ARS WEALTH ADVISORS

Volume 13, Issue 1 January 2017

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2016 4th Qtr Market Returns (through 12/31/2016)

Index	4th Qtr	YTD
S&P 500	3.8%	12.0%
Dow Jones Industrial Average	4.0%	12.3%
Russell 2000	8.8%	21.3%
MSCI EAFE (Int'l Stock Index)	-0.7%	1.0%
Cohen & Steers Real Estate Index	-3.5%	4.9%
Emerging Market Stock Index	-4.2%	11.2%
Barclays Bond Aggregate Index	-3.0%	2.7%
Dow Jones UBS Commodity Index	2.7%	11.8%

Change

Change is inevitable. When I began with the firm over 12 years ago, my children were 5 & 3. Now, my son is in his senior year of high school and preparing to head off to college in a few months. My daughter prepares to turn 16 next week and will be driving on her own (residents of St Pete be warned). While the changes I've witnessed with my kids over the past 12 years have been immeasurable, the changes I've seen at ARS over that same time period have been equally dramatic.

In this quarter's newsletter you will find a review of the 2016 markets return, as well as our outlook for 2017. In addition there is also an article detailing the comprehensive menu of services currently provided by ARS Wealth Advisors, along with updated contribution limits and deadlines for 2017.

It's hard for me to imagine but 2017 will mark the 20th anniversary of ARS Wealth Advisors. The firm began in 1997 as a small investment advisory firm, structured as a fiduciary working on behalf of a client's best interest. When I was selected to become a partner and take over the day-to-day management of ARS back in 2005 I wasn't sure what to expect. I can safely say that the journey we have been on over the past 12 years has far exceeded even my wildest expectations.

As we start 2017, ARS is in the strongest position the firm has ever been in. 2016 marked another year of steady, positive growth for both the firm and our clients. Currently, ARS manages in excess of $450 million for 380 families throughout the state of Florida and in 31 other states. Over the past two years we've been recognized twice by the Financial Times as one of the top 300 wealth advisory firms in America out of over 12,000 RIA firms nationally. Additionally, in 2015 we were the #32 ranked wealth advisory firm in America according to CNBC.

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Change

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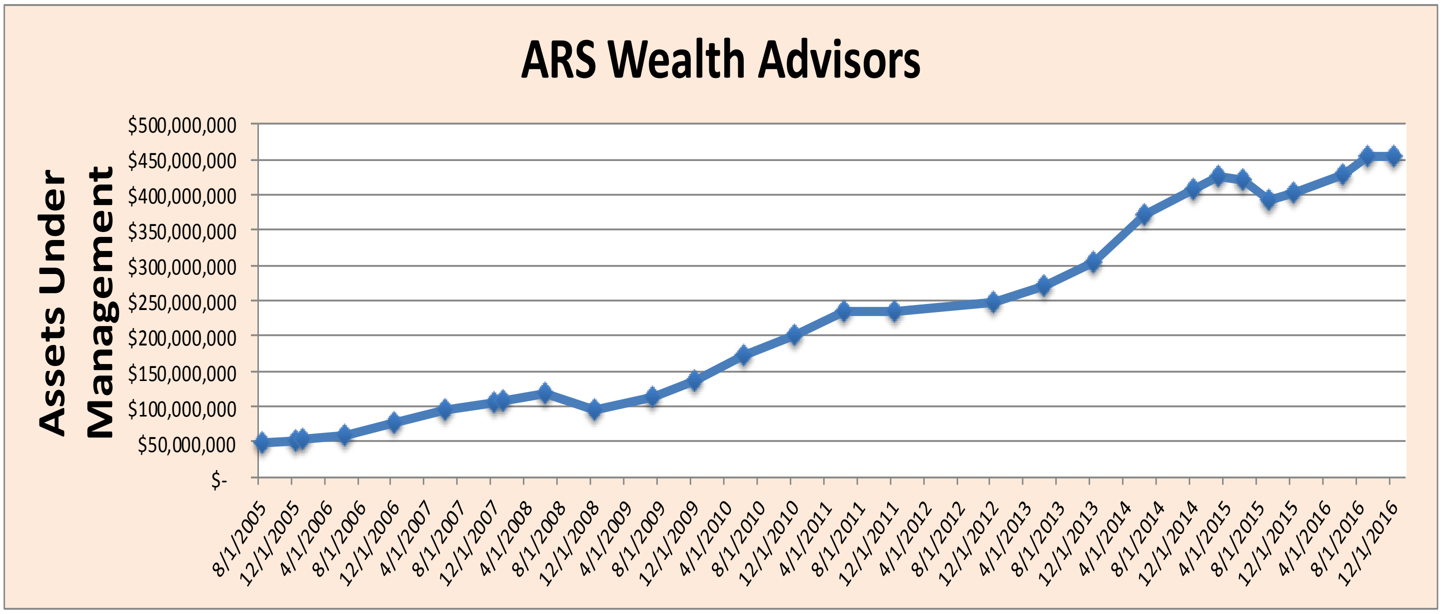
None of the success that ARS has experienced over the past 20 years would have been possible without the hard work and dedication of our entire team. I'm blessed to be surrounded by a fantastic team and "work family" who work with a common vision and toward a common goal, of providing personalized, expert financial advice customized to each client's unique circumstances. Lois, Tammy, and Felicia have the customer service and operational side of the firm covered, which they execute with great precision. While Kurt, Drew, Mike, Jennifer, and myself work one-on-one helping clients achieve their financial planning and investment goals. We rounded out and strengthened our team in 2016 with the addition of Rich Heiman and Chris Hill, both of whom bring additional skills and depth to the team. Rich comes to ARS with over 25 years of experience in the financial industry having spent time at both Fidelity Investments and Raymond James in senior advisory roles.



