RAA
THE COMPASS
program | identity theft | college tuition | volatility
APRIL 2018

GENERATIONAL ADVICE PROGRAM

By Rutledge Gordon, CRPC®, Senior Relationship Manager

We are thrilled to announce the rollout of our new program, the Generational Advice Program (GAP). Quite often, we are asked if we can help our clients' children and grandchildren get their financial lives in order. The answer is always a very excited, "yes!" Having the opportunity to help the next generation reach their financial goals is truly at the core of what we do and why we are here.

We have helped many clients' children in the past, but it became very clear that we needed to ensure that all clients knew this service was available to them, which is how this program came about. As parents, we know that having someone help our children means exponentially more than having someone help us. Our children are the future and their financial well-being is immensely important.

The Generational Advice Program will officially launch on May 1, 2018.

The first phase of this program will include an offer for a complimentary 401(k) review for the children or grandchildren of our clients. This will include a risk tolerance assessment and a review of their current investment allocations. A Relationship Manager will evaluate their personal risk tolerance with their current 401(k) allocation and provide recommendations to ensure that their investments are aligned with their risk tolerance and financial goals. We will be adding additional offerings that your children or grandchildren will have the opportunity to take advantage of throughout the year.

Some of the upcoming programs may include:
- Estate Planning Review
- College Planning Assistance
- Budgeting Tools and Education

If you would like to enroll your children or grandchildren in this program, please go to **RAA.com/GAP** (they can also enroll themselves directly using this link) or contact your Relationship Manager to request access to the program.

Please note that only those who have requested access to the program will receive information and updates about the ongoing program enhancements. Also, if there are specific services that you think would be helpful for the next generation, please be sure to share those with us.

2018 CLIENT SEMINAR SCHEDULE

All seminars will be lunches.

MAY 8 - Vienna, VA
MAY 15 - Danbury, CT

MAY 17 - Bedford, NH
MAY 24 - Seattle, WA

JUNE 5 - Denver, CO
JUNE 8 - Geneva, IL
JUNE 27 - Park City, UT
JUNE 29 - Olympic Valley, CA

***This does not include any "open houses."*

To RSVP, please go to RAA.com or contact your Relationship Manager at 800.321.9123.

WHAT TO DO IF YOU ARE A VICTIM OF IDENTITY THEFT

By Paul Ochel, CFP®, Relationship Manager

A recent study conducted by Javelin Strategy & Research showed that over $16 billion was stolen from 15 million consumers through identity theft in 2016. Since the introduction of chip cards (debit or credit cards embedded with a microchip) in 2015, it has become much harder for thieves to create counterfeit cards, so they've begun using other methods like opening new accounts or committing tax fraud with stolen IDs. Email "phishing" scams are still one of the primary ways your private information is stolen.

The silver lining in the identity theft crisis is that we've learned numerous strategies to help prevent it. These include setting strong passwords, checking your account balances regularly, and monitoring your credit report. Despite these efforts, however, statistics show that it is still a growing (and very expensive) problem.

Should you become the victim of identity theft, or suspect that you may be a victim, the following are the first important steps to take that can help save you time, money, and potentially devastating legal consequences.

PLACE A FRAUD ALERT ON YOUR CREDIT REPORT

The first thing you should do if you suspect identity theft is contact one of the three main credit reporting agencies (Equifax, Experian, or TransUnion) and ask that a fraud alert be placed on your credit report. You only have to contact one of the agencies as they are required by federal law to notify the other two in case of an alert.

A fraud alert doesn't affect your credit score and requires that any company or lender that receives a request under your name take special precautions to verify your identity. These can include additional documentation, telephone contact, or another method of communication you specify.

There are three different types of fraud alerts:

Initial fraud alert - This alert is free to file, lasts for up to 90 days, and requires proof of your identity (driver's license, Social Security card, passport, etc.). It entitles you to one free copy of your credit report (in addition to the free annual report allowed by law) to ensure there are no fraudulent transactions. File an alert using this method if you believe you are, or might become, the victim of identity theft.

Extended fraud alert - The extended fraud alert is for an individual who knows that he or she is a victim of identity theft. It lasts for up to seven years and has more extensive reporting requirements than an initial fraud alert.

If you know you are the victim of identity theft, immediately file a report with the FTC (Federal Trade Commission) at www.identitytheft.gov. You will need this to apply for the extended fraud alert. For some situations, there are fees (amounts vary by state) required to allow legitimate credit application activities. You are entitled to two additional free credit reports from all three major credit reporting agencies to monitor for potential fraudulent activity, and your name is removed from marketing lists and credit offers for up to five years.

