AIS INVESTMENT GUIDE

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Asset Class Performance by Representative Index*
5/16=100

(Latest Plot: 04/2017)

* See box, page 38, for representative indexes.

Rates of Interest

As of May 23, 2017

Government Obligations[1]	
Fed Funds Rate	0.91%
3-Month Treas. Bill	0.91%
10-Yr. Treas. Note	2.29%
30-Yr. Treas. Bond	2.95%
10-Yr. TIPS	0.46%
Muni Bonds - Nat'l 10-Yr.	2.05%
Mortgage Rates[2]	
15-Yr Fixed	3.19%
30-Yr Fixed	3.95%
Banking[3]	
Savings	0.06%
Money Market	0.08%
12-month CD	0.25%

[1] Federal Reserve, fmsbonds.com. Annualized Rates. Notes, bonds, TIPS reflect yield to maturity Muni national average.
[2] Freddie Mac. National average, mortgages with 0.5 points.
[3] FDIC. Average national rates, non-jumbo CDs (<$100k).

The Fiduciary Rule: Brokers Confront a Higher Standard of Care

The goal of a common fiduciary standard among financial service providers remains stymied in a political morass, but progress continues. This seemingly dry subject is in fact vitally important to household investors.

A year ago we described the Department of Labor's then newly-released "Fiduciary Rule." The rule extended the "best interest" standard to encompass broker dealers and others who had previously been held only to the far lower "suitability standard" when making certain recommendations to retirement clients. These included recommendations to roll over ERISA-covered plans (such as 401(k) accounts) to IRA accounts.[1] The higher standard makes it more difficult, for example, for brokers to defend a recommendation that a client roll over assets from his employer's 401(k) plan into an investment vehicle with higher fees.

Over the past 12 months brokers, insurers and others lobbied hard, with some success, to delay implementation. But this month the Labor Secretary Alexander Acosta found no legal basis to delay the Rule from taking effect beyond June 9, 2017. Unless the Rule changes again upon review by the DOL, this will require that broker dealers either forgo managing these accounts or adopt new procedures that might substantially disrupt their longstanding business models.

(continued next page)

We, on the other hand, as Registered Investment Advisors (RIAs) have always been, and will remain full-fledged fiduciaries to our clients, regardless of the outcome. This "best interest" standard requires that we put our clients' interests above all others, most notably our own.

So beginning June 9 finacial service providers who receive compensation for providing specific investment advice relating to an employer sponsored plan or IRA must comply with the Impartial Conduct Standards. This requires the advisor and the financial institution to:

- Provide advice that is prudent, meeting a professional standard of care;
- Operate in the best interest of the client rather than any competing interest of the advisor or financial institution;
- Charge no more than reasonable compensation; and
- Make no misleading statements about the investment transaction, compensation, and conflicts of interest.

We have always adhered to these standards, so we anticipate little disruption for our clients. Notably these new restrictions do not create an all-encompassing fiduciary standard; they apply only to retirement clients with ERISA-governed accounts. So most investors will continue to confront confusing legal standards among money managers. We will continue to observe watch as the industry is dragged, kicking and screaming, toward the higher standards of conduct we have always observed.

1. The Fiduciary Rule's restrictions apply to interactions a finanacial service provider may have with retirement clients concerning ERISA-covered plans, and non-ERISA retirement plans that are subject to Section 4975 of the Code, including IRAs.

CELL PHONE PLANS AND THE CPI[1]

The CPI and the Investor

The accompanying article "Cell Phone Plans and the CPI" recently appeared on the website of our parent, AIER. It is informative for investors contemplating price inflation. The Consumer Price Index (CPI) is the most widely cited gauge for assessing changes in general prices. While it is carefully constructed, the CPI calculation necessarily entails numerous adjustments and assumptions that are necessary in order to account for factors such as improvements in quality among goods and services. The usefulness of the CPI as a gauge of one's "cost of living" is limited not only by one's actual spending habits relative to the items in the index, but also by modifications such as these.

How much is unlimited data on your iPhone worth to you? In calculating the Consumer Price Index, the average answer is "a lot" — enough to explain a perceived slowdown in inflation, in fact.

As other outlets have reported recently, a change in cell service was a major contributor to slowing price inflation in the last couple months as reported in the CPI. The change shows the difficulty in measuring price changes when consumers are substituting into new products that are similar but nonidentical to existing products. In this case, how do we think about the price of cell phone plans in general when a more expensive but unlimited data plan option is added?