As 2017 gets underway please know that we will always stay true to our core founding principles of "putting our clients first". No one knows for sure the changes we'll witness in 2017. Our outlook for this year is not unlike last year. We expect there will be periods of market volatility (as there are every year) and periods of market strength. For most, the goal is to preserve and protect what you've worked so hard to accumulate, while at the same time seeking out attractive market based returns.

As always, we value your feedback and suggestions as we seek to constantly improve our processes and services. The continued trust you've placed in our firm will never be taken for granted. Please contact our office directly if you would like to schedule a review meeting.

Take care & God bless.

Tony

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2016: Rejecting the “Establishment”

The stock market began the year with the worst 10 day start on record due to news about China’s weakening economy, its potential impact on US Growth, and declining corporate earnings. Oil prices also plummeted as the world appeared to be oversupplied.

As the year progressed corporate earnings continued to recede through the first 3 quarters. However, toward the latter half of the year economic data began to improve. This data combined with strong employment figures led the Federal Reserve to raise the Federal Funds Rate by 0.25% in early December.

Throughout the year several major events occurred that bear mentioning. In June Britain voted to leave the European Union which came as a complete surprise to almost everyone, especially the entrenched “establishment”. The pollsters were completely wrong. British citizens were fed up with the small group of bureaucrats in Brussels calling the shots, especially as it pertained to immigration laws. The “experts” then predicted the country’s economic demise; only to be wrong…again, as Britain’s economic growth accelerated mostly due to its weakened currency causing British goods and services to become cheaper in international markets.

<u>British Pound vs. US Dollar (April 2016-Jan 2017)</u>

British Pound dropped 18% vs. US Dollar over 6 months!

This “anti-establishment” sentiment then spread to Italy as voters there rejected constitutional reform in December paving the way for new Anti-EU leadership in their country and sending a strong message to the Brussels bureaucrats. With Italy being the third largest economy in the EU the new leadership may cause additional dislocations in the Eurozone and possibly even its potential breakup. Suffice it to say, Europe is in a mess and the Eurozone is in need of a major re-structuring.

