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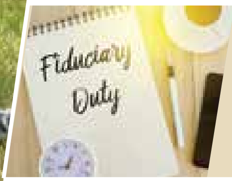

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ADVANCE
CAPITAL MANAGEMENT

FINANCIAL LIVING

volume Q3 2019

A QUARTERLY NEWSLETTER FOR THE CLIENTS AND FRIENDS OF ADVANCE CAPITAL MANAGEMENT

Protect Your Social Security Number from Scammers

A recent Federal Trade Commission report says the number one ruse of scammers is to pretend to be the government. Since 2014, the FTC has received almost 1.3 million reports about government imposters. This fraud tactic is only growing. This spring, monthly reports of government imposter scams reached an all-time high.

Who do these criminals most often try to impersonate? The Social Security Administration.

Some of you may have already received calls from individuals claiming your Social Security number has been compromised. In one version of the scam, a caller says your Social Security number has been frozen – either because it was linked to a crime or used by someone else to open credit card accounts – but they can help you keep your money safe. You are then asked to confirm your Social Security number and may be directed to move money out of your bank accounts for "safe keeping."

Here's what the FTC says you need to know to protect yourself against government imposters:

- **Be suspicious of any call from a government agency asking for money or information.** Government agencies don't call you with threats, or promises of – or demands for – money. Scammers do.
- **Don't trust caller ID – it can be faked.** Even if it might look like a real call, don't trust it.
- **Never pay with a gift card or wire transfer.** If someone tells you to pay this way, it's a scam.
- **Check with the real agency.** Look up their number. Call them to find out if they're trying to reach you – and why.

Last but not least, if you receive an email or call from someone you don't know asking for payment or your financial information, talk to your Advance Capital financial adviser who can help determine if it's a legitimate request or the work of a scammer. ■

Market Insights: Q2 2019

Through the first six months of the year, it is apparent that both the economic and investing environment have become a bit more challenging. Although capital markets are enjoying a welcome rebound from last year's lackluster performance, and the economy posted a 3.0 percent annual growth rate through March, several key domestic economic indicators have started to weaken. Further, there are added pressures from the trade war with China, slowing growth in Europe and geopolitical issues around the world. The challenge for investors is sifting through the plethora of data and determining whether the economy is just entering a "soft patch" and growth will soon pick up, or if these pressures will end the 10-year expansion and investors should think about making adjustments to their portfolios and reducing their expectations moving forward.

Global and U.S. economic data a mixed bag

The World Bank downgraded global growth in 2019 to 2.6 percent, which is 0.3 percent below previous forecasts. This reflects weaker-than-expected international trade and investment so far this year. In emerging and developing economies, growth is constrained by lackluster investment, further escalation of trade tensions between major economies and renewed financial turmoil in certain parts of the world.

Domestically, while the overall economy remains solid, there are several unnerving trends developing. According to the latest report from the Institute for Supply Management (ISM), the index of U.S. manufacturing activity slipped in May to the lowest level since October 2016. Still, 11 of the 18 manufacturing industries monitored reported growth.

In other parts of our economy, it's a bit of a mixed bag. For instance, the employment picture is the best in about 50 years. The unemployment rate is 3.8 percent, the lowest rate since 1969, and the number of job openings hit a record high. Correspondingly, wages are rising and a positive trend in consumer spending is poised to drive growth in the near term. Yet, weaker trends in auto production, existing home sales and durable goods orders gives pause to some of the more positive aspects of the economy.

Central banks prepare to act

Amidst the signs of "softening" in world economies, global central bankers have taken notice and stand ready to act, if necessary. In early June, Federal Reserve Chairman Jerome Powell indicated the central bank was prepared to take measures to sustain the economic expansion should the economy slow further, or the trade war weaken the economy. More recently, Mario Draghi, the head of the European Central Bank, signaled the bank is ready to resume the massive bond-buying program, known as quantitative easing, and confirmed it could push key interest rates even lower. China recently boosted liquidity in its financial system and signaled its readiness to supply smaller banks with a steady stream of cash to further ensure liquidity and solvency.

