

January 1st, 2017

# Money Matter\$



A Quarterly Newsletter from Sommers Financial Management

Ph. (503) 397-1545 [www.sommersfinancial.com](http://www.sommersfinancial.com)

Volume 16, Issue 1

## Happy New Year – Seize the Opportunities!

by Joyce Pereira

As we enter 2017, it's a chance to take some time to reflect on the past year and think about our hopes and dreams with the flip of another calendar year. There were likely some happy surprises, and some hard challenges in 2016. Do you ever stop to think what you have control over, and those things that are completely out of your control?

At the bank recently, the teller shared with me the struggles of refinancing, and then said, "Are you watching those rates go up?" I recently started subscribing to a weekly update, and I have been blown away by the rapid increases in mortgage rates after such little movement for so long. Interest rate changes are definitely out of our control, but the decision to refinance has been available to us for some time if we wanted to take control and act on the opportunity.

It's also been a year of political change, although those changes will not take effect until 2017. Issues regarding policy, taxation & benefits are all things that affect our retirement, but they are out of our control. The Roth IRA is great tax deferral tool now, but it's also at the whim of the government to change these rules at any time. Market returns are also something we can't control, as the media is well aware, after inaccurate predictions of what the stock market would do if one presidential candidate was elected over another.

Then there are those factors which we have some control over, like employment earnings and the duration of our employment. One could say we also have some ability to decide when we take our social security benefits: at any point between the ages of 62-70.

The areas of our lives that we have total control over are where we should be most focused on in 2017. Things like how much money we will save, and how much we will spend; what can we live without and what should we not live without. If you have not walked through a 'Retirement Map' with us in Riskalyze, I urge you to do this. It's extremely helpful to understand how much money you need to accumulate to enjoy an anxiety-free retirement, reviewed at a time when you have control of aiming to meet your goals...before your age, health and mental state dictate what you can, and can't do.

We also have total control over how our assets are allocated and what investments we hold. Riskalyze helps us understand your tolerance for volatility, and also shows what affect your choices will have on the amount of return your chosen investment mix can achieve.

I hope you will join me in 2017, and tackle some of those factors we have complete control over, at your earliest opportunity.

**"The areas of our lives that we have total control over are the ones we should all be most focused on ..."**

### 2016 Returns

**Dow Jones Industrial 30 Average:** 13.3 %

**S&P 500 U.S. Large Company Stock Index:** 9.2 %

**S&P Moderate Allocation Index (AOM):** 5.1 %

**SPDR Gold Index (GLD):** 7.9 %

**iShares Aggregate Bond Index (AGG):** 2.5 %

**SFM's "THE NAKED ALPHA FUND":** 7.9 %

## ETF EXTRA – PowerShares Preferred Portfolio ETF – (PGX)

From ETF.com: "The PowerShares Preferred Portfolio tracks an index of fixed rate US dollar-denominated preferred securities. PGX holds USD-denominated preferred stocks listed in the US, including both investment grade and high yield at a minimum average credit rating of B3. The fund includes traditional preferred securities, as well as foreign preferred securities in the form of ADRs, and senior and subordinate debt securities. While PGX isn't the biggest fund in terms of AUM, it is well-established and trades with solid volume."

### PGX's Notable Statistics

Dividend Yield:	6.02 %
Total Assets in the Fund:	\$ 4.2 Bil.
Expense Ratio:	0.50 %
3-Year Avg. Annual Return:	8.9 %
Max Drawn Down (last 3 yrs):	- 11.4 %



## Model STOCK Portfolios

### GROWTH-oriented portfolio

% Wt.	Symbol	Description	Div. Yield	1-year Return	3-year Return	Expense
22%	VYM	Vanguard High Dividend Stock ETF	2.91%	15.5%	11.3%	0.09%
19%	VO	Vanguard Mid Cap Stock ETF	1.45%	10.0%	8.7%	0.08%
19%	USMV	iShares U.S. Minimum Volatility Stock ETF	2.22%	9.3%	12.2%	0.15%
20%	VIG	Vanguard Dividend Appreciation ETF	2.14%	10.6%	7.0%	0.09%
20%	IVV	iShares S&P 500 ETF	2.01%	10.6%	10.0%	0.04%

