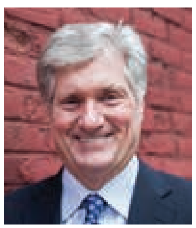
PAYNE CAPITAL MANAGEMENT CHRONICLE

Your Personalized Path to Financial Freedom

April 2016

Payne Capital Management: Your Personalized Path to Financial Freedom

Riding the Stock Market Roller Coaster



By Bob Payne, Managing Director and Chief Investment Officer

Stock market fluctuations represent a major potential pitfall in retirement. As a result, sometimes investors go into "preservation mode," where their sole focus becomes trying not to lose any money. I remember when my kids were growing up, I used to take them to a lot of amusement parks and the really exciting rides had signs warning about how you would be flipped, spun, twirled, dropped or tossed. Some spun to the point you could hardly stand and others dropped so suddenly it felt like your stomach got left behind. Those same descriptions sound a lot like the market since the beginning of this year. But just like with a roller coaster, you're more likely to get hurt if you try to get off the ride while it's still operating.

Three Keys:

1. Stock market fluctuations represent a major potential pitfall in retirement
2. Investors need to accept dramatic price changes, both on the upswing and downswing
3. Focus on an investment process that's likely to bring long-term positive results

Since 1926, data shows the stock market has dropped by 10 percent or more on 28 different occasions. But if everybody eliminates their equity portfolio each time the market drops 10 percent, they're never going to have any money in investments. Because when you try to step aside a market decline, it's really a two-step process. Number one, you have to determine when to sell. And number two, you have to figure out when to buy again. So what I say to clients is, I'm not going to tell you to panic out because I don't know anybody who can tell you the right time to panic back in.

Let's face it – dramatic changes and security crises are scary. But you know what? They're also a sign that the financial system isn't broken, and rather that it's working properly. We live in a very uncertain world. The role of securities markets is to reflect new developments, both positive and negative, and they incorporate into stock prices as quickly as possible. So as investors, we have to accept dramatic price fluctuations, both on the upswing and downswing. That means we need to guard against becoming frightened or confused. The key is to implement an investment process that's likely to bring long-term positive results.

AUDIO

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Hear Bob and Ryan share their strategies to navigate through today's complex financial jungle.
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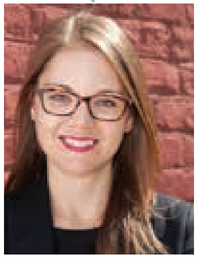
Get In the Game



By Michelle McKinnon, Wealth Advisor

A few months ago, many people in the financial industry were dreading the possibility of an interest rate hike by the Federal Reserve ("Fed"). So what happened? Well, the Fed did raise rates, but by only a quarter of a percent.

Two Keys:

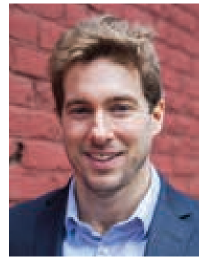
1. A possible interest rate hike by the Federal Reserve had been cause for concern
2. When this increase happened, some interest rates actually went down

For months and months prior to the rate hike, everyone was speculating how the equity and bond markets would react. One would naturally believe that if the discount rate (the interest rate that the Fed controls) was about to be increased, that the bond market interest rates would follow. But in this case, the months following the rate hike, interest rates actually went down. Why? Well, the reality is that markets often have already priced in the news and there are many other factors that influence the bond market besides just the Fed's Discount rate moves.

What's the lesson here? Well my advice is stop trying to anticipate, and get in the game. By staying on the sidelines, you're missing out on dividends and interest. Remember, cash is paying 0.01% whereas a diversified portfolio of stocks and bonds is paying anywhere between 3-4% annually (just in dividends and interest). Let's stop guessing and get invested.

$mart WOMEN was created to help empower women by providing some financial tools and support so we can get smart with our money.

