SEIA

Signature Estate & Investment Advisors, LLC®
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THE SEIA REPORT

GRIDLOCK AHEAD?

BY **Sam Miller**
CFA®, CAIA®, *Senior Investment Strategist*

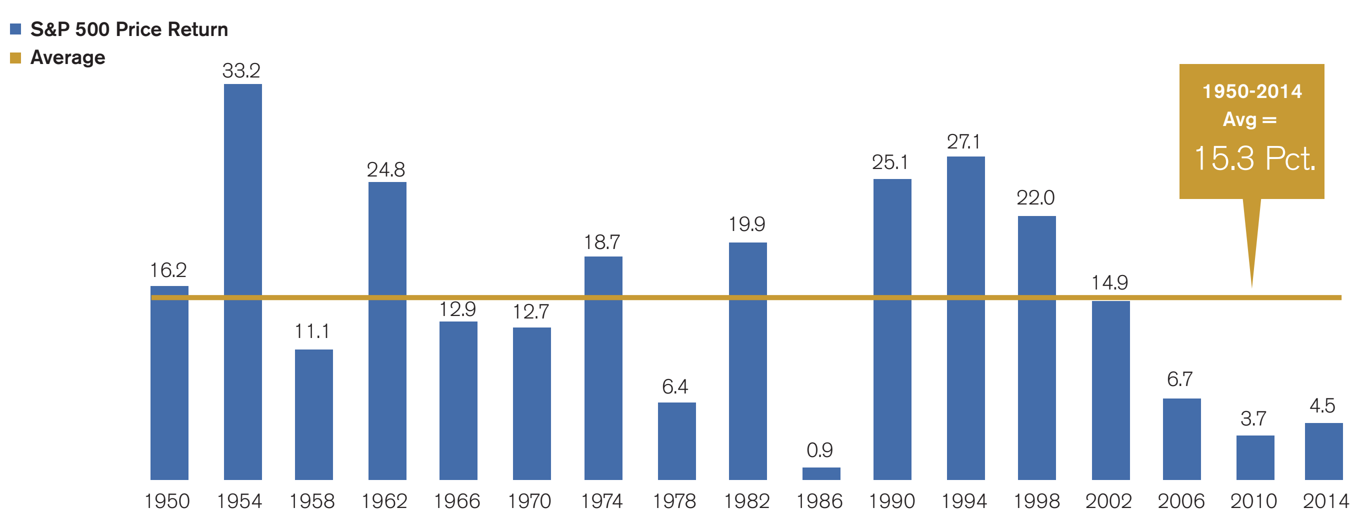
As expected by most political pundits, the 2018 Midterm election saw Democrats win the House with Republicans maintaining the Senate. Despite a reputation for deploying unconventional tactics, President Trump appears to be bound to historical norms in at least one sense: US voters continue to prefer a government with shared power. The end result is a continuation of a trend that we have witnessed many times before: the president's party lost control of the House in a midterm election, leading to a divided Congress. Traditionally, this results in gridlock as neither party can freely move forward with their legislative agenda.

Further, a Democratic House likely means we'll see congressional investigations into the Trump administration, leading to sensational headlines and additional political noise. A divided government may result in an increase in policymaking via executive order, potentially escalating trade/tariff fears. One of the few measures with a chance for bipartisan support will involve spending that isn't coupled with a tax increase, such as an infrastructure bill. All of these events may make for political instability and volatile markets in the short-term, but should have little impact on economic reality longer-term.

What's Next For Markets?

Since investors dislike uncertainty, equity markets typically decline in advance of elections, but have historically performed well in the aftermath once the dust settles. Since 1950, the stock market has not declined in any 12-month period following a mid-term election. The average gain for

EXHIBIT 1: S&P 500 INDEX PRICE RETURN IN THE 12 MONTHS FOLLOWING MIDTERMS



Source: Strategas Research Partners LLC

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I believe 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 align 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 align the client's goals.

