Cypress Financial Planning, LLC

SECOND QUARTER 2016

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Q1 Market Update

(values as of 3/31/2016)

U.S. Stock Indices

S&P 500	2,060 (+0.77%)
Dow Jones	17,685 (+1.49%)
Nasdaq	4,870 (-2.75%)
Russell 2000	1,114 (-1.92%)

Global Stock Indices

FTSE (London)	6,175 (-1.08%)
DAX (Germany)	9,966 (-7.24%)
CAC (France)	4,385 (-5.43%)
Nikkei (Japan)	16,759 (-11.95%)
Emerging Mkts	836.80 (+5.37%)

Bond Indices (Bloomberg)

U.S. Gov't.	126.78 (+3.18%)
U.S. Corporate	140.95 (+3.93%)
U.S. Hi-Yield	149.94 (+3.69%)
Eurozone	140.61 (+3.32%)
Emerging Mkts	152.77 (+5.81%)

Commodities

Gold (per oz)	1,232 (+16.18%)
Silver (per oz)	15.43 (+11.50%)
Oil (WTI, barrel)	36.94 (-0.51%)

Fixed Income Yields

U.S. 2-Year Treasury	0.73%
U.S. 10-Year Treasury	1.78%
U.S. 30-Year Treasury	2.61%
U.S. High-Yield Index	8.37%

Currency Exchange Rates

Euro/Dollar	1.14
Pound/Dollar	1.44
Dollar/Yen	112.52

Managing Your Digital Estate

Confronting our own mortality is never a pleasant task, and as a result, estate planning considerations tend to take a back seat in the financial planning process. Indeed, an estimated 55% of Americans are currently living without a will or other estate plan in place, a number that is only slightly better for older Americans (an estimated 51% for those aged 55 to 64). It's not a phenomenon that's limited to childless individuals, either—an estimated 50% of families with children lack proper estate planning documentation.

Even for the 45% of Americans who do have estate plans in place, those plans tend to hew to traditional paths only—simple wills, medical directives, life insurance policies, and possibly a trust to enable a trustee to handle financial affairs on behalf of minor children. Largely left out of the conversation is the typical individual's ever-growing list of "digital assets", those belongings that aren't necessarily stored in a box in a dusty attic (or in a folder in a file cabinet) but nevertheless often hold substantial value.

If something should happen to you, would your loved ones necessarily know where to find all of your assets, or how to access them? Or would those assets simply be lost and abandoned, with nobody even realizing they'd existed? Now more than ever, it's important to make digital estate planning a part of your ongoing legacy planning process.

Take an inventory

First and foremost, it's vital to compile an easily accessible (but secure) list of the assets you hold. One of the first and most obvious assets to list would be any web-based bank or investment account that might not send you regular statements (banks like Ally, HSBC, and USAA have made a name for themselves in recent years with banking services that eschew the traditional brick-and-mortar branch setup), and that therefore might not immediately make itself known to your loved ones after your passing. Even United States Savings Bonds and Social Security accounts have recently switched to a more web-based presence, breaking with decades of paper-based tradition.

But digital assets don't stop at traditional financial assets. Your online footprint can extend to include assets as varied as music, e-mails, photo albums, domain names, digitized movies, YouTube videos, PayPal balances, e-books, and even assets tied up with certain memberships or subscriptions (think Netflix, Amazon Prime, iTunes). The emergence of Bitcoin has also created an entirely new category of digital financial asset, one that few estate plans have evolved to properly include.

If you're comfortable working with them, many web-based legal firms provide templates or services (like digital "trusts") to assist with the process of building a digital inventory. It's a rapidly growing and changing area of the estate planning industry, so the offerings are evolving as we speak. Find the option that works best for you, and go with it.

Increasingly, we're storing many of our most important files and keepsakes "in the cloud", and if we don't let anyone know that we're keeping them there, then nobody will know how to find them. Don't let your laptop (or your smartphone) become a locked safe that nobody can crack; chances are that you've got too much stored there not to pass it along to your loved ones.

Enable access

But taking inventory is only the first step in the digital estate planning process. Once you know what you've got, you still need to enable your loved ones to access the assets—it's no good knowing that a safe exists if you don't know the combination to the padlock.

Obviously privacy concerns prevent many people from creating a central database of usernames and passwords, and that's understandable—you don't want to create a master key to your online life, only to see that key fall into the wrong hands. Look no further than the recent skirmish between Apple and the FBI to see what a hot-button issue technological security has become, and with good reason.

The good news is, you might not have to create that master key. Many popular online account services (Facebook, Gmail, LinkedIn, and Twitter, for example) have created and maintained deceased-user policies to help overcome the hurdles of digital estate planning, so that your heirs can authenticate themselves using methods other than your username and password. Most sites have specific policies in place for how to handles inquiries from estate executors and attorneys, and each policy is different.

So, once you've compiled your digital asset inventory, it's a good idea to contact each of the companies with whom you have an online relationship and find out where they stand. Sometimes you'll learn that your digital assets can't be transferred to the next generation (that's often the case with media like music and e-books), which is still important to know.

