XML FINANCIAL GROUP
TRUE INDEPENDENCE.™

Spotlight on Finance

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View on the Market—3rd Quarter

As we begin the 4th quarter on record highs we continue the theme of, how much higher can it go? Before we answer that question, we will summarize the 3rd quarter. The 3rd quarter ended on a high note with two out of the three major indices closing at new record highs, and as we write this commentary, the Dow[1] closed at a new record to start the 4th quarter. The Dow was up about 5% and posted its first eight-quarter winning streak in 20 years, while the S&P 500[2] also was up eight quarters posting a 4% gain. The tech-heavy NASDAQ was also up at 5.8%. The best performing sector was technology and the only sector to drop was consumer staples.

September shaped up to be one of the least volatile markets on record. Actually, the S&P 500 has now crossed 41 consecutive weeks without a move greater than 2% in either direction. Only the mid-60's and mid-90's had longer streaks. In addition, September's daily average range was only about 0.4%. Don't get your hopes up, most see volatility picking up in the 4th quarter. Besides shorter days, changing leaves, hayrides and of course Halloween, October is known for being the most volatile month of the year. In fact, since 1979, no month has had more 1% changes (higher or lower), as nearly 30% of all days closed up or down at least 1%.

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Welcome Eric Wightman!

XML is pleased to announce a new partner with the firm, Eric Wightman. Eric has been helping clients plan and invest for their futures for over 20 years. As a financial advisor, he works with his clients to develop an investment plan that incorporates appropriate asset allocation and risk management strategies. He continues to work closely with his clients to guide them through the investment process to help meet their specific goals.

Eric is the host of *Common Sense Investing*, a weekly podcast available on our website as well as thru iTunes, SoundCloud and Google. With a straightforward, common sense approach, he will share insights on today's markets, economy and financial planning topics with the belief that it is just as important to protect your assets, as it is to grow them.

Previously with The Wise Investor Group, Eric has experience as a lecturer and an educator, as well as frequently hosting The Wise Investor Radio Show. Eric has won numerous awards and has been a contributor to various financial publications. To view his full bio, please visit our website.

With all the email you are bombarded with, we tend to post announcements and items of interest on our website, so be sure to check out: www.xmlfg.com, and Facebook page, www.facebook.com/XMLFG

View on the Market

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Now back to the question, what is driving the market up when we have so many issues around the world and specifically in the U.S.? When you drill down, the issues surrounding us are not economical but political and they are capturing the headlines. The economy is slowly growing and companies are earning money. We have low unemployment, inflation is in check, low interest rates that are moving up at a snail's pace. These economic indicators don't take political sides and neither should you when it comes to investing. We feel the same themes that have driven the market higher will continue. We also see that while some sectors may start to go sideways others will pick up, like financials. It has been said that for the market to keep going it needs the financial sector to participate. With rates finally moving up slowly and the forecast of three hikes next year, this should give the financial sector the spring board it needs toward more earnings growth. We don't see bonds doing much in the 4th quarter, or even next year, if the forecast stays true with rising rates. Look for flat to nominal return. We have already seen a half percent move lower on the Barclays Capital US Aggregate Bond Index[3] over the past month. There will still be opportunities in the bond mark such as high yield, foreign bonds and convertibles.

The international markets are still leading the U.S. and should continue as they are a few years behind the U.S. in exiting their recession. We do believe holding some cash and waiting for a slight dip will yield opportunity for the long-term.

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[1] *The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors*

[2] *The S&P 500 Index is a market capitalization–weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance*

[3] *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.*

All indexes are unmanaged and cannot be invested into directly. Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

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.

Equifax Data Breach

By now, you no doubt have heard about the massive data breach at the credit monitoring service, Equifax. On their website, they say that potentially 143 million U.S. consumers have been impacted, primarily names, Social Security numbers, birth dates, addresses and in some instances, driver's license numbers. Additionally, credit card numbers for approximately 209,000 U.S. consumers were accessed.