The CPI is calculated by measuring price changes in a representative basket of goods and services. In the current calculation, "education and communication services" make up 6.2 percent of the CPI. A little more than a third of that category is for "telephone services," and about 70 percent of telephone services are "wireless telephone services." Overall, wireless telephone services have a 1.576 percent weight in the overall CPI.

Wireless prices often decline, but one important recent development has been Verizon's decision in February to revive unlimited-data plans. For example, Verizon offered a fixed-data plans between $35-70, depending on the amount of included data, and now also offers an unlimited-data plan for $80. The Bureau of Labor Statistics has an established methodology for accounting for simultaneous changes in price and quality, and in this particular case the methodology clearly determined these new plans are lowering the effective price of wireless telephone services. The month-to-month price in the category declined 1.4 percent from January to February and 1.7 percent from March

1. by Patrick Coate, PhD - Research Fellow FRIDAY, MAY 26, 2017 DAILY ECONOMY, https://www.aier.org/blog/cell-phone-plans-and-cpi

to April, but 7 percent from February to March — the period when the Verizon plan was introduced.

Let's do some quick and dirty math to see how big this could be to the overall CPI. While two data points hardly make for a convincing trend, let's just suppose the change from February to March would have been 1.5 percent without the new plans, similar to the declines in the month before and after. Then 5.5 percentage points of the decline came from the new plan, and overall CPI growth would have been 0.087 percentage points higher between February and March without the new plan. This seems small, but the actual month-to-month CPI change between February and March was only 0.081 percent. With a 1.5 percent decline in cell prices instead of 7 percent, total month-to-month inflation would have been 0.168 percent — twice the actual growth rate. Annualized, this is the difference between a slowdown to 1 percent annual CPI growth and the actual 2 percent in recent years. In the larger picture, this is a minor blip in calculating inflation, but it is a good illustration of the complexity in measuring prices in a changing marketplace.

PLANNING FOR HEALTH CARE NEEDS

In this article we discuss America's demographics and review recent trends in health care costs. We explain the difficulty in planning for health care costs and offer options that retirees might consider. We highlight many points made in an insightful article that recently appeared in the May 2017 issue of Journal of Financial Professionals.[1]

One of the primary goals of our investment strategy is to provide positive real growth – that is, growth that outpaces price inflation. This goal is central to rational retirement planning as retirees try to generate a stream of retirement income that, after accounting for rising prices, allows them to maintain their living standards.

One obstacle to achieving this goal is the comparatively high rate of increase in health care costs. As workers enter retirement, health care costs are perhaps the biggest unknown cost, and planning for uncertain and potentially rapidly increasing costs is no small feat.

Demographic Changes

It is no secret that America's population is aging. In 1980, there were more than five potential workers (aged 18-64) for every retiree (aged 65+). By 2030, that ratio is expected to be less than three-to-one.

In coming years, not only will there be more retirement-aged Americans, but they will also be living longer. According to recent projections, more than half of healthy Americans aged 65 today will reach age 90, and nearly one in five will make it to age 100.

Healthier lifestyles and improved medical care are positive developments by almost any measure, and one might think that healthier people would have fewer health care costs. However, living longer also means that health care costs accumulate over longer periods. Long-lived retirees face a higher likelihood of costly illnesses that are more common later in life, such as Alzheimer's, arthritis, and degenerative neurologic conditions. These conditions often require expensive long-term care so many retirees may need to plan for an event that could be over 30 years away.

A disproportionate share of these older Americans will also be women. Women face unique challenges in retirement. Since women on average are younger than their husbands and live longer, they are more likely than men to be widowed. In addition, they may have worked less and be faced with diminished pensions and/or Social Security benefits. Women may also be less familiar with household finances than men. Finally, if the husband passes away first, it is possible that he will have used the resources set aside for long-term care, leaving long-lived women in an especially precarious position.

Rapidly Increasing Costs

Fewer potential workers (supply) to support the elderly and more retirees needing additional health care (demand) will continue to exert substantial upward pressure on prices. Medical innovation, government policy and other factors will surely affect the price of health care as well, but these demographic trends cannot be denied.

