

SAFEGUARDING FINANCES IN RETIREMENT

Presented by:

James J. Holtzman, CFP®

Wealth Advisor and Shareholder

Legend Financial Advisors, Inc.®

And

EmergingWealth Investment Management, Inc.®

JAMES J. HOLTZMAN, CFP®

James J. Holtzman, CFP®, is a Wealth Advisor and Shareholder with Legend Financial Advisors, Inc.® and Emerging Wealth Investment Management, Inc.

Jim has been selected eight consecutive times by *Medical Economics* as one of “The 150 Best Financial Advisors for Doctors in America.”

Mr. Holtzman has been selected five times by *Dental Products Report* as one of “The Best Financial Advisors for Dentists in America”.



Jim has also been previously selected twice by *Pittsburgh Magazine* as one of the Pittsburgh area’s FIVE STAR Wealth Managers, a list that represents the most elite financial advisors in Pittsburgh.

With over 20 years of experience, Jim assists all types of clients with their financial planning and investment needs. Jim’s extensive skill set includes providing financial advice to retirement-focused clients, medical and dental practices, and businesses.

Jim serves as the firm’s Income Tax and Education Funding and Planning Specialist.

Jim’s previous professional experience includes employment with various CPA and Financial Advisory organizations where he provided tax, accounting, auditing and financial consulting services to individuals and businesses. Jim has also provided financial advice to various Fortune 500 and public company executives.

Jim’s areas of concentration include income tax planning, estate planning, stock option exercise planning, insurance, retirement planning and Section 529 Plans.

Mr. Holtzman was selected by *Pittsburgh Business Times* as one of the 2013 Fast Tracker's, which honors leaders in the Pittsburgh area's business community who've had a significant impact on the growth of their organization.

IDENTITY THEFT

TAX RETURN FRAUD

- 1. Criminals Filing Tax Returns On Behalf Of Individuals To Collect Refunds**
- 2. Only Need Name and Social Security Number**
- 3. IRS Reconciles W-2 and 1099 Information After Refunds Are Issued**
- 4. Criminals Use Prepaid Cards To Withdraw Cash**
- 5. Criminals Report Income Under Your Social Security Number**

MISCELLANEOUS IDENTITY THEFT ISSUES

1. **Chip Cards – Harder To Steal From Than Magnetic Strip**
2. **IRS Will Never Call Or E-mail**
3. **Phishing Scams**
4. **Social Media Scams**
5. **Ransomware**

TYPES OF IDENTITY THEFT

- 1. Financial**
- 2. Insurance**
- 3. Medical**
- 4. Criminal**
- 5. Child**
- 6. Senior Citizen**
- 7. Driver's License**
- 8. Social Security**
- 9. Synthetic**

BASIC DIFFERENCES BETWEEN CREDIT FREEZE AND FRAUD ALERT

- 1. Freeze Stops All Access To Credit Report**
- 2. Fraud Alert - Creditors Can Obtain Credit Report If They Verify Your Identity**
- 3. Availability Of Credit Freeze Depends On State Law**
- 4. Availability Of Fraud Alert Is Part Of Fair Credit Reporting Act**

IDENTITY THEFT AGAINST YOUR FINANCIAL ADVISOR

- 1. E-mails Appear To Be From A Client Requesting That The Advisor Wire Money**
- 2. Scammer Hacks E-mail Account,**
- 3. Advisor Should Contact Investor About Any Money Movement Request**

IDENTITY THEFT SERVICES

Most Popular: Equifax, Experian, TransUnion, Lifelock

Typical Services

- 1. Fraud Monitoring**
- 2. Fraud Alerts**
- 3. Resolution Services**
- 4. Stolen Wallet Assistance**
- 5. Insurance**
- 6. Mail List Removal**
- 7. Credit Monitoring**
- 8. Credit History Reports**
- 9. 24/7 Phone Support**
- 10. Daily Monitoring**
- 11. Social Security Number Monitoring**

LONGEVITY RISK

LONGEVITY RISK

- 1. A 65-Year-Old Individual Has At Least A 40.0% Chance Of Living Into Their 90s**
- 2. The Expected Healthcare Expenses For A 65-Year-Old Couple Is Approximately \$250,000.00**
 - 1. (Does Not Include Long-term Care)**
- 3. Annual Withdrawal Rates**

SOCIAL SECURITY PLANNING

- 1. Consider Survivor Benefits**
- 2. Don't Automatically Start At Age 62**
- 3. 8% Increase In Benefit**
 - 1. Starting At Full Retirement Age**
 - 2. Maximum Benefit Reached At Age 70**

REQUIRED MINIMUM DISTRIBUTIONS

- I. 2 Types Of Required Minimum Distributions**
 - A. Age 70 ½**
 - B. Beneficiary IRA**

- II. 50% Federal Penalty Of Required Amount Not Withdrawn**

REQUIRED MINIMUM IRA DISTRIBUTIONS

Age of Retiree	Distribution Period (In Years)	Age of Retiree	Distribution Period (In Years)	Age of Retiree	Distribution Period (In Years)
70	27.4	84	15.5	102	5.5
71	26.5	85	14.8	103	5.2
72	25.6	86	14.1	104	4.9
73	24.7	87	13.4	105	4.5
74	23.8	88	12.7	106	4.2
75	22.9	89	12.0	107	3.9
76	22.0	90	11.4	108	3.7
77	21.2	91	10.8	109	3.4
78	20.3	92	10.2	110	3.1
79	19.5	97	7.6	111	2.9
80	18.7	98	7.1	112	2.6
81	17.9	99	6.7	113	2.4
82	17.1	100	6.3	114	2.1
83	16.3	101	5.9	115 or older	1.9

**CONTINUING CARE
RETIREMENT COMMUNITIES
(CCRC)**

CONTINUING CARE RETIREMENT COMMUNITIES

- 1. Offers Several Levels Of Care In One Place**
 - a. Independent Living**
 - b. Assisted Living**
 - c. Skilled Nursing And Rehabilitation**
 - d. Memory Care**

CONTINUING CARE RETIREMENT COMMUNITIES (Continued)

2. 3 Types Of Contracts

- a. Type A: Life Care Or Extended: Unlimited**
 - a. High Entrance Fees**
 - b. Limits On Future Cost Increases For Long-Term Care**

- b. Type B: Modified Contract:**
 - a. Lower Entrance Fees**
 - b. Limited Amount of Long-Term Care**

