with a 200 point move, nor would they until October 19, 1987 (known infamously as Black Monday). They would need to wait nearly ten years after that until August 15, 1997 to see it happen again. What has changed?



"Hold on, the market is shifting again."

Simply stated, trying to process index points to help determine your market outlook is "pointless." While the above information may help you in an extremely specific trivia contest and the daily point change certainly grabs headlines, the daily point changes will likely continue to grow as the Dow Jones Industrial Average and the markets in general continue to grow.

To put market growth in perspective, when the Dow closed the year in 1983 the index was at 1,259 points. When the Dow closed on April 9th, 2018 the index had grown to 23,979 points. A 200 point swing back in 1983 would have represented a 16% decline. To have that type of percentage decline today we would need to see a loss of over 3,800 points. Now that would be an eye-popping headline! A 200 point change today represents a move of less than one percentage point but not many news stations would find that a worthy leading story. Percentages, not points, provide a better perspective on the daily changes in the markets.

Staying the Course

Investors tend to see short-term volatility as the enemy. Volatility may lead many investors to move money out of the market and "sit on the sidelines" until things "calm down." Although this approach may appear to solve one problem, it creates several others:

#1) When do you get back in? You must make two correct decisions back-to-back; when to get out and when to get back in.

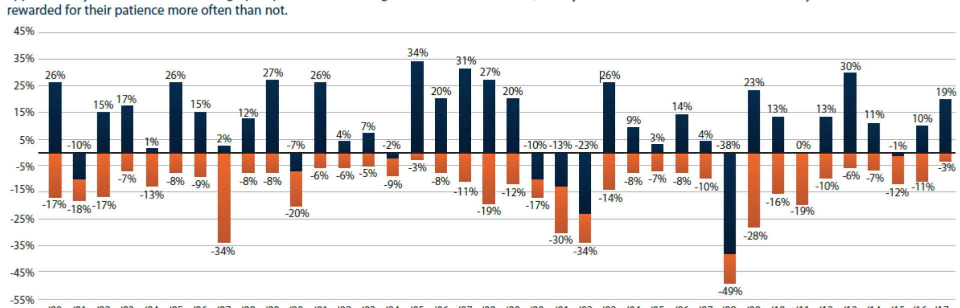
#2) By going to the sidelines you may be missing a potential rebound. This is not historically unprecedented; see chart below.

#3) By going to the sidelines you could be not only missing a potential rebound, but all the potential growth on that money going forward.

We believe the wiser course of action is to review your plan with your advisor and from there, decide if any action is indeed necessary. This placates the natural desire to "do something," but helps keep emotions in check.

Intra-Year Declines vs. Calendar Year Returns

Volatility is not a recent phenomenon. Each year, one can expect the market to experience a significant correction, which for the S&P 500 has averaged approximately 14% since 1980. Although past performance is no guarantee of future results, history has shown that those who chose to stay the course were rewarded for their patience more often than not.



Source: First Trust Advisors L.P., Bloomberg. The benchmark used for the above chart is the S&P 500 Index. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Returns are based on price only and do not include dividends. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future. Past performance is no guarantee of future results.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA and the Internal Revenue Code. First Trust has no knowledge of and has not been provided any information regarding any investor. Financial advisors must determine whether particular investments are appropriate for their clients. First Trust believes the financial advisor is a fiduciary, is capable of evaluating investment risks independently and is responsible for exercising independent judgment with respect to its retirement plan clients.

Certainly 2018 has been a more volatile year than 2017 in terms of both points and percentages. As you can see from the chart to the left the largest intra-year decline in 2017 was just 3% (as indicated by the orange column below the horizontal line). This was the smallest percentage decline since 1995. The blue bars above the horizontal line show that, despite the fact that markets often have drops during a given year that does not mean a year of negative returns. *(Continued on page 3)*

Help Protect Your Finances in a Natural Disaster

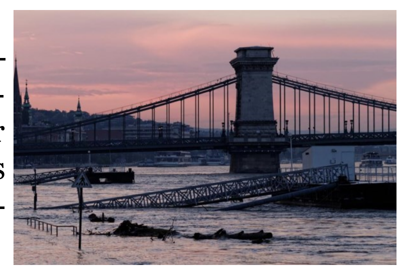
From blazing wildfires and floods to hurricanes and tornadoes, natural disasters make front-page news whenever and wherever they happen. Less headline-worthy are the financial repercussions that follow, which tens of thousands of people are dealing with right now. These types of tragedies are unavoidable — the most you can do is prepare to minimize the time it takes to put the pieces of your life back together.

Creating a plan that addresses your finances and insurance beforehand can make it easier to recover from a devastating event.

1. Stockpile savings. Maintaining an emergency fund with three to six months' worth of savings is a key part of any household budget. But it's also important in an emergency: Funds that you can draw on quickly and easily can be a lifesaver in the wake of a natural disaster. Also consider keeping a few hundred dollars in cash on hand to see you through if your area loses power or banks and ATMs are out of commission.

