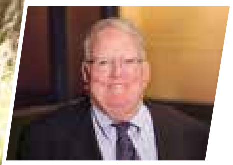
MARKET INSIGHTS
After a very volatile and unrewarding year for investors in 2018, the new year started with a bang.
see page 2



REMEMBERING BILL RUSSELL
On April 17, we sadly lost our dear friend and colleague, Bill Russell.
see page 3

PROTECTING YOURSELF FROM INVESTMENT SCAMS
Fraudsters continue to target unsuspecting investors.
see page 4

ADVANCE CAPITAL MANAGEMENT

FINANCIAL LIVING

volume Q2 2019

A QUARTERLY NEWSLETTER FOR THE CLIENTS AND FRIENDS OF ADVANCE CAPITAL MANAGEMENT

How Worried Should You Be About Social Security and Medicare?

Social Security and Medicare are two of the most important pieces of anyone's retirement. Which is why it's so worrisome neither program is financially secure for the long term. A recent government report warns Medicare could run out of money as early as 2026, with Social Security soon to follow in 2035.

Given today's political climate, there's a lot of misinformation out there about these programs. Hopefully, we provide some perspective as to what it all means for you.

Is Social Security broke?

Social Security may be broken, but it's not broke. At least, not yet. There is still enough money to pay full benefits. For decades, more money was paid in versus paid out, creating a surplus in trust fund reserves. Today, that fund holds around $3 trillion.

However, as more and more baby boomers retire and receive benefits, the reserve fund will progressively decrease. Estimates indicate that by 2035 there won't be enough money coming out of workers' paychecks to fund necessary benefits for retirees. If nothing is done, that could mean automatic benefit cuts for most retirees, many of whom rely on Social Security to cover basic living costs.

What about Medicare?

Currently, Medicare is projected to have only enough money to pay for 90% of claims by 2026. At that point, hospitals, nursing homes and other medical providers would be paid only part of their agreed-upon fees.

What can the government do to fix both programs?

The government can, of course, raise taxes to generate more revenue. In the case of Medicare, it's one of only a few options available to cover the program's funding shortfall. It should also aggressively crack down on fraudulent claims paid by the system each year. Medicare lost $60 billion to fraud in 2017.

With Social Security, the government has more flexibility. It could raise the full retirement age, as it has done in the past,

(Continued on page 3.)

Market Insights: Q1 2019

After a very volatile and unrewarding year for investors in 2018, the new year started with a bang. Through March, the major stock market indices from around the world have posted very strong results.

The S&P 500 Index is up 13.65 percent, the Dow Jones Industrial posted a 11.81 percent return and the MSCI All World Index returned 12.65 percent. Bonds have also bounced back from their lackluster performance last year with returns of around 2 percent for core bond strategies and 4 percent or higher for riskier bond allocations.

While several of the economic trends remain intact and serve as a ballast amidst uncertainty, several "other" pressing geopolitical and global issues can potentially either help or derail the markets and economies of the world.

Unemployment continues to fall, wages begin to rise

On the economic front, record low unemployment, healthy consumer spending and modest business activity remain the main drivers of growth. Although the most recent monthly employment report showed a gain of only 20,000 new jobs, the three-month average is still quite vibrant at about 186,000 per month, and the nation's unemployment rate is hovering near a 50-year low. Further, employee wages are growing at their fastest pace in about 10 years, a positive sign for an uptick in consumer spending.

The latest Institute for Supply Management (ISM) report on manufacturing activity indicated a modest decline, but it is still in expansionary territory. Sixteen of the 18 manufacturing industries reported growth, the most in six months. The latest report on the services industry showed an even brighter picture. Economic activity grew for the 109th consecutive month in the non-manufacturing sector and is approaching its cyclical peak. While the report was mostly optimistic about the near-term outlook, concerns linger about the uncertainty surrounding tariffs, capacity constraints and tight labor markets.

Other sectors of the economy illustrate some volatility, yet modest strength overall. For instance, the housing market took a nosedive at the end of last year as construction plummeted across all building types and regions. However, a sharp rebound in the National Association of Home Builders (NAHB) index so far in 2019 suggests housing activity will recover in the spring. Housing permits, a barometer of demand for new construction, have increased, which suggests the recent volatility may be short-lived and due to supply and labor constraints. On the consumer side, retail sales rebounded after a surprisingly weak December that was likely due to the government shutdown and seasonal factors.