- c. Fee-For-Service Contract:**
 - a. Small Enrollment Fee**

 - b. Assisted Living And Nursing Care Are Paid For At Then Current Rates**

CONTINUING CARE RETIREMENT COMMUNITIES

(Continued)

- 3. Entrance Fee (Range From \$100,000.00 To Several Hundred Thousand Dollars)**
- 4. Monthly Expenses: \$3,000.00-\$5,000.00**
- 5. CCRC Financial Stability**
- 6. Some Entrance Fees Are Refundable At Death**
- 7. Refunds – Contingent On Unit Being Occupied**
- 8. Review Contract With Attorney**

NURSING HOME

1. Features

- a. Licensed**
- b. Supervision By A Registered Nurse, Licensed Practice Nurse Or Licensed Vocational Nurse**
- c. On-Site 24-Hour Care**

2. Average Price: \$250.00 Per Day

ASSISTED LIVING FACILITIES

1. Features

a. Licensed

b. 24-Hour On-Site Staff To Provide Custodial Care

c. 3 Meals A Day

2. Average Price: \$113.00 Per Day

ADULT DAY CARE SERVICES

- 1. Social Type Activities In A Group Setting**
- 2. Services Provided In Separate Facilities, Long-Term Care Facilities, Senior Centers**
- 3. Average Price: \$75.00-\$100.00 Per Day**

HOME HEALTH CARE

- 1. Hourly Rates Average \$20.00-\$25.00**
- 2. Average Price: \$162.00 Per Day**
- 3. Meal Preparation And Housekeeping, Bathing, Etc.**
- 4. Flexible Scheduling**
- 5. Prescribed By A Doctor**
- 6. Administered By Registered Nurses, Licensed Practical Nurses And Licensed Vocational Nurses**

55+ COMMUNITIES

- 1. At Least One Homeowner Is Age 55**
- 2. No Medical Assistance**
- 3. Active Or Passive Communities**
- 4. Freedom From Yard Work And Maintenance**
- 5. Single-Family, Apartments**
- 6. Homeowners Association Rules**
 - 1. Type Of Plants**
 - 2. Decorations**
 - 3. Color Of Paint**

LONG-TERM CARE INSURANCE

LONG-TERM CARE INSURANCE – WHAT IS IT?

1. Provides Coverage For

- a. Nursing Home**
- b. Assisted Living**
- c. Adult Daycare**
- d. Home Healthcare**

2. Important Features:

- a. Inflation Protection**
- b. Daily Benefit**
- c. Tax-Qualified**
- d. Elimination Period**
- e. Benefit Period**

LONG-TERM CARE INSURANCE – RECENT TRENDS

- 1. Since 2010, Numerous Insurance Companies Have Exited The Market**
- 2. Problems:**
 - a. High Claims Being Paid**
 - b. Longer Claim Periods**
 - c. Low Interest Rate Environment**
- 3. Approximately 70.0% Of Individuals Will Need Some Type Of Long-Term Care**
- 4. Premium Increases From 10.0% To 90.0% At One-Time**
- 5. Insured Can Trim Benefits To Reduce Costs**

LONG-TERM CARE INSURANCE – RECENT TRENDS (CONTINUED)

- 7. Gender Distinct Pricing For Individual Policies**
- 8. Gender Distinct Pricing Will Probably Move On To Group Policies**
- 9. Large Premium Increases Are Not Expected To Continue At Current Pace**
- 10. Annual Increase In Premiums Will Become Normal**
- 11. Average Purchase Age Of 58-59 Will Probably Rise**

LIFE INSURANCE WITH LONG-TERM CARE INSURANCE RIDER

- 1. Policies As High As \$1,000,000.00 Have Been Underwritten**
- 2. Annual Premiums, Five-Pay, Or Ten-Pay Premiums Are Common**

ANNUITIES USED TO PAY FOR LONG-TERM CARE COVERAGE

- 1. The Pension Protection Act Of 2006**
 - 1. Non-Taxable Distributions From An Annuity With A Long-Term Care Rider**
 - 2. Contracts Purchased After January 1, 1997 Or Later**
- 2. January 1, 2010**
 - 1. Tax-Free Distributions When Used To Pay For Long-Term Care**
- 3. Tax-Free Exchanges – Section 1035 Exchange**
 - 1. Annuity To Purchase A Stand-Alone Long-Term Care Insurance**
 - 2. Annuity To Purchase Annuity With Long-Term Care Rider**
 - 3. Life Insurance To Purchase Annuity With Long-Term Care Rider**

ANNUITIES USED TO PAY FOR LONG-TERM CARE COVERAGE (CONTINUED)

What To Consider Before Doing An Exchange

- 1. Losing Death Benefit?**
- 2. Surrenders Charges**
- 3. Forgoing Any Riders?**
- 4. Change In Original Income Stream Anticipated**
- 5. Hybrid Policies May Not Offer Long-Term Care Coverage Beyond Three Years**
- 6. No Federal Income Tax Deduction For The Premiums Paid**

ANNUITIES USED TO PAY FOR LONG-TERM CARE COVERAGE (CONTINUED)

Example: \$100,000.00 Annuity With \$300,000.00 In Long-Term Care Benefits

- **Monthly Long-Term Care Benefit: \$4,000.00**
- **Decrease Annuity Value To \$96,000.00**
- **Decrease Long-Term Care Benefit To \$296,000.00**

