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## View on the Market— 2nd Quarter

The strong momentum in the global economy in the fourth quarter of 2016 has carried over to this year. Global GDP expanded to 2.8% year-on-year in Q1, matching Q4's result. One quarter is only a snapshot, and official government data on the gross domestic product for the period will not be out for another month. The Dow crossed both the 20k and 21k mark for the first time in history during the first quarter. Emerging Markets were the clear leader as they were up 11.5% through March. There is expectation that better global economic momentum will lead to better trade prospects for those countries. The American economy is expected to pick up some speed later in the year, especially if the White House and Congress can agree on a package of promised tax cuts and new infrastructure spending. The Federal Reserve raised interest rates in March and signaled two more rate increases planned for later this year, indicating that the central bank is also in the faster-growth-around-the-corner camp. Despite investor's current appetite for risk, and the rise in interest rates, the Barclays AGG Bond index returned 2.8% for the quarter and the Global High Yield returned 3.20% for the same period. Small Cap Value and Commodities had a lagging quarter as oil prices declined and high inventory levels in the US weighed on the future supply/demand dynamics.



What do we expect going forward? Political headlines in the United States will likely continue to make the markets move on a daily basis, however investment basis will be focused on four main factors. These four factors are 1) Economic Growth, 2) Earnings 3) Corporate tax reform and 4) Federal Reserve Policy

1. **Economic Growth** should continue to pick up; supported by business investment, steady consumer spending and pro-growth fiscal policy.

*(Continued on page 2)*

## You May Need a Family Gun Trust

The topic of guns is a sensitive one, with strong opinions both for and against. However, we understand that people do own firearms and we wanted to bring up an important topic as it relates to sharing federally regulated firearms with friends and family.

The National Firearms Act (NFA) defined a class of items (Class 3) that are to be federally regulated by the process of approval and taxation. These Class 3 items are:

- Machine Guns (Automatic Rifles)
- Suppressors (Silencers)
- Short Barreled Rifles (Concealable)

*(Continued on page 6)*

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## View on the Market...continued from page 1

2. **Earnings Forecast** expect mid-single digit returns for the S&P 500 in 2017. These gains are expected to come from a pickup in economic growth, expanded bank lending, and stable price to earnings ratios.
3. **Corporate Tax Reform** remains the centerpiece of President Trump's economic agenda. Due to the first failed attempt at the healthcare repeal, we do not expect to see tax reform until the beginning of 2018. However, we anticipate positive market reaction to the changes if passed.
4. Expectations are the **Federal Reserve** will increase rates two or more times this year. Markets in general are encouraged by the Fed's acknowledgment of the improved economic outlook and its plan to hike gradually.

Currently, the market is getting pulled in many directions. The factors mentioned above will most likely play a key role on how the market will end in 2017.

*The economic forecasts set forth in this discussion may not develop as predicted and there can be no guarantee that strategies promoted will be successful. Statistical; data provided by JP Morgan 4/3/17 and LPL Financial 3/31/17. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ. The Barclays Capital Aggregate Bond Index is an unmanaged market capitalization-weighted index of most intermediate term U.S. traded investment grade, fixed rate, non-convertible taxable bond market securities including government agency, corporate, mortgage-backed and some foreign bonds. The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries*

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## Most financial fraud victims share specific character traits according to AARP survey

A survey conducted by AARP found investors most susceptible to fraud typically exhibit an unusually high degree of confidence in unregulated investments and tend to trade more actively than the general investor population.

Most of the investment scam victims also reported that they value wealth accumulation as a significant measure of success in life and acknowledged being open to unsolicited telephone and email sales pitches, the organization said in a release.

Based on the survey findings, the AARP Fraud Watch Network has launched a campaign that warns consumers about the inclinations and activities common to investment fraud victims and helps them adjust their behavior.

Unlike most investors, those prone to becoming fraud victims reported valuing wealth accumulation as a measure of success in life, being open to sales pitches, being willing to take risks and describing themselves as ideologically conservative. They also said they frequently receive phone calls and emails from brokers, make five or more investment decisions a year, and respond to remote sales pitches by phone, email or TV commercials. Most are older, male, married and military veterans.

