FINANCIAL SYNERGIES®
ASSET MANAGEMENT

Q3 2016

INSIDE THIS ISSUE

Millennials Do It Differently

MIKE BOOKER, CFP®, CHFC®, CFS®
SHAREHOLDER, FINANCIAL ADVISOR

The Millennial Generation (young people born between 1977 and 1992) are different from my generation. They are less interested in the traditional, linear "school-work-retire" life formula and would rather take chances earlier in life, but are also concerned about financial constraints.

Continued on the next page...

Millennials, continued from page 1....

According to a recent study by Allianz, titled “The Longevity Project”, the majority of those Millennials polled say they would prefer to explore, experiment, and travel prior to retirement, following a different path from how we learned to work, partner, and raise families.

“Millennials don’t want to wait for retirement to pursue their passions.,” said the author of the study, Christopher Robbins. They are much more likely to be more quickly unfulfilled in their career or wish to be associated with companies and brands that stand for something meaningful and who care about various social issues. When asked to map out their ideal life, 52% of those Millennials polled said they would prefer to take a life path unique to their interests where they might take breaks from work to volunteer and try different things in no set order.

My generation has taken a very different approach and mindset toward fulfillment. We have worked a long time, and saved up to get the financial independence and resources to pursue our passions after working. Millennials are striving for a different balance, where they can work, save, and play simultaneously, which is why we’ve created the Financial Synergies Pathway program. While both generations are striving for the same outcome, Millennials do it differently.

Pathway was designed to understand those differences. Pathway creates a savings and investment strategy that will allow these young folks to build long-term wealth while achieving their personal goals. For more information on Pathway, contact Will Goodson at wgoodson@finsyn.com or read more about it on our website: www.finsyn.com/what-we-do/pathway/

Philanthropy

On September 17th, our team and families walked the AiM for the Cure Melanoma Walk in support of our founder, Mike Booker, who is a melanoma survivor, and the Mike and Pat Booker Melanoma Foundation.

All proceeds of the walk benefit MDAnderson Cancer Center and melanoma research.

Election Cycles and The Stock Market

MIKE MINTER, CFP®, CFS® | SHAREHOLDER, PORTFOLIO MANAGER

Well, it's that time again. We're in the midst of another Presidential election season and you may be asking, "What does this mean for my portfolio?" Do election years have an impact on the stock market? Sure they do – in the short-term. But Presidential election years, and outcomes, don't have much of an impact on long-term market performance.

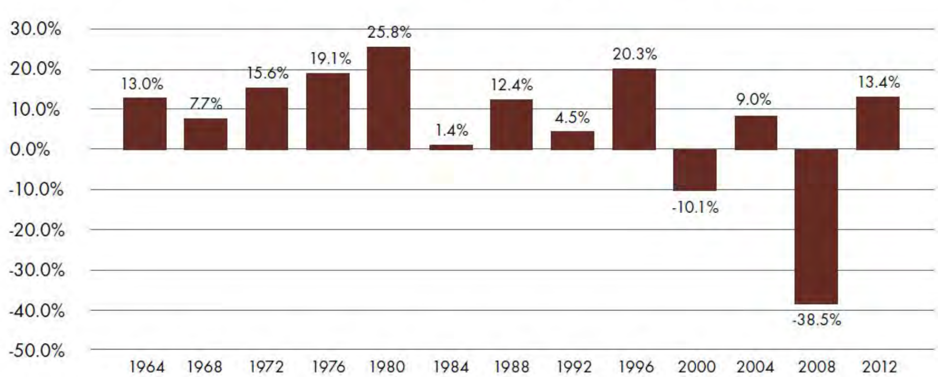
Stock market volatility tends to tick up during a Presidential election year because of the uncertainty that it creates. There is nothing the market hates more than uncertainty. But this volatility has historically dissipated after election day, returning to normal levels after the markets have had a chance to digest everything. (See Figure 1 below).

Stock market returns have been mostly positive in Presidential election years. Since 1964 we've had only two negative election years – the Tech Crash in 2000 and the Financial Crisis in 2008. And those two downturns were long in the making, having nothing to do with the elections. (See figure on right below).

Figure 1: Stock market volatility tends to wane shortly after U.S. presidential elections

Source: Vanguard calculations based on data from Thomson Reuters Datastream 2016.

ANNUAL PERCENTAGE CHANGE IN S&P 500 INDEX, ELECTION YEARS 1964 TO 2012



Percentages as of December 31 for each year
Source: Standard & Poors

Continued on the next page...

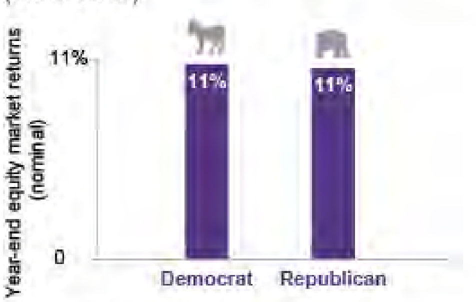
Election, continued from page 3....