The current pace of increase is already significantly higher than the general rate of inflation. Prices in general have risen at a rate of 2.1 percent over the last 20 years, while medical care costs have increased at a rate of 3.6 percent (see chart 1). Most estimates predict health care costs to rise between 5 percent and 7 percent per year in the future.

At the same time, Medicare is underfunded and any resulting cost burden could be shifted to retirees. The Medicare program is already running a deficit, and the problem will only get worse unless the program is reformed. Basic health care costs for a married couple in retirement today can be more than $12,000 per year:

- Part B premiums for married retirees with joint income below $170,000 are $1,608 per year per participant. These premiums have been rising at a rate of almost 8 percent per year since 1966! (see chart 2 – note that for those already enrolled, the "hold harmless provision" may provide some relief from these cost increases).
- Part D premiums (for prescription drug coverage) vary, but an example plan costs $500-$800 per year per participant.
- "Medigap" policies that provide more extensive coverage can cost about $2,400 per participant per year.
- Out-of-pocket costs are still estimated to be almost $2,000 per year per participant.

Moreover, the cost of "long-term care," such as that provided through a nursing home, can be more than $100,000 per year today. The bottom line is that the high likelihood of long-term need coupled with rapidly increasing prices creates the perfect storm for financial burden that, if unplanned for, can be devastating.

Planning for Long-Term Care

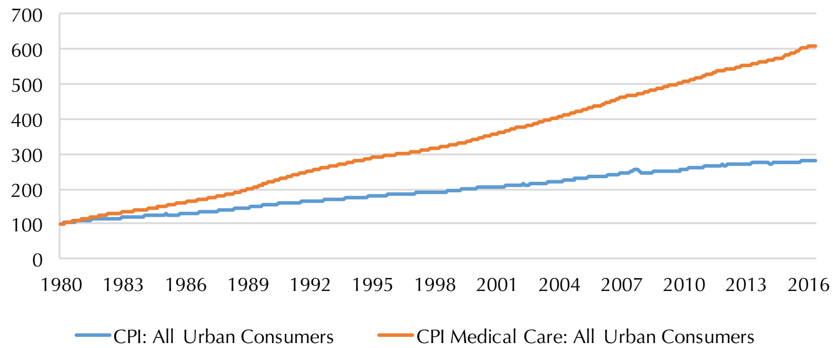
Large, unanticipated expenses occurring at an unknown point in the future are a tremendous burden for today's retirees. The traditional solution to long-term care in particular was to depend on children. Today, however, families are more scattered geographically and care provided by adult children is far less common.

One financial industry solution was "long-term care insurance." Insurers who provided this insurance initially underestimated how many people would end up needing benefits. The result was that the insurance was largely *underpriced*, so insurers had to raise premiums for new applicants, and frequently for participants that were already covered.

Most workers today find that the high premiums on long-term care are prohibitive. It is estimated that 50 percent-70 percent of those who bought long-term care insurance will end up using it. So it isn't an especially useful insurance product, as insurance is typically meant to "pool risk" and provide a large benefit at a low cost for unlikely events (such as fire or car insurance).

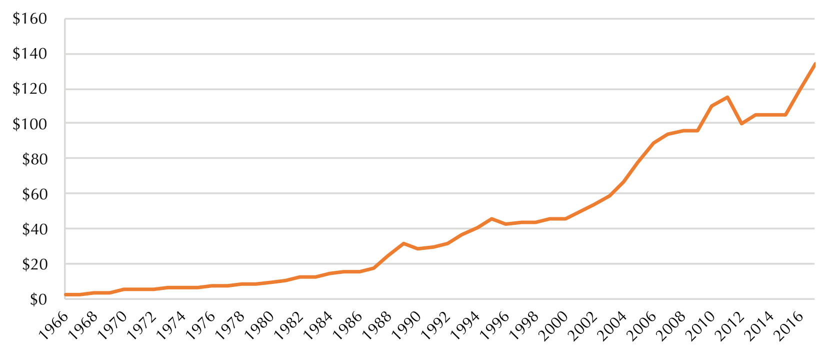
Today, most planners encourage those with the financial means to "self-insure" against long-term care costs. This simply means that retirees are supposed to put aside funds and invest enough assets to cover themselves down the road. Married couples may end up facing a cost of a half million dollars or more, which places a huge unknown at the end of any financial plan.