The survey of fraud victims involved 214 telephone interviews; as well as conducting 600 other interviews among other investors.

As always, if something seems to be too good to be true, it probably is. Before committing to anything, give us a call first.

*Most are older, male, married and military veterans.*

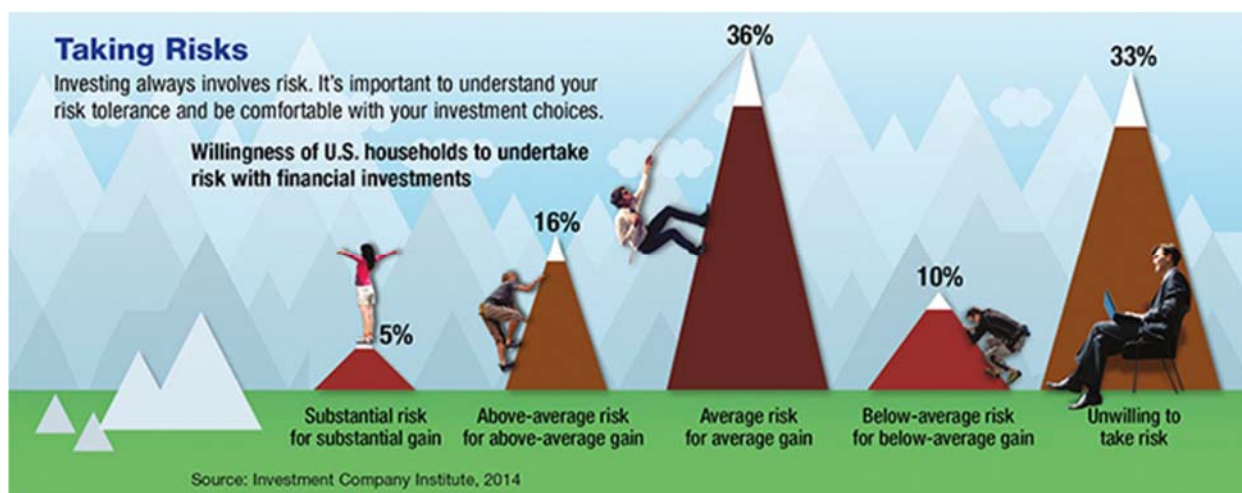
## Are You an Investor or a Speculator?

Legendary investor and teacher Benjamin Graham — considered the “father of value investing” — once said, “The individual investor should act consistently as an investor and not as a speculator.”<sup>1</sup> This simple quote captures a fundamental concept that could help you establish and maintain a sound financial strategy.

### Big Risks

A dictionary of investment terms offers these definitions: “Speculators are typically sophisticated, risk-taking investors with expertise in the market(s) in which they are trading.... Speculators take large risks, especially with respect to anticipating future price movements, in the hopes of making large quick gains.”<sup>2</sup>

The danger of this approach for individual investors should be obvious. Few people have the expertise, time, and available resources to take large risks for quick gains. And even those who think they have the expertise often fail. As another legendary investor, Bernard Baruch, put it: “Don’t try to buy at the bottom and sell at the top. It can’t be done except by liars.”<sup>3</sup>



### A Long-Term Approach

Investors also take risks, of course, and they certainly pursue gains. But unlike speculators, investors are generally committed to a long-term strategy based on sound investment principles. A smart investor buys assets that appear to be good investments and then builds them into a balanced portfolio that is appropriate for the investor’s goals, time frame, risk tolerance, and resources.

Of course, having a balanced portfolio — using strategies such as asset allocation and diversification — does not guarantee a profit or protect against investment loss. However, this approach is an established method to help manage investment risk. It may enable you to take advantage of market upswings while helping to control losses during downswings.

### Cool Your Jets

Along with managing risk, an investor should manage his or her own emotions and expectations. That can be difficult in any market situation. When the market is rising, for example, it may be tempting to rush into the current “hot” investment and buy at a high price. And when the market is declining, it can be tempting to sell near the bottom. Even when the market is flat, you might feel that you have to do “something” just to keep your investments in motion.