While this news is very upsetting, it's not totally surprising given the other major data breaches that have occurred over the past few years. What is surprising, and alarming, is the scope of information that was taken.

Please visit our website for information on steps you can take to help protect yourself from identity theft.

Inheriting an IRA

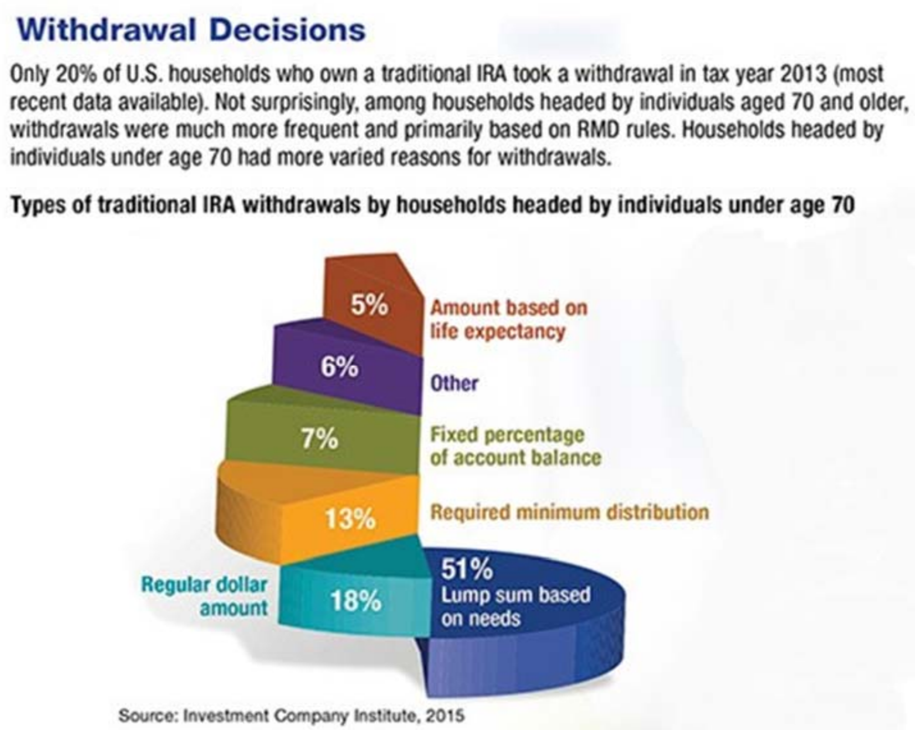
Although IRAs are primarily intended to help fund retirement, some people don't withdraw all IRA assets during their lifetimes. Any remaining assets go to the account owner's designated beneficiaries and could provide a generous legacy.

If you've inherited an IRA or might inherit one in the future, it's important to understand your options. IRS rules and regulations for inheriting an IRA can be complex, and an uninformed decision could result in unexpected taxes and penalties.

To Stretch or Not to Stretch?

An individual who inherits an IRA can take all or part of the funds as a lump-sum distribution or stretch withdrawals over his or her life expectancy (under current law) by taking required minimum distributions (RMDs). If the original account owner was under 70½ at the time of death, the beneficiary can delay distributions until December 31 of the fifth year after the original owner's death, but all the assets must be distributed by that time.

The lump-sum approach may be appropriate for small accounts, but you should think twice before liquidating a large account. Distributions from a traditional IRA are subject to ordinary income tax, so taking a large distribution could push you into a higher tax bracket and reduce the potential value of the inheritance. Roth IRA distributions might not be taxable (as long as the original owner met the Roth five-year holding requirement), but liquidating the account would lose the benefit of potential tax-free growth.



Taking RMDs

The rules on RMDs depend on the beneficiary's relationship to the original owner. RMDs are generally based on the life expectancy of the beneficiary.