Chart 1. The price of medical care has increased much faster than other goods and services.



Sources: FRED, BLS. Indexed to 100 in December 1980.

Chart 2. Medicare part B premiums have increased rapidly



Source: SSA Annual Statistical Supplement, medicare.gov.

What Can Retirees Do?

Despite the challenges that health care presents, there are planning techniques that can make retirees feel more confident about the future. The first step is to confront this reality and commit to making a plan for the future. Research shows that people who make financial plans are more confident and happier. A plan in and of itself does not solve the problem, but it does make it potentially surmountable.

There are certain options that can go a long way in addressing the health care challenge:

1. Continue investing, and revisit a more aggressive allocation: Today's historically low interest rates mean that investors are not likely to grow wealth through cash and fixed income alone. While no one knows how long low interest rates will prevail, it is prudent to assume that health care costs will continue to outpace general price inflation. Review your health care assumptions, and consider whether a more aggressive portfolio is warranted. For many, this means maintaining a higher allocation to stocks, for a longer period of time, than might otherwise be the case. For today's 65-year olds that may be facing 30+ years in retirement, a long-term focus is prudent.

2. Take advantage of Health Savings Accounts, if available. These accounts, which are coupled with high deductible health insurance policies, are funded with pre-tax annual contributions, grow tax-free, and provide a large fund from which tax-free withdrawals may be taken to cover future health care costs, including long-term care.

3. Make sure husband and wife both understand the plan: Both spouses need to understand their financial circumstances, especially in light of the likelihood that the wife will outlive the husband.

4. Spend less, especially after investment losses: Spending less is the only dependable way to make sure that you have more in the future. Spending less after a market decline is even more critical, since it will allow portfolio values to recover with the market.

5. Move close to your family: Many retirees are opting to move nearer to one of their family members who may be willing to help out should an unexpected health concern arise.

6. Rely on home equity: The value of a home is often the largest single asset that a retiree owns. Planning to tap home equity, either through downsizing, moving to an apartment with fewer upkeep costs, or through a reverse mortgage or home equity loan (if approached carefully), are all viable "safety net" options.

7. Roth conversions: Converting an IRA to a Roth IRA generates current income taxes, but the converted value is not subject to required minimum distributions. Roth IRA assets should be invested more aggressively for long-term growth, and should be the last vehicle for funding regular living expenses.

8. Increase guaranteed income: Creating a stable "floor of income" can be helpful because it may allow a nest egg to grow without withdrawing the principal. One way to increase this floor of income is to delay Social Security or to work longer. Retirees may also consider low-fee immediate annuities or deferred income annuities (or "qualified longevity annuity contracts") for those with longevity in their families.

There is no easy answer to the nationwide problem of rising health care costs, and it is imperative that retirees take matters into their own hands with regard to planning. Although a plan does not guarantee success, failing to plan is planning to fail.

For guidance in approaching the health care challenge, contact us at (413) 528-1216 ext. 3127.

1. "Retirement Planning: Coping with higher Health Care Costs," by Robert Pokorski and Brett W. Berg in the May 2017 Journal of Financial Professionals.

CAN SAVERS BOOST RISK-FREE RETURNS?

The stock market has been providing robust returns for years. On the other hand, savings accounts, money market accounts, checking accounts, and CDs have offered only a pittance to savers. While many savers are now resigned to the notion that they will earn less than 1 percent on their savings, others still seem to be looking for a way to "boost" returns without taking on risk. We would like to dissuade investors from pursuing this fantasy.

Should Cash Be Invested?

Investing in a diversified portfolio that includes stocks has historically provided real growth – returns in excess of inflation. For investors with a long-term outlook, we encourage investing as much as possible. Investing more – and maintaining those investments for the long-term – is the best way to generate future wealth. Most people are better off consistently contributing to a diversified and balanced portfolio of stocks and bonds over time as the money becomes available. Our default guidance is to pay little attention to what has happened in the recent past, and instead plan for the long-term.

On the other hand, liquidity is a critical concern for workers and retirees alike. People need cash for everyday purchases. People hold cash for a variety of good reasons – they're thinking of buying a new car, they're saving for a home down-payment, and any one of countless other reasons. It is also important to maintain an account of liquid emergency assets. Our typical guidance is to maintain an emergency fund with at least six months expenses, although some prefer coverage for at least 12 or 18 months, especially if their circumstances are more uncertain.

