Spotlight on Finance

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View on the Market—1st Quarter

Good-bye first quarter - The stock market has been referred to many times as a roller coaster. The past two quarters have had very similar ups and downs. The S&P 500 ended the month of March with a 6.6% gain, the largest monthly gain since October 2015. In fact, it was the best March since 2009. The S&P 500 dropped 1% only once during the entire month with 15 positive days, the highest number of positive days for any month since October 2013. For the quarter, the S&P 500 was up 0.8%, which is all the more impressive considering at the lowest, it was down more than 10%. This was the first quarter since the fourth quarter of 1933 to see a reversal like that. The quarter ended with 13 straight days without a 1% move (up or down). Considering 26 of the first 48 days in 2016 had at least a 1% move, the disappearance of volatility is amazing. We experienced a similar scenario between the 3rd and 4th quarter of last year when the markets declined 10% in September.

Not all markets were up during the first quarter. Small cap growth were in the back of the pack, down 4.6%, and the international markets were off almost 3%. A few sectors were beat up and two that affect many investments are financials and health care. Both were down over 5%. While the financial and health care sectors are usually the leaders of the pack, it was utilities that had a whopping return of 15.5%. So what does this mean? We think this is an anomaly, so stay tuned, things will most likely change as we get further into the year.*

With the different asset classes and sectors moving up and down, that brings up the next point of **long-term vs short-term investing. Does patience really pay off?**

The first quarter of 2016 was one of the worst starts in history, plunging in the red. The headlines didn't help with "China going into a recession." It is amazing the sentiment after the market correction, consumers are much more confident going into the spring

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Check out our new website!

Since debuting our new logo last fall, we have been working on overhauling our website. It's finally ready for prime time! We think you'll find it is easier to navigate and it's also mobile friendly. Although it has a new look, you will find it has many of the same features, such as the link to your LPL accounts and financial calculators. Check us out here: www.xmlfg.com. While you are there, you can also view our updated brochure: http://www.xmlfg.com/wp-content/uploads/2016/02/XML-Brochure_R6_Layout_digital.pdf.

We are still testing and working out a few bugs, so please excuse any hiccups you may encounter.

View on the Market—1st Quarter….continued

then they were just a month ago. Over the past two quarters, patience seems to have won for some and for those that did dare to invest during the market lows, they may have been rewarded. Although the market doesn't always bounce back so quickly, it is prudent to keep your long-term view and not make knee jerk decisions based on the short-term market gyrations.

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We still have a tough road ahead. LPL predicts the markets will be in the low single digits, the Fed has said they will probably only raise rates two more times in 2016 instead of the four times they predicted in December of 2015. The Fed's decision is just avoiding the inevitable. China is still slowing down but not coming to a stop, the European Central Bank ("ECB") has lowered rates in Europe and they are in the same position the US was a few years ago. The terrorist attacks have not effected the markets as yet and the world is trying to unite to fight against ISIS. The last big monkey for this year will be the election process.

We encourage investors to reexamine their goals. Decide if short, medium or long-term investing works with what you want to achieve, then a plan can be developed to help you on that path. If your goal is for long-term investing, don't become a short-term investor when the markets correct. Market corrections are expected and normal, some are bigger than others and some might last longer than others, but it's important to stay the course.

If you feel your portfolio is not aligned with your goals please reach out to us as soon as possible so that we can review and re-strategize. While in our view the chance of recession over the next year is low, we continue to recommend a diversified portfolio of assets as a way to weather market volatility.

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. It is an unmanaged index which 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. Past performance is no guarantee of future results.

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.

**Market performance data provided by LPL Financial.*

Some Numbers to Think About

COLLEGE COSTS - The cost of tuition, fees, room and board at an average in-state public college has increased +5.6% per year over the last 30 years, reaching $19,548 for the 2015-2016 school year. If college costs had instead risen only by the rate of inflation (using the CPI) over the last 30 years (+2.7% per year), then a year of college would cost $8,515 during the current school year (source: College Board, Department of Labor).

