SEIA

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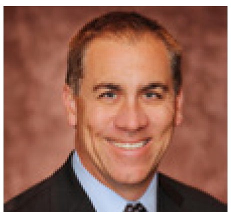
THE SEIA REPORT

2017 YEAR IN REVIEW: SO MUCH FOR OLD ADAGES



Deron T. McCoy
CFA, CFP®, CAIA, AIF®
Chief Investment Officer

We've all heard it said countless times before: there's nothing the stock market hates more than uncertainty! Yet in a year marked by a spate of natural disasters, nothing has managed to impede the market's inexorable rise. In the twelve months following Donald Trump's election, US stocks (the S&P 500®) rose 21%, making it the fourth largest post-presidential election yearly gain since 1936 – exceeded only by Bill Clinton (32% rise in 1996), JFK (29% growth in 1960) and Bush Sr. (23% in 1988).

We can also put to rest the old adage of 'no risk, no reward' as the profits garnered this last year came with very little risk. Since the election, U.S. stocks have not had a 3% pullback at any point, even though the average annual correction in bull markets is in the 5-10% range. Furthermore, when you include dividends U.S. stocks managed a gain in every single month! Novice investors should take note that this is NOT normal and in fact, represents the least volatile period in 50 years—a fact that few would have predicted on election night one year ago.

The persistent bull market was also pervasive, as gains were widespread including both the Technology (+39%) and Financials (+37%) sectors. It was not limited to our domestic markets as the first synchronous global expansion in a decade lifted multiple regions. Both Developed Markets (+24%) and Emerging Markets (+26%) outpaced the U.S.*

If anything, 2017 will serve as a reminder to view your investments through a green lens and not the red or blue lens that was the focus for much of 2016.

Passing the Growth Baton

How long this bull market can continue seems to be the $64,000 question at the top of most investors' minds. While little has changed as far as underlying economic and market fundamentals are concerned, we need to be particularly attentive to the fiscal and monetary policy changes that may take place over the coming 6-12 months.

Savvy investors know that stocks are predictive rather than reactive – pricing in future expectations for both the company's prospects as well as the economy at large. Although we don't have a crystal ball, we can still glean some informed insights based on the current discussion and the apparent shift in focus from monetary to fiscal policy.

On the monetary front, while a change at the helm of the Federal Reserve is always noteworthy, the nomination of Jerome Powell to replace the departing Janet Yellen is viewed by many as a continuation of current policy. But one needs to remember the currently policy is to continue to raise short-term rates as well as to continue the reduction of the Federal Reserve's balance sheet by letting the bonds that accumulated under their Quantitative Easing program mature and runoff. Thus, the Fed's demand for bonds is now removed from the marketplace at the same time as increasingly large budget deficits argue for an increase in the supply of newly issued Treasury debt. Econ 101 tells us that decreased demand in the face of increased supply leads to lower (bond) prices—or higher yields in this case. Higher interest rates and tighter monetary policy crimps margins and will act as a headwind to corporate profits and the ongoing bull market.

But fortunately, fiscal stimulus may fill the void as the stimulus baton gets passed from the Fed to Congress. Proposed corporate tax reform should serve to boost corporate earnings throughout 2018, and help to elongate the business cycle. Similarly, reductions in personal income taxes will likely increase consumer

continued on page 3...

**Source: Bloomberg, 10/31/2016-10/31/2017.*

SUCCESSFUL WEALTH MANAGEMENT IS THE RESULT OF AN ONGOING COLLABORATION BETWEEN INVESTOR AND ADVISOR, BUILT UPON TRUST AND MAINTAINED ACCORDING TO THE HIGHEST STANDARDS OF INTEGRITY AND EXPERTISE.

- BRIAN D. HOLMES, MS, CFP®, CMFC, AIF®
PRESIDENT & CEO

ABOUT SEIA

Signature Estate & Investment Advisors, LLC® (SEIA) is a Registered Investment Advisor firm offering Investment Supervision and Financial Planning Services tailored to meet the unique needs of affluent individuals and corporations. Fundamental experience and professionalism enable the financial advisors, with SEIA's research and support staff, to design a financial plan or investment portfolio to meet the client's goals.

THE 10 HIGHEST DIVIDEND STOCKS IN THE S&P 500 (AS OF AUGUST 1, 2017)

1. CenturyLink (CTL)
2. Seagate Technology (STX)
3. Macy's (M)
4. Iron Mountain (IRM)
5. Helmerich & Payne (HP)
6. Ford Motor (F)
7. L Brands (LB)
8. Kimco Realty (KIM)
9. Kohl's Corp (KSS)
10. AT&T (T)

HOW DO I CREATE A HIGH-DIVIDEND INCOME STREAM?

