ARS WEALTH ADVISORS

Volume 12, Issue 4 October 2016

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2016 3rd Qtr Market Returns (through 9/30/2016)

Index	
S&P 500	3.9%
Dow Jones Industrial Average	4.2%
Russell 2000	9.1%
MSCI EAFE (Int'l Stock Index)	6.4%
Cohen & Steers Real Estate Index	-2.4%
Emerging Market Stock Index	9.0%
Barclays Bond Aggregate Index	0.5%
Dow Jones UBS Commodity Index	-3.9%

The ARS Portal

At ARS we seek to continuously improve and constantly evolve our service offering to better serve our clients. One of the ways we serve our clients is through our secure client web portal which allows our clients to view their accounts, performance, and holdings, on demand. Over the next few weeks we will be transitioning clients from the current web portal over to a new portal view. The new look and feel of the client portal will make it even easier to navigate and find the answers to commonly asked questions.

By visiting the portal you will be able to see your accounts' performance over various time periods, as well as your current holdings, asset allocation, projected income, transactions, and contributions and withdrawals. In addition to this, you will also be able to find contact information for various members of your service team. The portal also provides a secure way to send and receive information that may contain personal information to and from our firm. Given the increase in identity theft and computer hacking, the portal is a more secure alternative than sending personal information over email.

One thing to keep in mind as you visit and utilize the portal is that it is flexible and can be tailored to your specific needs. If you would like to see more detail or less detail or if you would like to see performance over a specific date range just let us know and we will be happy to modify your view accordingly.

(continued on page 2).

111 Second Avenue N.E. | Suite 1600 | St. Petersburg, Florida 33701
727-322-7681 | 888-322-7681 | www.arswealth.com

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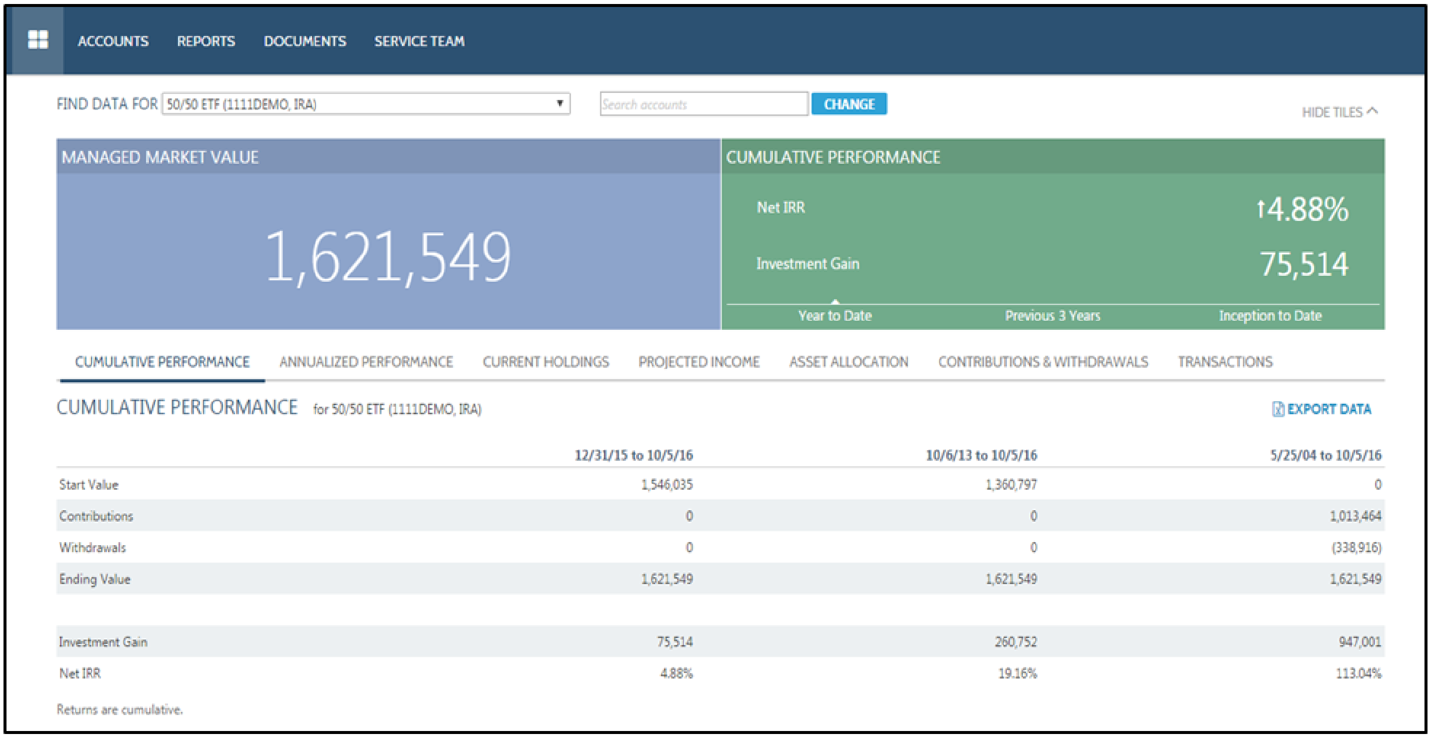