A FEW FOLKS - The 20 wealthiest Americans (worth a combined $732 billion) own more wealth than the bottom 50% of the US population. There are 323 million Americans today (source: Institute for Policy Studies).

BEING CAREFUL DURING TOUGH TIMES - Credit card debt has increased in each of the last 10 months (through 12/31/15) to $935.6 billion. After peaking at $1.021 trillion as of 4/30/08, the 2008 global financial crisis motivated Americans to trim their credit card debt to $832.4 billion as of 4/30/11 (source: Federal Reserve).

Historic Annual Returns - S&P Index

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History and the laws of averages show the down falls are extremely rare.

Annual Returns - S&P 500 Index

Source: American Funds

Number of Positive Years	66	73%
Number of Negative Years	24	27

1926-2015

(50) to (40)	(40) to (30)	(30) to (20)	(20) to (10)	(10) to 0	0 to 10	10 to 20	20 to 30	30 to 40	40 to 50	50 to 60
						2014 13.6%				
						2012 16.0%				
						2010 16.1%				
					2015 1.4%	2006 15.8%				
					2011 2.1%	2004 10.9%	2009 26.46	2013 32.2%		
				2000 -9.1%	2007 5.5%	1988 16.6%	2003 28.67	1997 33.3%		
				1990 -3.1%	2005 4.9%	1986 18.7%	1999 21.04	1995 37.5%		
				1981 -4.9%	1994 1.3%	1979 18.6%	1998 28.58	1991 30.4%		
				1977 -7.2%	1993 10.1%	1972 19.0%	1996 22.94	1989 31.6%		
				1969 -8.4%	1992 7.6%	1971 14.3%	1983 22.56	1985 31.7%		
				1962 -8.7%	1987 5.2%	1968 11.1%	1982 21.55	1980 32.4%		
				1953 -1.0%	1984 6.3%	1965 12.5%	1976 23.93	1975 37.2%		
				1946 -8.1%	1978 6.6%	1964 16.5%	1967 23.95	1955 31.5%		
			2001 -11.9%	1940 -9.8%	1970 3.9%	1959 12.0%	1963 22.8	1950 31.7%		
			1973 -14.7%	1939 -0.4%	1960 0.5%	1952 18.3%	1961 26.91	1945 36.4%		
		2002 -22.1%	1966 -10.1%	1934 -1.5%	1956 6.5%	1949 18.8%	1951 24.01	1938 31.0%	1958 43.3%	
	2008 -37%	1974 -26.5%	1957 -10.8%	1932 -8.4%	1948 5.4%	1944 19.7%	1943 25.82	1936 33.8%	1935 47.7%	1954 52.6%
1931 -43.5%	1937 -35%	1930 -25.0%	1941 -11.6%	1929 -8.5%	1947 5.7%	1926 11.6%	1942 20.36	1927 37.5%	1928 43.8%	1933 54.4%

Percentage Total Return

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2016 Outlook: Embrace the Routine

A key to success, in life and investing, is juggling the familiarity and wisdom of old routines with the adjustments demanded by an ever-evolving world. As we look forward to 2016, the LPL Research Team expects a return to routine for some key areas of the economy and market, but by a path that may catch some investors unprepared. Investors will need a solid plan to navigate the changing landscape as they adjust to changes like the start of Federal Reserve (Fed) rate hikes, a maturing economic cycle, and the 2016 elections. We believe *LPL Research's Outlook 2016* will help investors refresh, renew, and embrace their routines in the face of unexpected developments and a changing environment. By embracing new routines, investors will be able to focus on what matters most to markets, block out short-term distractions that will quickly fade, and seek to make progress toward long-term financial goals.

To learn about some of their expectations for 2016, listen to this three-minute video: https://youtu.be/8HP6Dj7LyOo

Phishing Remains on the IRS "Dirty Dozen" List of Tax Scams for the 2016 Filing Season

The Internal Revenue Service today warned taxpayers to watch out for fake emails or websites looking to steal personal information. These "phishing" schemes continue to be on the annual IRS list of "Dirty Dozen" tax scams for the 2016 filing season.