Jennifer Kim
MS, CFP®, CMFC, ChFC, CLU
Senior Partner

The case for periodic portfolio rebalancing is a sound one: Invariably, a portfolio's target allocation becomes skewed—whether from the outperformance of a single stock or sector, or due to the kind of broad equity overweighting that often accompanies a prolonged bull market. You wake up one morning and suddenly realize that what was once a 60/40 stock-to-bond portfolio is now at 75/25.

So, without intending to, you are now assuming more risk than you wanted, and precisely at a time when downside protection might be most advisable.

Given the prolonged duration of this current bull market and a seeming continual succession of new highs, this may be an ideal time to sit down with your advisor and explore rebalancing strategies. The challenge, however, lies in achieving that goal without triggering the significant capital gains taxes associated with selling highly appreciated stocks. One potential approach is to rely on high-dividend securities to generate sufficient portfolio income, to enable gradual rebalancing.

WHY USE DIVIDEND INCOME TO REBALANCE?

Typically, investors plow back dividends into the purchase of additional shares of the same security through dividend-reinvestment plans. This is a strategy, however, that often just accelerates the need to rebalance. By channeling those dividends into other sectors and/or asset classes, you not only will help prevent an individual security from comprising too large a position in your portfolio: Over time, you also may be able to reduce or eliminate the need to generate capital gains while rebalancing.

Rebalancing through dividend reallocation could also help to counteract a common behavioral bias that tends to adversely impact investors: Many of us have a propensity for becoming too married to an outperforming stock—finding ourselves unwilling to trim back on our holdings. Our recency bias seduces us into believing that what has been going up will continue to rise.

Avoiding the reinvestment of dividends, then, offers a simple way to keep your winners from becoming too large a component of your portfolio. Plus, it allows you to build a cash reserve within your portfolio, which you and your advisor can deploy whenever new tactical opportunities present themselves.

FUELING YOUR DIVIDEND INCOME STREAM

Given the rarefied air that equity markets are currently experiencing, now may be an opportune time to deploy a dividend-income approach to rebalancing, especially when you look at the recent performance of growth stocks like Apple, compared to high-dividend-paying value stocks like GE.

By locking in gains by trimming back some of your top portfolio-momentum performers and rotating those assets into dividend-paying blue chips, you'll not only reduce your portfolio's risk profile, you'll help establish a means to fund future reallocations without incurring a potentially major tax liability.

Granted, you may be reluctant to sell winners and lock-in capital gains. But ask yourself this question: Would you rather sell those shares now when prices are high, or wait until they lose value to the point where there aren't any gains left?

spending power which may further drive corporate earnings. These dual tailwinds should propel markets higher in 2018.

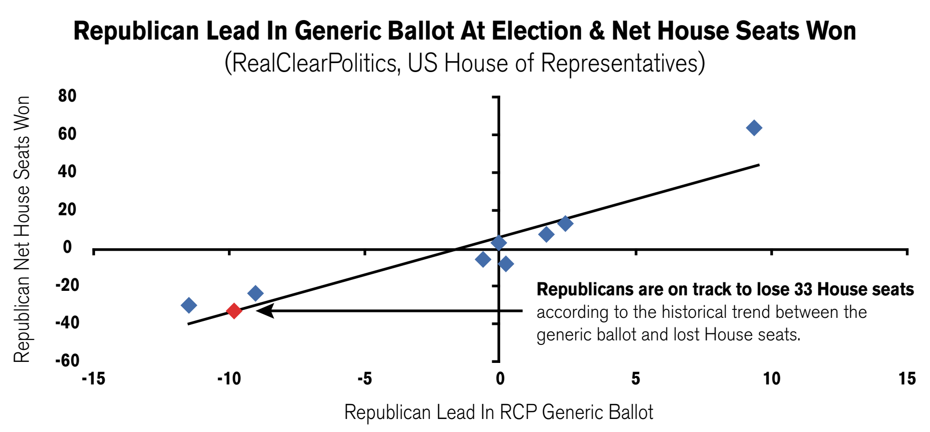
2018: Return to "Normal"?

What could impede continued growth? The tailwind of better corporate earnings should keep recession at bay for the time being. Note the biggest challenge of 2018 might not be an economic one.

History and the data suggest that the red state-blue state divide may narrow. If so, a return to more normal volatility may ensue as the markets start to price in a shift in congressional control. Thus, economics might simply take a (temporary) backseat to politics as the focus shifts to the now normal divisive attitude and bitter rancor from our elected officials.

But perhaps 2016-17 marks the high in divisiveness. Perhaps elected officials will become the leaders they should be and the 2018 election season ushers in a new era of statesmanship and civic harmony.

Perhaps.