2016: Rejecting the "Establishment" (continued from page 3)

The US Presidential election was another sign of voters rejecting the "establishment" with the "experts" once again, misjudging public sentiment. One of the most bizarre elections on record unfolded as Americans rejected the status quo. A billionaire businessman with no political experience will become our next president. Wow, what an unexpected outcome, again, completely confounding the experts (including ARS).

The President-elect began confirming appointees and making plans to stimulate growth through lower corporate and individual taxes; the roll-back back of regulations; increased spending on infrastructure; and, incentivizing corporations to repatriate trillions of dollars held overseas. On this news bond prices fell dramatically as yields rose. Most domestic stocks, especially those whose business may be impacted by the new "growth" plans, took off while the more defensive, safe companies such as consumer staples, utilities and healthcare lagged significantly. The healthcare index of drug stocks had already fallen over 11% during the year on fear of the Government instituting price controls.

By the end of the year the Dow and S&P 500 were both up over 10%. International developed markets were only up 1.3% on average and bonds were flat to up a couple of percentage points. Many of the traditionally defensive sectors of the market (Consumer Staples, Healthcare, Utilities) all lagged significantly with the average pharmaceutical company falling over ten percent as mentioned previously. The US Dollar also hit a 13-year high as the outlook for the US economy improved in comparison to the rest of the developed world.

<u>US Dollar Index</u>

US Dollar Index up over 10% since the low in May

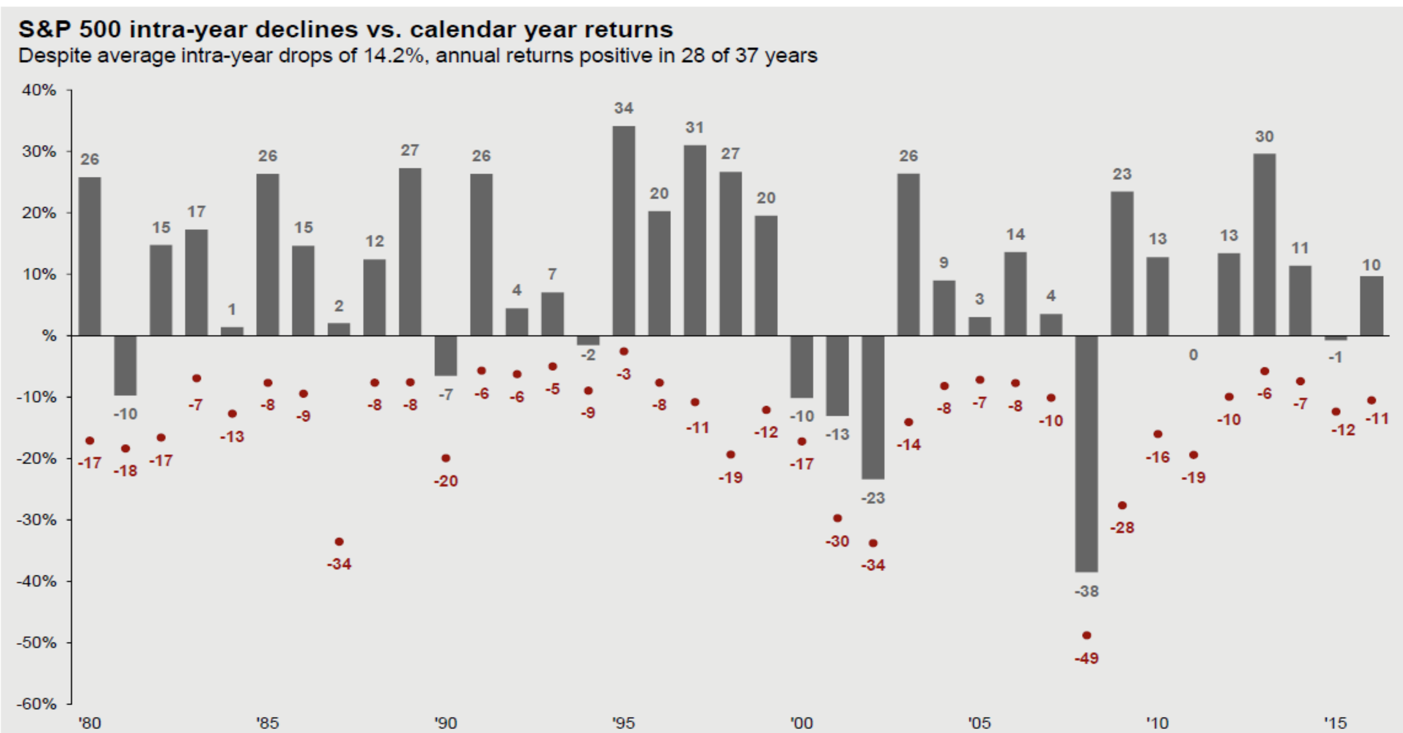
Thus, diversified portfolios with exposure to bonds, defensive securities and international markets experienced returns in the low to mid-single digits depending on the allocation. While every year is different and each sector experiences divergent returns for various reasons history strongly supports the decision to invest in large dividend paying companies with solid financial statements that return cash to shareholders in the form of dividends. These companies will, ultimately, prove to be good long-term investments. ARS will continue to adjust portfolios with the objective of protecting client's hard-earned capital and pursuing opportunities to generate income and grow portfolios in a manner that is consistent with each individual client's goals and objectives. To consider what 2017 may look like please read Drew Swenson's comments below. Happy New Year.

