MARK AHO
FINANCIAL GROUP
Your Vision, Our Mission

"We're always coming across interesting facts and stories, whether it is through our market research or just in our everyday lives in the Upper Peninsula. Our Newsletter is our opportunity to share these insights with you."

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Dear Friends,

Wow! What an absolutely great summer…especially weather wise. This is how I felt at least here in Marquette and also in the Crystal Falls area. I think we had a fair amount of rain as well to keep everything nice and green. Yes it is "Pure Michigan." I feel very thankful to be able to live in this beautiful part of the world. Even though the summer was just about perfect, I always look forward to Fall. We have had stellar leaf color this year. I must admit, I talk to God frequently during this time as I cannot think of anyone else who could have created such beauty.

So far this year the stock market as measured by the S&P 500 has provided an 8.99% return. Most of this return was earned in the third quarter (7.20%). The majority of this return has come from the growth side of the equation vs the value side. If you look at returns as posted below you can see a pretty big divide between the Russell 1000 and 2000 Growth compared to the Russell 1000 and 2000 Value.

Pictured left to right:

Joshua Rapavi, Registered Client Associate

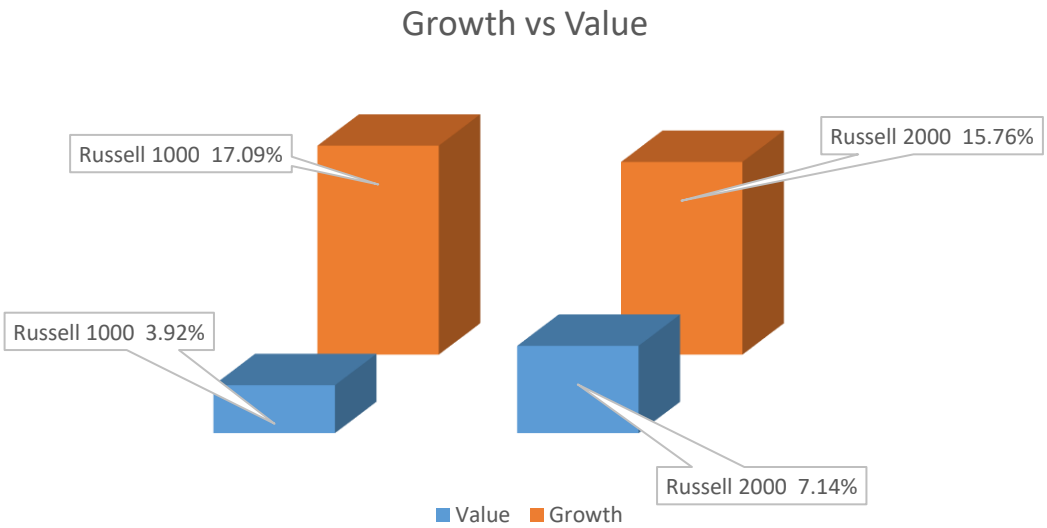
Joe Jeeves, CFP®, Financial Advisor

Mark Aho, MBA, CFP®, CIMA®, President, MAFG, Financial Advisor

Nicole Burony-Noble, Registered Executive Assistant

Eric Froberg, AAMS, Financial Advisor

Amanda Zorza, Registered Client Associate

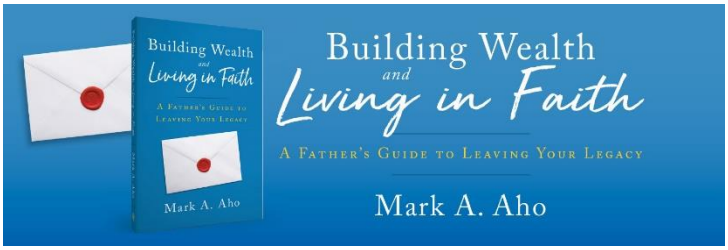


Also, the international markets have been weak this year. The developed international markets are off by -0.98% and the emerging markets are off by -7.39%. If this holds to the end of the year, when we rebalance we will move money from growth to value and also to the international markets. More on this in the next newsletter.

A couple of things I would like to point out. This past January the S&P 500 index hit an all-time high of 2,872.87. Then the market headed down and has slowly been working its way back. It took about eight months for this high to be reached again. On August 24 it closed at 2,874.69. The point I would like to make is it took eight months to regain its past high price, however the underlying value has actually soared. In the past eight months earnings, dividends and share repurchases have increased substantially. As most of you know I am a big believer in following the earnings of a company and believe the price of its shares are going to follow the strength of its earnings.

The financial sails have been filled with things such as lower corporate tax rates, less regulations, and potentially positive international trade deals re-worked to make all trade more equitable. With our economy starting to boom, the rising tide will hopefully raise the wages and standard of living for all US citizens. Let's hope our population takes advantage of this and all are able to better their particular circumstances.