But if it doesn't, set an alert reminder for next summer and have it read, *"Dear savvy investor, this is a reminder to avoid viewing the world through a red or blue lens but rather through a profit-making green lens. For investment decisions, don't focus on Fox News or MSNBC. Focus instead on the yield curve. Watch consumer sentiment. Find out where NYSE margin levels are. Rather than clicking on Facebook ads or reading Twitter feeds, spend that time analyzing what corporate earnings will look like in 2019. Or better yet, 2025. Research what Draghi and Kuroda just said and their effect on the DAX, the Nikkei and the 10-year Treasury bond. Remember Brexit? Remember Trump? Don't base long-term rational economic decisions on the short-term emotional political environment. Be boring at the next cocktail party. But be wealthier. Yours truly, your portfolio."*

Keep in mind, that while increasing your allocation to high-dividend securities is often a sound strategy in a mature bull market, you need to be careful about timing those allocations. Many of the highest-dividend stocks at the start of 2017 are 10 percent to 30 percent lower today. It's also important to hedge your portfolio against a market downturn. Regardless of how well diversified your stocks may be among growth, value, large cap, small cap, international and emerging markets, when the market eventually heads south, nearly all equities will to a greater or lesser degree follow suit.

The message? After more than eight years of steady gains, now may be a good time to reallocate. Talk to your advisor about these and other tax-smart ways to reduce your overall portfolio risk.

ONE POTENTIAL APPROACH IS TO RELY ON HIGH-DIVIDEND SECURITIES TO GENERATE SUFFICIENT PORTFOLIO INCOME, TO ENABLE GRADUAL REBALANCING.

DEMYSTIFYING MILLENNIALS: How today's generation thinks about money; and what we can learn from them

Andrew Lin
Relationship Manager

We're all familiar with the stereotypical depiction of millennials (the generation born between 1980 and 1995). They're the insulated, disengaged and narcissistic young adults raised by overprotective helicopter parents, obsessed with instant celebrity and expecting everything to be handed to them without the requisite hard work. Aren't they?

After all, this is the first generation whose lives have been shaped by the Internet. Social media platforms such as, Facebook, Twitter and Instagram have, to a great extent, minimized their need for face-to-face interaction and communication. A seemingly endless sea of reality TV programming celebrates dramatic behavior. Even the diminishing size of the modern family unit seems to have conspired to inflate the perceived self-importance of our millennial children.

Yet despite memes and public consensus, millennials very much tend to buck the negative stereotype that has been attributed to them. Unquestionably they are tech-savvy information sharers, but they are far from isolated and disengaged. Quite to the contrary, this is a globally aware, empathetic and cause-driven generation with an incredibly strong collective social conscience.

Having witnessed the economic impact of the Great Recession on their parents' lives, they've become exceedingly distrustful of the irresponsibility and excesses of corporate America. It's an experience that has forged a much more conservative, risk-averse investor mindset, and fostered a belief in more stringent corporate governance and socially responsible business practices. In short, millennials are far more driven by a desire to "do good" rather than a desire to "do well."

ENCOURAGING DEEPER FINANCIAL ENGAGEMENT

If you're like many wealthy parents of millennials, you probably worry about the fiscal preparedness of your children. Are they equipped with the financial knowledge and skills they'll need to manage the complexities of wealth? Even if they're fortunate enough to start life without a mountain of student loan debt, will they make sound decisions with both the money they earn and the more than $30 trillion in wealth this generation will inherit over the next three decades?[1]

Certainly, members of the millennial generation often ascribe to the "enjoy the present because who knows what tomorrow may bring" philosophy of life. But they are by no means reckless with money. They just don't view wealth the same way that previous generations have – as a scorecard of individual success. Instead, they value the life experiences and personal fulfillment that money can provide – particularly when it comes to helping others and bettering society. And it is here where parents and millennials are most likely to find common ground and a basis to begin sharing financial values.

Whether an investor is looking to "do good" or "do well" with their investment dollars, the most powerful dimension to investment success is time. While the philosophy of #YOLO may seem ridiculous to those of us that have been through cycles of ups and downs, one would be advised to remember the "don't worry be happy" and "carpe diem" mantras of previous generations. Point being, is that the more things change, the more they stay the same, and even our children will need security in retirement. Engaging millennials on their terms is the key. Perhaps it is engaging them in a conversation on their view of the world and the causes they are passionate about. From there, work with advisors on customizing an investment portfolio that promotes their values not just focusing on returns.

Beyond making an impact on the world with what and where to invest, Family philanthropy offers a unique and ideal opportunity (and more intimate impact) to cultivate your children's inherent empathy, generosity and social engagement. Through planned giving vehicles such as donor advised funds, charitable trusts and private foundations your family has a chance to come together as a unit to talk about the causes that matter most to you and work to further the mission of those organizations with both your time and money.

In addition, if you've been putting off having an inheritance conversation with your children, stop delaying. The sooner you can begin preparing them, the better off they'll be. Having a clearer understanding of what they will inherit, despite the inherently uncomfortable nature of the topic, not only provides insight that may significantly impact their own wealth plans (e.g., perhaps it might allow them to funnel more income towards paying off high interest debt sooner since inherited assets will augment their retirement savings) but allows you to share a lifetime's worth of financial learning.