MEDICARE PART B AND PART D PREMIUMS

Four Parts of Medicare



Part A

**Hospital
Insurance**

Part B

**Medical
Insurance**

Part C

**Medicare
Advantage**

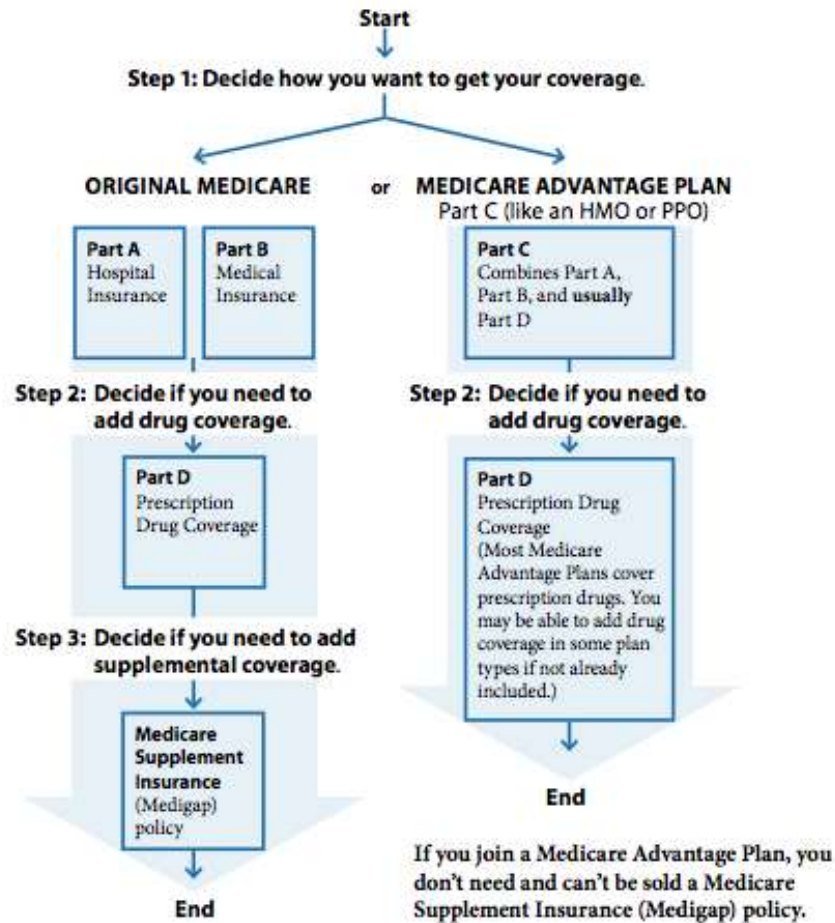
Part D

**Medicare
Prescription
Drug
Coverage**

Provided by Medicare

**Provided by private insurer that
contracts with Medicare**

Two Ways to Have Medicare



Source: Medicare & You 2014

Monthly premiums for Parts B & D Including Income Related Adjustment Amounts

MAGI Single	MAGI Joint	MAGI Married filing separately	Part B monthly premium paid to Medicare	Part B income-related adjustment amount paid to Medicare	Part D monthly premium (average) paid to insurer	Part D income-related adjustment amount paid to Medicare	Total Parts B & D premium
≤ \$85,000	≤ \$170,000	≤ \$85,000	\$134.00	\$0.00	\$40.00	\$0.00	\$174.00
\$85,001 - \$107,000	\$170,001 - \$214,000		\$134.00	\$53.50	\$40.00	\$13.30	\$240.80
\$107,001 - \$160,000	\$214,001 - \$320,000		\$134.00	\$133.90	\$40.00	\$34.20	\$342.10
\$160,001 - \$214,000	\$320,001 - \$428,000	\$85,001 - \$128,000	\$134.00	\$214.30	\$40.00	\$55.20	\$443.50
> \$214,000	> \$428,000	> \$128,000	\$134.00	\$294.60	\$40.00	\$76.20	\$544.80

These do not include premiums for Medicare Advantage or Medicare supplement plans

INCOME TAX PLANNING

PRESIDENT TRUMP INCOME TAX PROPOSALS

- 1. Reduce Tax Rates From Seven To Three – Married Filing Jointly**
 - a. 12%: Less Than \$75,000.00**
 - b. 25%: Between \$75,000.00 And \$225,000.00**
 - c. 33%: Greater Than \$225,000.00**

Single Filers Will Be One-Half Of These Amounts

- 2. Keep Long-Term Capital Gain Tax Rates And Qualified Dividends Rates**
- 3. Tax Deductions**
 - a. Other Republicans: Eliminate All Deductions Except Mortgage And Charity**
 - b. Trump: Keep Current Deduction Rules But Cap Itemized Deductions (\$100,000.00 Single, \$200,000.00 Married Filing Jointly)**
- 4. Medicare Net Investment Income Tax**
 - a. Trump: Repeal**
 - b. Other Republicans: Exclude 50% Of Investment Income**
- 5. Consolidate Standard Deduction And Personal Exemption (\$15,000.00 Single, \$30,000.00 Married Filing Joint)**

INCOME TAX PROPOSALS (CONTINUED)

- 6. Repeal Alternative Minimum Tax (AMT)**
- 7. Eliminate Head Of Household Filing Status**
- 8. Above-The-Line Deduction For Child Care Expenses**
 - a. Up To Four Children Under The Age Of 13**
 - b. Capped At The Average Cost Of Childcare In The State**
 - c. Also Apply To Stay-at-home Parents Or Unpaid Relatives**
- 9. Above-The-Line Deduction For Elder Care Costs**
 - a. For Dependents Living In The Home**
 - b. \$5,000.00 Cap**
- 10. Dependent Care Savings Account**
 - a. \$2,000.00 Year**
 - b. Similar To Health Savings Account**

INCOME TAX PROPOSALS (CONTINUED)

- 11. Reduce Pass-Through Tax Rate To 15%**
- 12. Cut Corporate Tax Rate To 15%**
- 13. Eliminate Federal Estate Tax**
- 14. Carryover Basis For Inherited Assets From Estates Of More Than \$10 Million**
- 15. Double Section 179 To \$1 Million**

SOCIAL SECURITY INCOME TAX PLANNING

I. Provisional Income =

A. Adjusted Gross Income +

B. Half Of Social Security Income +

C. Tax-Exempt Municipal Bond Income.

SOCIAL SECURITY INCOME TAX PLANNING

Filing Status	Adjusted Gross Income (AGI) Plus Provisional Income	Amount Of Social Security Subject To Tax
Married Filing Jointly	Under \$32,000	0%
	\$32,000 - \$44,000	Up to 50%
	Over \$44,000	Up to 85%
Single	Under \$25,000	0%
	\$25,000 - \$34,000	Up to 50%
	Over \$34,000	Up to 85%

ROTH IRA CONVERSIONS

- I. No Modified Adjusted Gross Income Limits**
- II. Ordinary Federal Income Taxes - Taxable Converted Amount**
- III. Earnings May Be Withdrawn Without Tax Or Penalty:**
 - I. At Least 59 ½ And,**
 - II. Held The Roth IRA Account For At Least Five Years**
- IV. No Required Minimum Distribution Rules**
- V. Federal Income Taxes Should Be Paid With Non-IRA Assets**

ROTH IRA CONVERSIONS

(Continued)