Active duty alert - Designed specifically for members of the armed forces, the active duty alert lasts for up to one year. It can be placed for free with any credit reporting agency. This alert is designed to protect members of the military from identity theft while on active duty and, as with an extended fraud alert, removes you from credit offers or prescreened lists that could make you more susceptible to fraud.

WHEN TO PLACE A CREDIT FREEZE

A credit freeze is different than a fraud alert. First, you must notify all three major credit reporting agencies independently. This process immediately blocks all access for creditors to your credit report, whereas a fraud alert allows access with built-in precautions and requirements to verify your identity. Most states charge nominal fees based on your individual situation for a credit freeze, and it is typically free for victims of identity theft.

Like a fraud alert, a credit freeze doesn't impact your credit score or any existing lines of credit. However, no new credit accounts can be established in your name, and you must use a personal identification number (PIN) for anything related to your credit, which means you will need to "thaw" the freeze with advance notice (and likely a small fee) for certain transactions.

ADDITIONAL STEPS FOR VICTIMS OF IDENTITY THEFT

In addition to placing a fraud alert or credit freeze on your credit report, there are other steps to take should you become the victim of identity theft.

- Visit www.identitytheft.gov to file an official report and record of the theft. This will help you when dealing with law enforcement, creditors, and businesses where fraud may have been committed using your identity. It is required for an extended fraud alert.
- Call any companies where you believe fraud may have occurred directly and inform them of the situation.
- Change passwords, logins, and PINs for any financial or commercial accounts.
- Consider contacting local law enforcement if you believe the theft happened locally. Your report to the FTC records the theft at the federal level.

WHAT IS TAX FRAUD?

Tax-related identity theft has increased dramatically as more protections have been put into place for consumers in other areas. It typically involves someone stealing your Social Security number and filing a fraudulent return to obtain your refund. According to the General Accounting Office (GAO), billions of dollars per year are paid based on returns submitted with stolen identities.

The challenge with tax fraud is that you won't know your information has been compromised until you file a return which is then rejected by the IRS. If you know ahead of time that your information has been stolen, alert the IRS immediately by filing Form 14039 (Identity Theft Affidavit). The IRS will send you Letter 5071C which allows you to provide proof of your identity in the form of federal or state-issued documents like a passport and/or driver's license.

Filing a fraud alert or credit freeze, along with a report to the FTC, will help settle your account with the IRS and prevent further unauthorized activity.

WHAT IF MY COMPUTER IS HACKED?

Another growing form of identity theft is cyber theft. It typically involves someone hacking into your computer and stealing passwords, financial account data, and personal information. Ransomware is another form of hacking in which a thief takes over your data and requests that you pay a specific amount of money for return of the data.

If your computer has been hacked or if you are the victim of ransomware, you should do the following:

- Immediately turn off your computer and disconnect it from any home or public networks.
- On a separate and secure computer, log in to all your accounts and change the passwords.
- Know that in most cases, paying the "ransom" will not result in the return of your data. It is best to report the situation to law enforcement at www.ic3.gov.
- Take the computer to a professional who can remove any nefarious code or malware that allowed the hacker to gain access and install software to prevent further vulnerabilities.

Per Fidelity's recommendations, we follow a specific protocol for clients who are victims of identity theft through hacking. These include a restriction of account activities and online distributions, along with alternative communication methods for transaction approvals such as through phone calls or in-person meetings.

HOW TO REPAIR THE DAMAGE

Once you have alerted the appropriate credit reporting agencies and filed an identity theft complaint with the FTC, you can begin the process of repairing any damage that was done due to the theft of your identity.

Examine your credit reports for fraudulent activity. Close any accounts that were opened without your permission or knowledge and inform those creditors that the accounts resulted from identity theft. Dispute or remove any charges from credit accounts that were not approved by you.

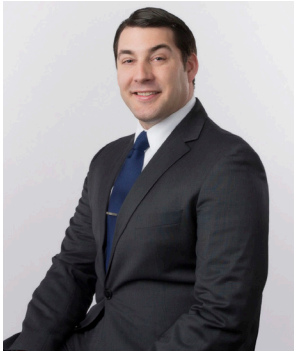
RAA CAN HELP

Notify your advisor immediately if you have been the victim of identity theft. There are several measures we can take to help protect your assets and investments, and we want to make the process as easy as possible for you. Fidelity will open accounts with new account numbers and transfer all assets to these new secure accounts. You will not be required to complete new account paperwork for this process.

We will also recommend verbal confirmation and/or online communication for large transfers or transactions within your account(s) for your protection.