Incorporate the information that you gather into your inventory so that your loved ones not only know where to look, but what to ask when they do make calls or send e-mails on your behalf. The more information you're able to give them, the better you'll be able to ensure the smooth passage of your digital assets when the time comes. If you give your heirs an incomplete road map, they may get lost and frustrated and just give up trying. That's an avoidable outcome, given proper planning.

Update your information often

Like most estate planning, caring for your digital estate isn't a one-time process, but a dynamic one. Most people are constantly opening and managing new online relationships, and you'll need to update your inventory (and brief the relevant people) on those changes if and when they are significant. There's generally no paper trail associated with no web-based relationships, so if you don't create one for yourself, nobody else will be able to follow it.

For the most important relationships (typically your banking relationships, but not always), you'll have to periodically check in with the relevant people to make sure that the firms' deceased-user policies haven't changed. If they have, you'll probably have to make changes to your own digital estate plan accordingly.

At Cypress, we work with our clients to take a full inventory of all their major financial assets on a regular basis, which helps to ease the transition process significantly if and when the unthinkable happens. But if even you don't know where all of your assets are held, there's little we can do to help. Take an inventory, share it with your heirs, and consider sharing that inventory with your financial advisor and estate planning attorney as well. Otherwise, those assets might die with you, whether you would want them to or not.

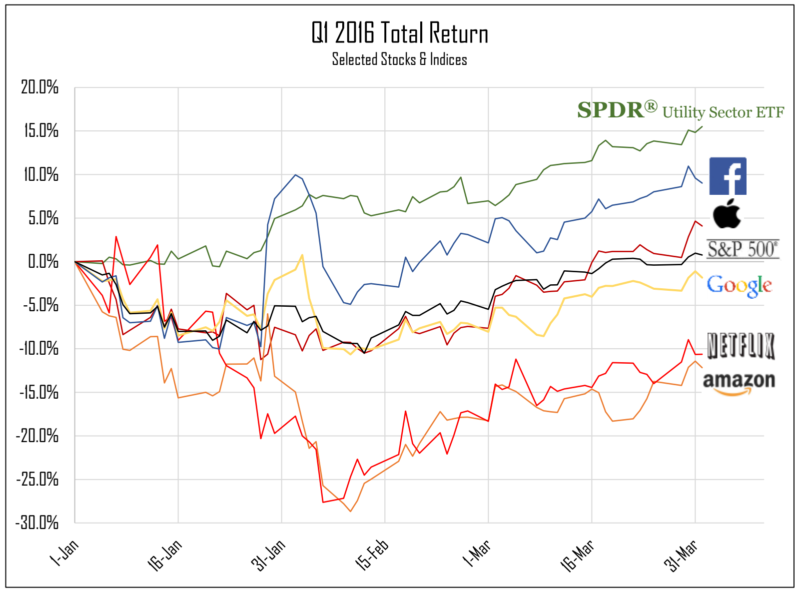
THE FIRST WEEK OF 2016 WAS THE WORST FIRST WEEK FOR U.S. STOCKS IN HISTORY

Equity Overview – Domestic Equity Markets

After a strong finish to 2015, U.S. stock indices stumbled badly to begin the new year, as the S&P 500 quickly shed 6% to mark the largest first-week decline in stock market history. While markets would stabilize in the second half of January, the month still stood as the worst opening month for the markets since the financial crisis of 2008-09. Much like they have done so many times over the last several years, though, stocks responded to the plunge by rallying strongly over the subsequent 8 weeks to finish the quarter flat to slightly higher (the S&P and Dow Jones managed small gains, while the Russell 2000 and Nasdaq Composite suffered slight losses).

However, the bounceback was not led by last year's stalwart stocks—among the high-flying "FANG" stocks (Facebook, Amazon, Netflix, and Google, which clocked an average gain of nearly 82% in 2015), only Facebook managed to close the quarter in positive territory.

Instead, the market was led by more conservative names like Apple (the market's largest-cap company) and utility stocks—the SPDR Utility Sector ETF logged a 15.5% gain for the quarter, paced by a 30.4% total return from Chicago-based Exelon Corporation.

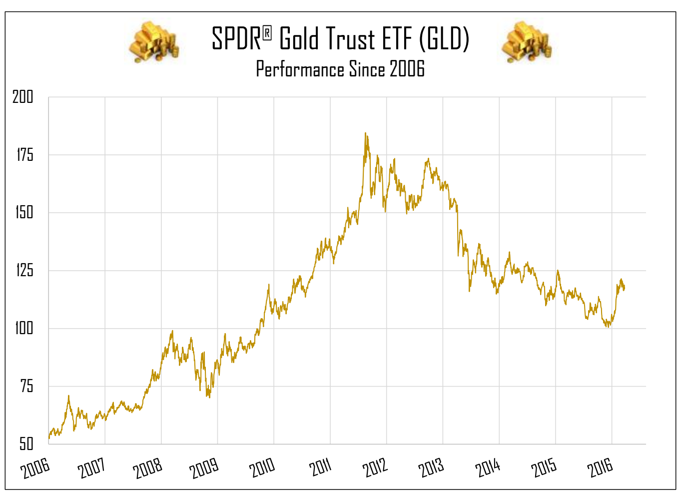


If the recent rally is to maintain its momentum into the remainder of the year, some of the riskier names will have to begin carrying the load again, as conservative rallies like this one have a tendency to peter out absent new leadership.