On one hand, a quick response by central bankers to any hint of economic trouble tends to reassure investors, which often leads to a rally in risk assets, such as stocks. On the other hand, investors have become accustomed to and reliant on action by central banks around the world, which is not exactly how free markets are designed to operate and the long-term consequences are mostly untested.

Our take

Looking ahead to the second half of the year, our general outlook is for lackluster global growth, low inflation and interest rates, and modest performance for both stocks and bonds. Yet, there are several factors that could disrupt this relatively benign outlook, both this year and over the next few years. First, if the trade war with China escalates, China's economy could suffer from a sharper-than-anticipated economic slowdown. The massive buildup of internal debt over the past decade would be more difficult to manage amidst a weaker economy, which could force Chinese authorities to aggressively depreciate their currency.

Next, global populism from both sides of the political spectrum could result in either positive or negative economic and financial outcomes. Economic growth and asset prices would be supported if populist governments tackle regulations and tax burdens. But, if policies are aimed at slowing globalization and impeding trade, global growth could decline.

Technology across almost every industry has become better, cheaper and more accessible to a wider range of companies. The benefits are glaring, including increased productivity and greater investment in research and development. Yet, technology can disrupt business models and turn worker skills obsolete.

Finally, the Federal Reserve's recent monetary policy "pivot" to a more accommodative stance could force investors to take above-average risk, leading

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It is not possible to invest directly into an index. The indices mentioned in this article are unmanaged and are not affiliated with Advance Capital Companies.

The Power of Consolidating Accounts

Bruce Lee, the martial arts master and Hollywood icon, became famous for theatrical displays of sensational, acrobatic acts of violence. Yet, one of his most legendary feats was the one-inch punch. He would stand with a closed fist one inch from a target and then use the concentrated force of his body's muscles and joints to deliver an explosive blow.

A test of the one-inch punch on a cable television program showed that it was 1.7 times more injurious than a 30-m.p.h. car crash. Needless to say, you can generate a lot of power with just one inch.

The same can be said of small financial moves such as consolidating retirement accounts (401(k)s, 403(b)s, etc.), typically into an IRA. Putting your full retirement savings to work in one place, just like a one-inch punch, can provide some powerful financial benefits, including:

SIMPLIFYING YOUR FINANCIAL LIFE

Consolidation is convenient for two important reasons. First, it allows you to manage all your assets under a cohesive investment strategy that is appropriate for your specific financial needs. It's very difficult to apply a single investment strategy across many separate accounts considering that investment options vary from one employer's plan to another. Second, having your retirement savings in one place makes it easier to monitor your progress and make changes as needed.

GREATER INVESTMENT CHOICES AND LOWER COSTS

An IRA can give you a much larger pool of investments choices than any employer-sponsored retirement account. More investment options mean greater flexibility to create a portfolio that is better aligned with your current financial situation, retirement goals and risk tolerance. Also, with a wider selection of investments to choose from, you may be able to lower your expenses.

PROFESSIONAL INVESTMENT MANAGEMENT

Generally, in any employer retirement account, it's up to you to select and manage your investments. When your savings are combined in an IRA, however, a financial adviser can help you choose investments that appropriately fit your financial needs and goals. Further, an adviser can directly adjust your portfolio as market conditions or your needs change.

CONTINUED TAX BENEFITS AND GROWTH

An IRA provides similar tax advantages that are typically offered in 401(k)s or other retirement accounts. Earnings in a traditional IRA are tax-deferred. With a Roth IRA, your earnings and withdrawals are tax-free; however, any pre-tax dollars you convert to a Roth are subject to ordinary income tax. Plus, assets rolled over to an IRA can remain invested and can continue to grow.

