



LENK LADNER
Investment Solutions

MARKET COMMENTARY

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Dow Jones Industrial Avg. 21,350.00
2017(YTD) + 8.0% 2nd Qtr. + 3.4%

Standard and Poor's 500 2,423.41
2017(YTD) + 8.2% 2nd Qtr. + 2.7%

Self-Inflicted Wounds – “It’s hurting the average American that we don’t have these right policies ... we have become one of the most bureaucratic, confusing societies on the planet.” – Jamie Dimon, Chief Executive Officer of J. P. Morgan Chase.

Leadership Void. - Furthermore, Mr. Dimon declared our elected officials in Washington and the bureaucracy they have created as having little understanding or appreciation of the need for pro-business policies to promote continued growth in the economy. His pointed criticism was a result of what he observed on an overseas work trip. The continuing waves of ineptitude flowing from our nation’s capital reinforce his remarks. The President has again managed to snatch defeat from the jaws of victory with his ham-handed handling of the demonstration in Charlottesville, VA. One has to work hard to find a way to alienate friend and foe alike, unless your name is Donald Trump. His lack of finesse jeopardizes the likelihood any of his legislative initiatives will receive the required support from the Republican-controlled Congress. All this strife and discord may ultimately erode consumer confidence and result in an economic retreat. The last domino to fall will be the stock market, which has continued to advance in spite of the continuing onslaught of political wildfires threatening the current Administration. It would be comforting to know there is a method behind the President’s unorthodox approach to politics, but the continuing decline of his approval numbers into the mid-thirties contradicts that idea.

Coping with Uncertainty – Investors need to recall their portfolios have benefited from having the wind at their backs for several years. As the averages have attained all-time highs with some regularity this year, they have made it more difficult to identify candidates for purchase, especially if value is a prime criterion. However, market experts recognize these higher prices are supported by stronger than expected corporate earnings. In the second quarter, more than 70% of reported earnings exceeded analysts’ expectations. This has reinforced investors’ positive market sentiment. The bullish camp received additional encouragement with the announcement the economy grew at a three percent annualized rate in the second quarter. This was the best quarterly performance in ten years. However trouble looms ahead because Congress is back in town and they will undoubtedly bring with them their usual partisan bickering. Investors have every reason to view with skepticism the likelihood the Congress will accomplish anything of consequence between now and year-end.

Addressing the Nation’s Challenges – The leadership in Congress failed in its earlier attempt to craft an acceptable, affordable healthcare solution acceptable to both houses of Congress. Not surprisingly, the barrier to any possible agreement is the intransigence of both parties regarding Obamacare. Cost is the first consideration since sixteen percent of the federal budget is already being spent on healthcare. Other developed countries spend only a half to a third of what this country spends. Logically, it is reasonable to ask whether meaningful cost savings can be achieved here through improved productivity and efficiency. In hindsight, it is evident that providing more patients with more care leads to greater costs. It has been suggested by political strategists on both sides of the aisle that it was an early miscalculation by the President to select healthcare as his first legislative initiative given the diametrically opposed position held by each party. Even the President finally conceded he didn’t realize it was such a complicated issue.

Massachusetts and Romneycare - Massachusetts politicians point with some pride to Romneycare as a forerunner to Obamacare, and there is merit to that stance. However, the Commonwealth's effort to provide basic healthcare to all of its citizens has brought with it the realization it is an expensive endeavor. In 2016, the state's share of Medicaid was in excess of \$16.8 billion; the federal government provided an added subsidy of \$8.7 billion. In addition, the Commonwealth also has implemented the Connector Plan for those in need who do not qualify for Medicaid. This resulted in an additional expense to the state of nearly \$594 million plus a federal subsidy of more than \$32 million. In summary, when added together these programs now consume 40 percent of the state's budget. With healthcare costs continuing to rise at a rate well in excess of overall inflation, its share of the state's budget will also increase with the unintended consequence of making it more difficult to fund other functions of state government such as education, human services, transportation, public safety and public works. This is a clear example of a legislature enacting a program without fully appreciating the long-term funding ramifications.

Nationally, this pairing of Obamacare with Medicaid has resulted in a bifurcation of the adoption of the program among the states. Thirty states accepted the paired program in large part because it brought federal funding along with the requirement to accept a list of federally stipulated benefits. The remaining 20 states preferred to decide what benefits they would offer their residents based on what they felt they could afford. This meant they would not be subject to federal dictates, yet they have subsequently come to realize they are nevertheless contributing to the largess of the other 30 states.

The federal government's budgetary process is broken. That is why the country has accumulated \$20 trillion dollars of debt. Washington has developed a new version of "shoot first and ask questions later". Their new version is "spend first and equivocate later". A further example of the lack of sane leadership is evident in that one of the prime initiatives on the President's agenda is a broad tax cut, including elimination of the estate tax. The country's annual deficit is once again growing, yet instead of reducing expenditures our leaders propose reducing revenues.

D-E-F-E-N-S-E – Football season is about to begin. Many experts of the game believe defense wins games. At the beginning of the year most prognosticators were predicting returns of mid-high single digit returns for stocks this year. As of last Friday, the Dow Industrials and the S&P 500 were straddling a gain of eleven percent year-to-date. History has caused investors to view the prospect of stock performance in the months of September and October with some trepidation. Looking back over the last thirty years, there has been some nerve shattering tumbles during those two months. Now there is likely to be a steady stream of political posturing coming out of Washington as the Administration and Congress strive to accomplish something – anything –before the end of the year. Then there are the wild cards, which threaten further disruption. They include the threatening menace in North Korea and Mother Nature's next hurricane roaring toward Florida, Irma. Now is a good time to consider trimming back one's equity exposure. Sale candidates might include stocks that have been stellar performers, and at the other end of the spectrum, stocks that have been disappointments might be replaced. A case can be made for simply parking the proceeds of any sales in a safe, liquid investment until the dust has settled. Other reasons for making sales now may include anticipated cash needs before year-end or the need to raise cash to satisfy required minimum distributions from IRAs or 401(K)s by year-end. Enjoy Cape Cod's wonderful fall weather. JML – 9/5/17

Data Breach and Cyber Attacks are a growing concern for all of us today. The enclosure may be of some value to you should the unfortunate need ever arise. We suggest you hold on to it.

