BUILDING AND PRESERVING WEALTH

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Quarterly Update
July 2016

A Shake the Tree Moment

Michael Bischoff, CFP®

Questions of June 2016: What is Brexit?

A portmanteau of the words “Britian” and “exit”, it is the nickname for a British exit from the European Union. An organization that was created in 1993 with the aim of achieving a closer economic and political union between member states and the European Community.

The resulting challenge, is Brexit a shock for the markets or a true crisis?

The following statement was published by J.P. Morgan on 6/24/2016 following the Brexit vote.

“Right now we do “not” think the Brexit shock poses an immediate threat to the global recovery. Over time, we expect the reality to be reflected in asset markets outside the UK, particularly in the US, where the stock market has reacted sharply to a result which would be expected to have only modest direct consequences for the US economy. However, it could take some time before the dust settles and investors should expect plenty of volatility, as UK policymakers and the wider world comes to grip with the consequences of the historic vote. We believe that the fallout should be manageable, if policymakers respond appropriately and investors keep their heads.”

The key point from the quote is “investors keep their heads”. The S&P 500 index did fall nearly 4% on Friday, June 24th but only finished the week down 1%. The next Monday it fell again but the end of the week it turned positive. The S&P 500 ended the quarter up 2.5%. That’s a very good return for a quarter filled with gloom and doom from the media. Major pullbacks happen every year with stocks for example in: July 2010 (-16.0%), October 2011 (-19.4%), June 2012 (-9.9%), June 2013 (-5.8%), October 2014 (-7.4%), February 2016 (-13.3). During this time frame the overall S&P 500 has increased by over 80%. Being patient and not over reacting has proven to work for a long-term investor.

As we enter the second half of 2016, our expectation is that volatility will continue to be present in markets. We are suggesting that investors should maintain a balance and diversified portfolio. We’ve made several portfolio changes in our model portfolios that we believe will help overall returns. Bond markets continue to have very positive results in 2016 and are attractive investments for our moderate and more conservative accounts. Bottom line is: Active management provides a unique perspective and rebalancing portfolios can help keep your portfolio allocation in check, especially when navigating volatile markets.

This world event is A Shake the Tree Moment. A few leaves fell off but thousands of others continue to hold strong.

Promotion to Financial Advisor

Tim Greife
Financial Advisor

In June of 2014, we decided to add a role and bring on some new talent. We hired Tim Greife to assist in a variety of roles, from marketing, back office support to insurance consulting and as an assistant to our advisors. During the last couple years many of you have had the opportunity to meet Tim and have helped welcome him to the team.

At this time, we are excited to announce the promotion of Tim to Financial Advisor with Webb Financial Group. Though Tim is still young in our industry, his overall professional experience and his growth in our industry create advantages for our team, clients and business.

Tim is currently working on the Certified Financial Planner Certificate (CFP) through Boston University. He expects to complete the course in 2017 and earn the designation in 2019. He will be working closely with a number of our current and new clients, as some of you have already experienced.

Tim is a graduate from the University of Wisconsin—Eau Claire, and has a background in managing restaurants, automotive consulting and insurance consulting. Tim married his wife, Jennifer, in April 2015. They live in Columbia Heights.

We hope you will all congratulate Tim on his promotion and we look forward to a bright future having him as another asset with Webb Financial Group.

U.S. Job Growth Roars Back in June 2016

The nation adds 287,000 jobs, the strongest month of hiring since last October (Wall Street Journal).

U.S. employers ramped up hiring in June, signaling renewed momentum in the labor market that could quiet fears about a broader economic slowdown even as global market turbulence casts a shadow over the outlook. Additionally, wages are up 2.6% compared with a year earlier, matching the fastest annual growth rate since July 2009.

Friday's report "will come as a sigh of relief," National Association of Federal Credit Unions chief economist Curt Long said in a statement. He added that "while numerous land mines remain on the economic front, policy makers can at least be reassured that the labor market remains a bright spot."

We hope you are enjoying your summer!

Webb Financial Group provides comprehensive wealth management solutions to individuals and businesses. For over thirty years, we have helped our clients achieve financial security.

Michael Bischoff, *CFP® & COO*
Gary Webb, *RFC® & CEO*
Dave Verbeke, *Financial Advisor*
Tim Greife, *Financial Advisor*
Leslie Webb, *Investment Advisor*
Michelle Brennan, *Registered Paraplanner, RP®*
Kristi Mattiuz, *Controller*

Gifting Money


Michelle Brennan, *RP®*

Internal Revenue Service (IRS) rules for 2016 currently allow gifts of cash and securities up to $14,000 each to any number of individuals per year without gift-tax implications. Even though you may not choose to give to that level, giving money to children can impart lessons about the importance of saving and the benefits of long-term financial planning, plus it can teach them about charitable giving. It can also help young people develop fiscal responsibility, while giving them the independence to make financial decisions.

At the same time, the tax benefits associated with some financial gifts - to young people as well as to other family members and loved ones, or even to a charity - can help the giver reduce his or her tax bill. Below are some ideas on how you can gift.

Make contributions to a child's Roth individual retirement account (IRA), up to a total of $5,500 per account per year. The child must have earned income at least equal to the amount put into the account each year. So, if you child has taxable compensation of $2,000 for the year that's the maximum amount that can be contributed. Like a traditional IRA, a Roth investment grows tax-free. The advantage of the Roth, is that the account owner can withdraw contributions tax and penalty-free at any time. The owner may have to pay taxes and penalties on earnings if they make a withdrawal before age 59½. Keep in mind, contributions to a Roth IRA are not tax deductible.

Transfer money to the younger generation through a 529 college-savings plan for a longer-lasting gift. Contributions to a 529 plan must be used for post secondary education and cannot exceed the amount necessary to provide for the qualified education expenses of the beneficiary. If you contribute to a 529 plan, however, be aware that there may be gift tax consequences if your contributions, plus any other gifts, to a particular beneficiary exceed $14,000 during the year.

Pay a student's tuition bill directly, rather than giving money to the student or making a deposit into a 529 account where they are the beneficiary. By paying the school directly, you may qualify for certain tax credits and deductions. In addition, the money you pay for education should not apply to the $14,000 annual limit on gifts. You should discuss the tax implications specific to your situation with a qualified tax professional prior to executing this.

Give securities (stocks or bonds) to a charity, using securities which have appreciated significantly in value from when you first purchased them. You can take an income tax deduction for the value of the securities and the charity won't be subject to capital-gains taxes when the securities are sold.

Help a loved one support a charity, either by giving on their behalf directly to a charity they support or by making contributions to a donor-advised fund. As the donor, you can take a tax deduction, and - if the contribution is to a donor-advised fund - the money could grow tax-free until a charity is designated to receive the funds.

Open a custodial bank or brokerage account on behalf of a child, funded with either cash or securities. Any adult can manage the account and anyone can add money to it. It's important to point out, however, that a custodial account is considered a child's asset for purposes of calculating college financial aid, so it can impact potential awards. Upon the child reaching age of majority (age 18 or 21) it will solely become their account.

Before giving a financial gift, talk with your financial advisor and a tax professional to make certain there are not unexpected consequences to your situation.

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