	12/31/15 to 10/5/16	10/6/13 to 10/5/16	5/25/04 to 10/5/16
Start Value	1,546,035	1,360,797	0
Contributions	0	0	1,013,464
Withdrawals	0	0	(338,916)
Ending Value	1,621,549	1,621,549	1,621,549
Investment Gain	75,514	260,752	947,001
Net IRR	4.88%	19.16%	113.04%

Returns are cumulative.

One question you might have is "how do I get started?" If you are not currently active on the portal and would like to get started simply contact our office and we will be happy to provide one on one training to help you get logged in and comfortable with the portal. We also plan to devote time during our upcoming client appreciation luncheons to dive deeper into the capability and functionality of the portal.

Going forward we will continue to look for ways to enhance your client experience and improve how you receive information as it pertains to your investments. As always, your feedback to us is invaluable. I encourage you to share your thoughts with us on the new portal and any other suggestions you might have on how we can better serve you.

The next 3 months provide the perfect opportunity to get together and review how your accounts are performing as well as discuss other important matters such as: estate & tax planning; charitable giving; social security and health insurance questions, etc.. If you would like to schedule a year-end planning meeting, please contact our office. We appreciate the trust you have placed in our firm and will continue to work tirelessly to help you achieve your goals.

Sincerely,

Tony Anderson

Year End Financial Planning

   

As we enter the 4th quarter of the year, it is a great time of year to meet with your portfolio manager to review your portfolio as well as your tax situation and estate plan. Below are a few general tax and estate planning strategies to review as we approach year end 2016. For guidance on your specific situation please contact us.

<u>Tax Planning Strategies</u>

- Take your Required Minimum Distribution. The penalty for a missed distribution is 50% of the value of the required distribution. We will send you a reminder letter and begin making reminder calls in November. If you do not need this money, you have the option of reinvesting those funds in a taxable account.
- Look for opportunities to recognize tax losses to offset tax gains in accounts you personally manage.
- Consider maxing out contributions to your employer sponsored plan, if you are still working.
- If you are charitably inclined, make your contributions prior to year-end. Additionally, you may gift your Required Minimum Distribution directly to a charity, known as a Qualified Charitable Distribution, to avoid paying income tax on the distribution.

<u>Estate Planning Strategies</u>

- Check for beneficiaries on all of your accounts including: your employer sponsored plans (401k, 403b, 457, etc.), individual retirement accounts (Roth and Traditional) and your taxable accounts (brokerage and bank).
- Review your will or trust documents to make sure all information is up to date and appropriate for the state in which you reside. Make sure you have an executor named, even a simple estate can become complicated if a judge must get involved to choose an executor. It is recommended that you review your estate plan at a minimum every 2 years or whenever you have a change of circumstance (birth, death, move, etc.).
- Have a master list of all financial accounts and keep it somewhere safe, this will make it much easier for your heirs in the event you become incapacitated.

We are here to assist you with all of your financial planning needs, please do not hesitate to reach out for assistance or more information on any of these items.

