The New Era of Donald Trump and Focusing on Results

By Bob Deitrick, ChFC, CEO

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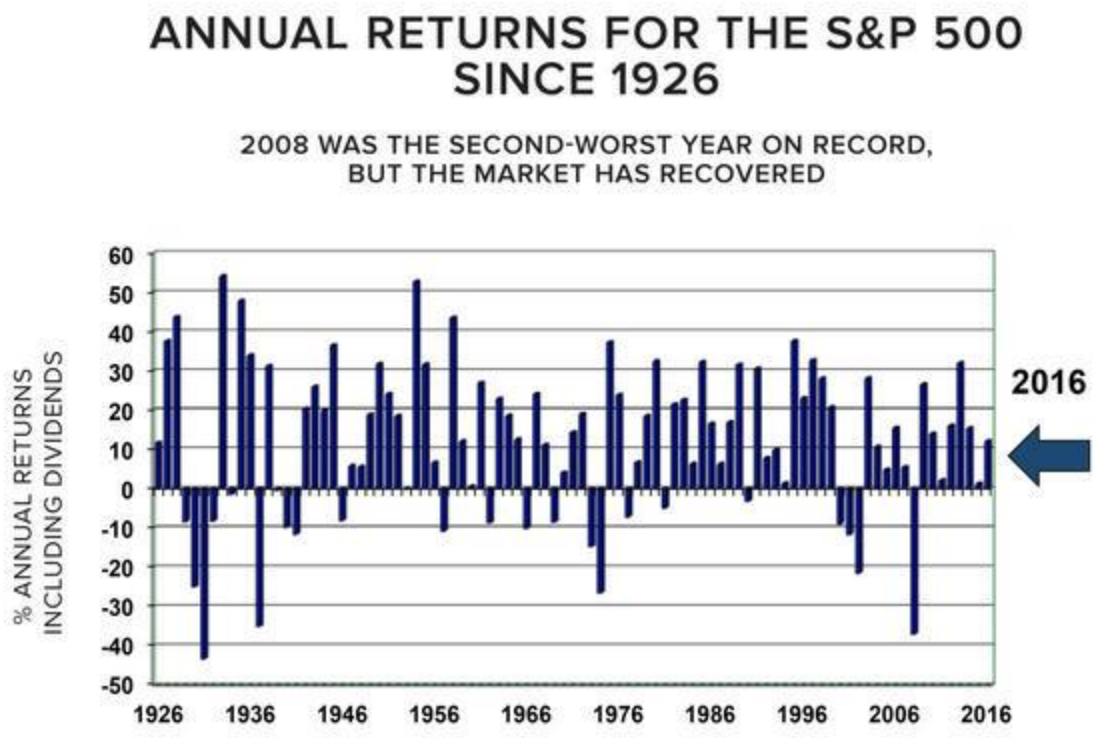
As we proudly celebrated the peaceful transition of power and inaugurated President Trump on Friday, it is interesting to note that the S&P 500 produced a positive return during the eight years of the Obama administration. An investment in the S&P 500 at the beginning of 2009 would've almost tripled by the end of 2016, increasing 293 percent. No other president in our history can claim a longer winning streak. Presidents Reagan and Clinton came the closest where the S&P 500 produced positive returns in 7 of the 8 years of their administrations.

The latest winning streak isn't the longest. The last big streak in the market was nine straight years beginning in 1991 through 1999 - spanning the administrations of both the first President Bush and President Clinton. It remains to be seen if President Trump can keep the current winning streak alive for at another year or two or longer and beat the record. We suspect that may be likely. The chart below shows the annual returns (including dividends) in the S&P 500 since 1926, and helps you see the stock market's various winning streaks.



The chart above illustrates the concept of the ***"double-double"*** for the stock market. First, there are about twice as many up years as down. Second, the up bars go up about twice as much as the down bars go down, meaning that when the market went up, an investor typically made more money than they lost during bear markets when the market went down.

If you're invested in stocks, as all of you are, you've read various market prognosticators who are making predictions about the market in 2017 - and beyond. Those who won in November are presenting the case that the market and our economy will perform well under the Republican regime, while those who lost are forecasting doom and gloom. That fodder and hyperbole shouldn't surprise anyone given how contentious the 2016 election cycle was. Fortunately, if you're investing for retirement, you can ignore both sides of this argument as your long-term investment horizon gives you the time to ride out the downturns or wait until the market rises once again. At the end of the day, the Dems lost, and having said that, it is important as Americans that we support our new President in our view.

For those of you who have retired or are about to - ***creating a well-diversified portfolio and retirement income stream is the key way to insure your financial autonomy.*** To accomplish this, we recommend developing sources of income at retirement that won't drop when the market corrects or declines - such as income from Social Security, bond ladders, dividend producing stocks and annuities with guaranteed income options - all of which you can be used to cover your basic daily living expenses.

To cover your discretionary living expenses, such as hobbies, traveling the world, gifts, purchasing a new Corvette or spoiling your grandkids, we recommend that all clients continue to invest in equities to generate a monthly retirement check. The chart above will encourage you to remain invested when the market drops and to have the patience to wait for the market to bounce back. If you have your basic living expenses covered, as described above, you should have the wherewithal and the patience to ride out any stock market corrections or falters.

<u>There's plenty of evidence to show that this bull market, in its 8th year, will be one in 2017 where picking the right sectors and stocks is key... Our goal this year is to focus on results in order to ensure that our clients are taking advantage of the Trump rally - to the extent it materializes as we suspect it will.</u>

So, we will be discussing making changes this quarter to your portfolio to maintain a competitive edge given our new President and his policies, and we will be suggesting strategies to balance safer sources of income with investments in equities. By doing so, you won't need to worry about which prognosticator is correct. This year, investing in the stocks of telecom, financials, materials, and ETF's in infrastructure will be key. We will also be looking at companies that produce materials that would hurt you if you dropped them on your foot, like steel, aluminum, ball bearings and coal, et al. Let's meet soon to discuss designing a thoughtful, well-thought out retirement investing strategy. ***Then, we want you to enjoy your life.*** ***<u>We look forward to chatting with you soon. Please feel free to call us as well when time permits.</u>***

<u>Our next Seminar to discuss the Trump Effect and its impact on the market and on you will be held on Wednesday evening March the 1st at Eddie Merlots.</u>