YOUR FINANCIAL FUTURE

Your Guide to Life Planning

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Michael Majhanovich & Doran James
Wyoming Wealth Management
2620 Commercial Way Ste 100
Rock Springs, WY 82901
307-382-1177
Fax: 307-382-1133
kathy.hickman@lpl.com
wyomingwealthmanagement.
org

In This Issue

Keep Emotions at Bay With an Investment Policy Statement

Once you know how much risk you can accept, you can create an asset allocation target and a policy statement designed specifically for you.

Chances are your investment strategy calls for some portion of your portfolio to be invested in stocks to help you reach your long-term goals.[1] But when the stock market turns choppy -- as it most certainly will from time to time -- try not to let your emotions get in the way of achieving your objectives. Keep in mind that a loss in stock market value may only matter if you need access to that money within two years or less. Furthermore, history shows that the market has typically made up its losses fairly quickly, although past performance is no guarantee of future results.

If you are skittish about the markets and what might lie ahead, there are steps you can take to help you stick to your long-term strategy, some of which may best be explored and implemented with the help of a trusted financial advisor.

Put an Investment Policy in Place

Working with an advisor, you can develop a customized investment policy statement to help you pursue your short- and long-term financial goals -- throughout all economic cycles. A typical policy statement might be based on five key factors:

1. The time frames for your various financial goals (e.g., short-, medium, long).
2. Your need for liquidity in your portfolio.
3. Your personal tax situation.
4. The legal structure of the investment vehicle, such as an IRA or trust account.
5. Other special factors affecting your personal situation, such as a preference for socially responsible investing, or if you have a special needs child.

Once you know how much risk you can accept, you can create an asset allocation target and a policy statement designed specifically for you. When properly structured, your investment policy statement helps to protect you against market downturns. For example, say you may have the risk tolerance to accept a one-year decline of more than 20% on some of your long-term money, but if part of your portfolio is earmarked to pay for your daughter's wedding in 18 months, your policy would not allow that portion to be exposed to extreme market volatility.

Don't Panic

As tempting as it may be to abandon your investment policy, such a shortsighted move is likely to cause you far more harm than good. Emotional decisions are rarely the best financial decisions for your portfolio. Instead of overreacting to volatile market conditions, try to stick with your strategy and avoid a costly disruption in the balance of your investments.

As a matter of fact, you may consider using market declines as opportunities to add to your equity holdings. During times of economic downturn, stocks are often priced below market value, which means it may be a good time to "bargain shop," as long as doing so fits within the parameters of your investment policy statement.

In times of market stress, plan to revisit your investment policy with your financial advisor, and remind yourself why you set it up in the first place. If nothing has changed in your life, you probably shouldn't change your strategy. The bottom line is that only personal factors -- not the current state of the economy and/or financial markets -- should drive your investment decisions.

[1] *Investing in stocks involves risks, including loss of principal.*

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KEY TAKEAWAYS

- Jerome Powell will take over as Fed chair on February 3 and may continue the path of data-dependent, gradual rate hikes laid out by his predecessor, Janet Yellen.
- Loosening regulations on banks, done in part by the Fed itself, could stimulate lending and provide another tailwind to an already strengthening economy.
- If current Fed nominees are confirmed, President Trump will still have three vacancies to fill, which could change the makeup of the body.

THE FED IS MOVING FORWARD

Jerome Powell will begin his term as chair of the Federal Reserve (Fed) on February 3, following the Fed's upcoming January 30-31 meeting. He is largely expected to follow a similar monetary policy blueprint as outgoing Chair Janet Yellen, with balance sheet normalization continuing as previously scheduled and a gradual path of data-dependent rate hikes. With Powell's confirmation, and Yellen's upcoming exit, President Trump will have three remaining posts to fill on the Fed's seven-member board of governors (assuming the previously nominated Marvin Goodfriend is confirmed as expected).

DEREGULATORY PUSH

One of the key ways that Powell may differ from Yellen centers on his plan to potentially lighten regulation of the financial sector. Powell is viewed as receptive to the easing of regulatory burdens and has said that while regulation enacted since the financial crisis has made the financial industry safer, there is room for streamlining and some rollback. During his testimony with the Senate Banking Committee, Powell announced intentions to "continue to consider appropriate ways to ease regulatory burdens while preserving core reform," indicating that regulatory relief may be coming but wholesale, sweeping deregulation appears unlikely.