### INCOME-oriented portfolio

Average dividend yield: 2.9%

% Wt.	Symbol	Description	Div. Yield	1-year Return	3-year Return	Expense
20%	VYM	Vanguard High Dividend Stock ETF	2.91%	15.5%	11.3%	0.09%
19%	SDY	SPDR S&P Dividend ETF	2.61%	18.6%	12.1%	0.35%
20%	XLP	SPDRs Consumer Staples Sector ETF	2.53%	4.0%	10.3%	0.14%
19%	XLU	SPDRs Utilities Sector ETF	3.40%	15.3%	14.5%	0.14%
22%	DVY	iShares Select Dividend ETF	3.04%	20.2%	12.6%	0.39%



## Model BOND Portfolios

### GROWTH-oriented portfolio

% Wt.	Symbol	Description	Div. Yield	1-year Return	3-year Return	Expense
21%	MBB	iShares Mortgage-Backed Securities ETF	2.19%	1.0%	2.9%	0.29%
19%	BND	Vanguard Total Bond Market ETF	2.47%	2.5%	3.0%	0.06%
20%	BSV	Vanguard Short-Term Bond ETF	1.47%	1.4%	1.2%	0.09%
20%	MUB	iShares National Municipal Bond ETF	2.21%	0.1%	4.2%	0.25%
20%	FATRX	Frost Total Return Bond Fund	3.66%	5.4%	3.1%	0.77%

### INCOME-oriented portfolio

Average dividend yield: 4.3%

% Wt.	Symbol	Description	Div. Yield	1-year Return	3-year Return	Expense
20%	LQD	iShares Investment Grade Corp. Bond ETF	3.34%	6.2%	4.5%	0.15%
20%	PCY	iShares Emerging Market Govt. Bond ETF	5.20%	9.1%	7.2%	0.50%
24%	FATRX	Frost Total Return Bond Fund	3.66%	5.4%	3.1%	0.77%
18%	NFRAX	Nuveen Floating Rate Bond Fund	4.66%	10.1%	3.0%	1.00%
18%	CSI	Insight Select Income (Closed-End Fund)	4.73%	8.7%	7.3%	0.77%



## Model ALTERNATIVE Portfolios

### GROWTH-oriented portfolio

% Wt.	Symbol	Description	Div. Yield	1-year Return	3-year Return	Expense
21%	AGAQX	361 Global Long/Short Equity Fund	0.00%	-1.4%	NA	1.88%
20%	NPSAX	Nuveen Preferred Securities Fund	5.57%	5.2%	6.5%	1.07%
21%	VNQ	Vanguard U.S. Real Estate ETF	4.76%	5.9%	14.2%	0.12%
19%	BAICX	BlackRock Multi-Asset Income Fund	4.45%	6.0%	3.3%	0.84%
19%	NRIAX	Nuveen Real Asset Income Fund	5.23%	9.1%	7.4%	1.17%

### INCOME-oriented portfolio

Average dividend yield: 5.5%

% Wt.	Symbol	Description	Div. Yield	1-year Return	3-year Return	Expense
21%	PFF	iShares Preferred Stock ETF	5.86%	1.3%	7.0%	0.47%
18%	NRIAX	Nuveen Real Asset Income Fund	5.23%	9.1%	7.4%	1.17%
20%	NPSAX	Nuveen Preferred Securities Fund	5.57%	5.2%	6.5%	1.07%
22%	PGX	PowerShares Preferred Securities ETF	6.02%	1.2%	8.9%	0.50%
19%	VNQ	Vanguard U.S. Real Estate ETF	4.76%	5.9%	14.2%	0.12%