If you have a well-constructed portfolio, one action you might take in almost any market situation is to make additional purchases in your investment account(s) —

## Are You an Investor or a Speculator? ...continued from page 3

*“Investing should be more like watching paint dry or watching grass grow.”*

although the market could influence how you allocate your investments. Other than that, the most appropriate strategy may be to do nothing and let your investments pursue growth through long-term market trends.

Paul Samuelson, who won the 1970 Nobel Prize in Economic Sciences, described this approach in humorous terms: “Investing should be more like watching paint dry or watching grass grow.”<sup>4</sup> A patient investment strategy, often called “buy and hold,” may not be as exciting as speculating, but it will probably serve you better in the long run.

*All investments are subject to market fluctuation, risk, and loss of principal. When sold, investments may be worth more or less than their original cost.*

- 1) Thinkexist.com, 2015
- 2) Investopedia, 2015
- 3-4) BrainyQuote.com, 2015

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## Staff News

**Brett Bernstein** served as a Junior Achievement Instructor at the Bullis School for the *JA for a Day Program* on March 22<sup>nd</sup>. The students explored their interests, skills and values to take a closer look at potential career paths and industries. They became salaried employees and had to make choices based on a budget from their net monthly incomes, as well as learning the difference between credit cards and debit cards. They learned about situations and choices that can result in a positive or negative change to their credit score and they learned about the “what-ifs” in life and how insurance can protect their financial stability.

The **XML Financial** staff had a fun team-building event on March 24<sup>th</sup>. The event was held at the Escape Room in Rockville. First to “escape” was Team Rob!

April 18th is the Bullis School Shark Tank Final. **Brett Bernstein** will be a judge and **XML Financial Group** is the sponsor for the winning \$10k.

**XML Financial** is sponsoring a fundraising event on May 7th to benefit *So What Else*, a non-profit that provides after-school and summer programs to children who do not otherwise have access to certain activities, skills, and perspectives.

**XML Financial** is a sponsor of the 19<sup>th</sup> annual Fight4Diabetes Cure Gold Tournament on May 8<sup>th</sup> at Manor Country Club. [Fight 4 Diabetes Cure](#) has been committed to raising funds to help find a cure for diabetes.



## Do You Have a Will? New Survey Shows More Than Half of American Adults Don't

Let's be honest, planning for end-of-life isn't how you want to spend your spare time. It can seem depressing and maybe even a little scary. However, it's a necessary aspect of managing your assets and protecting your family, which is why it's surprising that nearly 6 out of 10 Americans are unprepared for the inevitable.

According to a new [Caring.com](http://www.caring.com) survey, only 42 percent of U.S. adults currently have estate planning documents such as a will or living trust. For those with children under the age of 18, the figure is even lower, with just 36 percent having an end-of-life plan in place.

Many Americans may avoid setting up a will because they simply don't want to think about their death. However, setting up a will not only takes care of your loved ones financially, it can save them a lot of emotional stress after you're gone." (see related article in our July, 2016 Newsletter, [Think You Don't Need a Will? Think Again](#))

The study, conducted in January by Princeton Survey Research Associates International, asked 1,003 adults whether they currently have estate-planning documents in case of their death, as well as the reason why not (if applicable).

Forty-seven percent of survey respondents without estate documents said, "I just haven't gotten around to it.. No one really thinks they will live forever, but we all want to believe we are going to live until our 80s or 90s so there is plenty of time to worry about a will. The truth is, no one knows how long they will live and the best thing you can do for your loved ones is have a will now.