Markets are Nonpartisan

The short-term impact may be kind of interesting to talk about, but it's really pretty meaningless. Let's take a look at the long view. With respect to stock market returns, does it even matter which political party controls the White House? Answer: Not Really.

Vanguard did extensive research on historical stock market returns dating back to 1853, and the performance of the market under Republican and Democratic administrations is virtually identical. (See figure 2 below).

Figure 2: Average annual stock market returns based on party control of the White House (1853-2015)



Source: Global financial data 1853–1926, Morningstar and Ibbotson thereafter through 2015.

Of course I'm not saying that Presidential elections don't matter. This election, like any, could have a significant impact on foreign policy, taxes, trade, and legislation for years to come. But if history is any guide, the results of the election will have very little impact on the market in the long run.

Inevitably there will be the stock market prognosticators and "gurus" that predict, "If candidate A wins the market will crash" or, "If candidate B wins we're headed for a five-year bull market." It's nonsense because nobody has a clue what will actually happen.

I'll admit, this Presidential election is unlike any I've ever seen. But as crazy as it has been, there won't be much correlation between stock market returns over the next 20 years and who wins this November.

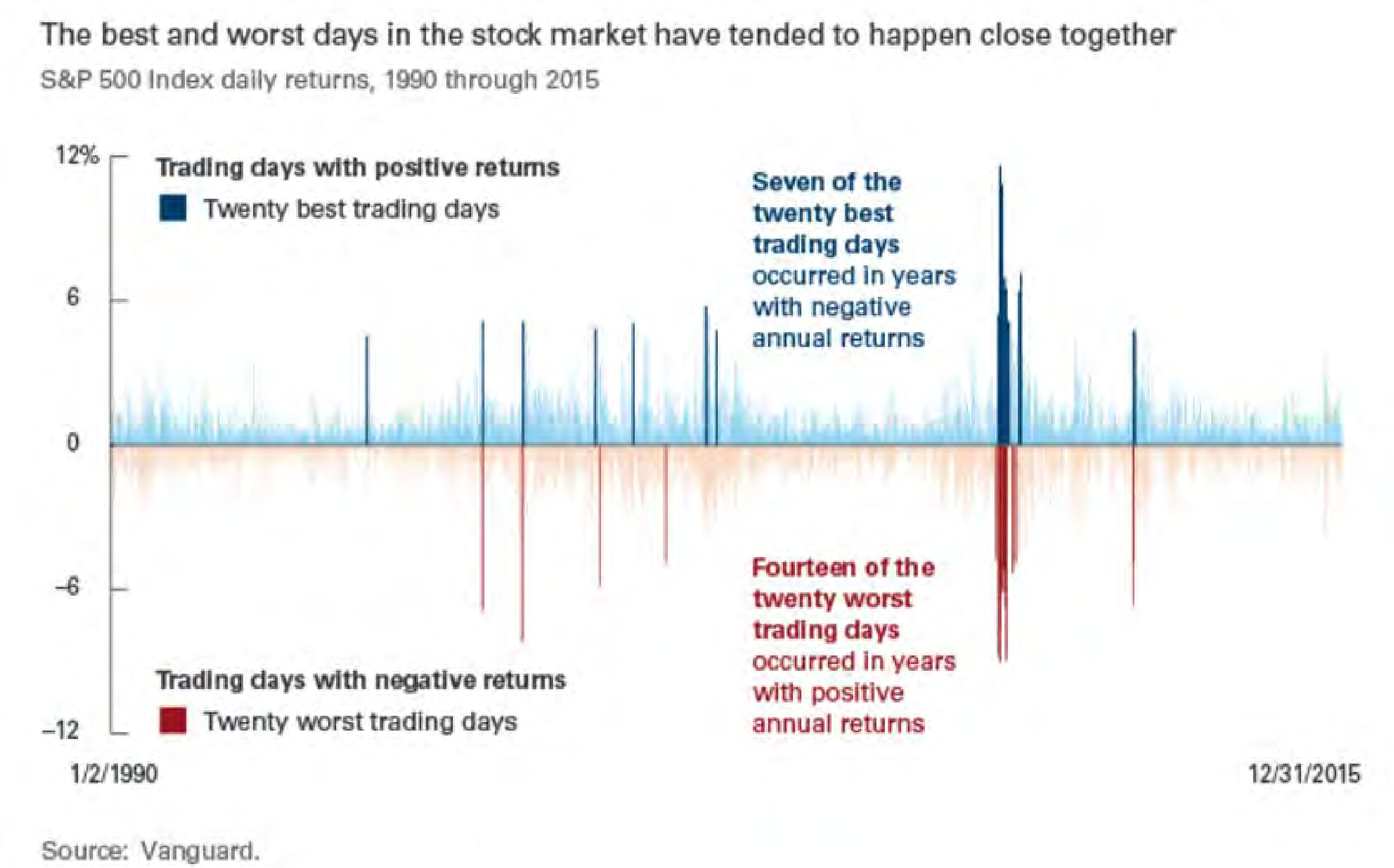
Announcements

Heath and Morgan Hightower welcomed **Holiday Jane** into their family on September 20th. She is the youngest and smallest in the Hightower family, weighing in at 7lbs 12 oz and only 20 inches tall! Her big sister Dawson is 7 years old, and her big brother Warren is 5 years old. While they both have taken a keen liking to Holiday Jane, Warren has affectionately nicknamed her "Pinky Pie". It will be interesting to see if it sticks!

Join us in congratulating Heath, Morgan, and the entire Hightower family!

Taking the Good With the Bad

WILL GOODSON, CFP® | FINANCIAL ADVISOR



Vanguard released a study recently that measured trading volatility over the last 25 years. The report explained the close timing between trading days at extreme highs and lows. Each of the worst trading days – with the exception of one – occurred within a month of one of the best trading days. What's even more interesting is that 7 of the best 20 trading days over that time period occurred in years where the S&P 500 had a negative annual return. Meanwhile, 70% of the worst trading days were in years where the S&P 500 had positive annual returns. It wouldn't surprise me to see similar patterns in other domestic and international market indices.

The big takeaway from the report is how extreme volatility to the upside and the downside tends to be closely linked to unpredictable global economic events. The Brexit vote is a perfect example. The outcome was contrary to what most pundits expected. The result was a massive global market selloff. However, within a week, global markets had recovered and domestic markets went on to set new record highs in short order.

Continued on the next page...

Good/Bad, continued from page 5....

We talk a lot about our belief that market timing doesn't work. It can be tempting for investors to want to side-step the market while things "settle down." The problem is that these swings tend to cluster closely together and the chance of timing it just right is next to nil. When it comes to timing the market, you have to get it right twice: knowing when to get out and knowing when to get back in.