So, while investors should certainly invest cash that is available above and beyond their emergency savings, trying to materially boost returns *within* the emergency savings account is unwise. For any short-term cash need, there is no guarantee that a diversified portfolio will increase in value. Trying to "juice" returns by investing cash for the short-term is a risky proposition, and any potential gain is probably not worth the risk.

What is "Risk-Free"?

"Where can I put my money for the next year that will give me a better return than my lousy savings account?" is not a question that anyone can answer confidently. The truth is that stocks and bonds are unpredictable over the short-term. It's just not worth trying to invest for such a short time. In order for savers to be confident that they'll have the same amount of money in the future, they have to live with that savings account, a money market fund, or maybe a short-term CD providing 1 percent or less return.

Since 1926, the average annual return on the S&P 500 has been about 10 percent per year. However, over any particular 12-month period since 1926, there is only about a three in four chance that the market has been up. In other words, there is a significant likelihood that an investment would lose value over one year. For savers looking to make a purchase one year in the future, that should be an unacceptable risk.

Bonds are a little better, with about four out of five 12-month periods resulting in gains, but it is still far from a guarantee. The trouble with bonds is that their value can decrease as a result of increases in interest rates, so even a "fixed" return does not necessarily mean that investors will have a gain on the underlying investment.

We frequently encounter investors who simply need a place to "stash money" somewhere for several months for one reason or another. Many investment advisors will happily entertain the idea that they can provide a "guaranteed positive return," but that is simply not the case without accepting the risk of possible loss. Consider a portfolio of municipal bonds – a low-risk and tax-free investment. After the recent election, municipal bonds had an unanticipated bad run of returns for a variety of reasons. Investors who tried to use short-term "munis" to boost returns were left with losses several months later.

The Bleak Reality for Savers

Savers who plan on using cash within two years are probably just as well keeping it in a safe place like the bank as opposed to trying to ferret out an investment gain from another source. For most people, the risk of losing money is not worth the possibility of eking out a small gain. Until interest rates rise, we are all in the same boat with savings accounts. There is no way to "boost" returns or "manufacture" investment gains without taking risk, which probably isn't appropriate for those with short-term spending needs.

THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of May 15, 2017	Rank	Yield (%)	Price ($)	Status	—-Percent of Portfolio-— Value (%)	No. Shares (%)[1]
Verizon	1	5.09	45.38	Holding**	21.50	31.35
Chevron	2	4.04	106.85	Holding**	24.72	15.31
IBM	3	3.96	151.51	Holding**	12.87	5.62
Pfizer	4	3.86	33.12	Buying	13.08	26.14
Exxon Mobil	5	3.72	82.8	Holding	4.62	3.69
Cisco	7	3.39	34.23	Holding	3.03	5.85
Boeing	10	3.11	182.39	Holding	3.49	1.27
Caterpillar	12	3.01	102.42	Selling	16.68	10.77
Cash (6-mo. T-Bill)	N/A	N/A			0.01	N/A
Totals					100.00	100.00