KEY UPDATES FOR 2019

	2018	2019
401(k) contribution limits	$ 18,500	19,000
401(k) catch-up (over age 50)	6,000	6,000
IRA contribution limits	5,500	6,000
IRA catch-up (over age 50)	1,000	1,000
SEP IRA contribution limits	55,000	56,000
Simple IRA contribution limits	12,500	13,000
Deductible IRA phaseouts for MFJ begin at	101,000	103,000
Roth IRA phaseouts for MFJ begin at	189,000	193,000

Source: IRS

During the holiday season we reflected on the year passed, shared memories and expressed our appreciation for all the blessings. Last year was a difficult and emotional time for many. Our clients, friends and employees were affected by the devastating natural disasters including the recent Woolsey and Paradise Fires, as well as the various heartbreaking events across the country. We at SEIA are even more committed to our charitable efforts.

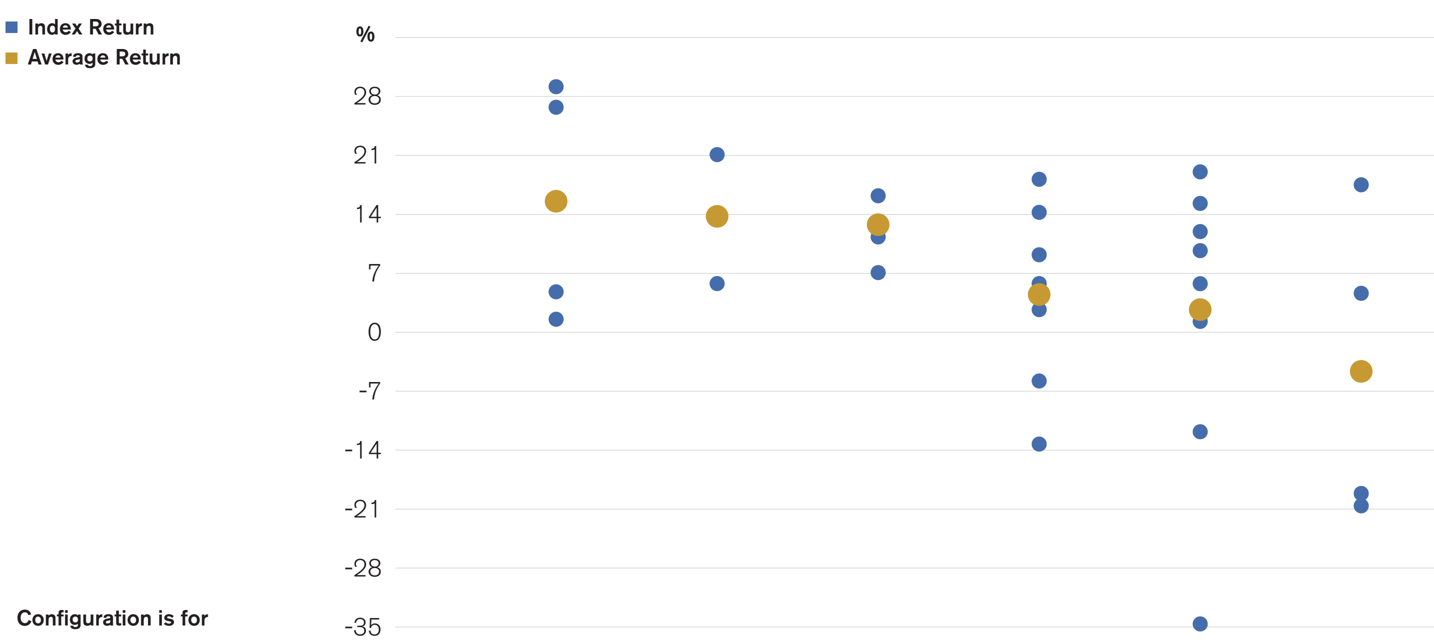
With that in mind, SEIA will be making donations to select charities throughout the area that are focused on helping so many in need. We thank you for being a valued member of the SEIA family, and we appreciate your support in this decision.

In the words of our President & CEO
Brian D. Holmes
“We understand our present situation is not our final destination, the best is yet to come”.

stocks during that time period has been 15.3% (Exhibit 1). One theory to explain this market activity is that as presidents approach reelection they focus on the economy and try to enact pro-growth policies that are friendly to equity markets, resulting in higher share prices. While that 15.3% average historical return sounds great, the combination of a Republican president and a split Congress has actually resulted in an average annualized return of –4.3% since 1952 (Exhibit 2). Of the possible configurations, this has historically been the worst performing combination.

