NEWSLETTER 3rd Quarter 2019

Pictured left to right:

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Dear Friends,

As usual there are many things we could dive into this quarter. However, I want to talk about the yield curve inversion we recently experienced. I suspect you are probably thinking of the treasury yield inversion. This is where longer term bonds are paying less than shorter term bonds. It is normal for shorter term bonds to have a lower interest rate paid than longer term bonds. As of September 19, the following yields for Treasury's were:

1 year	1.87%
2 year	1.75%
3 year	1.68%
5 year	1.65%
10 year	1.77%
30 year	2.21%

You can see the 1 year treasury is 1.87% and the 10 year treasury is 1.77%. This part of the yield curve is therefore what we would call inverted. Many analysts pay close attention to the 2-10 year treasury yields. As of this date, they are about the same. These analysts claim that when this part of the yield curve inverts a pending recession is in the near future.

Well maybe. Recessions do occur and it is part of the normal business cycle (see Bulls and Bears chart on page 7). We don't like them because such a slowdown usually means some weakness in equity prices. As investors, we just don't like to see any period of time where our equity investments lose value (on paper). This is where the difficulty of being a true investor starts to show up. Yes… it again boils down to having "faith in the future," "patience," and "discipline." As you look at this chart, what occurs to me is it pays to be an optimist. If you invested during this time defensively you would have given up a lot. As a matter of fact, over a lifetime of investing… your golden years would be lived very differently if you invested for the bear markets and not the bull markets. Some people think they can time in and out of these bull and bear markets. I have not seen anyone consistently do this in my 40 years of working in the markets. Therefore, we remain eternal optimists and believe "optimism is the only realism."

What I really wanted to point out to you however, is the more important inversion which occurred during this past quarter. Did you know the 30 year treasury yield was below the S&P 500 dividend yield? The media was certainly quick to point out the 2-10 year treasury inversion and to shout as loud as they could about a recession. Virtually not one media word about the 30 year treasury yield and S&P 500 dividend yield inversion. The last time this occurred was during "The Great Financial Crisis" (March 2009). This means you could sell the "safe" 30 year Treasury bond and buy 505 of the best companies in the world, maybe pick up a little extra yield and for the next 30 years get the growth of earnings, dividends and values for free. For your information since March of 2009 the S&P 500 has been compounding nearly 16% per year. So when you think about this logically, which investment would you rather own going forward….The 30 year bond with a low fixed yield or some of the best companies in the world paying about the same amount or slightly more in yield with the possibility of income growth via dividend growth and also the growth of value. Hmmm…..not sure about you, but I am going to go with the second choice.

If you have any questions about this or any other items please give us a call. Please know we are always appreciative of the relationship we have with you. Our sole objective is to work for each of you. We strive to see you reach your goals and be able to live your life abundantly as well as have the capability to be generous to others.

God Bless You!
Mark

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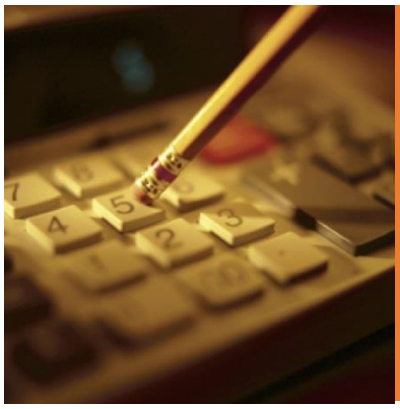
You will need to set up a logon and password, and then enter one of your new account numbers. You can find that on your statement, or give us a call at 906-226-0880, or toll free at 855-999-0014 and we will gladly give you that information.

Treasury bonds are backed by the full faith and credit of the United State government as to the timely payment of principal and interest. This example is for illustrative purposes only. It is not possible to invest directly in an index. Past Performance is no guarantee of future results.



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		2019ytd	2018	Last 10 years
Dow Jones Industrial Average		15.39%	-5.63%	10.73%
S&P 500 Index		17.35%	-6.24%	12.33%
NASDAQ Composite Index		20.56%	-3.88%	14.19%
Russell 1000G	Large Cap Growth	23.30%	-1.51%	14.94%
Russell 1000V	Large Cap Value	17.81%	-8.27%	11.46%
Russell 2000G	Small Cap Growth	15.34%	-9.31%	12.25%
Russell 2000V	Small Cap Value	12.82%	-12.86%	10.06%
MSCI EAFE	Developing International	13.35%	-13.36%	5.39%
MSCI EM	Emerging Markets	6.23%	-14.25%	3.73%
DJ US Select REIT	U.S. Real Estate	24.64%	-4.22%	12.69%
Barclays US Intermediate Govt/Credit		6.42%	0.86%	3.05%
Citigroup World Government Bond Index		6.27%	-0.84%	1.69%

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.*

DON'T WANT TO DRIVE FOR YOUR APPOINTMENT???

We are now happy to offer Zoom Meeting as an option for your appointments with us.

With an easy to use, screen sharing, web based meeting, you can talk with us and just follow along on your computer without having to leave your home.

We will provide you with easy to follow instructions, and you can enjoy your meeting in the comfort of your home. Consider this option for your next meeting with us!

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.

Nicole's Kitchen – *Healthy Apple Crisp*

Football season, leaves turning colors, apples, pumpkins, and flannel sheets. All signs of the beautiful moments that come with Fall. And the season wouldn't be the same without a little comfort food.

