



# REFLECTIONS

3rd Quarter Newsletter 2016



**WINDGATE**  
WEALTH MANAGEMENT

[www.windgatewealth.com](http://www.windgatewealth.com)

To Your Future Prosperity



Michael Corbett,  
Chief Investment Officer  
Portfolio Manager

### What Does a Trump Presidency Mean For the Markets and the Economy?

Donald Trump's election as president of the United States and the Republican's sweep of control caught the financial world off guard. So, what does a Trump presidency mean for the markets and the economy? The implications of how a Trump win plays out in the markets are not entirely obvious. Trump has not been overly detailed on his economic policies and there is always a transition from campaign rhetoric to actual policy. However, it does seem clear that there will be a push for less regulations and lower taxes. In our opinion, these two potential changes in policy were the major reasons the markets reversed sharply on election night. If you were watching closely, the Dow Jones Industrial Average futures were down nearly 800 points once it appeared Trump could win on Tuesday evening. Since December 8, the Dow has rallied more than 10% from that low on election day to all-time highs. Our good friends at Raymond James recently published an email from a client that we think summarizes investors recent thoughts and emotions. Please enjoy:

- **Your Account Online**

You can log-in to your personal financial website at [www.windgatewealth.com](http://www.windgatewealth.com) by going to the "see all accounts" tab



*If you have any questions or comments, or if you know of any friends or family that might benefit from our services, please give us a call at 844.377.4963*

**Politics and Investing Don't Always Mix**

**Tax Strategies for a Windfall Year**

**Meet the Team - Najda Porcic**

**Investing is Nothing Like Buying a New Car**

**Building A Culture of Financial Confidence**

**IRA CONTRIBUTIONS DEADLINE**

**Quotes on Money, Work and Humor**



Connect with us on LinkedIn



Find us on Facebook



Follow us on Twitter



Financials and Energy, but nothing else!! Everything else, SELL! But wait, what if they cut corporate taxes like they promised??? That means more cash for share buy-backs, dividends and capital investments. And, if the GOP cuts taxes for individuals, they will have more for Consumer stocks. Well consumers make up 70% of the economy... that will make everything go higher!!! NEW PLAN!!! BUY EVERYTHING!!! BUY...BUY...BUY!!!!!!”

“SELL EVERYTHING! THE END IS HERE!! SELL!! SELL!! SELL!! Well...except Biotech because the risk of price controls is over! Sell EVERYTHING but Biotech stocks!! Oh, and Financial stocks! Financial stocks will do very well with less regulation!! Sell everything but Biotechs and Financials! Of course there's Energy stocks, yeah they will do better with Republicans for sure. OK, we are selling everything EXCEPT Energy, Financials and Biotechs!! I can't sell [the big Tech companies] though because they will bring all that cash back from overseas now [and maybe invest more of it into their businesses] ...Heck, if these stocks go up, it will drag ALL tech stocks higher. Alright, alright, we are gonna buy more Technology today! So here is the plan. Sell everything except Technology, Financials, Energy and Biotechs! But everything else has to go! Although...with the GOP controlling all three branches, they might actually get some infrastructure spending passed. That could really push Industrials and Basic Materials higher. OK, new plan- We buy Basic Material stocks, Industrials, Technology, Biotech,