One person who is looking to help in the deregulatory effort is Randal Quarles. Quarles was confirmed by the Senate as a governor on the Fed's board, where he will vote on monetary policy. He will also hold the title of vice chairman for supervision. Quarles said during confirmation hearings that the government could relax or loosen some restrictions put in place post-financial crisis, as some of the regulations could arguably limit lending, and consequently economic growth. Data may back up Quarles' point: The increase in money supply from quantitative easing programs done by the Fed didn't have as much of an impact on growth or inflation as anticipated, largely because regulation kept much of that capital tied up on bank balance sheets.

How Deregulation Could Be Achieved

- **Limiting the number of banks that are subject to certain requirements**, such as the "stress tests," that were designed to ensure that banks could withstand market shocks. During Senate Banking Committee testimony, Powell indicated he did not believe that any of Wall Street's largest banks should still be considered "too big to fail."
- **Making changes to the Volcker Rule**, which prohibits banks from proprietary trading (trading with their own capital). Powell has signaled that some of these rules may be too broad and should be limited to exclude smaller financial institutions, which don't pose any large systemic risk.
- **Loosening liquidity coverage ratios**, both short- and long-term, which determine how much liquid assets banks must maintain based on their asset and liability mix.
- **Introducing changes to the types of assets that would qualify as high-quality liquid assets** (HQLA) that are needed to satisfy those liquidity coverage ratios. Investment-grade municipal bonds, for instance, have previously not qualified as HQLA, yet a recently passed House bill seeks to change that.

Notably, not all of the deregulatory possibilities listed above are under the purview of the Fed. Some may necessitate legislation, while other changes can simply be made by bank regulators like the Fed, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

Simplifying regulations may have the added benefit of reducing costs associated with compliance. All of these changes combined could lead to increased profits for banks, but also to increased lending due to changes in allowable leverage ratios. This could be a further tailwind for an already improving economy.

MORE SEATS TO FILL

The president has significant leeway in how the makeup of the Fed changes in the near future. The Fed Board of Governors is a seven-member panel, and three of those positions are currently vacant. Former Governor Daniel Tarullo resigned in April, while Vice Chair Stanley Fisher stepped down effective mid-October for personal reasons. With Powell assuming his role as chair, there is an additional vacancy for his current role of Fed governor. The Senate did recently approve the president's pick for Vice Chair of Supervision, Randal Quarles; Marvin Goodfriend, a Carnegie-Mellon professor of economics, has been nominated as Fed governor, but has not yet been confirmed.

Within the rotating group of four voting members from the 12 reserve banks, there were three doves and one centrist in 2017. In 2018, the makeup will change to two hawks and two centrists, simply because of the rotation of Fed members. This move alone will push the overall FOMC toward a more hawkish bent, at least for 2018, regardless of what happens with the remaining vacancies.

THE FOMC STRUCTURE

The Federal Open Market Committee (FOMC) consists of 12 voting members—the 7 members of the Board of Governors of the Federal Reserve System; the president of the Federal Reserve Bank of New York; and, 4 of the remaining 11 Reserve Bank presidents, who serve one-year terms on a rotating basis. The nonvoting Reserve Bank presidents attend the meetings of the Committee, participate in the discussions, and contribute to the Committee's assessment of the economy and policy options.

Doves: Fed officials who favor the full employment side of the Fed's dual mandate of low inflation and full employment.

Centrists: Fed officials who strike a balance between hawks and doves, and may end up on either side of the discussion depending on the topic and data.

Hawks: Fed officials who favor the low inflation side of the Fed's dual mandate.

DUAL MANDATE

The Fed's explicit mandates are maximizing unemployment and stable prices. The Fed seeks to have unemployment at or near its natural rate (as some unemployment is a sign of a healthy economy, with workers free to move from job to job) and inflation at or near the Fed's 2% target. With respect to these two mandates, the Fed has found itself in a goldilocks zone for the past several years. Unemployment has continued to decline, a positive sign for the economy, but inflation has not experienced a strong and meaningful pickup, which has allowed the Fed to raise interest rates in a slow and telegraphed manner. Wage growth has in previous cycles needed to push to about 4% to make the Fed more aggressive in its rate hike schedule. With wage growth currently running near 2.5%, this is another sign that the Fed can continue its tempered approach to raising rates.