A **nonspouse beneficiary** who doesn't cash out should properly retitle the account as an inherited IRA — such as "Joe Smith (deceased) for the benefit of Mary Smith (beneficiary)." Inherited IRAs are not subject to early-withdrawal penalties, but they are subject to annual RMDs, which must begin no later than December 31 of the year after the original owner's death (regardless of the beneficiary's age). However, if the original owner died after age 70½ and failed to take an RMD in the year of death, the beneficiary must take at least the amount of the RMD by December 31 of that year.

A **surviving spouse** who is the sole beneficiary has more options. The survivor can treat the assets as his or her own by rolling them over to an existing or a new IRA. RMDs would not have to start until age 70½ (distributions prior to age 59½ may be subject to a 10% early-withdrawal penalty). If the account remains an inherited IRA with the

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*Inheriting an IRA...**(Continued from page 3)*

surviving spouse as sole beneficiary, minimum distributions are based on the beneficiary's or the late spouse's life expectancy (whichever is longer). If the late spouse died before reaching age 70½, distributions can be delayed until the year he or she would have turned 70½, but RMDs would be based on the surviving spouse's life expectancy.

Another option that may be available to both spousal and nonspouse beneficiaries is to *disclaim* the IRA and allow it to pass directly to the account's contingent beneficiaries. RMDs typically would be lower if based on the life expectancy of a younger beneficiary, which may result in a greater opportunity for the assets to pursue growth.

RMD rules become more complex when multiple beneficiaries are designated or when the IRA is left to the estate or a trust. Be sure to consult with a tax or estate professional before taking any specific action.

The information in this article is not intended as tax or legal advice, and it may not be relied on for the purpose of avoiding any federal tax penalties. You are encouraged to seek tax or legal advice from an independent professional advisor. The content is derived from sources believed to be accurate. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. This material was written and prepared by Emerald. Copyright 2015 Emerald Connect, LLC.

Annual Required Minimum Distribution (RMD)

If you are age 70-1/2 or older and have a Fidelity IRA, you probably received a Required Minimum Distribution (RMD) reminder letter from them. Fidelity sends these letters whether you have taken your RMD for the year or not. Your RMD must be taken by December 31st, so if you are not sure if you have taken your RMD for 2017, please call our office.

Staff News

Brett Bernstein and his family spent a few days in August helping the Sussex County, Delaware, Habitat for Humanity.

XML had a team building event on September 22nd at Amazing Art Studio in Gaithersburg. The staff channeled their artistic side by painting coffee mugs, which will be displayed in the office kitchen.

On October 6th, Business Development Officer, **Jon Lowe**, participated in the 14th annual TJ-JL Foundation Charity Invitational Golf Classic, an annual event to raise money and awareness to combat diabetes. **XML** was a proud sponsor of the event.

Don’t Let Marketers Tell You How To Age in Place

We often hear that older Americans want to "age in place." Aging in place means living at home in the community, rather than in an institutional setting, like a nursing facility. This is the choice most people want to make even if they need services and support to do so.

With over ten thousand people turning age 62 every day, and with a majority of them homeowners, a growing number of businesses are increasingly using the phrase aging in place to market financial products and services to homeowners in the baby boom generation. Many reverse mortgage lenders, for example, advertise that a reverse mortgage loan will enable you to continue living in your current home so you can age in place.

Many of these businesses and lenders, however, are incorrectly implying that staying in your current home is the *only* option for aging in place.

Although the promise of staying put is attractive to many, remaining in your current home may not be a good plan for everyone. For example, your home may have many stairs, be expensive to heat and cool or repair, require costly taxes and insurance payments, have limited or no public transportation nearby, or be far from family, friends, and community activities.

Though it’s hard to envision an older you, think about what you want to be doing and what you can afford to do in ten, twenty, or more years from now. If you’re in your sixties, there’s a good chance you’ll live into your eighties or your nineties.