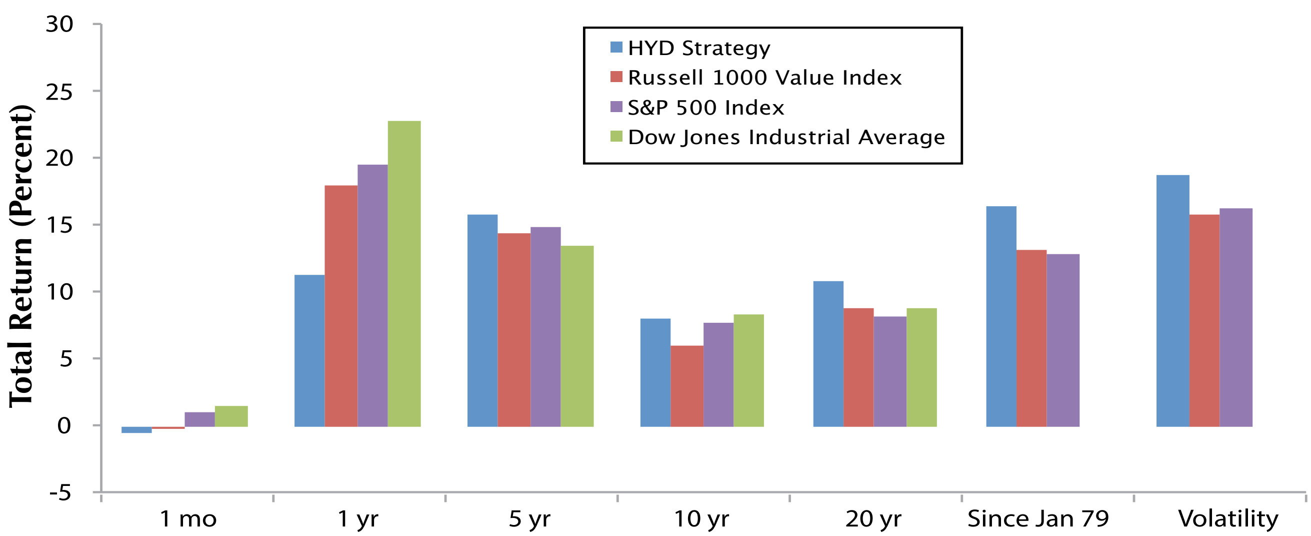
**Currently indicated purchases approximately equal to indicated purchases 18 months ago. [1] Because the percentage of each issue in the portfolio by value reflects the prices shown in the table, we are also showing the number of *shares* of each stock as a percentage of the total number of shares in the entire portfolio.

Subscribers can find a full description of the strategy and methodology in the "Subscribers Only" (Log in required) section of our website: www.americaninvestment.com.

Comparative Hypothetical Total Returns (%) and Volatility

The data presented in the table and chart below represent total returns generated by a hypothetical HYD portfolio and by benchmark indexes for periods ending April 30, 2017*. Returns for the 5-,10- and 20-year periods are annualized, as is the volatility (standard deviation) of returns. (January 1979 is the earliest date for which data was available for both the HYD model and relevant benchmark indexes).

	1 mo.	1 yr.	5 yrs.	10 yrs.	20 yrs.	Since Jan 79	Volatility (Std. Dev.) since 1979
HYD Strategy	-0.48	10.38	14.49	7.37	9.91	15.11	17.24
Russell 1000 Value Index	-0.19	16.55	13.32	5.53	8.13	12.17	14.51
S&P 500 Index	1.03	17.92	13.68	7.15	7.60	11.81	14.90
Dow Jones Industrial Average	1.45	20.90	12.44	7.64	8.08	N/A	N/A



*Data assume all purchases and sales at mid-month prices (+/–$0.125 per share commissions), reinvestment of all dividends and interest, and no taxes. Model HYD calculations are based on hypothetical trades following a very exacting stock-selection strategy. They do not reflect returns on actual investments or previous recommendations of AIS. Past performance may differ from future results. Historical performance results for the benchmark indexes do not reflect the deduction of transaction and/or custodial charges, or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results. HYD Strategy results reflect the deduction of 0.73% management fee, the annual rate assessed to a $500,000 account managed through our High Yield Dow investment service.

Representative asset class indexes: U.S. large cap value - Russell 1000 Value Index; U.S. small cap value - Russell 2000 Value Index; U.S. Marketwide - Russell 3000 Index; Global REITs - S&P Global REIT Index; foreign developed markets - MSCI world ex-U.S.(net div.)Index; emerging markets - MSCI Emerging Markets Index(net div.); U.S. Bonds - Barclays U.S. Aggregate Bond Index; Global Bonds - Citi World Government Bond Index; Gold - London PM Fixed Price. Past performance may not be indicative of future results. Therefore, no current or prospective investor should assume that the future performance of any specific investment, investment strategy (including the investments and/or investment strategies recommended by AIS), or product made reference to directly or indirectly, will be profitable or equal to past performance levels. Historical performance results for individual investment indexes and/or categories generally do not reflect the deduction of transaction and/or custodial charges, the deduction of mutual fund fees, or the deduction of advisory fees, the incurrence of which would have the effect of decreasing historical performance. The results portrayed above reflect the reinvestment of dividends and capital gains.