We believe there is a third mandate, though not explicit, that the Fed no doubt keeps an eye on, and that is the strength of the U.S. dollar. Though recent dollar weakness has lessened this concern, the Fed remains cognizant of dollar strength relative to other global currencies. The Fed's optimal scenario is to raise interest rates without causing major dollar strength. An overly strong U.S. dollar can have negative impacts for the global economy. Many emerging market (EM) countries issue debt denominated in U.S. dollars to increase attractiveness for U.S. and global investors. A very strong dollar means that those debt payments become more expensive to make, potentially leading to delays in payments or even defaults on EM sovereign debt. This could cause a snowball effect that would harm the global economy. On a more practical level, a strong dollar can lead to price appreciation for goods in EM countries, such as food and energy, which comprise a larger portion of consumer pricing measures than in developed markets, and could lead to negative humanitarian consequences. This is another scenario that nobody, including the Fed, wants to see.

CONCLUSION

Under Powell's new leadership, the Fed could remain data dependent, patient, and telegraphed in its gradual approach to raising interest rates. It is also anticipated that the Fed will remain on the same path with respect to balance sheet reduction, resulting in a continued ramp up over the course of 2018. The Fed is tightening monetary policy as other important central banks, like the Bank of Japan and the European Central Bank, are in a holding pattern with their easy policy, though they may too scale back accommodation in the coming year. Reducing the regulatory burden on banks may lead to an increase in lending capacity, which combined with the recent tax cuts could be a further tailwind for an already strengthening economy. If this happens, we could see stronger corporate profits, a steepening yield curve, and a pickup in gross domestic product growth.

IMPORTANT DISCLOSURES

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance reference is historical and is no guarantee of future results. All indexes are unmanaged and cannot be invested into directly.

The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values and yields will decline as interest rates rise, and bonds are subject to availability and change in price.

International debt securities involve special additional risks. These risks include, but are not limited to, currency risk, geopolitical and regulatory risk, and risk associated with varying settlement standards. These risks are often heightened for investments in emerging markets.

DEFINITIONS

Quantitative easing (QE) is a government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. Quantitative easing increases the money supply by flooding financial institutions with capital in an effort to promote increased lending and liquidity.

The Federal Open Market Committee (FOMC), a committee within the Federal Reserve System, is charged under U.S. law with overseeing the nation's open market operations (i.e., the Fed's buying and selling of U.S. Treasury securities).

Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments, and exports less imports that occur within a defined territory.

Yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates. The most frequently reported yield curve compares the three-month, two-year, five-year and 30-year U.S. Treasury debt. This yield curve is used as a benchmark for other debt in the market, such as mortgage rates or bank lending rates. The curve is also used to predict changes in economic output and growth.

This research material has been prepared by LPL Financial LLC.

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Tracking #1-693793 (Exp. 01/19)

Weekly Market Commentary | Week of January 29, 2018

KEY TAKEAWAYS

- The recent lack of volatility in the U.S. stock market has been historic on many levels.
- The long absence of market volatility greatly increases the odds that 2018 may see multiple pullbacks.
- We believe strong global fundamentals may offer an opportunity to use potential pullbacks as a chance to add to portfolio positions.

RECORDS, RISK, AND RETURNS

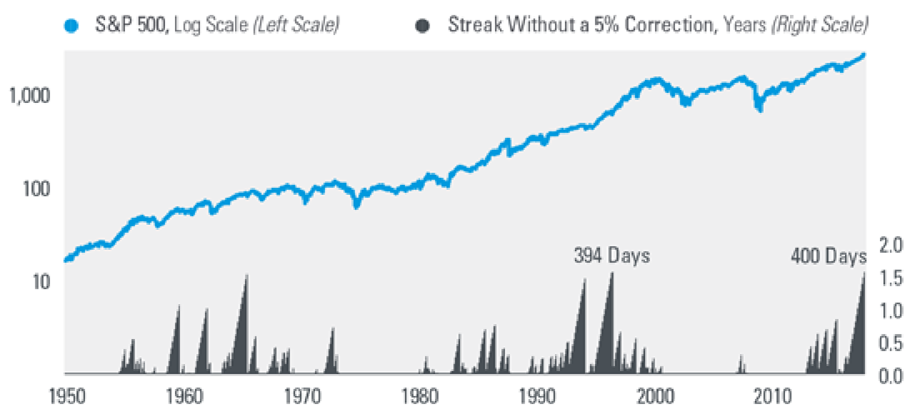
The equity market action over the past year is truly historic on many levels. It is important to recognize how unique this time frame has been and that a more volatile 2018 may be likely, and quite frankly normal. This week we will highlight some of the amazing streaks that have taken place, list a few of the reasons why we should anticipate a pickup in volatility, and explain how any possible weakness can provide suitable investors with an opportunity in diversified portfolios.