The possibility of identity theft continues to grow as the sophistication of identity theft schemes continues to grow. As a trusted partner and resource, RAA can help protect your assets and guide you through the process of recovering from identity theft.

PREPARING FOR COLLEGE TUITION



By Josh Pinchek, CFP®, Relationship Manager

"Time flies" is a saying you've surely seen in action while watching your child grow. They take their tentative first steps, learn to walk and talk, and before you know it, they're taking senior pictures and applying to colleges. While most parents strive to be ready for the inevitable expenses associated with their child's college education, life's challenges can sometimes derail even the best plans as other needs take priority.

The most important thing to remember, assuming you have time, is to start saving early and on a regular basis. If life has gotten in the way and you are looking for strategies to help your child or grandchild fund their education without the benefit of time, we have included strategies for those situations as well.

DETERMINING HOW MUCH TO SAVE

In order to properly prepare for funding your children's education, you first must determine how much you need to save. According to the College Board, the average cost of in-state public tuition for the 2017-2018 school year is $9,970 per year. That cost skyrockets for out-of-state and private colleges, which average $25,620 to $34,740 per year. These are significant numbers, and that total doesn't include expenses such as food, clothing, books, and transportation. On top of these expenses, there are often others you may not have considered that can increase the cost of college substantially, including room and board, which may range anywhere from $10,800 - $12,210 depending on the campus.

WAYS TO SAVE WHEN TIME IS ON YOUR SIDE

START SAVING NOW

As with saving for anything, the best way to start is to save early and save often. The earlier you can get started, the better. There are several vehicles that make saving for education more tax efficient, including 529 Plans and Coverdell ESAs. Let's dig into how some of these vehicles work and which might be the best strategies for your situation.

529 PLANS

A 529 Plan, also called a qualified tuition plan, is sponsored by specific states and educational institutions to help families pay for future tuition fees. Money goes into a 529 Plan after taxes, but withdrawals are tax-free if they are used for educational purposes. Unlike Coverdell Education Savings Accounts, 529 Plans have no income limits, age limits, or annual contribution limits.

With 529 Plans, as with financial plans, the longer your savings dollars have to grow, the better opportunity you may have for financial gains. It is typically suggested to fund your child's 529 Plan at least ten years prior to the anticipated first year of college.

Did you know that funds for a 529 Plan can come from anyone? A great way to get the family involved in saving for education is to let grandparents, aunts, and uncles know about the plan so that holiday, birthday, and "just because" money can help grow the account and fund their future.

529 Plans are beneficial because they offer federal and sometimes state tax benefits while minimizing the impact on financial aid. This is especially important when the time comes to complete the financial aid (FAFSA) forms required by most colleges and vocational schools. Carefully research your state's 529 Plan for other possible benefits such as state tax deductions for contributions and a cash-back credit card with rewards that can be deposited directly into your Plan account.

One thing to remember is that the investment within a 529 college savings plan is invested in the market, so the account is not guaranteed and will fluctuate. Many people saw their 529 savings plummet during the 2008 recession, and if they needed the money for their college student at that point, they didn't have time to regain their losses. As with any investment, you have to be aware that nothing is certain and there is risk involved in these types of savings vehicles.

COVERDELL ESA

Coverdell Education Savings Accounts (ESAs) are another way to save for your children's college costs. These accounts also offer tax-free growth on earnings, as well as tax-free withdrawals when used for qualified education expenses, such as tuition and fees, books, or equipment. In addition to college expenses, certain K-12 purchases are also considered qualified when using a Coverdell ESA.

In 2002, the contribution limit was increased from $500 per child to the much more reasonable level of $2,000. However, you need to be careful when accounts are established by different family members for the same child. If total contributions exceed $2,000 in a year, a penalty will be owed.

Your contribution goes into an account that will eventually be distributed to your child if not used for college. You cannot simply refund the account back to yourself like you can with most 529 Plans, and the account must be fully withdrawn by the time the beneficiary reaches age 30, or else it will be subject to tax and penalties. This means you lose some degree of control.

The rules and regulations around Coverdell ESAs can be complex, so be sure to consult with your Relationship Manager to determine if this account type is right for you.

WAYS TO SAVE WHEN TIME IS NOT ON YOUR SIDE

"But what if we run out of time to save?" This could be the most daunting question facing parents who are trying to plan for their children's college tuition.

When it comes to saving for college, most parents start out with good intentions. Then life happens, of course, and money that might have been otherwise set aside for college is spent on dance lessons, athletic gear, or a musical instrument, not to mention those bills from the orthodontist!