We believe that capital markets will appreciate over the long-term and accept short-term volatility as a byproduct of that growth. For investors who are in accumulation mode, this volatility can be a good thing. Saving in an account like a 401k allows you to dollar-cost average over long periods of time. Some months your contribution will buy less and in other months it will buy more. Big picture, you're likely to come out ahead. The main thing is to have it automated to take the guess work out of if/when you should make your deposits.

For those who are in distribution mode, reviewing market volatility can serve as a gut check regarding your risk tolerance. While it is critical to maintain a diversified portfolio, you must also be comfortable with how you're allocated overall. If you are unsure whether your portfolio and your risk tolerance are in sync, we want to talk to you about it because at the end of the day, the best strategy is the one you'll stick with.

Operations Update

MARIE VILLARD | DIRECTOR OF OPERATIONS

Over the last year, we have been striving to put to work various feedback we've received from clients and prospects regarding what we can do to make things easier for them given we are in a more regulated environment.

We've adopted new technologies, hired new (more!) people, and come up with ways to share some best practices with you. We have a lot of good things happening, including our focus on fraud prevention where we've tightened up some of our internal measures to better protect you and our future clients.

Below are some of our recent changes and best practices. We hope that sharing this information will be beneficial to you, and we welcome any feedback you may have. If you have any questions or concerns on any of the items, please feel free to call or email us.

Trade Requests

Financial Synergies can only accept trade orders over the phone and in-person. If you send us a trade request via email or voice mail, we cannot place that trade until we have verbally spoken with you. We want to ensure that it is something you want to do and when you want to do it, within an acceptable time-frame, and that it is actually you who is requesting the trade. As always, trade requests will happen same-day if they are received before 2:30pm (allowing us time to trade before market closes at 3pm).

Money Movement Requests

To prevent fraudulent requests or potential fraudster email takeovers, we will be verbally confirming any money movement requests we receive over email that are not "usual behavior". For example, if you send us an email regularly requesting money to be sent to your outside checking account we have on file, we will not need to call you to confirm that transaction. However, if you request to send a wire or check to Joe Schmo and you've never sent a wire or check to him before, we will call you to make sure it is a legitimate request.

Schwab instituted this policy recently and has found it to be the best method to prevent wire and check fraud.

Money Market Changes

You may have seen my recent post about changes to your Money Market Feature in your account. Going forward, all natural-persons accounts will hold Schwab Bank Deposit, which is FDIC insured and is not subject to recent regulatory changes.

While the Schwab Bank Deposit is still, technically cash, it will display differently on your monthly Schwab statements; instead of "Cash" it will show as "Deposit Accounts".