SUMMER 2017

HORIZONS

HUFFMAN-MAYER
WEALTH MANAGEMENT GROUP
of Wells Fargo Advisors

Shred It and Forget It benefits clients and community

Sunny skies greeted the Shred It event held by the Huffman-Mayer Wealth Management Group in May

Clients took advantage of clear skies and temperatures in the 60s to safely toss their old papers while maintaining identity protection at Huffman-Mayer Wealth Management Group's Shred it and Forget It event. The free shredding service was offered from 9 a.m. to 12 noon and came with complimentary coffee and pastries.

The 2017 Shred It event:

- Collected 2,720 total pounds of shredded paper
- Saved 23 trees
- Filtered 1,387 pounds of pollutants from the air
- Saved 5,440 kilowatts of energy
- Avoided 4 cubic yards of landfill space

Clients also donated nearly $1,500 in voluntary contributions to Country Neighbor Recreation Center food pantry services benefitting Ashtabula County. The money raised at our Shred It event will provide 7,212 meal to individuals throughout Ashtabula County.

Anderson, Richards selected to attend Premier Forces

This April, Financial Consultants Ryan Richards and Phil Anderson each attended an intensive two-day professional development program in Cleveland, entitled "Premier Forces: The Power of Substance and Style." The highly acclaimed program focused on public speaking and presentation skills to enhance their advisory-based communications and is part of Wells Fargo Advisors' Premier Advisors Program.

Upcoming events

- **Wine and Walleye Festival**

  Friday – Sunday,
  July 28 – 30, 2017

  Bridge Street in the
  Historic Ashtabula Harbor

  Huffman-Mayer Wealth Management Group is a proud sponsor of the festival. Join us for live entertainment, lighthouse and sunset boat tours, Saturday morning sailboat regatta and triathlon and Saturday night fireworks.

Ryan Richards receives tips on his presentation style

Why we believe in investing globally

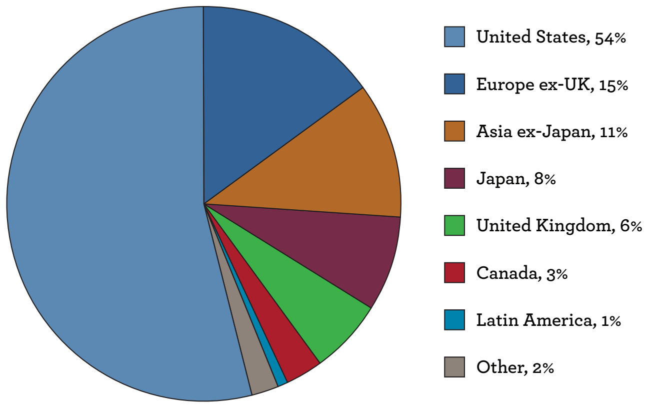
Phil Anderson, ***MBA, Financial Consultant***

A topic that often comes up in client meetings is international investing. Many Americans feel that investing in U.S. stocks is safer or will provide better returns than international stock markets. This is a common sentiment around the world. Many studies have found the existence of "home country bias" everywhere – people tend to overinvest in companies from their home country because they are more familiar with the companies, their products, and even the market indices they make up. It's natural to feel comfortable with things that are familiar to us, but there can be benefits to moving a little bit outside of our comfort zone.

Phil Anderson

Partially because we are the world's largest economy, and partially because we have a more "public" model for financing our corporations than most of the world (companies here raise more money by issuing stock rather than borrowing from banks), the U.S. makes up just over half of the global stock market at 54 percent[1]. Europe makes up about 21 percent, Japan about 8 percent, etc., as shown in the chart below.