Here are some things to consider if you’re thinking about aging in place in your current home:

- Will you be able to keep up with home maintenance, repairs, taxes, and other costs over time?
- Will you be living near family or friends when you may need their help?
- Does staying in your current home give you the freedom to do the things that you like to do, such as traveling?
- Will you be able to get to the places you want or need to go, such as to doctors’ appointments, friends’ homes, and places of worship, if your ability to drive becomes limited?

Before borrowing a reverse mortgage loan to pay for expensive home modifications or for other expenses to stay in your current home, consider all available housing options. There are many ways to age in place. Whether you live in the same home you’ve been in for decades or in a new place that fits your current needs, aging in place, most importantly, **is about your right to live independently in the community of your choice**.

The new marketing pitches can appeal to the emotional ties we have to our homes. It’s hard to imagine leaving a home you’ve lived in for many years, even if growing older in your home no longer makes sense. Moving can be overwhelming if you’ve lived in your home for many years, raised children there, or accumulated a lot of stuff over the years. If you’re nodding your head as you read, you’re likely the precise demographic that these businesses are targeting.

Try not to let emotions or worries influence a decision that could put at risk your future financial, as well as your physical, well-being. Think about what makes sense for an older you, both personally and financially. Some decisions you may make about your home today may limit your options down the road, which in turn may prevent you from aging in the place you most want to be.

Article by Stacy Canan, July 26, 2017, Consumer Financial Protection Bureau blog, an official website of the United States Government.

Is Bitcoin All It's Cracked Up to Be?

The first cryptocurrency (bitcoin) was created in 2009 and is up 620% in dollar terms over the past three years, garnering attention from investors. While this has clearly made bitcoin a highly profitable short-term investment, in the long run, cryptocurrencies like bitcoin were created to act as a currency, and they have yet to prove their capability.

Standard economic theory states that money has three functions: a medium of exchange, a store of value, and a unit of account. As a medium of exchange, it is hardly used to facilitate transactions: only three of the top 500 online retailers accept bitcoin in 2017. As a unit of account, suppliers and purchasers must be able to attribute a value to their goods and services in terms of bitcoin. With low adoption amongst retailers, they are not inclined to take on that risk. As a store of value, bitcoin again fails: the monthly price movements of bitcoin are far more volatile than that of the USD, with average monthly price moves in excess of 10% in either direction.

For investors, while bitcoin may see further price volatility in the near term, its shortcomings as a currency cast a shadow over its long-term prospects. So, to sum it up, we are not recommending bitcoin as an investment to add to your portfolio.

Source: JPM Market Recap 8.28.17

Thinking About Starting, Buying or Expanding a Business with Owner Occupied Space?

Starting up a new business, expanding an existing one or buying a franchise takes money. Since most people may not have the capital needed to get a new business off the ground, they frequently turn to SBA loans (loans guaranteed by the SBA -- U.S. Small Business Administration) which are issued by participating lenders. The SBA application and approval process may overwhelm some potential borrowers. We can refer you to an SBA consulting firm who can assist with arranging SBA guaranteed loans:

- They have relationships with several of the largest SBA lenders in the country and will position your company for the best opportunity for SBA loan approval
- Buy, or refinance, existing owner-occupied buildings
- Borrowers can apply for up to $5 million
- Loan maturities range from 10-25 years
- In most cases, borrowers receive loan proceeds in approximately 30-45 days after submitting a completed application
- Other than normal closing costs, borrowers pay fees directly to the SBA
- Provide a high level of customer service with assistance for completing the loan documentation packet

If you are looking to make your entrepreneurship dreams a reality and need further information, please give us a call at 301-770-5234.

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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!

XML is Going Casual!

Many companies today are embracing a more casual atmosphere. While business suits dominated the corporate setting in previous generations, we are now looking at a less buttoned-up version for office attire. To create a more comfortable environment for our employees, we are embracing not just “casual Friday,” but “casual every day!” However, even though our look may be casual, there is nothing casual about our commitment to our clients. For that, we will always remain professional!