2. Gather key documents. Make sure you have important legal and financial documents with you if you have to evacuate. These may include copies of insurance policies and even bank account numbers. Keep these documents easily accessible, as you would flashlights and spare batteries. That way you're less likely to leave them behind — even if you have to abandon your house quickly.

3. Protect your credit. Part of protecting your finances involves protecting your credit. Include the contact information for your creditors — such as your mortgage lender, credit card companies and utilities — in your financial preparedness kit. If you have to evacuate, reach out to your creditors as soon as possible to request a temporary reprieve from payments. Make sure you reach out to your employer as well, to provide as much warning as possible if you won't be able to work in the aftermath of a disaster.



4. Review your insurance. Your insurance policies can help you recover financially from a disaster, provided you have the right coverage. Review your property, flood, life and disability insurance policies once a year when you receive the new documents from your insurer. And don't focus only on your deductibles and coverage amounts – pay attention to the riders as well.

For instance, does your property insurance cover temporary food and housing costs if you've had to evacuate but your home is undamaged? If you miss work for a week because you've had to evacuate, will your disability policy cover your lost income? Talk to your agent about covering any gaps in your policies, and make sure you know whom to contact and what documentation you'll need to file a claim.

5. Use a checklist. Include your financial preparations in your overall disaster recovery plan. Review the Wells Fargo Advisors' "In Case of an Emergency" checklist to make sure you are giving yourself the best chance of recovering from a natural disaster. The list suggests a range of critical first-response tactics, from stockpiling fresh drinking water to recording possessions as proof of ownership. Just remember that the more you prepare now, the less you'll have to do if disaster strikes.

This article was written by Wells Fargo Advisors Financial Network (CAR 0118-01444) and provided courtesy of Thorsen~Hixenbaugh~Kovaleski Wealth Advisors in Orlando at 407.845.1080.

Investments in securities and insurance products are:
NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

(***Processing Pointless Points***: *From Page 1*)

What is likely to continue is larger and larger point changes, but by putting them in perspective with percentages we can break through overly emotional reactions. Two hundred points in a basketball game would be record breaking; a two hundred point move in the Dow has become more mundane. While we do not want to focus on daily movements for long-term investments, using percentages provides a better perspective than points. We continue to monitor the progress of our portfolios and, as always, if you would like a more in-depth review, please call our office to schedule an appointment.

The Dow Jones Industrial Average is a price-weighted index of 30 "blue-chip" industrial U.S. stocks. The indices are presented to provide you with an understanding of their historic long-term performance and are not presented to illustrate the performance of any security. Investors cannot directly purchase any index.

Team Updates

We appreciate all that you share with us about your family, goals, and life changes. We would like to take this opportunity to give you a little update about our lives outside the office.

"Lindsey and I welcomed Lila's new sister and our second daughter Eve on March 15th." ~Mike

"Our family welcomed my second grandchild Jason on January 20th. I've included both a picture of me holding him in the hospital and a picture of Jason with his sister Daphne on one of their visits to my home." ~Patty

"My husband and I took a recent weekend trip to Key West as we continue to explore our new home state after moving here from Ohio." ~Beth

"During a trip to Chicago I was able to witness the city dye the river green for Saint Patrick's Day. It was a fun Saturday that I got to spend time with some of my friends from college." ~J.R.

"My family is pictured at a recent celebration of our parent's 50th wedding anniversary that we celebrated in March. What an honor to witness their true testament to love, trust, and commitment for all these years!"~Sarah

"My grandsons took a recent trip down to visit Dan and me. This picture was taken at the Cocoa Beach pier. We always have to go there for lunch. Our favorite is the shrimp tacos! Logan is thirteen years old and Andrew is ten years old." ~Debbie

Revisiting Money Market Funds: A Cash Alternative

With short-term interest rates once again on the rise, it may be time to take another look at money market funds. While looser monetary policy, in reaction to the Financial Crisis in 2008 and 2009 helped push interest raters lower, the Federal Reserve's recent increases in short-term interest rates have reversed that trend and if they continue such a trend money-market yields may continue to rise. We are happy to discuss this type of investment with you.

Money market funds are a type of mutual fund that, by law, may only invest in securities with a maturity of less than thirteen months with the average maturity of the holding to not exceed ninety days. These securities could include government, municipal, and corporate bonds, CDs, and other short-term debt.

While the money market rates can vary over time, please give us a call to obtain the latest rates.

You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. The Fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the Fund is not a deposit of the bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

Continuing Relationships

We thank our investment company representatives for their continued relationship which continue to provide us the most up-to-date thought pieces, investment analysis, and market overview. To date we have had excellent discussions with these companies: ALPS Inc., Brookfield Asset Management, Columbia Threadneedle Investments, Delaware Funds, Deutsche Asset Management, Eaton Vance Management, First Trust, Franklin Templeton Investments, Guggenheim Investments, J.P. Morgan Asset Management, John Hancock, Nasdaq Dorsey Wright, Oppenheimer & Company, PIMCO, Sabrient Systems, Salient Partners, TransAmerica, Wellesley Investment Advisors, Inc., and Wells Fargo Advisors.

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