As most of you know, I published my first book on September 4th. I have been thinking of this book for the past twelve years. It all started when my son Ross graduated high school. I wrote him a 6 page letter about a number of things I felt he should know before going off to college in the fall. Well, over a number of years thereafter I wrote him a bunch of notes. Finally, after trying to get my many life messages to him I decided I would write a book. At first the title of the book was going to be "Letters to My Children," however it ended up being called "Building Wealth and Living in Faith." Most of you know how important my faith in God is, and hence I wanted to explain my version of what money and building wealth means to me in relation to my faith. I am sure many of you see some conflict with the concept of



building wealth and also living a full life of faith in God. However, I firmly believe if you earn your wealth honorably with integrity and for good purposes, I think it makes sense to go down this trail. Let's face it, you need to acquire a certain amount of wealth to take care of yourself and not be a financial burden on society. If you get married, you want to take care of your spouse. If you have children you want to provide for their well-being. Later on you may want to be able to help your parents, aunts, uncles, nieces, nephews, others. Also you may want to be able to provide resources for your favorite charities.

I think you can see what I am talking about here. This book was also written for all of my clients and their children. I have had many review meetings where the parents of children have said "I wish my kids were here to listen to our discussion today."

This book was written to be somewhat of a story and to also provide some simple financial wisdom which I hope most can grasp. The form of writing was to be in everyday English and not financial jargon. If you have a chance to read the book please let me know what you think. I am always open to constructive suggestions. The second edition may start sometime soon to incorporate some more items I would like to include.

Please know I am always so thankful to have the privilege and honor to be shepherding your financial resources. We work each and every day to do the best possible job for you.

May God Bless you!
Mark

"Most of what we say and do is not essential. If you can eliminate it, you'll have more time, and more tranquility. Ask yourself at every moment, is this necessary?" -Marcus Aurelius

The Numbers

For a full analysis of the Quarter, please go to our web site at www.markahofinancialgroup.com. Then click on Resources> Education> Investment Strategy Quarterly. Below is a brief snapshot from the report:

Capital Markets Snapshot

Index		2018 YTD	2017	Last 10 years
Dow Jones Industrial Average		7.04%	25.08%	9.32%
S&P 500 Index		8.99%	19.42%	9.59%
NASDAQ Composite Index		16.56%	28.24%	14.42%
Russell 1000G	Large Cap Growth	17.09%	30.21%	14.31%
Russell 1000V	Large Cap Value	3.92%	13.66%	9.79%
Russell 2000G	Small Cap Growth	15.76%	22.17%	12.65%
Russell 2000V	Small Cap Value	7.14%	7.84%	9.52%
MSCI EAFE	Developing International	-0.98%	25.62%	5.87%
MSCI EM	Emerging Markets	-7.39%	37.75%	5.76%
DJ US Select REIT	U.S. Real Estate	2.56%	3.76%	7.21%
Barclays US Intermediate Govt/Credit		-0.79%	2.10%	3.23%
Citigroup World Government Bond Index		-2.55%	7.49%	2.21%

*Russell 1000 Growth Index – Measures the performance of the 1,000 largest companies in the Russell 3000 Index, with higher price-to-book ratios and higher forecasted growth values. Russell 1000 Value Index – Measures the performance of the 1,000 largest companies in the Russell 3000. Index with lower price-to-book ratios and lower forecasted growth values. Russell 2000 Growth Index –Measures the performance of the 2,000 smallest companies in the Russell 3000. Index with higher price-to-book ratios and higher forecasted growth values Russell 2000 Value Index – Measures the performance of the 2,000 smallest companies in the Russell 3000. Index with lower price-to-book ratios and lower forecasted growth values. MSCI Emerging Markets Index – A market capitalization weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Dow Jones U.S. Select REIT Index intends to measure the performance of publicly traded REITs and REIT-like securities. Barclays Capital U.S. Intermediate Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year and less than ten years. The Citigroup WGBI G7 x U.S. (USD) is an unmanaged market value weighted index comprised of debt issued by countries in the group of 7 (Canada, France, Germany, Italy, Japan, United Kingdom, United States) excluding the United States. The MSCI EAFE is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The **Dow Jones Industrial Average** (DJIA), commonly known as "The Dow", is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. The **NASDAQ** composite is an unmanaged index of securities traded on the NASDAQ system. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.*

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WHAT WE'VE BEEN UP TO…..

Our office celebrated fall by participating in Harvest Fest's "Paint Baraga Avenue". Amanda, Melissa, and their friend Brittany got creative painting a spooky scene under the supervision of the office babies Nick & Ben. The rest of the afternoon was spent enjoying the other activities the festival had to offer including live music, a petting zoo, and the kids' first carousel ride.

FALL COLORS!

Joe, Melissa, and Nick out for a hike enjoying all the beauty of fall!

SHREDDING!