Of course it's always dangerous to paint an entire generation with such broad brushstrokes. But whatever your personal wealth situation and the financial preparedness of your future heirs, we at SEIA are here to help. From providing financial education to offering personal wealth guidance, we can help get your millennials ready for the future – and we have the technology platform and online tools to work with them in a manner that will be familiar and comfortable.

[1] Accenture, "The Greater Wealth Transfer," December 2015

RECENT ACCOLADES AND UPDATES

Signature Estate and Investment Advisors Reaches $7B in AUM

In October, SEIA announced that it has reached $7 billion in assets under management. This latest benchmark comes less than a year after crossing the $6 billion threshold. Said SEIA CEO Brian Holmes, "For 20 years, we've been committed to serving clients with their broad objectives fully in focus. We remain centered around customized asset management services, comprehensive financial planning, and conflict- free advice. We're excited that new clients continue to embrace our holistic planning strategy, and are honored that so many long-term clients have entrusted us with their financial futures."

Kathleen Adams Promoted to Partner

Kathleen Adams was recently promoted from Senior Associate at SEIA to Partner. Kathleen specializes in financial planning for business owners and for the dentistry community and creating customized financial plans with their specific needs in mind. Some of the services Kathleen offers include financial planning, investment consulting, and retirement plan consulting. Adams has been an advisor at SEIA for five years.

Jim Bray Joins SEIA's Newport Beach Location

Jim Bray, CFP® recently joined SEIA in the Newport Beach office. Jim's practice focuses on helping individuals and families nearing and in retirement. He is dedicated to helping his clients navigate the dynamic currents of life and help them be prepared for life events as they unfold. Jim is joined by his longtime associate Paula Hart, SEIA is excited to welcome such a professional and experienced team.

SEIA Named to National Association of Plan Advisors Top DC Advisor Firms

National Association of Plan Advisors recently announced its first-ever list of Top DC Advisor Firms, ranked by defined contribution (DC) assets under advisement. SEIA is thrilled to be included in the esteemed company of firms that represent a valuable "who's who" in the world of retirement plans and retirement plan advisors.

Brian Holmes Named to Barron's List of America's Top Independent Financial Advisors

SEIA is proud to announce that Brian Holmes has again been named to the Barron's list of America's top independent financial advisors. Barron's bases the ranking on total assets under advisement and revenue generated by the advisor's team, as well as the overall quality of the practice.

John Keenan Named to 2017 Financial Times 401 Top Retirement Advisers List

Tysons Corner Partner John Keenan was recently named for the second year in a row to the FT 401 Top Retirement Advisers list. The elite list of advisors was selected based on DC AUM, specialization, growth rate and years of experience in DC plans, industry certifications, participation and compliance record.

Introducing the New SEIA.com Website

We are excited to announce the launch of our new website with easier navigation, mobile device optimization and a streamlined client login page. Visit www.seia.com for more information.

Please contact your financial advisor to discuss enrolling in SEIA's secure client portal, or learn more on our website.

As the holiday season is upon us, we find ourselves reflecting on the past year with gratitude and best wishes for our family, friends, clients, and colleagues.

From the SEIA Family to Yours, We Wish You a Happy, Healthy Holiday Season and a Wonderful New Year!

SIGNATURE FUND *for* GIVING

Philanthropy is a cornerstone of SEIA's culture and it is our belief that our continued impact in our communities can reach beyond serving our clients. More broadly, we are committed to energizing our communities by giving through our Signature Fund for Giving.

The Signature Fund for Giving accomplishes its mission of empowering our community's young people by utilizing our combined efforts of fundraising, supporting employee volunteer participation, and through generating in-kind donations.

Since inception, the Signature Fund for Giving has granted over $150,000 to our four partner organizations. Our partners include A Place Called Home, Toberman Neighborhood Center, Children's Hospital of Orange County, and Second Story.

Today, and every day, we are grateful for the opportunity to support such incredible organizations.

Thomas West on the Left
and David Johnson on the Right

If you have any questions regarding our Signature Fund for Giving or how to participate, please reach out to Hayley Wood at 310-712-2323 or hwood@seia.com.

The Signature Fund for Giving is pleased to announce our new partnership with Second Story in Dunn Loring, VA. The Team at SEIA's Tysons Corner Office have attended Second Story's Beacon of Hope charity event, taught classes on budgeting and finances, and provided over 500 Thanksgiving food baskets to local families. Through SEIA Partner Tom West's and Senior Associate David Johnson's involvement, they have assisted Second Story in raising over $11,000 in 2017 to help families of teens in crisis around Fairfax County. We are very proud of the value SFFG adds to Second Story.

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