## POLITICS AND INVESTING DON'T ALWAYS MIX (CONTINUED)

---

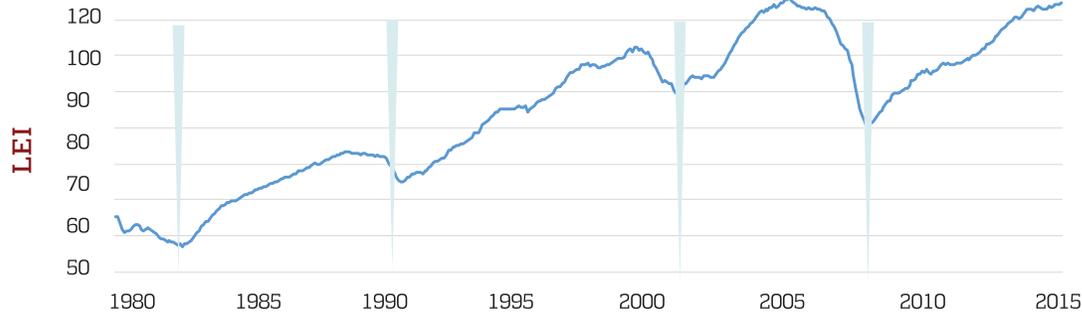


Now that election season has ended, the real lesson for investors might have nothing to do with Donald Trump or Hillary Clinton.

While slightly tongue in cheek, the preceding email demonstrates the real difficulties investors are having processing the transition of our government. But remember, while the political situation is certainly one of the factors we use to evaluate investments, it is not the only factor, nor is it the most important. We also evaluate corporate profits, monetary and fiscal policy, currencies, and a host of various economic indicators. One of our favorite indicators is the Leading Economic Index (LEI). The LEI was developed by the Conference Board, and the index is published monthly. The index is made up of 10 economic components, whose changes tend to precede changes in the overall economy. Some of the components include consumer sentiment, new building permits, average hours worked and new orders for capital goods. This index has done a great job of predicting recessions. For example, as seen in the chart below, this index last peaked in late 2006 and early 2007, and turned down throughout 2007. While the index did not predict the degree of the great recession of 2008/2009, it certainly gave us an indication that a recession was coming. Today, the index just returned to the 2007 peak, but history shows us that the index always moves higher before another downturn in the economy begins. In fact, the economic expansion has typically lasted another 4 to 8 years after the index tops its previous peak.

If we believe in the LEI's previous predicting power, it appears that the next economic downturn is not approaching and may be at least another four years out. Therefore, we may finally get a great economic recovery after the great recession we all lived through in 2008/2009. With that in mind we remain cautiously optimistic.

### LEI - LEADING ECONOMIC INDEX



SOURCE: The Conference Board's Leading Economic Index.

Therefore, we may finally get a great economic recovery after the great recession we all lived through in 2008/2009.

## TAX STRATEGIES FOR A WINDFALL YEAR

---



**Sean Condon CFP®**  
**Financial Planner**

If you've sold a business or received windfall income this year, congratulations – chances are you are intelligent, ambitious, and well organized. Now the bad news: you'll need to apply those skills, and more, to manage this money and keep it working for you. "More money, more problems," as the saying goes, and your first problem is going to be taxes.

Taxpayers with unusually high income in a given year, such as those who sold a business, received a major bonus, or exercised options, may suffer a sticker shock when they realize how much of their windfall will be lost to taxes. Yet tax planning, which should be comprehensive and done with the help of a tax advisor, can provide valuable opportunities to pay less tax. One such strategy is as basic as simply shifting the timing of your tax payment. In some situations, paying *state* taxes early can produce tens of thousands of dollars in tax savings.

Generally, most people don't pay taxes until they have to, in April or October of the following year. After all, why hand over money until you absolutely must? If you live in a state with income tax, such as Illinois at 3.75%, the answer is the timing of your state income tax deduction. Remember that those who itemize can deduct state taxes from their Federal tax return. And while states don't require the funds until the following April, they are deducted from income in the year in which they are *paid*.