VI. The Tax-Free Status Can Be Passed To A Beneficiary

VII. Roth IRA Recharacterization

- I. Reverses Roth IRA Conversion**
- II. Deadline Is Your Tax-Filing Deadline Plus Extensions.**

MEDICAL EXPENSE OPPORTUNITIES

- I. Provide Accountant With The Following:**
 - I. Pre-Medicare Medical Insurance Premiums**
 - II. Medicare Part B Premiums**
 - III. Medicare Part D Premiums**
 - IV. Medigap Insurance Premiums**
 - V. Medicare Advantage Plan Insurance Premiums**
 - VI. Non-Reimbursed Medical Expenses**
 - VII. Long-Term Care Insurance Premiums**

- II. Itemizing: 10.0% Of Adjusted Gross Income**

ESTATE PLANNING

- 1. Testamentary Letter**
- 2. Who Are The Executors And Back-Up Executors?**
- 3. Who Are The Trustees And Back-Up Trustees?**
- 4. Do The Distribution Provisions Make Sense?**
- 5. Lower Federal Estate Tax Exemption In Effect?**
- 6. State Estate Tax Or Inheritance Tax**

ANNUITIES

TYPES OF ANNUITIES

Deferred Annuity:

- **Payouts Are Deferred Until A Later Point**

Immediate Annuity:

- **First Annuity Payout Is Due One Payment Interval After The Date That The Annuity Was Purchased**

TYPES OF ANNUITIES (CONTINUED)

Investment Type:

1. Fixed Annuity:

- a. Provide A Guaranteed Rate Of Return Over The Length Of The Annuity**

2. Variable Annuity:

- a. Provide Investment Options Tied To Investment Performance**

3. Equity Indexed Annuity:

- a. Combination Of Fixed And Variable Annuities.**

FIXED ANNUITIES

- 1. Insurer Bears The Risk Of Loss Of Principal, Not The Contract Owner**
- 2. Owner Is Unsecured Creditor**
- 3. Two Guarantees**
 - a. Principal Is Protected**
 - b. Interest Equal To A Minimum Stated Interest Rate**
- 4. Guaranteed Interest Rate: Typically Guaranteed For A Number Of Years**
- 5. Current Interest Rate**
- 6. Deferred Or Immediate**

FIXED ANNUITIES (CONTINUED)

- 1. Introductory Interest Rate, Which Decreases After A Period Of Time**
- 2. Fixed Lifetime Payouts Usually Do Not Increase For Inflation**
- 3. Low Interest Rate Environment Not Favorable**

VARIABLE ANNUITY

Basic Features

- a. **Contract Owners Bear The Risk Of Loss And Not The Insurer**
- b. **Investment Options**
- c. **Income Taxation Is Ordinary Income**

EQUITY-INDEXED ANNUITY

- 1. Returns Based Upon The Performance Of An Equity Market Index**
- 2. Typically Guarantee A Minimum Interest Rate**
- 3. Protection Against Part Of Loss Of Principal**

ANNUITY EXPENSES

1. Mortality And Expenses:

- a. Found Only In Variable Annuities**
- b. Deducted From Contract Values**
- c. Covers The Cost Of Insurance Company Guarantees In The Product**

2. Administrative Charges:

- a. Covers Operating Costs Of Insurance Company**

3. Distribution Charges:

- a. Covers Promotion And Distribution Costs**

4. Front End Load:

- a. Averaging 5.00% At The Time Of Purchase**

ANNUITY EXPENSES (CONTINUED)

- 5. Riders - Additional Features That Are Part Of The Annuity**
- 6. Premium Taxes - States Tax On Premiums Related To Variable Annuities**
- 7. Annual Contract Fee**
- 8. Investment Management Fees**
- 9. Surrender Charges**

SURRENDER CHARGE SCHEDULE

<u>YEAR OF CONTRACT</u>	<u>SURRENDER CHARGE</u>
1	10.00 %
2	9.00 %
3	8.00 %
4	7.00 %
5	6.00 %
6	5.00 %
7	4.00 %
8	3.00 %
9	2.00 %
10	1.00 %

THE IMPACT OF COSTS ON VARIABLE ANNUITIES

(The Cost Of Owning A Variable Annuity Over And Above A Mutual Fund's Cost)

	Fee Range		
Mortality and Expense Charge*	1.25%	To	2.00 %
Guaranteed Death Benefit**	.15 %	To	.35 %
Guaranteed Earning Increase Death Benefit**	.10 %	To	.40 %
Guaranteed Minimum Income Benefit**	.50 %	To	.75 %
Guaranteed Minimum Withdrawal Benefit**	.40 %	To	.65 %
Guaranteed Lifetime Withdrawal Benefit**	.50 %	To	.60 %
Guaranteed Minimum Accumulation Benefit**	.25 %	To	.75 %
Total (Does Not Include Annual Contract Fee Of \$30.00 to \$75.00)	3.15 %	To	5.50 %

*Source of Information – Morningstar, Inc.