Criminals pose as a person or organization you trust and/or recognize. They may hack an email account and send mass emails under another person's name. They may pose as a bank, credit card company, tax software provider or government agency. Criminals go to great lengths to create websites that appear legitimate but contain phony log-in pages. These criminals hope victims will take the bait to get the victim's money, passwords, Social Security number and identity.

"Criminals are constantly looking for new ways to trick you out of your personal financial information so be extremely cautious about opening strange emails," said IRS Commissioner John Koskinen. "The IRS won't send you an email about a tax bill or refund out of the blue. We urge taxpayers not to click on any unexpected emails claiming to be from the IRS."

Scam emails and websites also can infect your computer with malware without you even knowing it. The malware can give the criminal access to your device, enabling them to access all your sensitive files or track your keyboard strokes, exposing login information.

Compiled annually, the "Dirty Dozen" lists a variety of common scams that taxpayers may encounter anytime but many of these schemes peak during filing season as people prepare their returns or find people to help with their taxes.

Illegal scams can lead to significant penalties and interest and possible criminal prosecution. IRS Criminal Investigation works closely with the Department of Justice (DOJ) to shutdown scams and prosecute the criminals behind them.

The IRS has teamed up with state revenue departments and the tax industry to make sure taxpayers understand the dangers to their personal and financial data as part of the "Taxes. Security. Together" campaign.

If a taxpayer receives an unsolicited email that appears to be from either the IRS or an organization closely linked to the IRS, such as the Electronic Federal Tax Payment System (EFTPS), report it by sending it to phishing@irs.gov. Learn more by going to the Report Phishing and Online Scams page.

It is important to keep in mind the IRS generally does not initiate contact with taxpayers by email to request personal or financial information. This includes any type of electronic communication, such as text messages and social media channels. The IRS has information online that can help protect taxpayers from email scams.

Criminals are constantly looking for new ways to trick you out of your personal financial information…..

Staff News

XML is pleased to welcome two new staff members, **Stacey Lee** and **Todd Kullen**. Stacey is an Operations Associate, working alongside Robyn and Natalie and has many years of industry experience. Todd is our Director of Data Analysis and comes to XML with more than 22 years in the mortgage industry with sales and operational experience. He will be working with Jason and Rob.

Congratulations to Operations Associate, **Natalie Gosselin**. She and husband Chris are expecting their first child, a boy, in June!

Guarding Against Fraud

In a survey of American adults aged 40 and older, 84% revealed that they had been solicited to participate in a potentially fraudulent offer, and 11% had lost money after engaging in such an offer.[1]

The root of this problem — besides the endless efforts of criminals — seems to be naiveté and unwarranted trust on the part of those who are deceived. A large percentage of respondents were unable to spot fraudulent sales pitches and found the unrealistic promises appealing (see chart). Although people of any age can be victims of fraud, criminals are more likely to target those who are 65 and older; this age group is also more likely to lose money when they are targeted.[2]

Source: FINRA Investor Education Foundation, 2013

Fraud is complex, and a list of fraudulent schemes could fill many pages. Here are three basic principles to keep in mind.

If an investment sounds too good to be true, it probably is. Investing is a long-term process that requires research, patience, and rational decision making. Investments with the potential for higher rates of return typically have a higher degree of risk and the potential for loss of principal.

Never send money based on the promise of getting money. This type of scam may take many forms. Common examples include: (1) an email or letter promising a large amount of money in return for a small up-front fee; and (2) an authentic-looking check that you are asked to deposit in your account, keep a percentage as a fee, and wire the balance to an address. Even if your bank initially credits your account, you could be liable for the money if the check is found to be fraudulent.