**In some situations, paying state taxes early can produce  
tens of thousands of dollars in tax savings.**



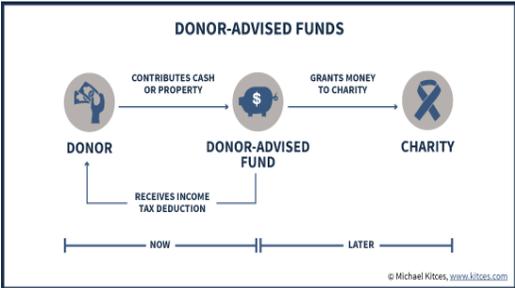
Let's say for example, an Illinois taxpayer earned a \$1,000,000 windfall in 2016 and they don't expect this level of income in future years. The tax bill for the state alone will be \$37,500! That's a significant sum, but it's also a significant deduction – one you want to utilize in your higher-earning year, when your tax rates would be at peak levels (39.6%). The simple strategy here is to estimate your taxes early and write your state income tax check in the same year as your windfall. Don't wait until next April, or this valuable deduction might be wasted against a much lower tax rate when your income returns to normal. It's important to note that this strategy is only effective if you are not in the AMT, as state tax deductions are an AMT preference item, meaning those deductions are disallowed. Speak with your tax advisor to see how your personal situation and AMT are related.

#### Front Loading Charitable Contributions with a Donor Advised Fund

Another tax strategy for a windfall year is to maximize your charitable contributions through a donor advised fund. For those who are already charitably inclined, a donor advised fund can be an outstanding way to donate a large sum of money and reap an immediate tax benefit.

**Don't wait until next April, or this valuable deduction might be wasted against a much lower tax rate when your income returns to normal.**

# TAX STRATEGIES FOR A WINDFALL YEAR (CONTINUED)



A donor advised fund allows you to donate assets to charity today – and receive a tax deduction now – even though the money doesn’t have to be granted to the charity until sometime later. Taxpayers can “front load” charitable contributions during a high-income year to maximize the value of the tax deduction, and then use the portfolio of assets to distribute gifts over time. In the meantime, assets inside the donor advised fund grow tax-free.

The benefit of contributing to a donor-advised fund in a windfall year is that the tax deduction is worth more in a year when you are in a higher tax bracket. Someone pledging to make ongoing charitable contributions, for example, can use a donor advised fund to get the entire charitable deduction at a top rate, even while they are giving money to the charity in future years when their income (and tax bracket) is less.

If you are fortunate enough to find yourself enjoying a windfall year, make sure to think and plan ahead. You can potentially lower your tax bill and keep more of you income to yourself and your preferred charities.

For those who are already charitably inclined, a donor advised fund can be an outstanding way to donate a large sum of money and reap an immediate tax benefit.

## MEET THE TEAM - NAJDA PORCIC

---



**Najda Porcic**  
**Client Services**  
**Specialist**

We are pleased to introduce you to our newest team member, Najda Porcic. Najda is working closely with Sean to provide you enhanced client support. If you have yet to meet Najda in person, email or over the phone, she is looking forward to speaking with you soon!

After moving from St. Louis to Chicago, Najda was excited to join Windgate Wealth Management as a Client Service Specialist. She is happy to be part of the team as the values and office culture are similar to the investment firm she worked at in St. Louis. With 8 years of experience in the financial industry, Najda has much experience assisting clients with their day-to-day financial needs. She is dedicated to building trusting relationships and delivering great service. Najda is currently working on completing her Business Administration degree with an emphasis in Organizational Leadership at Judson University. Outside of the office, Najda enjoys spending time with her husband, reading, staying active and visiting her family in St. Louis.

### Q. What Attracted You to Windgate Wealth Management?

I came from a larger firm in St. Louis which was also a fee-only Registered Investment Advisor (RIA), so I understood the business model of putting clients first. Despite my previous firm's size, I was a member of a small team which had a lot of parallels to Windgate's culture. I enjoy the challenge of taking full ownership of many tasks, which I think is readily available in a small firm. I also seek the opportunity to learn and improve my skills every day. In fact, when I started at my previous firm seven years ago, I was the youngest employee of over 200 staff, so being allowed to grow at a firm is certainly an environment I can thrive in.