Do you have documents or personal information that should be shred versus placed in the garbage? Protecting personal information and your identity are very important in today's world. We offer a free shredding bin available for your use. It is locked, and our shredding service comes once a month to shred the contents of the bin on sight. You may stop at our office at any time during business hours to place paperwork in our shredder. We welcome you to take advantage of this free and valuable service.

VACATION FUN!

A recent trip to Nevada and Utah for some golf. We discovered a fabulous course in St. George, Utah called Sand Hollow. Recently featured in Golf Digest, this course did not disappoint. If you like to travel and golf, it's a great spot to visit. Just don't hit the ball LEFT, as it will be gone forever!

Nicole's Kitchen – Spicy Toasted Pumpkin Seeds

Don't throw those pumpkin seeds away after carving your jack-o-lantern! With a few seasonings, you can have a tasty and healthy snack at your fingertips.

Ingredients

1 cup pumpkin seeds, rinsed VERY well and dry
½ teaspoon garlic powder
½ teaspoon of salt
¼ teaspoon cayenne powder
½ ounce olive oil

Preheat oven to 375 degrees. In a bowl, combine all ingredients until seeds are coated well. Spread evenly on a baking sheet and bake until toasted and slightly browned, about 15-20 minutes, tossing halfway through. Watch carefully to avoid burning as all ovens vary on cook time. Remove from oven, let cool before serving. Enjoy!

How Much or How Little the Kids Inherit

How to have a valuable family conversation about your estate.

Talking to family members about estate planning and legacies can be difficult and even painful. These discussions, however, are an important way to share your choices with your children and prepare them for their financial futures. Here are a few suggestions on approaching this tricky topic.

Communicate your values about money in a larger context.

Build on the casual conversations you've already had with your kids about what matters to you most. When children are familiar with their parents' values, they're more likely to have a good idea of what to expect from their parents' estates.

Evaluate your children's money skills.

Kids who grew up in the same family don't always have the same knowledge and attitudes about money. Conversations about estate planning can become part of larger discussions designed to help teach them how to manage and become comfortable with their legacies.

When possible, treat children equally.

If your estate plan does not treat your children "equally," for whatever reasons, it's best to share that information well in advance and to communicate it privately to each child. If you can discuss these provisions and the reasons for them ahead of time, there is less likelihood of conflict between siblings after you're gone.

Set accurate expectations about how much children will inherit.

Not telling them may avoid conflict now, but it could sow seeds for deeper conflict and resentment down the line. Provide a clearer understanding of what assets they'll be taking on to prevent misguided expectations.

Prepare children for large or unexpected inheritances.

If you have a substantial net worth that's under the radar – perhaps in the form of land or business ownership – your children may be unprepared for what they will inherit. Your advisor can help heirs learn more about both the financial and the emotional aspects of managing inherited wealth. Your advisor can also help you consider different options, such as giving more to your children during their lifetimes to possibly reduce the impact of a sudden inheritance.

Set apprehension aside.

Perhaps the strongest reason for not discussing estate plans with family members is fear – fear that children will be angry or disappointed, will build too much on their expectations for an inheritance, or will be resentful of other heirs. Although these conversations can be difficult, remind yourself that they're an important step in providing clarity about your financial legacy – which is ultimately in everyone's best interest.

Should I enroll in a health savings account?

A health savings account (HSA) is a tax-advantaged account that you can establish and contribute to if you are enrolled in a high-deductible health plan (HDHP). Because you shoulder a greater portion of your health-care costs, you'll usually pay a much lower premium for an HDHP than you would pay for traditional health insurance. This allows you to contribute the premium dollars you're saving to your HSA. Then, when you need medical care, you can withdraw HSA funds to cover your expenses, or opt to pay your costs out-of-pocket if you want to save your account funds. An HSA can be a powerful savings tool, especially if your health expenses are relatively low, since you may be able to build up a significant balance in your HSA over time. Before you enroll in an HSA, ask yourself the following questions:

What will your annual out-of-pocket costs be under the HDHP you're considering? Estimate these based on your current health expenses. The lower your costs, the easier it may be to accumulate HSA funds.

How much can you afford to contribute to your HSA every year? Contributing as much as you can on a regular basis is key to building a cushion against future expenses. For 2018, you can contribute up to $3,450 for individual coverage and $6,900 for family coverage.

Will your employer contribute to your HSA? Employer contributions can help offset the increased financial risk that you're assuming by enrolling in an HDHP rather than traditional employer-sponsored health insurance.

Are you willing to take on more responsibility for your own health care? For example, to achieve the maximum cost savings, you may need to research costs and negotiate fees with health providers when paying out-of-pocket.

How does the coverage provided by the HDHP compare with your current health plan? Don't sacrifice coverage to save money. Read all plan materials to make sure you understand benefits, exclusions, and all costs.

What tax savings might you expect? HSA funds can be withdrawn free of federal income tax and penalties provided the money is spent on qualified health-care expenses. Depending on the state, HSA contributions and earnings may or may not be subject to state taxes. Consult your tax adviser for more information.

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