### A few roadblocks

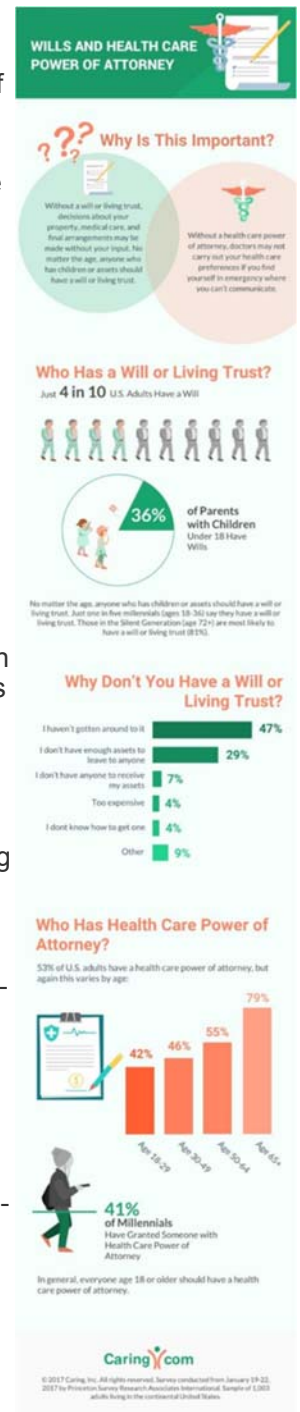
Older Americans are the most likely demographic to have an estate plan in place. According to the survey, 81 percent of those age 72 or older have a will or living trust. However, that percentage declines significantly with younger people.

An astonishing 78 percent of millennials (ages 18-36) do not have a will. Even more surprising is that 64 percent of Generation X (ages 37 to 52) doesn't have a will, and nearly half of respondents in the 53 to 71-year-old age group (40 percent) said they don't have one.

The reasons are twofold. First, younger Americans are generally unconcerned with their own mortality, which perpetuates the misconception that a will isn't necessary until later in life. Wills are generally associated with the passing of a grandparent at that stage in life. An 18-year-old is most likely thinking about their whole life in front of them, not what would happen if their life ended.

Baby boomers are aware that they should have a will in place, but planning for a possible tragedy is an uncomfortable process that forces people to answer some tough questions. Even at the age of 50 people don't envision the end of life, so most will continue to put off the process as long as they can.

Secondly, younger Americans tend to have fewer assets than their older counterparts, which feeds into the false impression that a will is only needed for those with substantial wealth or complex finances. In fact, the survey found that 29 percent of those without a will said it was because they "don't have enough assets to leave anyone."



## You May Need a Gun Trust...continued from page 1

- Short Barred Shotguns (Sawed-off Shotguns)
- Destructive Devices (Claymore, IED)
- Large Bore Items (Grenade Launchers)
- Any Other Weapon (Cane Gun, Pistol with Forward Grip)
- These items can be lawfully purchased in most states, however the buyer must know how to navigate their state and federal laws in order to stay in compliance

NFA weapons must have a serial number and be registered with the federal Bureau of Alcohol, Tobacco, Firearms and Explosives, commonly called the ATF or BATF. (If such a weapon isn't already registered, you cannot register it; it is illegal to own.) They can be possessed and used only by the registered owner. To transfer a registered firearm, the owner must get ATF approval and pay a \$200 tax (\$5 for some items).

A gun trust can avoid some of the federal transfer requirements and accomplish other goals as well:

**Allow more than one person to possess and use the weapons held in trust.** If you name more than one person as trustee, each trustee will have the right to possess or use the trust firearms.

**Keep the gun in the trust even after the current owner's death, avoiding the usual transfer requirements.** If you create a trust and transfer firearms to it, you can arrange for the trust to stay in existence even after your death. The trustees and beneficiaries of the trust would have whatever rights you grant them in the terms of the trust. Because the firearm stays in the trust at your death, the transfer procedure is avoided. That means your beneficiaries don't have to pay \$200 transfer tax, file an ATF transfer form, receive permission from the local chief law enforcement officer (CLEO), and get fingerprinted and photographed.

**Help the executor.** The executor of your estate—the person who is responsible for gathering your assets, paying your debts, and distributing what's left—may not be familiar with the rules about ownership and possession of NFA and other weapons. An executor could violate criminal laws by transferring a weapon without going through the proper procedure, taking or sending it to a state where it is prohibited, or giving it to a person who is legally prohibited from owning it. (The Gun Control Act makes it unlawful for certain persons to possess firearms. The law prohibits anyone who was ever convicted of a felony or of misdemeanor domestic violence, is prohibited by a restraining order from harassing an intimate partner, uses a controlled substance unlawfully, or is an illegal alien, to name just some of the restrictions.) When firearms are in a trust, the executor is not involved; the trustee is in charge. You can name a trustee who is well-versed in state and federal gun laws.