Kurt Ulrich, CFA

What Is In Store In 2017?

As we discuss elsewhere in the newsletter 2016 saw some condensed periods of volatility both up and down. We suspect 2017 will be no different. Europe had its big event in June 2016 with the Brexit vote and the US had its event in November with its presidential vote. In a financial sense and a political sense (these are often intertwined) the whole world is bracing for a new administration in the United States beginning January 20, 2017. As is the case with any new political season there is a sense of an increased level of the unknown which brings both hope and fear.

As investors we generally do not allow the politics of the day to determine what we own. The Proctor & Gamble corporation was prospering long before Barack Obama became president and will assuredly be prospering long after Donald Trump leaves office. Going into 2016 the prevailing opinion of the experts was to expect lower than average equity returns for many years. Not surprisingly the experts were wrong and in 2016 the market returned a little bit more than average. We think the current economic conditions are favorable to expect an average type of year in terms of equity returns – around 10%. Will it be a smooth 10% line? That is highly unlikely. As the following chart shows, within any given calendar year there is a period of time when the market is down an average of 14%. Fortunately it is uncommon the market is down anywhere near that for the entire year.



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2016.
Guide to the Markets – U.S. Data are as of December 31, 2016.

In the above chart the red dots show the greatest amount the market was down intra-year. The gray bar shows what the market returned for the year. As this illustrates, gut wrenching volatility is the norm not the exception.

The economic/political expectations for 2017 include: tax reform, infrastructure spending, healthcare reform and a reduction in regulations. All of those things have the potential to modestly increase GDP and thus increase corporate earnings on the margin.

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What Is Store In 2017? (continued from page 5)

Corporate earnings began to turn upward in the third quarter of 2016 and we believe will continue that upward trajectory in 2017. Since stock prices are ultimately driven by earnings, we think there is a good probability the stock market will be higher on December 31, 2017, than it was on January 1, 2017.

What about interest rates? If we are correct about economic growth and GDP increases to the 3% range, then it is likely the Fed will raise interest rates three times (give or take one time). For this reason we are keeping the duration of our fixed income investments shorter than the average.

As is the case in any year, the key is to not be whipsawed by short term stock price fluctuations and keep your money working in a diversified portfolio.

Drew Swenson

2017 Annual Contribution Limits & Deadlines

Happy New Year! January is a great time of year to do a financial checkup and make sure you are well positioned for all that the new year has to offer. It is not too late to max out retirement and tax deferred accounts for the prior year and there is plenty of time to adjust contributions to maximize the year ahead. This is a great opportunity to save additional tax deferred dollars towards retirement and possibly reduce your current tax burden.