The Disappearing Pension



By Ryan Payne, President

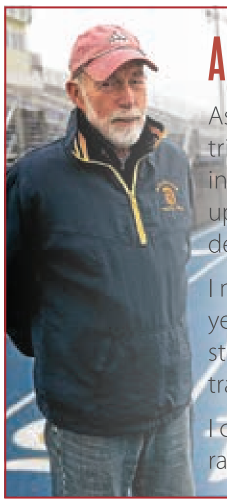
Let's talk a little about an endangered species: the pension plan. Unless you're part of the World War II generation, company-provided pensions are becoming a thing of the past. One great thing about the "Greatest Generation" was they could put their time in at a major corporation and not worry about investing or saving, because they knew at age 60 or 65 they'd get a retirement gold watch and pension to last a lifetime. But now there aren't many pensions left, and many that still exist are underfunded, so there's no guarantee you'll have that life-long income.

With the exception of government workers, most of the Baby Boomers out there don't have a pension at all. The advent of 401(k), 403(b), and other self-directed retirement plans has really put the investment onus on you, as well as the accompanying pressure. Furthermore, not only do you have the responsibility of investing money on your own, but you also have to consider longevity. The reality is there's a good chance you're going to live longer than your parents, which means you need to make your money last longer too.

So in addition to being an expert in your chosen profession, you're now asked to be an investment guru and retirement planning specialist. Thus the accountability is on the individual to invest properly. But just because you don't have a pension doesn't mean you can't generate a comparable income as past pension plans did. A lot of people may not realize this, but pension funds grow by investing in the stock and bond markets like everybody else.

You just have to be very careful with how you invest and allocate your money to make sure it doesn't run out in retirement. The good news is you don't have to try and figure out how to do it all on your own, because the expert team at Payne Capital Management is here to help guide you along the way.

A Tribute to Coach Gallagher



As part of this month's Payne Capital Management newsletter, I'd like to pay tribute to my iconic high school cross country coach, Bill Gallagher, who incredibly just celebrated his 50th year of coaching in the township where I grew up outside Philadelphia. As somebody who has given so much to others, he deserves a spotlight to be shined on him too.

I met Coach Gallagher at cross country practice on the first day of my freshman year at Wissahickon High School. That was the beginning of an unforgettable stretch in which I ran under his tutelage for three seasons (cross country, indoor track, outdoor track) each year through all four years of high school.

I can still remember like it was yesterday how he'd pace with his clipboard as we ran laps on the track, even in lousy weather. For Bill, finding the right balance between hard work and rest comprised a core training principle. Being young and stubborn at the time, I have to admit I learned the hard way that he was right, since I over-trained on my own one season and ended up with a stress fracture. That experience only reinforced my respect for the wisdom of Coach Gallagher.

To this day, I think most of my good work habits and organizational skills are a direct result of being trained by Bill. He pushed us hard to be our best, so you had to be mentally tough. Furthermore, he kept impeccably detailed race records and season schedules. It took me years to successfully emulate those habits, but there's no doubt being organized in business has helped me immensely in growing Payne Capital Management.

So cheers to you, Coach Gallagher. Thanks for everything, keep on doing what you love, and know the impact you've made on so many grateful former runners like me.

WELCOME to the April 2016 edition Payne Capital Management CHRONICLE,

bringing you insightful investment information from the dynamic financial experts at Payne Capital Management (PCM). Our content is based on timely topics in the field and real questions from investors. We believe the approach at PCM is both different and better. In this edition, you'll learn our perspective on a variety of significant financial matters such as:

- How dramatic price changes are inherent to investing, both on the upswing and downswing
- Why an interest rate hike by the Federal Reserve didn't have the anticipated negative impact
- How a wise investment strategy can potentially generate the same returns that pensions did in the past

We bring it all to you in an engaging style that helps make sense out of complicated issues. But it's not all just industry conversation either. In this issue, we also pay tribute to Bill Gallagher, a man who has profoundly influenced my life and just celebrated his 50th year of coaching cross country and track in the township where I grew up outside Philadelphia. As always, thanks for reading and we hope you enjoy what we have to offer.

Ryan Payne
PCM President

Inside this Issue

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