Foster & Motley

FOSTERING LIFE'S WEALTH

Review & Outlook

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MARKET NOTES

The theme for the third quarter was volatility due to slowing growth in China and the continued weakening of commodities prices in copper, oil, and iron ore, which negatively impacted countries, such as Russia, that rely heavily on these industries. These concerns echoed through U.S. and other established international stocks. Growth stocks (which typically don't pay dividends) continued to beat value stocks (which do pay dividends) this past quarter with returns of -5.3% and -8.4% respectively. Year-to-date, growth stocks were down -1.5% while value stocks were down -9.0%.

The uncertainty of the timing of a Fed interest rate hike also contributed to volatility. Ultimately, the Fed opted not to raise rates due to shaky global conditions and continued low inflation rates in the U.S. Despite global economic uncertainty, the U.S. economy exhibited healthier numbers with a Q2 GDP growth of 3.2% and the lowest unemployment rate in seven years at 5.1% in August.

Though stocks had weak performance, bonds and real estate provided stability through the third quarter. Bonds delivered positive returns this quarter with the U.S. Treasury leading the group with a 1.7% return.

Here are the numbers through Sept. 30:

BENCHMARK RETURNS: SEPTEMBER 30, 2015

	QTR	YTD
Blended Equity (Includes next 4 indices):	-9.0%	-6.6%
S&P 500 - Large US stocks (60%)	-6.4%	-5.3%
Russell 2000 - small stocks (15%)	-11.9%	-7.7%
EAFE - established intl stocks (15%)	-10.2%	-5.3%
MSCI Emerging Markets Free (10%)	-17.9%	-15.5%
Dow Jones Industrial Average	-7.0%	-7.0%
Merril Lynch US Master (txbl. bonds)	1.3%	1.2%
Merrill Lynch Municipals 1-12 years	1.3%	1.5%
NAREIT Equity REIT Index	1.0%	-4.5%

FOSTER & MOTLEY...REFRESHED

We have always believed that the client comes first. Through up markets and down markets, our clients inspire us to continuously evolve and improve. It is because of this that we have sought to enhance the way we communicate those values to you.

After speaking with many of you (thank you for your valuable input) we have developed a new look and updated our website and publications in the hopes to more clearly and concisely convey how we can be of help to those seeking and receiving our wealth management services.

Though our logo, colors, and materials might look a little different, we are still the same team of seasoned experts striving to provide the quality service you have grown to know and depend upon. Yes, we have many new successes to be proud of, but it is the trust and confidence you have placed in us that is our greatest accomplishments. Those two things are what motivate us to strive to be better every single day.

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If you would like to receive our newsletter electronically, please contact Jessica Holcomb at (513) 561-6640.

The Best $60 I've Spent

BY DAVID J. NIENABER, CFP®

Another Foster & Motley article about identity theft? Another story about a major company or government agency being hacked? These are becoming as repetitive as daily fantasy sports commercials.

Unfortunately we can't help with those annoying sports ads, but we can help with some other annoying, repetitive ads advocating credit report monitoring services. With one hour and a maximum of $60 you can turn the worries that these stories create into needless background noise.

Ever since Jeff Lanza spoke at our event last year, we've been talking to clients about proactively freezing their credit. Unlike credit monitoring services, freezing credit is a proactive step that locks down credit files.

"Unlike credit monitoring services, freezing credit is a proactive step that locks down credit files."

For example, say someone buys your personal information after a data hack, and attempts to open a credit card in your name. If you've frozen your credit, the credit card company won't issue the card, because they can't access your credit file. You just avoided countless hours spent filing a police report and clearing your name with the credit card company and the credit bureaus.

Freezing your credit comes with some drawbacks. When you legitimately want credit, you must "thaw" your report. You do this using your unique PIN number obtained when freezing your credit. Additionally, you can specify which firm can view your file, and for how long.

I believed the benefits of a credit freeze far outweighed the negatives, so I wanted to find out for myself. One hour, $60, and some extra time trying to remember my favorite teacher's name (sorry Mrs. Roberts!) I had locked down credit files for both my wife and me. For one person, the cost is a maximum of $30 and some states are even free.

Are you ready to freeze your credit? Visit our website, www.fosterandmotley.com, and click on "Our Insights" to find the rest of this article along with the four links you need to begin freezing your credit.

Robo-Advisors—New Fad or Helpful Tool

By: Bradley M. Soper, CPA

Automated investment services, or "robo-advisors" as they are commonly referred to, are websites that build and manage investment portfolios determined by sophisticated, computer-based algorithms. The computerized program determines your asset allocation based on responses to a series of questions regarding goals and risk tolerance. It then builds a low-cost portfolio that is periodically rebalanced back to your target asset allocation.