Just because it looks official doesn't mean it is. You might receive a letter, email, or phone call that appears to be from the IRS or a federal, state, or local government agency, either demanding a payment or seeking personal information. You might even be directed to an official-looking website. If you have any doubt, contact the agency directly. Never provide personal information until you're satisfied that you're dealing with a legitimate agency that needs the information.

1–2) FINRA Investor Education Foundation, 2013

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Congratulations Rob Kantor!

FT FINANCIAL TIMES | Top Financial Advisers 2016

FT 400 Ranking March 2016

XML Financial Group is pleased to announce that **Rob Kantor** has been named to the Financial Times 400 Top Financial Advisers, as of March 31, 2016. The list recognizes top financial advisers at traditional broker-dealer firms from across the U.S.

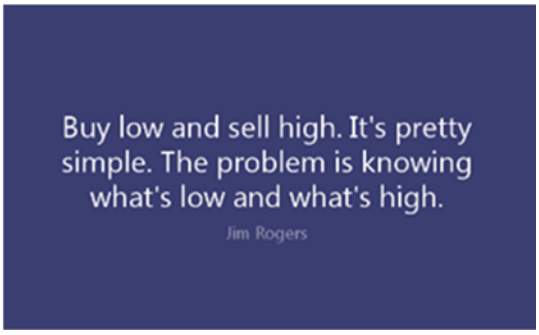
The "average" adviser in this year's FT 400 has 26 years' experience and manages $1.6 billion in assets. The FT 400 advisers hail from 38 states and Washington, D.C.

The FT 400 is one in series of rankings of top advisers that the FT developed in partnership with Ignites Research, including the FT 300 (independent RIA firms) and the FT 401 (DC retirement plan advisers).

The Financial Times 400 Top Financial Advisors is an independent listing produced by the Financial Times (March, 2016). The FT 400 is based on data gathered from firms and verified by broker-dealer home offices, regulatory disclosures, and the FT's research. The listing reflects each advisor's performance in six primary areas, including assets under management, asset growth, compliance record, experience, credentials and accessibility as identified by the FT. Neither the brokerages nor the advisors pay a fee to The Financial Times in exchange for inclusion in the FT 400.

Timing the Market

V*olatility*. This is probably the word that comes to mind when characterizing today's financial markets. When overseas economic issues can rob investors of more than a year's worth of gains or when speeches by Federal Reserve officials cause markets to flip-flop unpredictably, it's no wonder investors are left wondering what they should do. In an attempt to make major market movements work for their portfolios rather than against, some people attempt to *time the market*.



Market timing is the strategy of trying to predict future market movements to time buying and selling decisions. When markets are rising to new heights or taking a nose dive, it can be very tempting to try to seek out the top to sell or the bottom to buy. The problem is that investors usually guess wrong, missing out on the best market days. Can the cost of trying to time the market make a big difference in your returns? Absolutely.

Unfortunately, the average person misses out on performance in part because their money tends to come in near the top and come out at the bottom. Retail investors are notoriously bad at picking the right time to enter or exit the markets; by the time most investors feel "*the time is right*" to "*get back in*," markets are often at or near its peaks. Corrections are a normal part of market cycles and periods of high growth often occur very close to major pullbacks. Investors who sell during the bad times frequently miss out on the best days of performance. If you're not in the stock when it moves, you may miss much of the upside.

Developing a disciplined investment strategy and making prudent adjustments when conditions warrant is a much better long-term strategy than making emotional investing decisions. There's a big difference between trying to time markets and making strategic shifts to try to avoid major market declines. We review analytical research and economic forecasts, coupled with experience and intuition to help you make critical investment decisions. In our experience, *"time in the market"* is more important than *"timing the market."*

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We value our client relationships and appreciate you sharing your opinion about our firm. Any suggestions? Ways for us to improve? Let us know!

Bullis School's Junior Achievement Day

Brett Bernstein, back row, third from left, was a volunteer at the Bullis School's *JA in a Day*.

Parent volunteers from the business world donated their time to teach students about business. The day's programming taught lessons on economics, personal finance and the global marketplace.

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