The Fed takes a breather

After raising interest rates nine times over the past three years, the combination of severe market volatility and weaker-than-expected economic data at the end of last year forced the Fed to alter its path to any further rate hikes. In early January, amidst softer economic data, Fed chairman Jerome Powell indicated he was willing to be flexible on policy and was in no hurry to increase interest rates further. This reassurance sparked a rebound in the capital markets during the first quarter. At the Federal Reserve's meeting in March, it not only left interest rates unchanged, but also indicated a high probability that further rate increases were unnecessary through the remainder of the year.

Some economic warning signals are flashing

The Federal Reserve is keenly aware that recent indicators point to a slowing economy. The tricky part is determining whether it is a temporary blip in the long-running economic expansion, or a more sustainable slowdown that could eventually cause a recession. For starters, Treasury yields are nearly the same for short and medium-term bonds. This is termed a "flat" yield curve, and should longer rates decline further, the yield curve would invert. If this occurs, it tends to be an early indicator that a recession is nearing. Next, the Fed's own recessionary gauge, which has often foreshadowed a recession in the past, has jumped to an uncomfortable level.

While a bit unnerving for investors, the many positives still tend to outweigh these early economic warning signs. Growth remains positive and is expected to hover around 2.0-2.5 percent for the year. The employment picture is one of the best on record, with the Bureau of Labor Statistics reporting the highest job openings rate of all time. Over 7 million jobs are available, and wages are rising. Further, inflation is tame and corporate balance sheets appear sound.

Our take

Amidst a bit more economic uncertainty and with the Federal Reserve on hold, investors have taken notice.

(Continued on page 4.)

It is not possible to invest directly into an index. The indices mentioned in this article are unmanaged and are not affiliated with Advance Capital Companies.

In Memoriam: Bill Russell

On April 17, we sadly lost our dear friend and colleague, Bill Russell. He was a dedicated financial adviser and CERTIFIED FINANCIAL PLANNER™ at Advance Capital for 25 years.

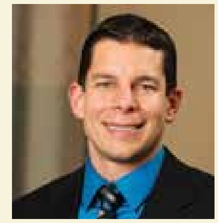
Bill, however, was more than that to many people. As a Naval officer he served in Vietnam. He enjoyed spending time with his family, traveling, playing golf and cheering on his favorite teams (especially the Chicago Bears).

His first career was with Illinois Bell/AT&T, from which he took an early retirement in 1993. He then decided to go back to school and get his Certification in Financial Planning before embarking on his second career as a CFP® with Advance Capital. As a tremendously generous person, he often acted as a mentor to other advisers at our Illinois office.

We know Bill was incredibly honored and grateful for the opportunity to help other people. When asked what was most rewarding about working as a financial adviser, he said: "For me, it's extremely satisfying to be able to give real, honest advice to clients and then receive sincere appreciation in return."

Memorial Contributions may be made to The Russell Family Scholarship at Kenyon College, Gambier, OH.

We ask that you please keep Bill's family in your thoughts during this difficult time. ■



We are very pleased to announce that Mike Hohf and Jeff Lido have been named "Best-In-State" Wealth Advisors for 2019 by *Forbes Magazine*! This is Mike's second year in a row earning this top distinction and Jeff's first year on the list. Congratulations, Mike and Jeff!

Spring Client Meeting Review

Miss this year's Spring Client Meetings? We've got you covered! Go to our Education Center (acadviser.com/education-center) to download an annotated copy of the presentation and see what was discussed.

Advance Capital Named to 2019 Best Places to Work List

It is with great pleasure we announce that Advance Capital Management was recognized as a 2019 Best Places to Work for Financial Advisers by InvestmentNews magazine.

We were chosen as one of this year's top-75 firms based on employer and employee surveys delving into everything from company culture, benefits, career paths and more.

The magazine highlighted Advance Capital's commitment to giving back as one of our defining attributes. We are proud of our partnerships with national and local charity organizations, such as the Boys and Girls Club of America, Forgotten Harvest and Maggie's Wigs 4 Kids.