Many parents also discover that they make too much money for income-based financial aid, so they scramble to find other options to help pay tuition. Should they tap into their retirement savings? Borrow against their home? Take out loans themselves or have their children take out student loans? The answers to these questions can have a big impact on a family's financial security and should be discussed in detail with your Relationship Manager to ensure you make the best decisions for your financial situation. Fortunately, there are many other ways to pay for college if traditional savings methods don't fully meet your needs.

GET YOUR CHILDREN ENGAGED IN FINANCING THEIR OWN EDUCATION

Having open and honest conversations with your children about how their education will be funded is essential. If your children will be expected to fund part of their education, it is helpful to give them the opportunity to get a part-time job in high school to save money in advance. This also opens the door for discussions around good financial habits like budgeting, saving, and investing. Collaborate with your children to create a budget that includes the basics as well as entertainment, clothing, insurance, and medical expenses. Make sure they understand the potentially significant impact of student loans on their finances after graduation.

STARTING OFF AT COMMUNITY COLLEGE

Another option to decrease the cost of a college education is to consider attending a community college for the first year or two. Your child can begin their college education and define their chosen career path, while typically spending much less per credit hour than at a four-year institution. They can then transfer to a larger university to complete their education, saving a significant amount of money.

GRANTS AND SCHOLARSHIPS

Most grants are financial-needs based. This means they are typically awarded based on your family's financial situation. Grants rarely cover the entire cost of college tuition, but they can help subsidize savings.

A specific type of grant you should pay attention to is the Pell Grant. It is provided by the government to help students fund their education. The maximum Pell Grant for the 2017-18 award year is $5,920. Unlike loans, grants are unique in that they do not have to be repaid. Students who are eligible to receive these grants receive a specific amount each year.

[1]Source: bigfuture.collegeboard.org/pay-for-college/grants-scholarships

RAA PROFILES •• MARIA FUENTES ••

DIRECTOR OF OPERATIONS

FAMILY Single but very blessed with a huge family

PETS German Shepherd named "Cash"

HOMETOWN Leon, Guanajuato Mexico

WHERE YOU GREW UP? Dallas, Texas

HOW LONG HAVE YOU WORKED AT RAA? 27 Years

WHAT DO YOU ENJOY DOING WHEN YOU ARE NOT WORKING? Spending time with family; especially my nieces and nephews

BEST VACATION? Disney World 2017; first time with my parents and great-niece (plus 15 other family members)

FAVORITE SPORTS TEAM / SPORT? Football – Dallas Cowboys!

HOBBIES / SPECIAL INTERESTS / COLLECTIONS? Enjoy working with the youth at church

CHILDHOOD AMBITION? To become a teacher. I had wonderful teachers growing up who made a great impact on my life.

NOBODY KNOWS I have 14 godchildren

About one-third of undergraduate students received a Pell Grant in 2015-16.

Earning a scholarship is something your child can begin working towards long before they head off to college. Scholarships are given for a variety of achievements, including academics, athletics, participation in a contest or association, and countless others. Work with your child to identify scholarships that he or she may qualify for and provide guidance on how to earn them.

A great place to start, when researching scholarships, is the College Board's Scholarship Search Tool.

HOW AND WHEN TO APPLY

You apply for Pell Grants, as well as all federal, state and some institutional financial aid programs, by completing the Free Application for Federal Student Aid (FAFSA). This is a form required by the government and colleges to assess how much money a family should be able to contribute to their child's college education. FAFSA funding is allocated on a first-come, first-served basis, and not all assets are treated equally when it comes to the Expected Family Contribution (EFC). Be sure to check with your chosen college to find out its preferred filing deadline for the FAFSA, as it's important to be aware of the deadlines for its completion in relation to your child's college start date.

STUDENT LOANS

For many people, borrowing money to fund a college education is the only way to make it a possibility. The two major sources of loans available to students are federal loans and private loans. Federal loans are more widely used due to the amount of money available and flexibility on the loan repayment programs.

The William D. Ford Federal Direct Loan Program includes Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans and Direct Consolidation Loans. Those four loan programs account for 80% of the federal loans available for college students.

Private student loans are also available, but making an effort to receive federal aid first is typically the best option. Interest rates are typically higher for private loans and some have very specific terms and conditions that must be agreed to.

As with all financial matters, planning ahead is always the optimal situation. If you have questions about the best strategies for your family, please reach out to your Relationship Manager to discuss each option and make a plan that will work for your situation.