**Source of Information – Investopedia.com

INVESTMENT PLANNING

FIXED INCOME CHARACTERISTICS AND PERFORMANCE ANALYSIS

Averages

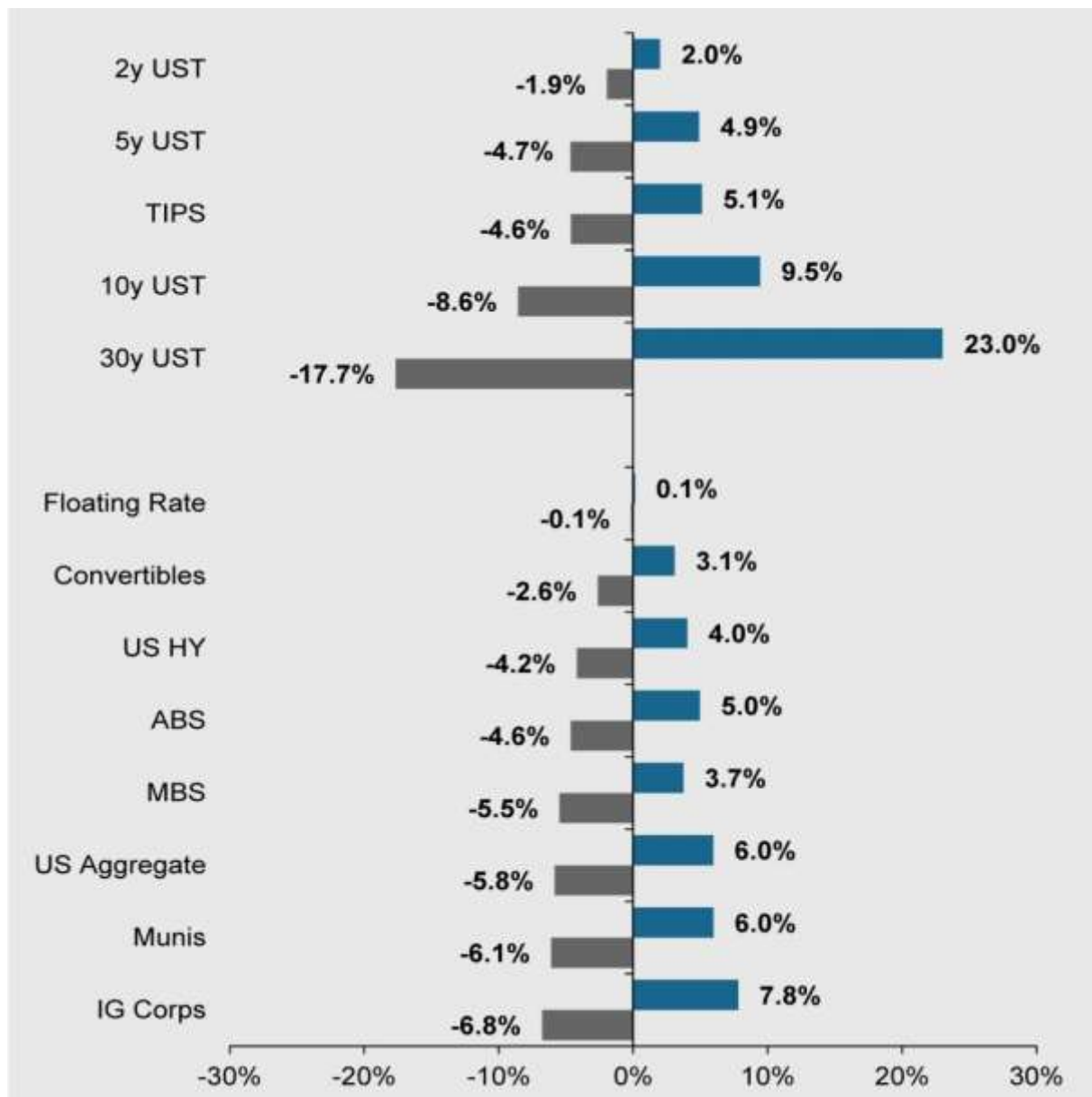
Index	Coupon (%)	Price (\$)	Yield to Worst (%)	Spread (bps)	Maturity (yrs.)	Duration (yrs.)
Bloomberg Barclays U.S. Aggregate Index	3.08	102.7	2.61	43	8.2	5.9
U.S. Treasury	2.05	101.0	1.89	-	7.5	6.1
U.S. Agency	2.12	102.8	1.78	21	4.7	3.8
U.S. Mortgage Backed Securities	3.55	103.5	2.85	15	7.1	4.6
U.S. Asset Backed Securities	1.90	100.3	1.86	59	2.4	2.2
U.S. Commercial Mortgage Backed Securities	3.23	101.9	2.78	75	6.2	5.5
U.S. Corp. Investment Grade	4.08	104.1	3.37	123	10.7	7.3
Bloomberg Barclays Municipal Bond Index	4.77	106.7	2.65	-	12.8	6.2
Bloomberg Barclays Taxable Municipal Bond	5.38	112.1	3.78	-	17.8	9.3
BofAML US Inflation-Linked Treasury Index	0.93	104.9	0.23	-	9.0	5.2
BofAML Preferred Index (Fixed Rate)	6.08	99.8	5.33	213	-	5.7
BofAML US High Yield Index	6.52	99.6	6.17	422	6.4	4.3
S&P / LSTA Leveraged Loan Index	3.96	98.1	5.18	442	4.83	0.1
JPMorgan EM Bond Index (EMBI) Global Diversified	6.09	101.9	5.79	341	-	6.5
JPMorgan Corp. EM Bond Index (CEMBI) Broad Diversified	5.26	101.5	5.05	292	-	4.8
JPMorgan Govt. Bond Index-EM (GBI-EM) Global Diversified	6.64	-	6.79	-	-	4.9
Bloomberg Barclays Global Aggregate Ex-U.S. Index	2.43	112.4	0.72	39	9.3	7.8

As of: December 31, 2016

Source: Barclays Capital, JP Morgan, BofA Merrill Lynch and Standard & Poor's via
Eaton Vance Monthly Market Monitor, January, 2017, www.eatonvance.com