Global Stock Market by Region/Country



Source: Morningstar Data

Generally speaking, it is true that U.S. stocks have outperformed their international counterparts since the Global Financial Crisis. An investment in the S&P 500 on March 1, 2009 (roughly the bottom for the U.S. stock market) would have returned better than 18 percent per year through the end of April 2017[2] inclusive of dividends, whereas a similar investment in the "rest of the world" index (the MSCI All Country World Index ex-U.S.A. to be precise) would have returned about 10.5 percent per year[3], once again including dividends. That's a big gap. What's more, so far U.S. companies have deserved to outperform. By almost any measure, an index of our companies is generally more profitable and generates more cash than a comparable foreign index does right now.

However, markets run in cycles, and the past eight years have unquestionably been a "U.S. first" cycle. This run-up in our stock market also means that in valuation terms they are more expensive than international stocks. When we look at valuations, we are most often looking at the ratio of what you pay – the stock's price per share or perhaps the price to buy the whole company, versus what it owns or produces – things like cash flow, GAAP earnings or assets. By those measures, U.S. stocks look quite a bit more expensive than their international counterparts. We compared four such ratios and found that at the end of April 2017 you would have paid an average of 59 percent more to buy U.S. company earnings, cash flow, balance sheet, or sales.[4] That's our technical way of expressing that U.S. companies may be performing better in absolute terms, but you can get more "bang for your buck" in international stocks today.

During the late 1980s and most of the 1990s, U.S. stock performance was better than foreign markets. The same has been true over the past eight years. In the early 1970s, early 1980s, and in the years after the tech bubble burst, you would have been better off investing in international stocks. Often, investing in a certain country or group of countries becomes a fad (for example the "BRIC" countries – Brazil, Russia, India, and China late last decade), money flows in and drives the prices beyond what is reasonable, and this leads to a period of underperformance. It also opens the door for cheaper markets to catch up or surpass what the "hot" market has provided in returns.

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Of course, Japan and the Eurozone (two of our favorite overseas markets right now) have their problems. Japan has an aging population and too much debt, and the Eurozone has been stuck in slow growth mode for a number of years and includes particularly troubled countries such as Greece, Spain and Portugal. Those issues command a lot of the headlines about these areas and deserve serious consideration prior to investment.

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I would argue that the current problems in Europe and Japan pale in comparison to the problems in Latin America over the past two decades. Several Latin American countries experienced coups, crushing recessions, countries ruled by drug czars, and periods of hyperinflation. Brazil is in year three of an ongoing recession, and appears likely to impeach its second President in the span of five months. Despite all of this, from 1988 until the present, the MSCI Latin America index has returned nearly 50 percent more per year than an index of large U.S. companies.[5] If you pay a fair (or better yet, cheap) price to buy stocks with a lot of potential for growth, they may deliver impressive returns. It requires patience and the ability to separate 'market noise' from decade long or even generational shifts. Paying attention to headlines (which tend to focus on the negatives) can obscure what is really going on in a country or region. Steady increases in economic mobility, standards of living, and corporate profits do not necessarily make for sexy headlines, but in the long run, markets truly are a "weighing machine," and these things may carry far more weight than the crisis de jour.

We like to include in our portfolios funds and money managers that have flexibility to look at the whole world, and invest where they see the most appealing combination of valuation, growth and safety. This is not an approach that will beat the market in "hot" years such as the late 1990s, and perhaps like some of the recent years in the post-crisis run up. With today's low interest rates and high stock prices, we think we are closer now than ever to all investments being expensive simultaneously. The reason to invest globally is not because of the increasingly global nature of our economy – it's precisely the opposite. As people used to say about real estate before 2008 – "it's all local." Even in a time of low rates boosting asset prices across the board, we believe that there are markets that look cheap or expensive when compared with one another. We also believe, as many of our favorite managers do, that given time these differences in valuation today will translate into differences in returns in the future.