Jennifer M. Facini, CFP®, MBA

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Tuesday, November 8, 2016

Perhaps you have heard there will be an election in November that will determine who is going to serve as president of the United States for the next four years. Many clients are asking us how the election will influence the economy and stock prices. That is a great question. Fortunately for us, the economy is so big, diverse and global that no one person can exert too much control over it. If one person (the president) could quickly and significantly direct the economy then we would probably experience fewer recessions. In contrast, the next president will have a profound and lasting impact on the composition and direction of the Supreme Court as he or she will probably appoint three justices in the next four years. We recommend you vote based on your thoughts about the members of the Supreme Court rather than your concerns about the economy.

The US economy has had subpar growth (growth nonetheless) for the last eight years. The rate of growth has been much less than in prior recoveries; fortunately this recovery has lasted longer than most. In general, election years are good years for stock market returns and so far (the key words are “so far”) this year has been about average. Through the first nine months of 2016 the stock market (as measured by the S&P 500) is up 7.8% which puts it on track to be up about 10% for the year—about the long term average. While there is no guarantee that the last three months will be positive, historically the last three months of any year tend to be the best for equity returns.

We fully expect either Donald Trump or Hillary Clinton will be elected as the next president. We expect one of them will win the necessary 270 Electoral College votes, thus keeping the decision as to who will be president out of the hands of Congress. Irrespective of who is elected, the new president will face some daunting issues. The first and foremost is the federal debt and abnormally low interest rates. In the last ten years the federal debt has grown to ~$20 trillion from ~$8 trillion! Fortunately for the borrower (Uncle Sam) interest rates are near zero so servicing that debt build up has been manageable thus far. At some point rates will begin their inevitable climb back toward historic averages and servicing that debt will consume an ever bigger piece of the federal budget. Neither of the leading candidates presents a particularly strong case for fiscal restraint as both promise the federal government will do a lot of things for a lot of people.

While the bad news seems pervasive, there is plenty good news. The economy is growing, interest rates are low, unemployment is comparatively low, real estate has bounced back, there are a record number of job openings and consumers are in a much stronger position than they were eight years ago. The US economy has survived good presidents and bad presidents, times of horrific wars and times of peace, and liberal and conservative legislators. Again, we think the economy is bigger than any one person or party and the human quest for personal betterment will propel corporate profits and economic growth over time.

Drew Swenson

Climbing Walls of Worry

Rising stock markets typically climb various "walls of worry" during their tenure and this bull market is no exception. There are, however, many important issues to occupy investor's concern: Europe's banking problem; Additional EU member countries exiting the Euro; China's economic slowdown and non-performing loan challenge; the spread of ISIS; the US Presidential election, etc.. As you can see a number of challenges have the potential to negatively impact the global economy. Fortunately, most of these "concerns" are outside our borders except the presidential election which Drew will cover in his section.

Meanwhile the US is one of the few developed countries experiencing economic growth albeit at a very slow pace. Against a backdrop of low unemployment combined with rising incomes the economy should continue to grow assuming some exogenous factor from outside the US doesn't rise up and spread into a global crisis. While this is a distinct possibility it is impossible to predict. We, therefore, do not foresee a recession in the next couple of quarters which is about as far out as one can safely estimate. Since bear markets typically accompany recessions, the probability of a bear market in the short to intermediate term is also low.

One of the driving forces behind rising stock prices has been interest rates which remain near the lowest level ever recorded. Investment capital migrates toward the most attractive risk/reward investment. With super low rates stocks offer attractive alternatives to bonds. For the past several years conservative investors have left the safety of CDs and savings accounts and moved into stocks to generate income. Large, dividend paying blue chip companies have, in fact, been some of the best performers the past couple of years.

Mrs. Yellen and the Federal Reserve have been reluctant to raise rates due to a slowing of global growth and the strong US dollar. However, odds are increasing they will raise them a little before year end as a result of strong employment figures, rising wages AND the need to use this monetary tool during the next recession. In other words, if they raise rates now they'll have some capacity to lower them again when needed. Even though the Federal Reserve will likely increase the Fed Funds rate, interest rates in general should remain low as the rest of the world looks to find its economic footing.

While many forecasters are hopeful about the economic outlook in the US we remain cautious as the market trades near the upper end of its historical valuation on many metrics. In addition, this economic expansion is the third longest on record. However, neither valuation nor duration is a cause for markets to turn south but taken together they do warrant a more defensive approach to allocating capital. Certain areas of the bond market should provide stability in the months ahead if volatility increases. In addition, we're adding investments structured to "hedge" part of the risk associated with owning stocks which Mike will cover in his article.