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PRICE IMPACT OF A 1% RISE/FALL IN INTEREST RATES

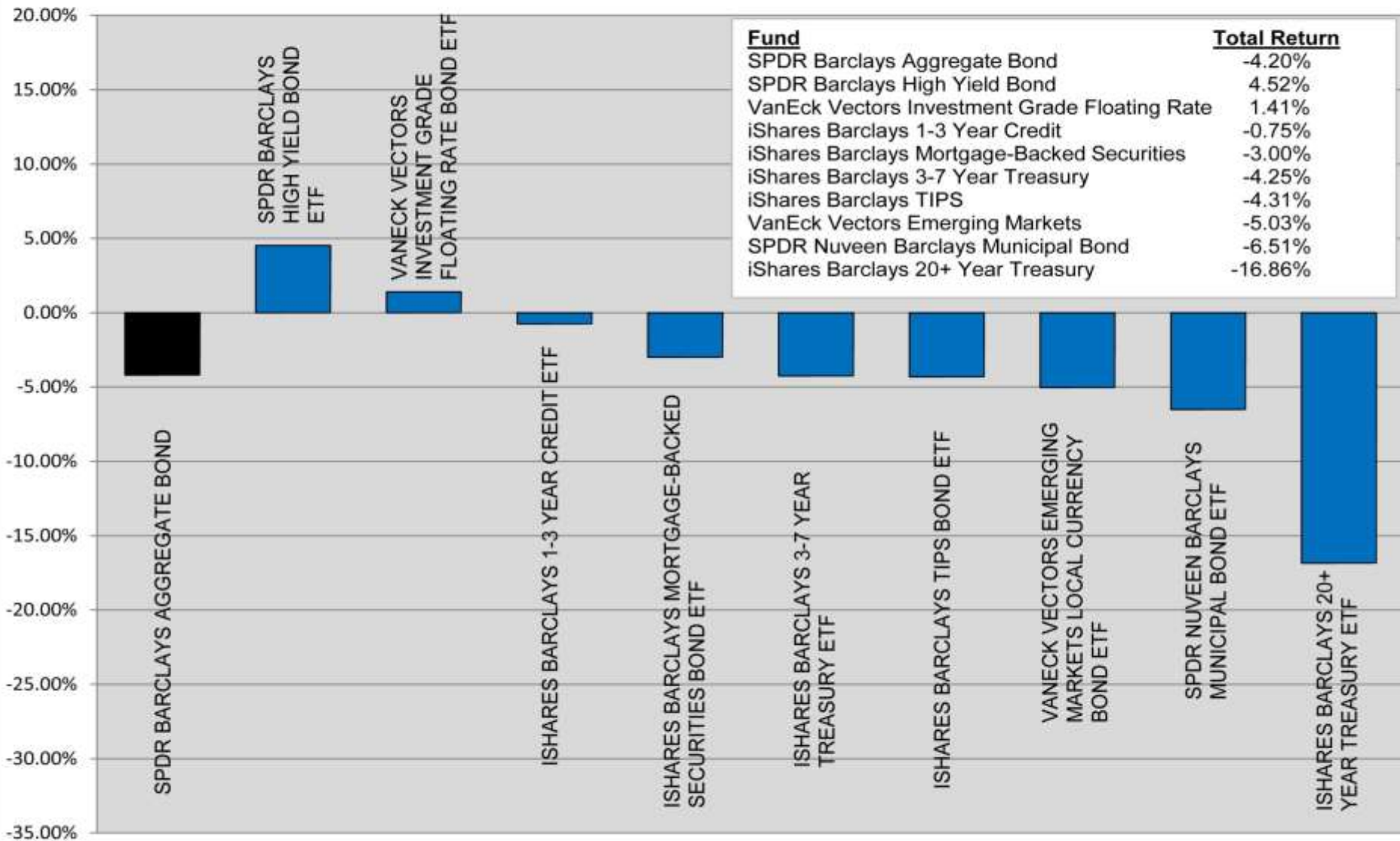


Sectors shown are provided by Barclays and are represented by Broad Market; MBS: U.S. Aggregate Securitized – MBS; Corporate: U.S. Corporates; Municipals: Muni Bond 10-year; High Yield: Corporate High Yield; TIPS: Treasury Inflation Protection Securities (TIPS). Floating Rate: FRN (BBB); Convertibles: U.S. Convertibles Composite; ABS: ABS + CMBS. Yield and return information based on bellwethers for Treasury securities. Sector yields reflect yield to worst, while Treasury yields are yield to maturity. Correlations are based on 10-years of monthly returns for all sectors. $\text{Change in Interest Rates}) + (0.5 * \text{Price} * \text{Convexity} * (\text{Change in Interest Rates})^2)$.

BOND TOTAL RETURN LOSSES

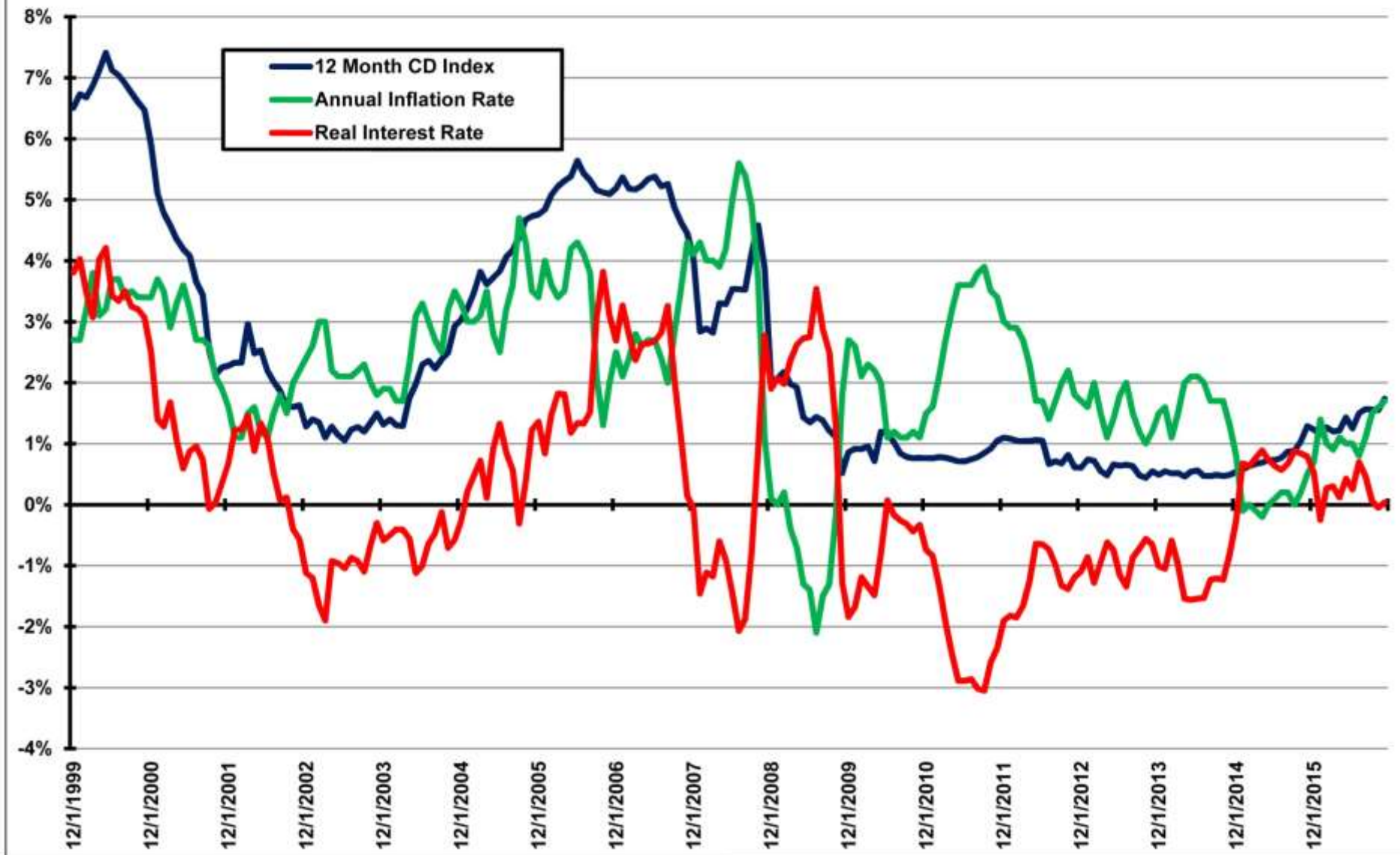
FIVE YEAR TREASURY RATES RISE FROM 0.97% to 2.10%

FOR THE PERIOD: 7/7/2016 to 12/15/2016



* SPECIAL NOTE: THE ETFS SHOWN ABOVE ARE LISTED IN DESCENDING ORDER OF PERFORMANCE FROM LEFT TO RIGHT.