While it's interesting to study history, we should be wary of putting too much weight on these figures. After all, the combination of a Republican president and a split Congress has only happened five times since the 1950s. As is the case for each possible governmental combination, broader macro forces at play have had a much greater impact on market returns than the party in power. I believe this will be the case going forward. While the midterm elections will have a large impact on the political agenda for the next two years, in my opinion it is less likely to have a pronounced or lasting impact on markets. US equities continue to react to a tightening phase by the Fed, slowing global growth expectations, and earnings results. Foreign equities react to escalating trade tensions and the health of Europe amidst Brexit. As was the case before midterms, I believe events outside the political arena have a much higher potential to impact markets going forward. Because of this, we continue to advise clients to avoid viewing the world through a red or blue lens.

EXHIBIT 2: S&P 500 RETURNS UNDER DIFFERENT GOVERNMENTAL CONFIGURATIONS



Configuration is for presidency and congress. Please note:
D = Democrat
R = Republican
S = Split

Config	D+R	D+S	R+R	D+D	R+D	R+S
# times	4	2	4	8	10	5
Avg Rtn	15.8	14.0	12.9	4.5	2.7	-4.3

Source: FactSet, data as of 11/5/2018 showing real annualized returns since 1952 for two calendar years following election

HOW SHOULD I BALANCE MY PORTFOLIO'S NEED TO GENERATE CASH FLOW WITH MY DESIRE FOR PRINCIPAL GROWTH TO LEAVE A LEGACY FOR MY CHILDREN?

BY **Vince A. DiLeva**
MS, CFP®, AIF®, *Senior Partner*

These are two very common primary concerns in retirement. Tackling the dilemma of providing cash flow to meet expenses is a process, and you need to start in the months prior to your retirement date so you can build your portfolio's structure to meet your income goals. The first thing you need is a budget/spending expectation in your retirement years.

Some retirees may make the mistake of being too conservative or stay too aggressive in their portfolio construction. There is no set rule on how your portfolio should be allocated in retirement. Each person's situation is unique, so instead, we'd prefer to build your strategy to be customized according to your cash flow needs.

To do this in retirement, we need to plan on creating different "buckets" of money in the portfolio. The investor will have a portion of their portfolio in Fixed Income. This portion of the allocation provides part of the steady stream of retirement income and is intended to offset stock market volatility. You may have a short-term bucket which is a portion of the money that you will spend over the next 5 years, which is constructed using individual investment grade bonds maturing each year for the next 5 years. The remaining allocation to fixed income could include junk bonds, mortgages, TIPS and international bonds.

A portion of the portfolio may include Alternative assets. This could include private real estate, private debt, covered call strategies and other non-traditional strategies that would not correlate as much to the equity and fixed income markets. As such, this category is designed to both help augment income, and provide smoother portfolio volatility over time.*

Some retirees may make the mistake of being too conservative or stay too aggressive in their portfolio construction. There is no set rule on how your portfolio should be allocated in retirement.

Now, to help make sure the principal can sustain these annual expenses, but also leave some desired legacy to your children, you need to have enough money in equities to provide for your long-term appreciation. Your equity portion of the portfolio is your 10+ year money. The goal of these assets are to help keep pace with inflation and leave the legacy to your children. The equity portion of the portfolio could represent 40% to 60% of the portfolio depending on client's needs and objectives.

As we construct the total portfolio with all these aforementioned asset classes, we target a yield from interest and dividends from all assets combined. This yield becomes a portion of the spendable income for the client in retirement in combination with the individual bonds maturing.

The goal of this strategy will allow you to live on your portfolio's cash flow and provide your equity/risk assets to appreciate over time to leave a legacy to your children.

*The investor should note that vehicles that invest in lower-rated debt securities (commonly referred to as junk bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. The investor should be aware of the possible higher level of volatility, and increased risk of default.

Investors should be aware that the TIPS principal is adjusted downward for deflation, and interest payments may be less than they would be if inflation occurred or if the Consumer Price Index remained the same. If the principal of your TIPS grows in a given year, that growth will be taxed as income in that year, even if your security hasn't matured and, therefore, you haven't received payment of the principal.

International investing involves additional risks including risks associated to foreign currency, limited liquidity, government regulation, and the possibility of substantial volatility due to adverse political, economic and other developments.

