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THE FINANCIAL FORMULA

GIVING YOU THE FINANCIAL INFORMATION YOU NEED

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Hello FF readers! Please enjoy this month's edition of The Financial Formula. Please let us know if you have any questions - thank you!

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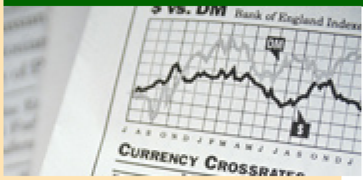


The troubles in the European Union faded from the limelight during the summer as new concerns rose to the fore.

Third Quarter 2016 Market Recap

(*For the quarter ended September 30, 2016.)*

Stocks held their gains for the third quarter despite September's headwinds. At quarter's end, the S&P 500 and Dow Jones Industrials remained just below their mid-summer records, while the NASDAQ Composite continued its push higher. The fireworks that opened the quarter faded from view by the close. Britain's vote to leave the European Union was pushed off center stage by the massive security breach at Yahoo and the controversies over surging drug prices. But none of these issues showed signs of resolution as the quarter drew to a close, leaving the way open for potential flare-ups in the future.

Through 9/30/16*	Quarter	1-Year	3-Year Annualized	5-Year Annualized	Closing Value
S&P 500	3.31%	12.9%	8.8%	13.9%	2,168.27
Dow Jones Industrials	2.11%	12.4%	6.8%	10.9%	18,308.15
NASDAQ Composite	9.69%	15.0%	12.1%	17.1%	5,312.00

Source: DST Systems, Inc. The S&P 500, Dow Jones Industrials, and NASDAQ Composite are unmanaged indexes. It is not possible to invest directly in an index. Past performance is no guarantee of future results. Not responsible for any errors or omissions.

*Price only. Does not include dividends.

Economy Watch The economy gained some steam in the second quarter, posting an annualized real growth rate of 1.4%, compared with 0.8% in the first quarter. Spending for personal consumption was higher during the quarter, while real income was off a fraction.

Fed News Officials voted to keep the federal funds rate target unchanged in September. As a result, there is no official pressure for the market to increase short-term interest rates, which now typically hover below 1%. The Fed said it could keep rates down because inflation remains low and it sees little inflationary pressure on the horizon.

Bond Market Update Bond yields were driven down in the market in the wake of the Brexit vote, but they rose slowly as the quarter progressed. For example, the 10-year Treasury note yield fell to 1.37% on July 5, but ended the quarter hovering around 1.5%.

Surveys may give customers the satisfaction that, by communicating directly with them, you care about their experience with your company.

Business Owners: Five Keys to Keeping Customers Engaged

According to annual research conducted by global business consulting firm Accenture Strategy, 52% of U.S. consumers have switched providers of a product or service in the past year.[1] And once those individuals have moved on, the majority (68%) will not return. What's more, four out of five "switchers" feel the company could have done something to retain their business -- and 83% said better in-person customer service would have impacted their decision.[1]

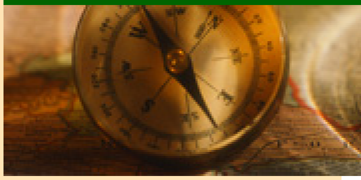
While attracting new customers should be an integral part of any business's marketing strategy, keeping regular customers happy, engaged, and loyal provides several distinct advantages to your bottom line. For instance:

- A solid base of steady customers makes it easier for you to predict future profits.
- It allows you to amortize up-front marketing and sales costs over a longer period of time.
- Happy customers can be an excellent source of referrals.

Following are some tips to consider to help keep your customers satisfied.

1. Make their experience personal. From the first moment a potential customer visits your brick-and-mortar establishment or website, help them feel "at home" by making the experience as relevant to their unique needs and preferences as possible. Conducting tests to determine what is effective for various customer segments may help your business attract and retain relevant customers.
2. Understand and act on the customer experience. As part of your post-sale marketing, survey your customers about their experience. Surveys may give customers the satisfaction that, by communicating directly with them, you care about their experience with your company. Consider all feedback and take action, where appropriate, to improve upon the customer experience.
3. Foster a rapid-response culture. More so than ever, customers value speed as a critical success factor. Offering same day or overnight service is one of the most effective ways to provide value to customers and to win their loyalty. Consider investing in the resources needed to fulfill rush overnight orders or to handle late pickups and deliveries.
4. Develop one-to-one relationships. Customers like a feeling of consistency and stability. Make the time yourself, or assign your most effective employees to work with your best customers on an individual basis. If the same person sees a customer through every step of the process, a bond of trust begins to develop. And that's the first step in nurturing a rewarding, long-term relationship.
5. Offer a customer loyalty program. If the old adage is true that 80% of your business comes from 20% of your customers, reward that loyal 20% with discounts, coupons, and/or free trials of new products or services. Treat them to a private sale once or twice a year. You may also consider teaming up with other area businesses to offer your best customers discounted or complimentary products or services unrelated to your own, such as an iPad or other electronic device, tickets to an amusement park, or an hour of free financial consulting.

[1] *Accenture Strategy, "Digital Disconnect in Customer Engagement," March 23, 2016.*



Understanding the different types of risk that could affect your portfolio may give you a greater sense of control over the decisions youll need to make as situations change over the years.

Time to Review Your Risk Management Strategy

As year-end approaches, consider taking the time to meet with your financial advisor to review your investment portfolio and other financial accounts. Key to that discussion should be an objective appraisal of your risk management strategy.

While that may be a prudent place to begin, it's important to remember that an investor's personal risk tolerance may at some point come into conflict with changing market conditions and evolving life circumstances, whether they involve a marriage, a birth, or an impending retirement.

For example, if an investor maintains a high tolerance for risk but has a 10-year plan that only requires a 5% annualized return, that high appetite for risk may expose his or her investments to more uncertainty than necessary.

Understanding Risk

As you review your long-term financial objectives with your advisor be sure to ask the following:

- Does my asset allocation have the potential to generate the returns necessary to achieve my investment goals over a defined span of time?[1]
- Am I taking on too much or too little risk?

Understanding the different types of risk that could affect your portfolio may give you a greater sense of control over the decisions you'll need to make as situations change over the years. And by embracing the concept of risk, you'll be in a better position to create an asset allocation strategy that suits your individual needs.

The Risk of Not Investing Appropriately

When thinking about how to balance risk and return in your portfolio, don't forget that the risk of loss is not the only kind of risk. Give some thought to the risk of investing too conservatively and not reaping a high enough return to provide for your financial future. Also be aware of investing in instruments that may be too risky for your shorter-term goals. Your financial advisor can help you select vehicles that are suitable for your objectives.

As you consider each particular investment, research its performance history and risk characteristics. For example, if it's a stock, how drastically has it responded to drops in the market?[2] How long has it taken to recoup losses? How has it performed over a time frame similar to your own?

Using Risk to Its Full Potential

In life, almost every attempt at success involves some risk -- and your investment strategy is no exception. By devoting time to examining your goals, conducting some research, and working with a financial professional, you can learn how to manage risk in your portfolio by choosing appropriate investments.

[1]*Asset allocation does not assure a profit or protect against a loss.*

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