NO WITHDRAWAL PENALTIES

If you withdraw money from your employer retirement account, it may be subject to income taxes and a 10% early withdrawal penalty if you're under age 59 ½. (The exception is if you separate from your employer or retire in the year in which you turn age 55 or older. Then you can take withdrawals without incurring the 10% early withdrawal penalty, even though you're under age

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Fall Client Meetings - Save the Date!

THURSDAY, SEPTEMBER 5
Port Huron, MI

MONDAY, SEPTEMBER 9
Traverse City, MI

TUESDAY, SEPTEMBER 10
Petoskey, MI

WEDNESDAY, SEPTEMBER 11
Cadillac, MI & Saginaw, MI

TUESDAY, SEPTEMBER 17
Grand Rapids, MI

THURSDAY, SEPTEMBER 19
Southfield, MI

MONDAY, SEPTEMBER 23
Kalamazoo, MI

TUESDAY, SEPTEMBER 24
Downers Grove, IL

WEDNESDAY, SEPTEMBER 25
Champaign, IL &
Independence, OH

THURSDAY, SEPTEMBER 26
Brookfield, WI

TUESDAY, OCTOBER 1
Lansing, MI

Look for more information with venue locations and registration details in the next few weeks!

Don't Expect the Government to Protect Your Best Interest

Contrary to what many people think, not all financial professionals play by the same rules.

In June, the Securities and Exchange Commission adopted the Regulation Best Interest rule, which is meant to help consumers by tightening rules for 'brokers' who sell investment products, compared to 'registered investment advisers,' like Advance Capital Management, who provide financial guidance.

Brokers, technically known as registered representatives, have generally adhered to a suitability rule: They must recommend investments that are "suitable" based on the customer's characteristics, including age, goals and attitudes toward risk. Investment advisers, in contrast, have been held to a higher standard: fiduciary duty, generally understood as always putting the client first.

Brokers can therefore recommend products that financially benefit themselves more so than their clients, which is a conflict of interest. An investment adviser, meanwhile, would get in trouble for doing so.

The SEC rule is an attempt to require brokers to act in the customer's best interest. But it doesn't really define what it means for a broker to act in a customer's best interest. It directs brokers to disclose conflicts of interest instead of trying to mitigate or eliminate them. In other words, the standard under which brokers now operate is still significantly lower than the fiduciary duty followed by investment advisers.

Since day one, we've been committed to putting our clients' best interests first. Again, as a registered investment adviser, we are a **fiduciary**. We are obligated by law to: serve the client's best interest, at all times; act in utmost good faith; act prudently—with the care, skill and judgment of a professional; avoid conflicts of interest when possible and fully disclose and mitigate any potential conflicts; and disclose all material facts.

The bottom line: it's up to you to make sure the person managing your money always acts in your best interest. And, working with a financial adviser who is a fiduciary is an important first step. ■

The Power of Consolidating Accounts *(Continued from page 3.)*

59 ½.) When you transfer funds from an employer's plan directly to a traditional IRA, on the other hand, that money is not subject to income taxes or the early withdrawal penalty.

WHEN TO LEAVE IT ALONE

Consolidation doesn't always make sense. If you have a good employer retirement plan with suitable investment choices and low fees, then you may be better off keeping it where it is. There's always potential transaction fees and taxes to consider.

Also, as mentioned above, if you retire from your company in the year in which you turn age 55 or older, you have full flexibility regarding withdrawals from your 401(k), meaning no early withdrawal penalties.

Ultimately, when consolidating retirement accounts, it's best to work with your financial adviser to ensure that you're moving the right accounts, avoiding unnecessary taxes and following an investment strategy that aligns with your financial goals. ■

Market Insights *(Continued from page 2.)*

to excess valuations and a significant market disruption at some point. While it's easy to get unnerved by potential future problems, let's enjoy the current environment of solid growth, low inflation, record low unemployment and robust financial markets.

As always, investing in capital markets comes with some risk and uncertainty. We thank you for your continued support of our investment process as we work hard to deliver positive risk-adjusted portfolio returns to our clients. Should you have any questions, please contact your financial adviser. ■

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