To quote Warren Buffett on the subject, "Price is what you pay. Value is what you get."(4)

1. At year-end 2016, per Morningstar data.
2. FactSet Data.
3. FactSet Data.
4. Morningstar Data. Using P/E, P/B, P/S, and P/CF metrics. S&P 500 P/E was 21.2x, P/B was 3.0x, P/S was 2.1x, P/CF was 13.1x. MSCI ACWI ex-US P/E was 17.2x, P/B was 1.6x, P/S was 1.2x, and P/CF was 8.3x.
5. Morningstar Data. MSCI Latin America increased 15.0% annualized vs. 10.3% for Ibbotson Lg. Cap Index, 1988-2016.

*Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility.

**Asset allocation can not eliminate the risk of fluctuating prices and uncertain returns. Past Performance is no guarantee of future results.

***The opinions expressed in this communication are those of the author(s) and are not necessarily those of Wells Fargo Advisors or its affiliates.

****S&P 500 Index: The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

*****MSCI AC World ex USA: The MSCI AC World ex USA Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the USA. The Index consists of 45 country indices comprising 22 developed and 23 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indices included are: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey. Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed or produced by MSCI.

Richards presents commencement honors

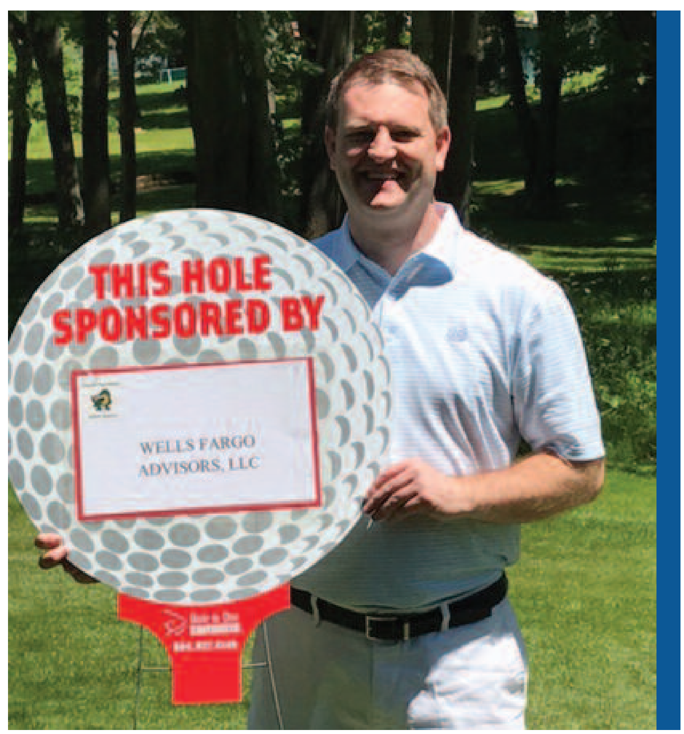
Ryan Richards

Commencement is always a time of great reflection and optimism for the campus of Kent State University at Ashtabula. Financial Consultant Ryan Richards is a part of the Ashtabula Area College Committee and participated in the spring graduation ceremony. Richards presented academic achievement awards to a select group of graduates, as well as bestowed the College Committee Community Service Award to graduate Dwight Beebe. Richards is a proud alumnus of Kent State University at Ashtabula.

Lakeside Golf Outing provides opportunity for support

Ryan Richards recently competed in the Lakeside Athletic Boosters Golf Scramble held on June 7 at Chapel Hills Golf Course. The event raises funds to help equip all Lakeside athletes with the skills and finances necessary to perform their best. The cause is an important one for Richards, who competed in the Ohio High School State Golf Championship and won the very first Athletic Boosters Scholarship awarded in 1995. Richard's foursome won the outing by shooting 15 under par.


Chapel Hills Golf Course, site of the Lakeside Golf Outing



Huffman-Mayer Wealth Management Group sponsored a hole at the Lakeside Golf Outing

Consider Consolidating Your Financial Accounts

If you've changed jobs a few times over the years or possibly relocated, chances are you've left behind a string of retirement and other accounts along the way. This can make your financial life complicated and difficult to manage. More importantly, maintaining a number of accounts at a variety of different financial institutions is not the same thing as diversification. All good reasons why consolidating your assets with one financial service provider can provide some key benefits.