VOLATILITY

By Jeremy Merchant, SVP & Chief Investment Officer

Volatility increases when market participants collectively change their assumptions. This is exactly what happened during mid-February through March, as markets reacted to the narrative of global trade issues. The bantering over trade increased volatility and potential what-if scenarios. Stated in statistical terms, confidence intervals have widened given the current market narrative.

However, we note that increased volatility today does not necessarily mean increased volatility later. Volatility is a coincident (current) indicator and cannot be fully known in advance. Volatility is simply the gap between what we expect will happen and what will happen in the future.

Implied volatility is merely the guess of the market's current state of volatility. It is determined by reviewing how investors are positioned in aggregate and comparing that to historical outcomes. It is a useful tool, but certainly not a crystal ball. When investor positioning is consistent, it can be said that implied volatility is low. However, when investors become embolden with a wide range of portfolio positioning, it can be said that implied volatility has increased.

ACTIVE ALLOCATION VIEWS

Themes	Category	Change	Negative	Neutral	Positive
Main Asset Classes	Equities	-	○○○	○	●○○
	Bonds	-	○○○	●	○○○
	Cash	-	○○○	●	○○○
Domestic Equities	Large Value	-	○○○	○	●●○
	Large Growth	-	○○○	○	●●○
	Mid Value	-	○○○	○	●○○
	Mid Growth	-	○○○	○	●○○
	Small Value	-	○○○	○	●○○
	Small Growth	-	○○●	○	○○○
	Tactical Equity	-	●●●	○	○○○
Foreign Equities	Developed	-	○○○	○	●●●
	Emerging	-	○○○	○	●●●
Fixed Income	Intermediate	-	○○○	●	○○○
	Short Term	-	○○○	●	○○○
	High Yield	-	○○●	○	○○○
	Cash	-	○○○	●	○○○

Today we see that the tools used to gauge implied volatility, such as the "VIX," are no longer just a description of volatility, but have become an input to pricing future volatility. Some strategies will allocate capital according to the calculated view of volatility. Typically, a rise in implied volatility will trigger a reduction in capital and vice versa. These strategies have created a feedback loop.

Let's step back from this discussion of a current indicator (volatility) and focus on some leading indicators. We can dissect these market thoughts into three general categories: factor metrics, economic conditions, and market conditions. These categories and their sub-categories are noted in the graphic below.

FACTOR METRICS	ECONOMIC CONDITIONS	MARKET CONDITIONS
Valuation	Business Cycle	Cycle Phases
Signal Strength	Leading Indicators	Valuation
Momentum	Inflation	Earnings Growth
Fund Flows	Interest Rates	Sentiment & Risk Tolerance

From a factor metric viewpoint, we see that valuations are high but are improving as the price-earnings-growth ratio of the market improves. This metric seems to improve each week as we anticipate slightly strong growth ahead during the summer months. Moreover, Strength/Momentum/ Fund Flow readings remain surprisingly healthy, which are supported by strong breadth across all market sectors.

Looking at economic conditions, we do recognize that the business cycle is in the later stages. The Federal Reserve is applying countercyclical policy actions by reducing liquidity and raising interest rates. However, leading indicators continue to favor additional future growth and inflation/interest rates all remain within reasonable levels.

Lastly, we note that the U.S. economy has returned to full employment and real GDP growth has moved away from the 2% range and is now trending closer to 3%. The global economic recovery has now synchronized in a positive way and growth is no longer limited to just a few sectors.

From a portfolio construction viewpoint, we continue to remain neutral to slightly overweight equities. Within equities, 30% of the equity allocation is now dedicated to foreign equities. We continue to overweight emerging market equities where valuations, growth rates, and money flow trends remain favorable. From a fixed income perspective, we remain focused on high-quality credits and continue to avoid high-yield bonds. In addition, we remain protective in a rising rate environment with a slight underweight to duration.

Overall, we believe the markets will remain in good shape as we head into the summer months. Market factors, economic, and current conditions remain positive and we suspect the upcoming earnings season will add additional support to markets, helping to reduce volatility. As always, we will keep you updated on these topics and any proactive portfolio adjustments we execute on your behalf.

KEY THEMES AND THEIR IMPLICATIONS

Themes	Category	Rationale
Equities	Economic Growth	Global growth and corporate earnings continue to increase
	Business Cycle	Growth looks to increase into Q2 & Q3-2018
	Inflation	Only slight inflationary pressures
Bonds	Bond Yields	Gradual and controlled increase in rates is expected
	Duration	A slow rising interest rate environment is expected
	Quality	Higher quality credits are still preferred due to valuations

RAA
15725 Dallas Parkway, Suite 220
Addison, TX 75001

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visit us at
raa.com
or call us at
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