## MEET THE TEAM (CONTINUED)

---

### Q. What Makes Good Customer Service?

I think customer service is about outstanding communication and delivering on promises. Being timely in a response, even if the answer is simply "I'll need to get back to you after finishing more research," can help build trust. I'm looking forward to getting to know our clients more and building these relationships

### Q. What Brought You to Chicago?

I am originally from Bosnia and Herzegovina. My family and I came to the US in 1998, and I lived in St. Louis for 16 years before I moved to Chicago. I always thought that St. Louis was going to be my permanent home but that changed during a weekend visit to Chicago. I ended up meeting my husband here. After we got engaged, we decided that due to family situations, it would make the most sense to live here. I have adjusted well and am happy with our decision. My parents and sister are still in St. Louis so I visit frequently.

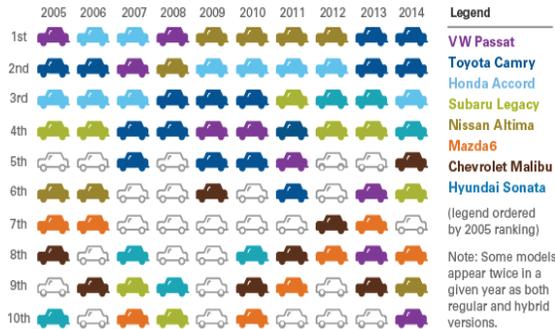
# INVESTING IS NOTHING LIKE BUYING A NEW CAR

Past performance does not guarantee future results, particularly when selecting investments. This visual comparing car ratings to investment asset class returns over time provides an interesting look at the unpredictability of investment performance. Asset allocation – strategically owning a portion of each asset class – is the best way to achieve long-term investing success when faced with this reality. Don't put all your investing eggs in one backward-looking basket. Unless you're headed to the car lot, then let Consumer Reports be your guide. The power of diversified asset allocation remains fundamental to our investment philosophy.

Past performance data may be good criteria for selecting cars...

8 of the top 10 cars from 2006 persisted in the top 10 in 2014

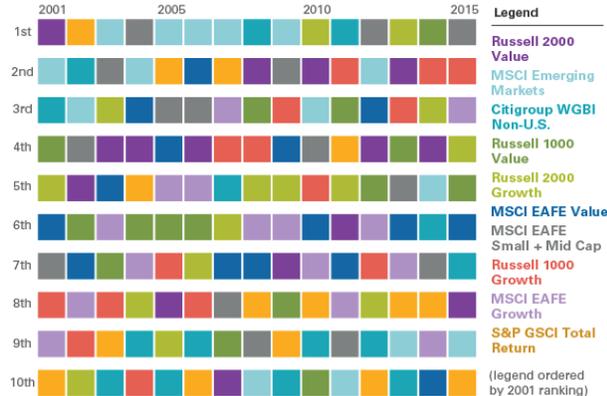
Family sedans as rated by Consumer Reports, 2001-2014



...but not necessarily for selecting investments.

A look at the returns of various stock indexes shows no discernible pattern.

Annual-return ranking for selected stock indexes, 2001-2015



## BUILDING A CULTURE OF FINANCIAL CONFIDENCE

---



For business owners who believe in supporting the financial well-being of their employees, we are excited to announce the release of a new white paper, *Building A Culture of Financial Confidence*.

The paper provides employers with strategies to address the issue of how less than half of workers believe their employer cares about their financial well-being, while a much higher percentage (77 percent of Millennials, 73 percent of Gen X, and 55 percent of Baby Boomers) indicate that they are more likely to be attracted to a company that does care.<sup>1</sup>

One of the most important things an organization can do to ensure success in both the short and long-term is to foster a happy workforce: A happy workforce is a loyal workforce is a productive workforce. But “happiness” is a big, fluid term that can vary wildly from individual to individual, and trying to create it on the fly—through supplementary programming and unconventional perks—can cause a strain on management and resources and offer unpredictable results. A better approach is to determine the bedrock factors of company culture that influence employee happiness. And perhaps the biggest foundational component of employee happiness is also one that’s often thought of as a taboo subject in professional settings: money.