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First let's consider two obvious benefits of consolidation: convenience and simplicity. Fewer accounts equal fewer statements, less paperwork at tax time, etc. Additionally, if you're investing with several providers, you may be paying more fees than necessary. Generally, financial providers set fees based on account size – accounts with larger balances may qualify for break points and lower fees. Merging smaller accounts with one financial institution may provide opportunities to reduce account and transaction fees.

Consolidation also allows you to take control of your portfolio and manage it more effectively. If you have investments in a number of accounts, it's difficult to see your overall asset allocation, ensure that your holdings are properly diversified and effectively manage risk. By maintaining multiple accounts, you may be overexposed to certain holdings while leaving others underrepresented. Bringing your investments under one umbrella can provide a better view of your financial picture and allow you to see where investment opportunities – and potential risks – exist.

Another investment-related benefit of consolidation focuses on tax efficiency. Bringing retirement accounts and investment accounts together with one service provider may make it easier to implement a tax-efficient investing strategy. With all your assets in one place, you can be sure the least tax-efficient assets are in accounts that offer tax-deferral or exemption.

If you're age 70-1/2 or older, you must take required minimum distributions (RMDs) from Traditional, SEP, and SIMPLE IRAs, as well as from any 401(k) or other retirement plan accounts left with former employers. Failure to take RMDs on time or in the right amount can subject you to a 50 percent IRS penalty tax. Having all retirement assets in one place can help simplify RMD calculations and payments.

Consolidation also can help you keep beneficiary paperwork current. It's important to always make sure all of your investment and savings accounts have up-to-date beneficiary information. This is especially important for retirement accounts, because beneficiary designations on retirement accounts supersede any instructions in your will or trust. Having fewer accounts to keep up with can help make it easier to manage this information.

If you decide to consolidate your accounts, make sure you consider all of the implications. Consolidating accounts might force you to liquidate certain investments that could result in unintended tax consequences. For instance, if you own appreciated employer stock in a 401(k) or other workplace retirement plan, you may no longer be able to take advantage of favorable tax treatment because of net unrealized appreciation (NUA) if you move those assets into an IRA. Other investments may carry surrender charges or other fees if you liquidate prematurely.

Consult with your tax professional and/or Financial Advisor before taking any action. Consolidating assets can offer a number of benefits but should only be done after careful consideration. The potential benefits of greater control, tax efficiency, lower fees, and convenience may make sense for you.

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Consider Consolidating Your Financial Accounts *(Continued from Page 5)*

If you are considering rolling over retirement plan assets from a previous employer, please keep in mind that rolling over assets to an IRA is just one of multiple options for your retirement plan. Each of the following options is different and may have distinct advantages and disadvantages:

- Roll assets into an IRA.
- Leave assets in your former employer's plan, if plan allows.
- Move assets into a new employer's plan, if plan allows.
- Cash-out or take a lump-sum distribution.

When considering rolling over assets from an employer plan to an IRA, factors that should be considered and compared between the employer plan and the IRA include fees and expenses, services offered, investment options, when penalty free withdrawals are available, treatment of employer stock, when required minimum distributions begin, and protection of assets from creditors and bankruptcy. Investing and maintaining assets in an IRA will generally involve higher costs than those associated with employer-sponsored retirement plans. You should consult with the plan administrator and a professional tax advisor before making any decisions regarding your retirement assets.

Our firm does not render legal or tax advice.

This article was written by/for Wells Fargo Advisors and provided courtesy of Huffman-Mayer Wealth Management Group of Wells Fargo Advisors in Ashtabula, OH at (440)992-1515.

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Consider meeting with us to explore how we can help you realize your life and financial goals.

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