**There can be no assurance that alternative investments will be profitable and will even outperform asset classes correlated to the stock and bond markets. These strategies are not suitable for all investors. Investors should be aware that alternative investments may be subject to certain fees, create taxable events, may be illiquid as well as the fact that no secondary market may exist.

PARTNER PROMOTIONS

> ## All great achievements require time.
>
> **– Maya Angelou**

PASADENA, CA

Fritz Miller,
Senior Partner
CFP®, ChFC, AIF®

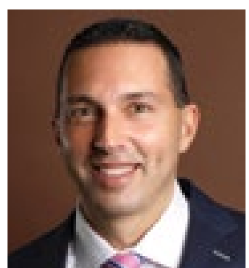
Fritz Miller, CFP®, ChFC, AIF has been working alongside SEIA's President & CEO Brian Holmes for over 33 years. He runs SEIA's Pasadena office and continues to expand the firm's presence in Pasadena and the surrounding areas. The goal of his practice is providing fiduciary level investment and wealth management services to people that have been very successful in their business and professional lives that want to stay that way in retirement. He enjoys speaking to clients and affiliated groups and has given hundreds of seminars over the years. Fritz often likes to incorporate the participation of professors and advisors from his alma mater, UCLA, to enrich the perspective he delivers to his audiences. He strives to be a pillar of consistency both personally and professionally with the assistance his long-tenured Client Services Manager, Stephanie Mills, who worked alongside him for 20 years. Fritz and his wife, Angie, have lived in the Pasadena area for almost 30 years. They make time to serve their community through membership on the Rose Bowl Legacy Foundation Board as well as working with several local charitable organizations.

REDONDO BEACH, CA

Eric C. Pritz,
Senior Partner
CFP®, CMFC

Eric Pritz started his wealth management career over 13 years ago with SEIA's Century City office. Through his passionate commitment to helping his clients, Eric quickly established a presence in his Manhattan Beach community which he now has been living for 14 years. He played a vital part in opening our South Bay office and has continued to serve the area both professionally and personally. Eric donates his time to The LA25 Foundation, a charitable organization, dedicated to improving the lives of children, a charity he helped found in 2013.

TYSONS CORNER, VA



David L. Johnson,
Partner
CFP®, AIF®

As SEIA's geographic footprint continues to grow (witnessed by our opening of new offices in both Northern California and Houston, TX in 2018), our leadership team is also expanding well beyond the confines of Southern California. We're pleased to announce that David Johnson, CFP®, AIF® has recently been named a partner in the firm – joining John Keenan and Tom West as partners in our thriving Tysons Corner, VA office. Opened in 2015, the Tyson's Corner office currently manages more $699 million (as of September 30, 2018) for over 500 individuals, families and corporate clients (as of September 30, 2018). As a key member of our team, David brings more than 20 years of expertise to the challenges associated with providing objective, creative financial planning and investment solutions to families and organizations throughout the Northern Virginia and D.C. area. He has become a highly sought-after conference speaker and is an active member of his community. We're proud to welcome David as a new firm partner and wish him continued success.

Center to right:Brian Holmes, President & CEO; Sabina Pinsky, Marketing & Events Specialist

SIGNATURE FUND *for* GIVING

The Signature Fund for Giving ("Fund') is dedicated to enhancing SEIA's relationship with our partner organizations to empower our community's youth. We are here to collaborate with these organizations to assist in achieving their missions and remain committed to our next generation as part of SEIAs legacy.

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 inkind donations.

Since inception, the Fund has granted over $180,000 to our four partner organizations. Our partners include A Place Called Home, Toberman Neighborhood Center, Children's Hospital of Orange County, and Second Story.

DRIBBLE FOR A CURE, UCLA

The UCLA Athletic Department and Bruin Basketball are dedicated to giving back to their community and helping others in need. SEIA was proud to participate with PCRF for the 11th consecutive Dribble for the Cure event at UCLA Drake Stadium. Over 1,200 kids, families and student athletes joined the Men's and Women's Basketball lineup on Sunday, October 14th to support the Cancer Research Program at UCLA Mattel Children's Hospital. https://www.facebook.com/uclaathletics/videos/316556119138752/

If you have any questions regarding our Fund or how to participate, we invite you to contact Hayley Wood at 310-712-2323 or hwood@seia.com.

SEIA

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