HOW RARE HAVE THINGS BEEN?

Below are five S&P 500 Index observations to illustrate just how unique the recent market activity has been:

1. The year 2017 was the first in history that the S&P 500 closed higher on a total return basis (including dividends) all 12 months of a calendar year. Should the S&P 500 close higher in January (up 7.2% as of January 26, 2018), this would be a record 15 consecutive months higher on a total return basis. The previous record (since 1950) was 11 consecutive months set twice during the 1950s, most recently in 1958-59.*
2. The index has officially gone 400 trading days without a 5% correction, which is the longest stretch in history. A week ago today the index broke the previous record of 394 trading days set during the mid-1990s. As **Figure 1** shows, the current streak started right after the Brexit vote in the United Kingdom in June 2016 and is now more than 18 months old. It is worth noting that previous long streaks took place during bull markets, but once the streaks ended the bull markets continued for some time.

1 ANOTHER RECORD; THE LONGEST WITHOUT A 5% CORRECTION



Source: LPL Research, FactSet 01/29/18

All indexes are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. All performance referenced is historical and is no guarantee of future results. Estimates may not develop as predicted.

*The modern design of the S&P 500 Stock Index was first launched in 1957. Performance back to 1950 incorporates the performance of predecessor index, the S&P 90.

3. The S&P 500 was positive year to date every single day last year, marking 1 of only 10 years since 1950 to accomplish that feat. In fact, the index hasn't been negative year to date since late June 2016, now the fifth longest streak ever without a negative year-to-date day.
4. Incredibly, the S&P 500 hasn't posted a 1% drop in 112 trading days, tying the longest streak since 1985. This is all the more amazing considering there was a 109-day streak that ended in March 2017. In other words, two of the four longest streaks without a 1% drop over the past 50 years took place within the past 15 months.
5. January is picking up right where 2017 left off, as the S&P 500 is up approximately 7% for the month. This would be the best January to start a year since 1989. It doesn't end there though, as the S&P 500 has closed at a new high 14 times so far this month--the most ever during the month of January and the most for any month since June 1955.

Though good starts to a year can be a positive sign, that doesn't mean the ride will be smooth. For example, since 1950, when the month of January finishes up 5% or more, the remaining 11 months have been higher 11 of the past 12 times; but during those years, the average intra-year maximum drawdown (peak-to-trough decline) has been 10.7%. In other words, this strong January for stocks could signal a continuation of the bull market but also more potential volatility as well.

**The modern design of the S&P 500 Stock Index was first launched in 1957. Performance back to 1950 incorporates the performance of predecessor index, the S&P 90.*

POTENTIAL WARNING SIGNS?

For investors, it is always important not to confuse genius with a bull market. The historical lack of volatility can easily be accompanied by complacency, as various sentiment and fund flow indicators recently suggested. Although the market will always do what the market wants to do, we think the possibility for increased volatility is strong, and that several historical patterns may once again surface in the coming weeks or months. Take a look at three potential warning signs:

- **Presidential cycle.** Midterm election years can be troublesome, with the S&P 500 down on average 16.9% at its lows for the year--the worst out of the four years of a president's term (based on data dating back to 1950) [Figure 2]. Although this is worrisome in the short term, the good news is that a strong bounce back is common. In fact, a year after the lows are made in a midterm election year, the S&P 500 is up 32.0% on average. We took a closer look at this phenomenon on our blog.

2 BE WARY OF THE CALENDAR

Midterm Years Can See Large Pullbacks, But Bounce Back

Year of Presidential Cycle	S&P 500 Average Intra-Year Pullback	S&P 500 Average Return a Year After Lows
First Year in Office	-14.0%	12.1%
Midterm Year	-16.9%	32.0%
Pre-Election Year	-11.5%	15.9%
Election Year	-11.8%	18.3%

Source: LPL Research, FactSet 01/25/18

Data: 1950–Present.

This has happened 17 times since 1950.

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- **Markets tend to test new Federal Reserve (Fed) chairs.** Since Charles Hamlin was sworn in as the very first Fed chair in 1914, there have been 15 others, with Jerome Powell set to become the sixteenth on February 3, 2018. History has shown that markets can indeed test new Fed chairs. In fact, going back more than 100 years, the Dow has been down 0.3% on average during the first six months after a new Fed chair takes office. Turning to more recent history, since 1950, the average intra-year drawdown for the S&P 500 during the first calendar year of a new Fed chair has been 15.0%.
- **Low volatility years are followed by higher volatility years.** The S&P 500 pulled back only 2.8% from peak to trough last year, for the second smallest annual pullback ever. There have only been five other years without a 5% correction, and every single time the pullback the next year was larger.

