



Dear Client:

Is the “Trump Rally” real, or are stock prices about to suffer a big fall? This market update, our first for 2017, will give you important guidance for how you should be handling your personal finances today.

There’s no question: Wall Street loved the outcome of the November presidential election. The Dow Jones Industrial Average is up 11 percent since the election, and the S&P 500 index is doing likewise — up 9 percent.

At that pace, stock prices would gain 24 percent this year!

But many aren’t so optimistic. There is concern that this “Trump Rally” won’t last, that it is merely the common “honeymoon period” all new presidents enjoy. And the president’s recent inability to repeal the Affordable Care Act (known better as “Obamacare”) fuels this concern. If Donald Trump was unable to deliver on that campaign promise, will he also fail to reform the tax code and reign in the budget? And if he can’t, will stock prices fall?

Let’s provide answers for you.

First, it is a gross inaccuracy to suggest that the recent rise in stock prices is due solely to Donald Trump. For sure, his election has excited investors — he’s seen as a business-friendly president, after all — but that’s hardly the only reason stock prices are up. Here is some of the economic data that’s fueling the rise in stock prices:

- Corporate earnings from U.S. sales rose 8 percent in the fourth quarter. And profits from overseas operations jumped 14.5 percent compared to the same period a year earlier. That’s the biggest advance since mid-2010, according to the Commerce Department.
- It’s not just companies making more money; people are, too. Personal income is up 4.6 percent over the prior year; wages and salaries are up 5.5 percent, according to the Bureau of Economic Analysis.
- As a result, the overall economy is growing. The Bureau of Economic Analysis says gross domestic product rose 2.1 percent in the fourth quarter.
- No wonder consumer confidence climbed in March to the highest level in 16 years, according to The Conference Board. When people are making more money than before and confident that they will continue doing so, they’re willing to make major purchases. No wonder, then, that sales of newly constructed homes jumped 6 percent in February — a 20 percent increase over February 2016 and the biggest increase in five years.



Obviously, the president cannot claim responsibility for much of the above. Still, his attitude counts for a lot — and he made statements that Wall Street loves to hear. Among other policy positions, the president wants to:

- lower corporate and individual tax rates
- reduce regulation
- increase jobs
- bolster competitiveness in foreign markets
- repatriate billions of dollars American corporations have overseas
- spend \$1 trillion on infrastructure repairs and improvements

Investors love views like these, because they create an environment for increased corporate profits — and higher profits mean higher stock prices.

But what if the president fails to enact his policies? Could that cause stock prices to fall?

Maybe. And that's why it's crucial that you follow our advice. Here are six important points for you:

First, remember that your portfolio in the Edelman Managed Asset Program® (EMAP) is not entirely invested in U.S. stocks. The broad diversification of your EMAP portfolio helps to manage risk, should stock prices decline.

Second, remember that we further help you manage risk via strategic rebalancing. In fact, most EMAP portfolios have already been rebalanced this year — meaning we've been a seller of over-performing funds, not a buyer. This is a key way we help you maintain your appropriate asset allocation.

Third, remember the core market truth: A decline in stock prices is not the same as a loss. Instead of focusing on a decline, ask yourself: What happens after the decline? History tells us that stock prices only go in two directions: up and down. So if prices go down, sit back and wait. Since markets move in cycles, prices can be expected to eventually go up. (Of course, past performance does not guarantee future results.)

Fourth, remember that every new president falters in the early days, and Donald Trump is no exception. Remember when Bill Clinton tried, but failed to pass a major health care overhaul early in his first term? Or George H.W. Bush telling the nation he hates broccoli, sending commodities prices into a spiral? The stock market — and the nation — survived these and other “crises” — or what the media today call “breaking news.”

Fifth, remember that the stock market has risen dramatically in the past six months. So much so that if the Dow fell 10 percent, *it would still be ahead of where it was on Election Day!*

Finally, remember that your future financial security — and that of your children — is not going to be determined primarily by the president (any president, that is, not just President Trump) or the current Congress. Instead, your future will be determined by ... you.



Indeed, it is your actions and behaviors that will determine your future. That's great news, because you're in complete control of yourself! So, let us help you focus on the elements of your personal finances that you can and do control. Let's make sure your wills and trusts are up to date, that you're not paying too much in interest on your mortgage, that you have the right kind and amount of insurance (life, disability, long-term care, umbrella liability), that you have the right amount of cash reserves on hand, and that you are properly contributing to and managing the money in your workplace retirement plans and IRAs.

In four or eight years, the president will leave the White House. But you'll still be here — for decades to come. So let us help make sure your future is everything you want it to be. And big changes are coming. That's why we sent you a copy of my new book, *The Truth About Your Future: The Money Guide You Need Now, Later, and Much Later*, which shows how breakthroughs in exponential technologies are changing virtually every aspect of personal finance. I encourage you to read it and talk with your Edelman Financial Planner about what it means for you.

As always, please let us know if you have any questions or concerns. We're here to help.

Regards!

A handwritten signature in black ink, appearing to read "Ric Edelman". The signature is stylized and cursive.

Ric Edelman
Founder and Executive Chairman

P.S. The deadline to file your federal income tax return is Tuesday, April 18 (yay — three extra days this year!), so you still have time to make IRA contributions for 2016 (up to \$5,500; \$6,500 if you're 50 or older). Not sure if you're eligible? Call us or ask your tax preparer.

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