As you will see on the chart below, contribution limits on 401k's and IRA's did not increase from 2016 to 2017.

Retirement Plan	2017 Contribution Amount	2017 Catch-up Amount
401k, 403b, 457 and SARSEP	$18,000	$6,000
Traditional, Rollover or Roth IRA	$5,500	$1,000
SIMPLE plan	$12,500	$3,000

*Please note, that the catch-up amount is available to anyone over age 50

If you have not already maxed out your contributions to your IRA and Health Savings plans for 2016, it is not too late. This year you have until April 18, 2017 to make your 2016 contributions. The contribution limit for HSA plans will increase marginally in 2017 for single contributors. See below table for limits.

Remember, any money you put in a HSA plan will grow tax deferred and qualified distributions are tax free. Unlike the FSA plans of the past, you do not need to deplete this account each calendar year. These funds will rollover for future use.

HSA Statutory Contribution Maximum	2017 Contribution Amount	2017 Catch-up Amount
Single	$3,400	$1,000
Family	$6,750	$1,000

*Please note, that the catch-up age for HSA plans is 55. You must participate in a high deductible health care plan to utilize a HSA.

Please give your portfolio manager a call with any questions, we are always happy to meet with you and review your retirement savings plan. Wishing you a great year ahead.

Jennifer M. Facini, CFP®

Comprehensive Wealth Management

We all know markets fluctuate, investors are comfortable when account values are going up but they typically get nervous when account values go down. Recently, the stock market has been moving to new highs while the bond market has been pulling back. No one can predict short term movements in the stock or bond market which is why diversification is so important. Our job is to create portfolios that will allow clients to reach their long term financial goals and stay within their individual risk tolerance.

We think it is important to provide comprehensive wealth management for our clients. There are a lot of investment management firms that claim to be wealth managers. Unfortunately, most of these firms are really just investment managers and don't offer comprehensive wealth management. Investment management is definitely an important part of the overall service that we provide our clients, but comprehensive wealth management goes beyond simply managing investments.

It incorporates financial planning, tax planning, estate planning, addressing insurance needs, and personalized portfolio management based on your individual risk tolerance. We have the ability to offer all of these services directly through ARS or through our partner firms. If you already have an established relationship with an estate planning attorney, or trusted CPA, we are comfortable working in conjunction with them to make sure all of your needs have been addressed. The most important thing is having a team of professionals working together to help you achieve your long term financial goals.

Investment management begins with your risk tolerance. We use a software program called Riskalyze to help determine your individual risk tolerance. The purpose of the questionnaire is to determine your risk number and corresponding risk/reward range. This sets clear, well defined, actionable expectations. It is important to keep your score current, we recommend updating your score yearly or as your circumstances change. If you need to update your score, we can send you a link to a new questionnaire, or you can access the Riskalyze questionnaire directly through our website.

If you need a long term financial plan that incorporates all of your assets we encourage you to work with your portfolio manager to create a plan using MoneyGuidePro. The powerful software allows us to create comprehensive financial plans that can include, a net worth statement, social security analysis, college planning, retirement planning, and even help you create a budget if necessary. There are many ways that we can gather the data to create a customized plan for you, the most important thing is for you to be engaged in the process.

We recognize that each client relationship is unique. Some of our clients need all of the services that we can provide and others don't. We are happy to work with clients in any capacity that makes sense. ARS will always offer comprehensive wealth management solutions that goes beyond investment management.

Michael Murray, CFA

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2015 TOP 100 FEE-ONLY WEALTH MANAGERS

FT FINANCIAL TIMES | Top Financial Advisers 2016

FT 300 Ranking June 2016

Who We Are

OUR MISSION:
ARS Wealth Advisors is dedicated to providing truly personalized, expert financial advice customized to each client's unique circumstances.

OUR VISION:
To assemble a team of highly qualified professionals capable of helping individuals and families prepare for life's most important financial decisions through every stage of life.

OUR CORE VALUES:
Teamwork; Engagement; Respect; Honesty;

ARS Team

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