How to Respond to a Data Breach



Time is of the essence, whether your personal data has been compromised as part of a larger targeted cyberattack, or you are the victim of an individual cybercrime. You'll need to take immediate action to minimize the impacts. These are steps you should take within specified timeframes after discovering your data has been breached.

Within the first 24-48 hours

1. Call your advisor, regardless of where or how the breach occurred, so he/she can watch for any suspicious activity in your accounts and collaborate with you on extra precautions to take in verifying your identity prior to any fund transfers.
2. Call the Social Security Administration's fraud hotline at **800-269-0271** if you suspect your Social Security number has been compromised. The Office of the Inspector General will take your report and investigate activity using your Social Security number. The Social Security Administration also provides helpful materials, such as the pamphlet *Identity Theft and Your Social Security Number*.
3. Contact the **Federal Trade Commission (FTC)**, either at www.identitytheft.gov, by calling **1-877-IDTHEFT** (TTY 1-866-653-4261), or by visiting www.ftc.gov. Click on **Report Identity Theft** to access the **Identity Theft Recovery Steps**. This one-stop resource for victims of identity theft will guide you through each step of the recovery process, from reporting the crime to creating a personal recovery plan and putting your plan to action.
4. Visit the **IRS website** <https://www.irs.gov/uac/taxpayer-guide-to-identity-theft> if you're the victim of tax fraud. You'll be able to access the *Taxpayer Guide to Identity Theft*, which provides education on tax-related identity theft, tips to reduce your risk, and steps for victims to take.
5. Call either your **advisor** or your **Schwab Alliance** team at 800-515-2157 if you suspect you're a victim of fraud. Schwab will escalate your matter to the Fraud Prevention & Investigations team to investigate your case and take necessary precautions to prevent further unauthorized debits.
6. Call either your **advisor** or your **Schwab Alliance** team at 800-515-2157 if you suspect you're a victim of identity theft to discuss general identity theft questions or specific questions, such as how Schwab handles accounts of clients who've had their identity stolen or their account hacked.
7. If appropriate, close any compromised or unauthorized accounts. Alternatively, you may request a cloned account through Schwab Alliance. This allows an identical account to be opened, your assets moved, and the compromised account closed.
8. Run reputable anti-virus/anti-malware/anti-spyware software to clean your computer.
9. Once you've ensured your computer is virus/malware/spyware free, you should change passwords on your accounts. Make each password unique, long, and strong, and use two-factor authentication when available.

Within the first week

1. If the breach occurred at a firm with whom you do business, be sure to follow the legitimate directions provided by that firm. If it offers credit protection services, sign-up for the service.
2. Report the crime to your local police, even though the incident may cross multiple jurisdictions. Your local police will file a formal report and may be able to refer you to additional resources and agencies that can help.
3. Report your stolen money and/or identity to one of the three main credit bureaus. Provide the credit bureau with your police report number and ask them to place a fraud alert on your account to prevent additional fraudulent activity. Once the fraud alert is activated, the two other credit bureaus will receive automatic notification and the fraud alert on your credit report will be in place for seven years with all three credit bureaus. (Without your police report number, the alert will only be in place for 90 days.)

Equifax
1-800-525-6285

Experian
1-888-397-3742

TransUnion
1-800-680-7289

4. Put a freeze on your credit report with each of the main credit bureaus to prevent the unauthorized opening of accounts. Executing a freeze with one credit bureau will NOT automatically update the others. You can easily unfreeze your credit report when needed. Contact the credit bureaus using this contact information for freezes.

Equifax
1-800-685-1111
www.freeze.equifax.com

Experian
1-888-397-3742
[www.experian.com/
freeze/center.html](http://www.experian.com/freeze/center.html)

TransUnion
1-888-909-8872
[www.transunion.com/
securityfreeze](http://www.transunion.com/securityfreeze)

5. Review all recent account statements for unauthorized activity and report any suspicious transactions to the business where the unauthorized or suspicious activity occurred.
6. Consider what other personal information (e.g., birth date, social security number, PIN numbers, account numbers and passwords) may be at risk and alert the appropriate businesses.
7. Begin collecting and saving evidence such as account statements, canceled checks, receipts, and emails that may be useful if an investigation is warranted regarding the cybercrime.

Within the next 30 days and beyond

1. Carefully review statements on all accounts as soon as they arrive. Look for unauthorized activity, and report any suspicious transactions to the business where the unauthorized or suspicious activity occurred.
2. Notify your friends, family, business associates, and other relevant parties in your contact list that you were hacked. Tell them to beware of emails that may have been sent to them from your account.
3. Speak with your advisor regarding precautions you'll jointly take to enhance the identity verification process when you want to execute financial transactions.

For additional protection, consider using a Schwab security token when accessing your Schwab accounts. You can order a free token through Schwab Alliance at 1-800-515-2157.

4. If you're a victim of Social Security fraud, go to www.socialsecurity.gov/myaccount and create an online Social Security account. This will enable you to access and review your statement online and verify its accuracy.
5. Request a credit report every six months to check for unauthorized activity. It will NOT affect your credit score.

Be diligent for the next year in taking precautions to avoid further security incident