REAL INTEREST RATES 12 MONTH CDs VS. INFLATION 1/1/2000 - 11/30/2016



MARKET FLUCTUATIONS

What Past Market Declines Can Teach Us

A History Of Declines (January 1, 1900 – December 31, 2016)

<u>Type of Decline</u>	<u>Percentage Decline</u>	<u>Number of Declines</u>	<u>Average Frequency</u>	<u>Average Length</u>
Dip	-5.0% to -10.0%	389	About 3 times a year	46 days
Correction	-10.0% to -15.0%	125	About once a year	115 days
Severe Correction	-15.0% to -20.0%	Included in corrections total	About once every 2 years	216 days
Bear Market*	-20.0% to -30.0%	17	About once every 6.25 years	11 months
Severe Bear Market*	-30.0% or more	14	About once every 8.25 years	22.8 months

* Either a Bear Market or a Severe Bear Market occurs approximately every 3.7 years.

SHILLER PRICE/EARNINGS RATIOS

Long-Term Stock Market P/E Valuations Fell A Bit In December-Still In Highest Valuation Levels

P/E

45

40

35

30

25

20

15

10

5

0

1881-01-01

As of: January 13, 2017

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Note: Created by Robert J. Shiller, Professor at Yale University, this Price Earnings Ratio is based on average inflation-adjusted earnings from the previous 10 years (Each year of earnings is inflated and quoted in current dollars), known as the Cyclically Adjusted P/E Ratio, also known as the Shiller PE Ratio, or PE 10 Ratio. Because this factors in earnings from the previous ten years, it is less prone to wild swings in any one year. The bad news: Because of the current high P/E valuation of 28.12 returns on the S&P 500 are likely to be in the very low single digits over the next ten years.

Black Tuesday

Black Monday

28.12

Source: www.multpl.com

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U.S. STARTING VALUATIONS HAVE DEMONSTRATED A STRONG IMPACT ON FUTURE RETURNS

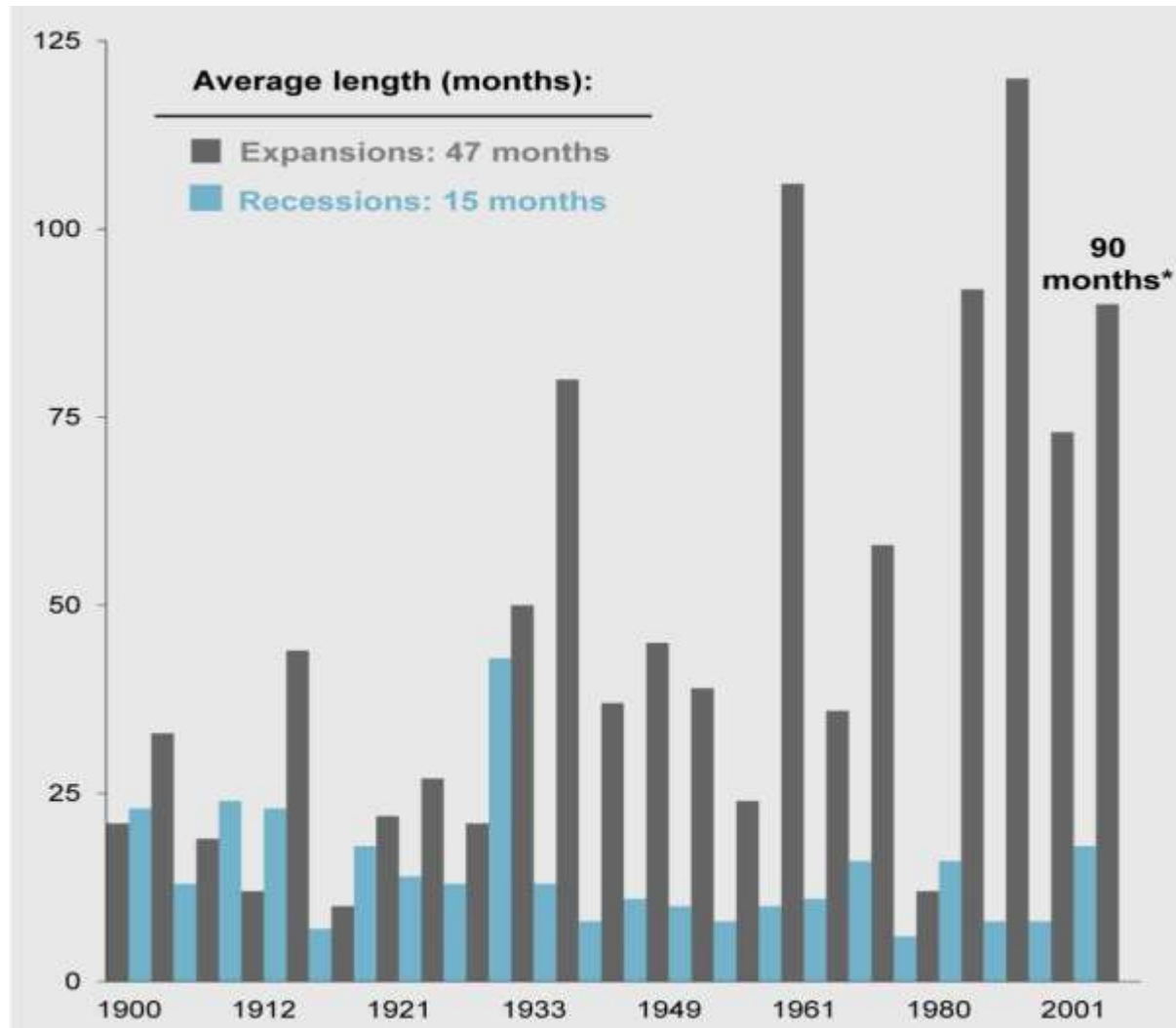
Subsequent nominal returns (annualized)*