Robo-advisors can be a valuable tool for young individuals that feel comfortable working online and need a low-cost, automated solution to their ongoing investment needs. Millennials generally fit the target audience as they have grown up in the internet era and usually lack the level of investable assets necessary to work with a financial advisor.

Computer software is extremely efficient but it has some limitations. As someone's wealth increases, the complexity of their lives and their finances usually increases as well making customized advice and strategies the best path for them to reach their financial goals. Robo-advisors are incapable of assisting clients with intricate, personalized financial demands such as estate, insurance, and tax planning, education funding, or robust cash-flow projections. In addition to their limitations in financial planning, robo-advisors also are deficient in constructing dynamic investment portfolios that offer broad diversification with the ability to adjust and adapt to changing market conditions. Furthermore, these programs use cash as their starting point so they can't accommodate existing securities clients may wish to hold because of tax costs associated with selling them. An automated program simply doesn't offer the breadth and scope of services that clients with complicated situations require.

"Robo-advisors are incapable of assisting clients with intricate, personalized financial demands…"

Perhaps more importantly, a human advisor can play an important role providing reassurance during times of market volatility, for example during the 2008-2009 financial crisis. It is easy for an investor to let emotions take control during times of financial panic or euphoria. Emotional decisions made under duress often have lasting negative impacts on one's financial future, particularly those in or nearing retirement.

This is not to say that technology can not be used to benefit clients. To that point, we recently decided to implement an automated investment platform called Schwab Institutional Intelligent Portfolios (SIIP) for certain clients. This product is designed to efficiently help clients with investable assets between $50,000 and $500,000 using a low-cost, diversified portfolio of exchange-traded funds (ETFs). The onboarding-process is done online and the platform automatically invests and rebalances the account when necessary. Foster & Motley Investment Managers monitor the individual accounts, in addition to selecting which asset classes and individual investment holdings are combined into each portfolio option.

We are excited about incorporating this new technology and the opportunity it will provide us in helping younger clients at an earlier stage in their financial lives. We anticipate this program will benefit the children of our clients, along with young professionals who are just starting to save. To be clear, we do not believe this automated service is designed to benefit every client as a "one-size-fits-all" type of investment platform. It is well suited to help those clients that are in the early asset accumulation stage of life by allowing them to access a low-cost, diversified portfolio with rebalancing and tax-loss harvesting capabilities. As these clients accumulate more wealth and their financial lives become more complex our Wealth Management offering becomes more appropriate.

"…an advisor's knowledge and insight play an important role during times of market volatility…"

Technology in the field of financial advising has provided valuable capabilities for investment management and financial planning and we strive to utilize these technologies for the benefit of all of our clients. However, these advancements don't replace the personal guidance offered by an advisor—they enhance them.

Employee Spotlight

JULIE RETIRES

After over 9 years of service with Foster & Motley as an Operations Specialist, Julie Bohl has decided to retire to spend more time with family and pursue her passion for volunteering. Among Julie's responsibilities were office supplies, appraisal mailing, and receptionist duties. She also played a major role in moving the old office to our new location on Montgomery Road. Julie's hard work, genuine smile, kind words, and warm demeanor will certainly be missed. Congratulations to Julie!

PASSING TESTS

Megan Leslie, Client Service Specialist, passed her notary exam on the first try. She now is able to assist clients with notarizing important documents. Congratulations Megan!

Rachel Rasmussen, Associate Investment Manager, recently passed the third and final level of the Chartered Financial Analyst (CFA) exam. This series of exams are quite difficult, requiring a number of months of study. After 4 years of accumulated relevant work experience, she will be awarded the CFA designation. Congratulations Rachel!

ATTENTION OHIO SNOWBIRDS

BY DAVID J. NIENABER, CFP®

The Ohio residency rules for income tax purposes have changed. The new rules allow Ohio non-residents to spend an extra 30 days in Ohio. Previously, an Ohio non-resident could have up to 182 "contact periods" with Ohio before being considered a resident. The new law allows 212 "contact periods."

Translated to English, this means someone whose primary residence is outside Ohio can spend up to 7 months in Ohio without being considered an Ohio resident.

We suggest that non-residents who are spending a lot of time in Ohio file an Affidavit of Non-Ohio Residency form. On this form you attest that you were not domiciled in Ohio during the entire year, had a full-year home outside Ohio, and spent less than 212 days in Ohio. This proactive step will prevent Ohio from presuming you are an Ohio resident.