**Avoid probate.** Because the firearms are held by a trust, they do not need to go through probate at your death.

A gun trust is different from the common revocable living trust, which is used, like a will, to leave your assets at death. A gun trust may have multiple trustees, be intended to last for more than one generation, and must take into account state and federal weapons laws. If you want to leave guns in trust, consult a lawyer who has lots of experience with the state and federal laws that govern who can legally use and possess weapons and how they must be transferred. Please let us know if we can assist you in locating a qualified law firm to help set up this up.

For additional information: <https://www.atf.gov/rules-and-regulations/national-firearms-act>

*An executor could violate criminal laws by transferring a weapon without going through the proper procedure, taking or sending it to a state where it is prohibited, or giving it to a person who is legally prohibited from owning it.*

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## Do You Have a Will? *...continued from page 5*

Having a will regardless of age or assets, allows you to make the decisions about what you want but it also makes it much easier on the loved ones you leave behind. Even if your wealth is modest, what you do have means something to somebody. So regardless of the amount of 'wealth' you are passing on, let it be handed over based on your wishes, not your state's law.

The whole purpose of a will is to tell a court how to distribute your assets in a special proceeding called probate. The purpose of probate is to give a public notice of death and allow creditors to file claims against the estate. Whatever is left after the creditors are paid goes to the beneficiaries. In the absence of a will, the particular state's laws of succession direct how property is distributed. If you don't have a will, the state will dictate where your property goes.

### **A will is an absolute must if you have minor children**

One of the survey's most surprising findings was that just 36 percent of those with children under 18 have an end-of-life plan in place, a potentially devastating oversight.

If you have minor children, you need a will. Selecting someone to care for our children if something happens to you is not what anyone wants to consider, but it's imperative that you do. If you don't nominate guardians in a will, a judge will decide who should take care of your kids after you die.

### **The need for a health care power of attorney**

The Caring.com study also asked respondents whether they have a health care power of attorney, which appoints a specific individual to make medical decisions for you if you're incapable of doing so.

A health care power of attorney is more common than a will or living trust, with roughly 53 percent of U.S. adults having granted someone this legal authorization, according to the survey.

However, demographic disparities play a role here as well. While 83 percent of those over 72 have a power of attorney in place, only 41 percent of millennials can say the same. You should not wait until you're a senior citizen to get yours in order.

Perhaps even more importantly than a will, everyone over the age of 18 should have a power of attorney. Once a child turns 18, his or her parents are legally cut off from making some very important decisions. If a child is sick or hurt, doctors and hospitals will be prohibited from releasing information to the parents if there is no health care power of attorney.

You can work with a lawyer to set up a health care power of attorney and an advanced health care directive, a document that sets out your medical preferences.

### **How complicated or expensive is estate planning?**

Generally, the complexity and cost of setting up a will or living trust depends on how complex your circumstances and assets are. For individuals with modest wealth and straightforward wishes, a simple estate plan can be prepared quickly and inexpensively. Obviously, the more complex the circumstances, the more expensive it likely will be.

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We value our client relationships and appreciate you sharing your opinion about our firm. Any suggestions? Ways for us to improve? Let us know!

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## Do You Have a Will? *...continued from page 7*

The bottom line is this, don't wait by thinking you have plenty of time to have these documents set up. Life is unpredictable and you'll breathe easier knowing things taken care of. If you are unsure where to start, give us a call. We can review your situation and make recommendations on how to proceed or provide some names to get you started.

*The survey was conducted by Princeton Survey Research Associates International. PSRAI obtained telephone interviews with a nationally representative sample of 1,003 adults living in the continental United States. Interviews were conducted by landline (502) and cell phone (501, including 312 without a landline phone) in English and Spanish by Princeton Data Source from January 19-22, 2017. Statistical results are weighted to correct known demographic discrepancies. The margin of sampling error for the complete set of weighted data is plus or minus 3.7 percentage points.*

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