Ingredients
7 cups baking apples, peeled and very thinly sliced
¼ cup pure maple syrup
1 teaspoon cinnamon
½ teaspoon nutmeg
1 teaspoon vanilla
½ teaspoon sea salt
1 tablespoon lemon juice
Crisp:
½ cup almond flour
1 teaspoon cornstarch
1 ½ cups old fashioned rolled oats
1/3 coconut sugar
½ cup chopped pecans
1 teaspoon cinnamon
¾ teaspoon salt
¼ cup coconut oil, room temperature

Preheat oven to 400F and coat a 2 quart baking dish with non-stick spray. In a large bowl, mix together the apples, maple syrup, cinnamon, nutmeg, vanilla, sea salt and lemon juice. Dump apples into the prepared baking dish. Next, in a medium bowl, mix together the almond flour, corn starch, old fashioned oats, coconut sugar, pecans, cinnamon and salt. Add the room temperature coconut oil and cut it into the dry ingredients with the back of a knife or pastry blender. Spoon the crisp topping evenly over the apple mixture. Bake in oven for 35-40 minutes, begin checking at 35 minutes to avoid over browning. Allow to cool, and serve warm.

"Even if you are on the right track, you'll get run over if you just sit there." -Will Rogers

The UP Honor flight is near and dear to our team. Eric was fortunate to serve as a guardian in assisting these 2 former local veteran heroes on their "Tour of Honor"trip to Washington DC. UpperPeninsula Honor flight's mission is to fly UP WWII and Korean veterans to see the memorials that stand in their honor. It was an honor and privilege to represent these men who served our country and it was a day he will never forget. As a proud supportor of UP Honor flight, Eric lead the team to help support Bike Night at the UP North Lodge and helped raise $2300 to support this great cause.

Upper Peninsula Honor Flight

To learn more about UP Honor Flight in helping our local veterans, please visit their website at www.upperpeninsulahonorflight.com

Buck the Must-Have Trend

As I look back to when Julie and I were first married and as we raised our kids, we denied ourselves many unnecessary things (wants). We believed strongly in saving and investing for the future, and we, as well as our kids, were better off without all those unnecessary items.

Today's must-have society makes it harder than ever to save. You mortgage your future when you buy too much house, take too many trips, or run up the credit cards with too many other creature comforts.

Banks might loan you money to buy a lot more house than you should, but I think the old formula for underwriting mortgages is still the best way to approach home buying for young and old alike:

- Twenty percent of the listing price should be used for a down payment.
- Thirty-six percent or less of your gross income should be a debt payment.
- No more than 26 percent of your gross income should go toward your mortgage payment.

Even in the midst of today's must-have society, smart saving can still be done. My daughter Christina is a great example. Coming out of high school, she auditioned for a music scholarship and scored high enough on her ACT to get two scholarships for college. This brought the cost of a private-school education down to the level of a public-school tuition. Along the way, Julie and I saved some money in a custodial account for her education costs.

These days, there are several choices to help save for your child's education costs. Current tax law in a 529 college savings program allows all earnings and growth to be distributed for educational costs tax free. I also structured my home mortgage to be paid off by the time she started college, so if I needed extra cash flow, I could just take out what I was previously using for the mortgage.

We also helped out by buying a car for her. It was not a brand-new Lexus with heated seats and voice activated navigation. It was a used Jeep Cherokee with 30,000 miles but it was safe and it got her where she needed to go every day. When she graduated, she was debt free because of the scholarships and custodial account, and I had some extra cash from wealth I created in past years to help if she needed it. At the same time, many of her friends left college with big student loans to pay off, which meant they were starting their adult lives in tremendous debt, the polar opposite of the strategy we'd like to see.

Christina took her positive momentum one step further. She didn't make a lot of money when she first got out of college so she underspent on her rent, eschewed unnecessary wants, and adjusted other expenses appropriately to start saving for an eventual return to graduate school to earn a master's degree. She learned a trick or two from mom and dad and paid for grad school completely on her own.

As parents, we are of course very proud of her diligence and positive example of the rewards of taking money seriously.

-By Mark Aho, an excerpt from his book.

Any opinions are those of Mark Aho and not necessarily those of Raymond James.

Investors should carefully consider the investment objectives, risks, charges and expenses associated with 529 college savings plans before investing. More information about 529 college savings plans is available in the issuer's official statement, and should be read carefully before investing.

Don't miss this event!!! You are invited to attend - The Mark Aho Financial Economic Outlook

If you have never attended one of our informational luncheons, this is the one to come to! Please join us for a market and economic update. Guest Speaker, David Hreha, Regional Vice President with American Funds from Capital Group, is an engaging and dynamic speaker who can make learning about economics and markets fun!

Date: December 10th, 2019 Time: 12pm-1pm Location: Ramada Inn, Marquette
Please RSVP to Amanda Zorza, 906-226-0880 or amanda.zorza@raymondjames.com

Note: Raymond James is not affiliated with and does not endorse the opinions or services or Dave Hreha or Capital Group.

History of U.S. Bear & Bull Markets

Since 1926

First Trust

This chart shows historical performance of the S&P 500 Index throughout the U.S. Bull and Bear Markets from 1926 through June 2019. Although past performance is no guarantee of future results, we believe looking at the history of the market's expansions and recessions helps to gain a fresh perspective on the benefits of investing for the long-term.

- The average **Bull Market** period lasted 6.6 years with an average cumulative total return of 334%.
- The average **Bear Market** period lasted 1.3 years with an average cumulative loss of -38%.

BULL
From the lowest close reached after the market has fallen 20% or more, to the next market high.

BEAR
From when the index closes at least 20% down from its previous high close, through the lowest close reached after it has fallen 20% or more.

Source: First Trust Advisors L.P., Bloomberg. Returns from 1926 - 6/28/19. *Not applicable since duration is less than one year.

These results are based on monthly returns–returns using different periods would produce different results. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future. Past performance is no guarantee of future results.

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