In fact, the average pullback the following year was 12.1%, with a median pullback of 9.4%; those declines were accompanied by a surge in 1% daily changes the following year. Yet, as **Figure 3** shows, the good news is that in many cases the bull market continued, though with a bumpier ride, climbing an average of 8.5% in the following year.

3 LOW VOLATILITY YEARS TEND TO SEE MORE VOLATILITY THE NEXT YEAR

Year	S&P 500 Return	Max Pullback	Next Year Max Pullback	1% Moves	1% Moves Next Year	S&P 500 Return Next Year
1954	45.0%	-4.4%	-10.6%	15	42	26.4%
1958	38.1%	-4.4%	-9.2%	18	22	8.5%
1961	23.1%	-4.4%	-26.4%	14	58	-11.8%
1964	13.0%	-3.5%	-9.6%	3	8	9.1%
1993	7.1%	-5.0%	-8.9%	17	27	-1.5%
1995	34.1%	-2.5%	-7.6%	13	38	20.3%
2017	19.4%	-2.8%	?	8	?	?
Average	25.7%	-3.9%	-12.1%	12.6	32.5	8.5%
Median	23.1%	-4.4%	-9.4%	14.0	32.5	8.8%
% Positive	100.0%					66.7%

Source: LPL Research, FactSet 01/09/18

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DIVERSIFICATION AND REBALANCING

Stocks may experience more frequent--and larger--pullbacks in 2018 for these or possibly other reasons, such as geopolitical risk, an unexpected increase in inflation, or a sharp rise in interest rates. But the historical data cited above make a good case for buying dips in 2018 when they come.

The fundamentals support buying dips as well. Global economic growth is accelerating. Corporate profits are rising at a solid pace globally and U.S. profits should get a nice boost this year from the new tax law. As we get more clarity from corporate America about the impact of the tax law during the ongoing earnings season, the risk to our $147.50 S&P 500 earnings forecast for 2018 is to the upside.*

We continue to view any pullback as an opportunity to add, as rebalancing to target allocations is prudent for long-term portfolios. Despite the strong start to the year for stocks, and the S&P 500 approaching the upper end of our year-end fair value range at 2900, we still believe further gains may lie ahead. We maintain cyclical positioning in our model portfolios, including targeting small cap and value tilts.

CONCLUSION

The recent streak of market tranquility is one for the ages and we do not think it will continue much longer. This isn't a bad thing, though, as any weakness could present an attractive buying opportunity for suitable investors. Buying the dips has been a prudent strategy during midterm election years historically, and throughout this bull market, while the macroeconomic backdrop is supportive, including accelerating global economic growth, strong earnings gains, and the impact of the new tax law. Bottom line, stay the course, look for further gains over the balance of the year, but be prepared for the possibility of a typical, yet bumpier ride.

Special thanks to Jeffrey Buchbinder for his contributions to this week's publication.

**Please see the Outlook 2018: Return of the Business Cycle publication for additional descriptions and disclosures.*

IMPORTANT DISCLOSURES

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Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal, and potential liquidity of the investment in a falling market.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Rebalancing a portfolio may cause investors to incur tax liabilities and/or transaction costs and does not assure a profit or protect against a loss.

Small cap stocks may be subject to a higher degree of risk than more established companies' securities. The illiquidity of the small cap market may adversely affect the value of these investments. Value investments can perform differently from the market as a whole. They can remain undervalued by the market for long periods of time.

INDEX DESCRIPTIONS

The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Dow Jones Industrial Average (DJIA) Index is comprised of U.S.-listed stocks of companies that produce other (nontransportation and nonutility) goods and services. The Dow Jones Industrial Averages are maintained by editors of The Wall Street Journal. While the stock selection process is somewhat subjective, a stock typically is added only if the company has an excellent reputation, demonstrates sustained growth, is of interest to a large number of investors, and accurately represents the market sectors covered by the average. The Dow Jones averages are unique in that they are price weighted; therefore, their component weightings are affected only by changes in the stocks' prices.

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Tracking #1-693119 (Exp. 01/19)

Intergenerational Wealth Planning: A Win-Win for the Whole Family

Opening the dialogue about wealth transfer is a complicated, personal decision. It is influenced largely by how wealth holders themselves have been brought up to view money and the responsibilities that come with it.