You can read our full profile at investmentnews.com/bestplaces. ■

InvestmentNews
BEST PLACES TO WORK
FOR FINANCIAL ADVISERS
2019

Social Security and Medicare *(Continued from page 1.)*

or reduce benefits for future generations. Another option is to lower early benefits and/or increase the age at which you can file early (currently age 62). Further, it could raise the amount of earnings subject to Social Security taxes and incorporate means testing, which would generate more tax money from very high-income earners while paying them smaller benefits.

What can you do?

On an individual level, it's important to first realize any changes made today would very likely impact younger Americans, who are better able to adjust. Therefore, those nearing retirement or in retirement likely don't need to worry about making major changes to their retirement plans.

Younger individuals, on the other hand, should start planning for the possibility Social Security and Medicare will be different by the time they retire. The best way to do that is to save even more in your retirement accounts. This can help overcome a potential reduction to your Social Security benefit or, if they raise the retirement age, a longer gap between when you retire and become eligible to file. The additional savings will also prepare you for potentially higher Medicare premiums and greater out-of-pocket costs in retirement. ■

Protecting Yourself from Investment Scams

Recently, the *Detroit Free Press* published an article about a nationwide, billion-dollar Ponzi scheme that scammed Michigan investors of $14 million. Many of those affected were retirees and small-time investors who thought they were simply making a low-risk, short-term investment. Instead, they were taken for a ride.

In many ways, it brought to mind the Bernie Madoff scandal, which happened more than 10 years ago. After the Madoff affair, you would think it all but impossible to pull off a similar scheme. But fraudsters continue to target unsuspecting investors.

Unlike, say, a Nigerian prince with poor grammar, investment scams can be hard to detect. Sellers lure people to fancy steak dinners where they leverage otherwise good reputations and promising results. So, it's easy to assume they would have your best interest in mind.

Often, they target those nearing retirement or in retirement because that is where most of the wealth is. The good news is you never have to take someone at their word. There are a variety of resources at your disposal to help protect yourself from fraud:

- **Do a background check.** Advisers must be licensed to invest your money in securities. They should be in good standing, preferably with no "disclosures" or formal complaints with regulators. Always review both the adviser selling you something and his/her firm at brokercheck.finra.org. If they don't appear at all, they're unlicensed.

- **Be suspicious of high returns.** If the performance returns seem too good to be true, they are. Any investment that offers high returns is either high risk or questionable, at best.

- **Beware the word "guaranteed."** Guaranteed investments, like CDs, only pay a few percentage points of interest per year. Therefore, anything offering guaranteed returns higher than that are pretty much a guaranteed scam.

- **Never let an adviser have access to your money.** We don't touch your money, TD Ameritrade does. Whenever working with a finance professional, your checks should be made payable to a third-party custodian, such as TD Ameritrade, Fidelity, Schwab, etc. You should receive monthly statements directly from the custodian, have online access and the ability to call the custodian's customer service should you choose to. Keep in mind, this is different from allowing your adviser to have discretion over your investments, such as making trades on your behalf or selling investments in order to arrange a withdrawal for you.

- **Don't just take someone else's word for it, including friends or family members.** Chances are, the adviser they're recommending is a good one, but still do your own homework. Bernie Madoff was considered a good one, too. He was the chairman of NASDAQ and other financial groups. He worked in compliance and was a known philanthropist.

- **Learn how your money is going to be invested.** Always ask questions, and if the seller or representative doesn't want to give you answers, run away.

- **Don't rush to invest.** If the representative says that you have to act fast, tell them "no thank you." Reputable investments with solid histories are not in short supply. Anyone rushing you is simply trying to get your money before you do your due diligence.

As always, if you're presented with an investment or financial product that interests you, your Advance Capital adviser can provide an objective opinion to help keep you and your money safe. ■

Market Insights *(Continued from page 2.)*

The capital markets have bounced back so far in 2019 after a dismal performance last year. With equity markets up double digits in the first quarter, we are tempering our expectations for the remainder of the year, particularly since corporate earnings are expected to weaken. In bonds, the combination of lower interest rates and the Federal Reserve pausing on any further rate hikes should cause returns to continue to trend higher for the rest of the year. In this environment, we may make modest changes in client accounts in response to economic and market conditions. ■

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