To read the paper, call 844-377-4963 or email [Sean@windgatewealth.com](mailto:Sean@windgatewealth.com). It can also be found online at: <http://windgatewealth.com/for-founders-business-owners/building-a-culture-of-financial-confidence/>

<sup>1</sup>Source: Metlife Employee Benefit Trends Study, 2016.

**For business owners who believe in supporting the financial well-being of their employees, we are excited to announce the release of a new white paper, *Building A Culture of Financial Confidence*.**

**One of the most important things an organization can do to ensure success in both the short and long term is to foster a happy workforce.**

## IRA CONTRIBUTIONS DEADLINE

Don't forget, 2016 contributions for IRAs and Roth IRAs must be made by April 15, 2017. Maximum contributions are \$5,500 per individual (\$6,500 if you are age 50 or over). Income limits for contributing to Roth IRAs or making deductible contributions to Traditional IRAs are below. You can also still benefit from tax-deferred growth in a traditional IRA by making non-deductible contributions should your income exceed the limits. Remember, contributions can be made from both cash on hand or from your taxable investment accounts. Give us a call to determine if this is the right option for you.

### IRA 2016 INCOME LIMITS

| Filing Status                                       | Roth IRA                               | Traditional IRA                                   |
|---|--|---|
|   | Can contribute if your Modified AGI is | Can deduct contributions* if your Modified AGI is |
| Single or Head of Household                         | <\$132,000                             | <7,000  |
| Married Filing Jointly                              | <\$194,000                             | <\$118,000  |
| Spousal IRA (Those with spouse who earns no income) | N/A                                    | <\$194,000  |

*\*If you are not covered by an employer plan, you can deduct 100% of IRA contributions regardless of income.*

Source: IRS.com.

## QUOTES ON MONEY, WORK AND HUMOR

---

Money can buy happiness, but words are free. Here are a few of our favorite quotes regarding money, work and humor.

▶ “Every morning in Africa, a gazelle wakes up; it knows it must run faster than the fastest lion or it will be killed. Every morning a lion wakes up, it knows it must outrun the slowest gazelle or it will starve to death. It doesn’t matter whether you are a lion or a gazelle. When the sun comes up, you’d better be running.” - [African Proverb](#)

▶ “Every child is an artist. The problem is how to remain an artist once he grows up.” - [Pablo Picasso](#)

▶ “Creativity is intelligence having fun.” - [Albert Einstein](#)

▶ “I saw a bank that said “24 Hour Banking”, but I don’t have that much time.” - [Steven Wright](#)

▶ “You can never cross the ocean until you have the courage to lose sight of the shore.” - [Christopher Columbus](#)

▶ “The best revenge is massive success.” - [Frank Sinatra](#)

 "Do you have any idea how cheap stocks are? Wall Street is now being called Wall Mart Street" - **Jay Leno**

 "Money is not the most important thing in the world. Love is. Fortunately, I love money" - **Jackie Mason**

 "Dogs have no money. They're broke their entire lives. You know why dogs have no money? No pockets." - **Jerry Seinfeld**

 "More money has been lost trying to anticipate and protect from corrections than actually in them" - **Peter Lynch**

 "Economists report that a college education adds many thousands of dollars to a man's lifetime income - which he then spends sending his son to college." - **Bill Vaughn**

 "A lot has been said about politics; some of it complimentary, but most of it accurate." - **Eric Idle**

Any opinions expressed in this article are general in nature and cannot be guaranteed to be suitable for every individual. Individual needs and situations vary. Talk to your financial advisor to help you consider what options might be right for you.

The information provided herein represents the opinion of Windgate Wealth Management and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice. The information is neither a recommendation to buy or sell a security or invest in a specific sector. Past performance is not indicative of future results.

Perritt Capital Management, Inc. is the registered investment advisor for Windgate Wealth Management accounts.





**WINDGATE**  
WEALTH MANAGEMENT

[www.windgatewealth.com](http://www.windgatewealth.com)

300 S. WACKER, SUITE 2880  
CHICAGO, IL 60606  
844-377-4963