Discussing the transfer of wealth from parents to children can be uncomfortable for both parties. Yet by introducing children to the wealth management process from a young age, affluent families may be able to reduce family tensions later in life and help ensure that the planning tradition passes intact to future generations.

Closing the Communication Gap

Opening the dialogue about wealth transfer is a complicated, personal decision that is influenced largely by how wealth holders themselves have been brought up to view money and the responsibilities that come with it. For instance, some individuals may fear that discussing wealth with their children will lead to feelings of expectation and entitlement. Others may simply prefer to control all money issues themselves. Still others with young children may be uncertain about their future wealth and reluctant to discuss it until their children are older and have proven how well -- or poorly -- they handle money.

Embracing the Planning Process

One strategy that may help families overcome planning challenges is to think about wealth planning not as a one-time exercise, but as a process that you live with every day -- and that you integrate into children's lives at a very early age.

For instance, when children are young, you can teach them to divide their allowances into three portions -- one for saving, one for spending, and one for giving. Consider matching their giving and saving money and set an example by handling your own money in a similar fashion.

Once children become teenagers, allow them to make their own decisions about how they spend their money, and as difficult as it may be, allow them to live with the consequences of their decisions. As children make the passage to adulthood, gradually involve them in the family business as well as the family's charitable giving activities.

Creating a Win-Win Solution

Certainly, the more wealth a family has, the more important it becomes to make managing wealth a process, especially if wealth has existed for multiple generations and there are instruments such as family foundations in place. In this way, early involvement helps families prepare heirs for their future role as stewards of the family wealth. It also helps develop the skills and experience needed to manage a family business or wealth plan, while ensuring that such knowledge is shared and passes successfully to the next generation.

Working With Professionals

Working together with your team of planning professionals -- your financial advisor and estate and/or tax planner -- you will be able to assess your current situation and develop first steps toward implementing a plan of action.

This communication is not intended to be tax or legal advice and should not be treated as such. Each individual's situation is different. You should contact your tax and/or legal professional to discuss your personal situation.

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How Much Will That Little Bundle of Joy Cost You? Try $233,610

The average total child-rearing costs for a child born in 2015 and living at home through age 17 range from $174,690 to $372,210, depending on the family's income level.

It certainly comes as no surprise to parents that raising a child can be expensive. But just how expensive? While many financial studies focus solely on college costs, research by the U.S. Department of Agriculture (USDA) provides parents and prospective parents with a general idea of the cumulative expenses for a child *before* college kicks in.

The results are sobering. According to its study *Expenditures on Children by Families, 2015,* the average total child-rearing costs for a child born in 2015 and living at home through age 17 is now $233,610 (in 2015 dollars). The USDA calculations include a wide variety of expenses, including housing, child care and education, health care, clothing, transportation, food, personal care, and entertainment.

Estimated Cumulative Child-Rearing Expenditures, 2015-2032

Lowest Income Group (<$59,200)	$174,690
Middle Income Group (between $59,200 and $107,400)	$233,610
Highest Income Group (>$107,400)	$372,210

Source: USDA, Expenditures on Children by Famiies, 2015, Table 1.

Two-parent households in the lowest income group (those earning under $59,200 per year) are estimated to spend between $9,330 and $9,980 per year on average; those in the medium income group (earning between $59,200 and $107,400) can expect to spend between $12,350 and $13,900 per year; and those in the highest income group (with incomes above $107,400) can expect to spend between $19,380 and $23,380 on average.

For a middle-income family with two children, the largest expenditures are:

- Housing, at an average of 29% of total expenses
- Food, 18%
- Child care/education, 16%
- Transportation, 15%
- Health care, 9%

Not surprisingly, geography matters. Parents in the "Urban Northeast" had the highest average expenses, while those in "Rural" areas had the lowest. It also should come as no surprise to parents that it is generally more expensive to raise a child today than it was when they were children.

The USDA website has a free calculator that can help parents estimate their child care costs. The Cost of Raising a Child Child Calculator factors in geography, single-parent or two-parent status, and the costs of additional children.

Source: Lino, M., Kuczynski, K., Rodriguez, N., and Schap, T. Expenditures on Children by Families, 2015, United States Department of Agriculture, Center for Nutrition Policy and Promotion. Miscellaneous Publication No. 1528-2015. January 2017 (revised March 2017).

Tracking #1-029019