We continue to be positioned with a strong bias toward defensive, blue chip stocks that should weather potential rough spots better than most. The global markets face several "first time ever" situations such as negative interest rates, global debt levels, Euro breakup, etc. that demand attention. As we move toward 2017 we will remain focused on protecting your wealth while pursuing opportunities that appear to offer attractive risk vs. reward characteristics.

Kurt Ulrich, CFA

ARS Is Pleased to Welcome Chris Hill To The Team

We are excited to welcome Chris to our team as a Support Advisor. Chris comes to us after working for Raymond James Financial the past couple of years. He earned his Master of Business Administration and B.S. in Mathematics from the University of West Florida in Pensacola, Florida. While attending the University of West Florida, he was president of the Student Government Association, president of his fraternity, and a member of the Student Ambassadors.

Nuance Concentrated Long/Short Fund

We are constantly analyzing financial markets, trying to find the best investment opportunities for our clients. For several years, we have been positioned defensively in both the equity and fixed income markets. In fixed income, we have reduced risk by owning higher quality bonds with shorter maturities, limiting our interest-rate risk. On the equity side, we have been over weighting defensive sectors including healthcare and consumer staples. The strategy has done very well, but we recently started reducing some of our exposure to the consumer staples sector.

Trading at around 25 times expected earnings, the sector as a whole is starting to look a little expensive. While the sector appears a little overvalued, we still think that some of the individual companies within the sector are trading at reasonable prices and still offer a good risk reward proposition. We are not eliminating our exposure to the sector, but we are reducing our overweight position in some accounts, by selling XLP, the consumer staples ETF.

While reducing exposure to the consumer staples sector in many accounts we are adding exposure to hedged/alternative strategies. Many studies have concluded that adding alternatives to a portfolio can reduce risk (volatility) and increase returns. After researching and analyzing many funds in the alternative category, we have found one that we are comfortable investing in. The name of the fund is Nuance Concentrated Value Long-Short, the symbol is NCLSX.

One of the things we like about the fund is it gives the portfolio managers the flexibility to go both long and short. When you go long, you purchase shares of an asset anticipating that the price will increase over time. Going short is just the opposite. You sell shares of an asset, anticipating that the price will decrease over time allowing you to buy the shares back at a lower price and profiting from the price decline.

The fund doesn't have a long track record but the long portion is invested identically to the Nuance Concentrated Value fund which is ranked in the top 1% of funds in its category. We have had multiple conversations with the Nuance investment team and are comfortable with their investment philosophy.

One of the biggest issues we had with some of the other long-short funds we analyzed was high investment management fees. In this case, we are buying the institutional class shares which have a reduced management fee. The fee for the institutional shares is capped at 1.3% per year.

We think this is a good time to add some additional diversification to some portfolios. If you would like to discuss this investment vehicle further please call the office.   Mike Murray, CFA

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

Anthony Anderson, MBA
Principal, President & CEO
tony.anderson@arswealth.com

Lois Conger
Operations Manager, Compliance Officer
lois.conger@arswealth.com

Jennifer Facini, MBA, CFP
Portfolio Manager
jennifer.facini@arswealth.com

Felicia Fortosis
Operations Specialist
felicia.fortosis@arswealth.com

Rich Heiman
Senior Vice President
rich.heiman@arswealth.com

Chris Hill, MBA
Support Advisor
chris.hill@arswealth.com

Tammy Masse
Operations Specialist
tammy.masse@arswealth.com

Mike Murray, MBA, CFA
Senior Portfolio Manager & Director of Research
mike.murray@arswealth.com

Robert J. Riley
Principal

F. Gordon Spoor, CPA, PFS
Principal

Andrew Swenson
Chief Investment Officer
drew.swenson@arswealth.com

G. Kurtis Ulrich, CFA
VP & Senior Portfolio Manager
kurt.ulrich@arswealth.com

If you would like a copy of the most recent version of our Form ADV Part II, one is always available to you upon written request

111 Second Avenue N.E. | Suite 1600 | St. Petersburg, Florida 33701

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