Starting Shiller P/E	5-Year	10-Year
<10x	15.1%	14.8%
10-15x	9.3%	10.6%
15-20x	6.2%	5.6%
20-25x	4.2%	1.7%
>25x	0.4%	2.6%

Current level: 28.12

* Median of the annualized subsequent returns calculated at each month end, using Shiller P/E and S&P 500 monthly returns from December 31, 1927 to November 21, 2014

LENGTH OF ECONOMIC EXPANSIONS AND RECESSIONS

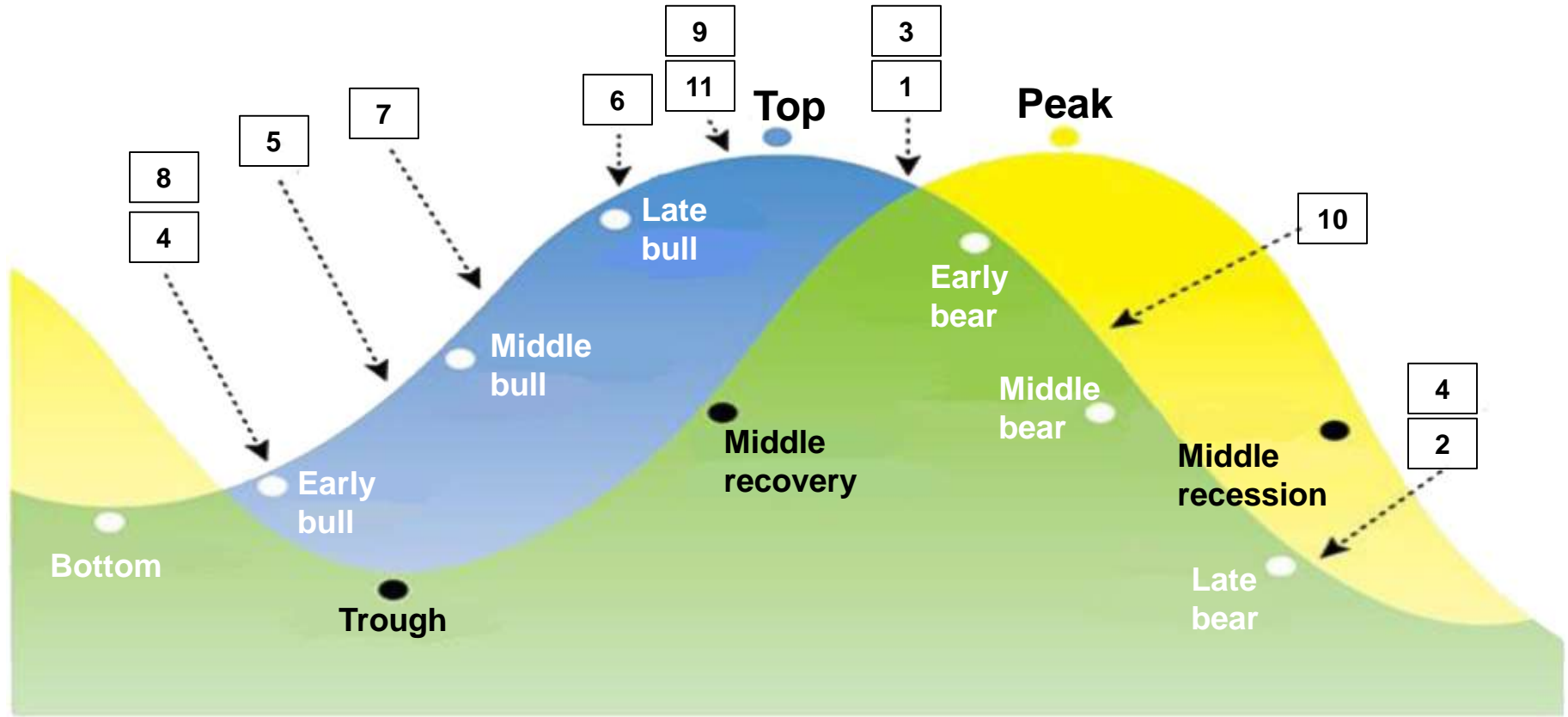


*Chart assumes current expansion started in July 2009 and continued through December 2016, lasting 90 months so far. Data for length of economic expansions and recessions obtained from the National Bureau of Economic Research (NBER). These data can be found at www.nber.org/cycles/ and reflect information through December 2016.

As of: December 31, 2016

Source: BEA, NBER, J.P. Morgan Asset Management
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BUSINESS CYCLE AND RELATIVE STOCK PERFORMANCE



Key

● Economic Cycle

● Stock Market Cycle

1	Consumer Staples	5	Technology	8	Transportation
2	Consumer Cyclicals (durable & non)	6	Basic Industry	9	Energy
3	Health Care	7	Capital Goods	10	Utilities
4	Financials			11	Precious Metals

THE FUTURE INVESTMENT ENVIROMENT

- 1. Traditional Fixed Income Investment Return Expectation Next 10 Years**
 - A. Low Single Digit Returns For High Quality-Rated Fixed Income Investments**
 - B. Lower Quality Fixed And Variable Rate Investments – Mid-Single Digit Return Expectations**

- 2. Expected Equity Investment Returns Next 10 Years**
 - A. U.S. Equity Returns – Approximately 2.0% to 4.0%**
 - B. Foreign Developed Equities Returns Approximately 30.0% Higher Than U.S. Equities – But Very Volatile**
 - A. Emerging Market Equities Returns – Approximately 50.0% Higher Than U.S. Equities – But Very Volatile**
 - B. U.S. REITs Returns – Approximately 4.0% to 5.0%**

QUESTIONS AND ANSWERS

The image features the text "Q&A" in a 3D, blocky font. The letters "Q" and "A" are a vibrant red, while the ampersand "&" is a metallic grey. The characters are positioned on a white surface, casting soft, grey shadows to their right, which gives them a three-dimensional appearance. The overall style is clean and modern.

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