

Dear Client,

The broad U.S. stock market rose by nearly 4% despite a quarter that witnessed: the installation of a new government in the United Kingdom after the Brexit vote, populism gaining ground in Europe, an unsuccessful coup attempt in Turkey, and a U.S. presidential campaign that continues to unfold as the most unconventional in recent memory.

Go figure...

September seemed to usher in a change in tone from the first two months of the quarter. During the month, stock investors registered high anxiety, with stocks rising and falling sharply in response to any oil-related headlines and any suggestion of interest rate hikes by central banks.

Go figure...

As for interest rates, it is probable they will rise. Yields on U.S. 10-year Treasury bonds ended the quarter at 1.56%, up from 1.44% as of July 1, as investors braced for an interest rate hike by the Federal Reserve that didn't come (bond prices fall as rates rise). The Fed's decision not to raise interest rates in September soothed markets; a December rise now has a higher likelihood.

So, what else is new?

- Emerging-market international stock returns have been particularly striking, up +17% for the year versus being down in 2015.
- Developed-market international stocks gained +6.43% during the quarter; however, on the year they are up only +1.73%.

What does the above mean? ***When it comes to portfolio management, the whole is much more than simply the sum of its parts.***

Harry Markowitz won a Nobel Prize in Economics in 1990 for his theory in portfolio selection. His insight states that the aspect pertaining to the risk of an asset is not the risk of each asset in isolation, but the contribution of each asset to the risk of the aggregate portfolio. We have seen this manifested in the last 20 months. Through the third quarter of 2016, the highest performing investments in portfolios have been the same ones that lagged in 2015. The benefits of diversification have long been studied and noted as the "free lunch" provided by financial markets. The caveat we would add is to include diversification of timeframes as well; segmenting your investments based on your financial lifestyle.

It is our core belief that your needs, goals, and objectives should drive your investment mix. Too often we see the inverse; investments being allowed to shape the way people feel about their financial stability/lives. Financial markets are largely unpredictable in the short term; however, tend to normalize ("average out") long term. Taking this logic and segmenting your portfolio based only on your goals and objectives, means investing with a purpose; focusing on outcomes that matter to you.

As always, please contact us if you have any questions or if there is a change in your financial situation.

Warm regards,

Thomas G. Fee
Principal & Managing Partner

Jason Ranallo, CFA®
Director of Portfolio Management



3rd Quarter 2016

Social Security Income - Cost-of-Living Adjustments (COLAs)

On Tuesday, October 18th the Social Security Administration announced there will be a 0.3% increase in the Cost of Living Adjustment (COLA) for 2017. The Social Security Act ties the annual COLA to the increase in the Consumer Price Index as determined by the Department of Labor's Bureau of Labor Statistics.

Other adjustments that take effect in January of each year are based on the increase in average wages. The maximum amount of earnings subject to the Social Security tax (taxable maximum) will increase to \$127,200 from \$118,500.

Information about Medicare changes for 2017, when announced, will be available at www.medicare.gov.

New Account Statements and Client Portal Updates on Vector's Website

We are excited to announce the launch of our new statements and a new client portal!

The new statements offer a personalized view of your portfolio in an easy to read format with enhanced visual appeal. Our goal is to provide you with additional information not found on your custodian's statements. We hope that you will take the time to review your new statement. We welcome your comments!

In addition to the new statements, we are also rolling out an upgraded client portal. Some features of the secure portal include:

- Redesigned *quarterly statements* that are tailored to your stage of planning
- A consolidated *account summary* updated daily for quick viewing on the dashboard home page
- The ability for you to securely upload forms and store important documents
- Contact information for Vector's team members and the ability to directly email us from the portal
- The convenience of sharing specific documents with authorized professionals such as your accountant or attorney

If you have previously used Vector's client portal, please look for the email recently sent with instructions to set up your new login credentials.

If you have not yet had the opportunity to use Vector's client portal, please contact Melissa Hoffman at mhoffman@vectorwealth.com or (612) 378-7560 and she can assist you with the initial setup.

If you have specific questions, please contact your Advisor or our Advanced Planning Team.

Referrals

We are fortunate to have grown over the years primarily through referrals from you, our clients. If you know of other individuals you think could benefit from our services, we would love the opportunity to speak with them. Thank you!