Source: Yahoo! Finance

Precious Metals Shine Again – Commodities

While crude oil dominated the headlines in 2015, there was pain to be found throughout the commodities space, including the precious metals. Gold fell by more than 10% in the year to slide below $1,100 per ounce for the first time since 2009, and silver followed suit with a decline of nearly 12%.



But in 2016, even with oil and gas prices continuing to stagnate, the metals roared back, seemingly responding to a steady stream of headlines and policy moves from global central banks.

Gold gained more than 16% to close at $1,232 per ounce, and silver came in behind it with an 11.5% return. For gold, it was the best quarterly return since 1986, and the best since the SPDR® Gold Trust ETF began trading in 2004.

While commodity prices in general tend to be volatile and therefore should not represent a large portion of an investment portfolio, the price signals they send can often provide valuable information about the market's feeling with respect to currencies and global interest rate trends.

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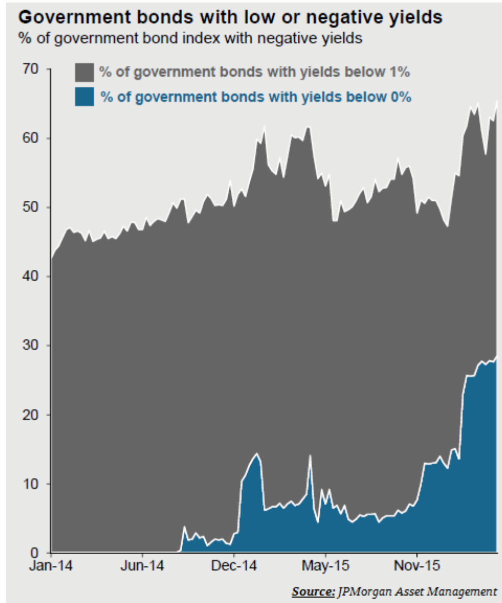
ROUGHLY 30% OF GLOBAL GOVERNMENT BONDS NOW BOAST NEGATIVE YIELDS

Negative Interest Rates Take Hold – Fixed Income

As 2015 wound to a close, the most closely-watched central bank was the U.S. Federal Reserve, which increased the target range for its benchmark Federal Funds Rate for the first time since 2009, with the promise of more rate hikes to follow. But as the global economic outlook quickly began to deteriorate, the focus of the world's central banks shifted to a diametric opposite, with a growing embrace of experimental negative interest rate policies.



The first bank to announce a policy shift was the Bank of Japan, which announced in late January that it would break new ground by setting a target interest rate of -0.1%. In mid-March, the European Central Bank followed suit by cutting its target rate to an aggressive -0.4% level. As a result of the two announcements, the estimated amount of global bond issuances that now boast negative yields is nearly $7 trillion. That represents a substantial portion of the aggregate global bond market, which is estimated to be roughly $90 trillion in size. Indeed, J.P. Morgan Asset Management reports that a full 30% of all outstanding government bonds now have negative yields, while nearly 70% have yields of 1% or lower.

To be clear, central banks do not generally expect that mom-and-pop investors will be clamoring to pay for the right to lend money to their local banks or governments. Rather, the hope is that these policies will encourage *banks* to lend their excess reserves out to individuals and various small businesses, instead of to "ultra-safe" government borrowers.

But because these policies are unprecedented, there is no way to predict how investors (and bankers) will ultimately respond. Some experts fear that these policies may, in fact, end up having the opposite of their intended effect, fanning deflationary flames. If, however, banks and investors respond by embracing riskier behaviors to improve overall returns, then risk assets could see another leg higher over the coming months and years.

Sources: JPMorgan Asset Mgmt, Bianco Research

The growing specter of "Brexit" – International Politics

Each year, it seems another European nation or province begins to make noise about declaring independence from the political unions that dominate the continent's political environment. First it was Greece, then Spain, then Scotland, and now it's the entire United Kingdom threatening to withdraw from the European Union, which would break with more than 50 years of political cooperation between Britain and the continental European nations.

After claiming victory in elections in 2015, the David Cameron-led Conservative Party followed through on its promise to schedule a referendum gauging the level of support of the European Union among British voters. A referendum has officially been slated for June 23rd, and a legal framework for the so-called "Brexit" has already been set forth.

Polling numbers to date have shown a roughly even split among likely Brexit voters, but increased consternation about the ongoing European migrant crisis has seemingly fueled the concerns of those who would vote in favor of a withdrawal. While it is uncertain exactly what economic impact a vote in favor of Brexit would have, it is generally expected that any economic disruption would be fairly modest and short-lived. However, geopolitical uncertainty is rarely a good thing for the health of financial markets, so continued tightness in polling numbers could fuel investor anxiety throughout the spring months.