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices ($)

	5/15/17	Mo. Earlier	Yr. Earlier	Prem. (%)
Gold, London p.m. fixing	**1,233.30**	1,284.15	1,265.90	
Silver, London Spot Price	**16.59**	18.56	17.09	
Crude Oil, W. Texas Int. Spot	**48.85**	53.18	46.21	
Coin Prices ($)[1]				
American Eagle (1.00)	**1,260.80**	1,324.00	1,299.20	2.23
Austrian 100-Corona (0.9803)	**1,194.30**	1,256.24	1,239.94	-1.22
British Sovereign (0.2354)	**288.32**	303.20	308.36	-0.69
Canadian Maple Leaf (1.00)	**1,245.80**	1,309.00	1,283.20	1.01
Mexican 50-Peso (1.2057)	**1,468.62**	1,544.81	1,514.91	-1.24
Mexican Ounce (1.00)	**1,249.80**	1,313.00	1,313.20	1.34
S. African Krugerrand (1.00)	**1,234.80**	1,298.00	1,284.20	0.12
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**1,220.00**	1,270.00	1,310.00	2.24
Liberty (Type I-AU50)	**3,000.00**	3,000.00	2,150.00	151.42
Liberty (Type II-AU50)	**1,325.00**	1,325.00	1,375.00	11.04
Liberty (Type III-AU50)	**1,210.00**	1,260.00	1,285.00	1.41
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**11,902.00**	13,498.50	13,897.50	0.34
40% Silver Circ. (292 oz.)	**4,701.00**	5,360.00	5,000.50	-2.96
Silver Dollars Circ.	**21,750.00**	21,750.00	23,000.00	69.47

[1]Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $1,233.30 per ounce and silver at $16.59 per ounce. The weight in troy ounces of the precious metal in coins is indicated in parentheses.

Recent Market Returns[2]

Data through April 28, 2017

	U.S. Stocks (Mktwd)	Intern: Dev. Stocks	Intern: Emerg. Stocks	Global REITs	U.S. Bonds	Global Bonds ex-U.S (hedge)	Gold
1-month	1.06% ↑	2.13% ↑	2.19% ↑	0.62% ↑	0.77% ↑	0.25% ↑	1.74% ↑
3-month	4.89% ↑	5.93% ↑	7.98% ↑	1.99% ↑	1.40% ↑	0.57% ↑	4.42% ↑
1 year	18.58% ↑	10.75% ↑	19.13% ↑	1.34% ↑	0.83% ↑	1.49% ↑	-1.49% ↓
5 year (annualized)	13.57% ↑	6.19% ↑	1.49% ↑	7.42% ↑	2.27% ↑	1.76% ↑	-5.17% ↓
15 year (annualized)	7.90% ↑	5.98% ↑	9.62% ↑	8.36% ↑	4.55% ↑	2.93% ↑	9.88% ↑
Best and worst 12 month returns, Jan. 2001 - Feb. 2017							
Best	**56.0%**	**57.2%**	**91.6%**	**85.7%**	**13.8%**	**7.1%**	**57.6%**
During:	03/2009-02/2010	04/2003-03/2004	03/2009-02/2010	04/2009-03/2010	11/2008-10/2009	07/2008-06/2009	06/2005-05/2006
Worst	**-43.5%**	**-50.3%**	**-56.6%**	**-59.5%**	**-2.5%**	**0.1%**	**-27.4%**
During:	03/2008-02/2009	03/2008-02/2009	12/2007-11/2008	03/2008-02/2009	09/2012-08/2013	04/2010-03/2011	12/2012-11/2013

[2]For representative asset class indexes see box on page 38.

THE DOW JONES INDUSTRIALS RANKED BY YIELD*

	Ticker Symbol	Market Prices ($) 5/15/17	4/13/17	5/13/16	12-Month ($) High	Low	Latest Dividend Amount ($)	Record Date	Payable Date	Indicated Annual Dividend ($)	Yield† (%)
Verizon	VZ	45.38	48.62	50.94	56.95	45.76	0.5775	4/10/17	5/1/17	2.310	5.09
Chevron	CVX	106.85	106.10	100.74	119.00	97.53	1.080	5/19/17	6/12/17	4.320	4.04
IBM	IBM	151.51	169.53	147.72	182.79	142.50	1.500	5/10/17	6/10/17	6.000	3.96
Pfizer	PFE	33.12	33.88	33.19	37.39	29.83	0.320	5/12/17	6/1/17	1.280	3.86
Exxon Mobil	XOM	82.80	81.69	88.66	95.55	80.30	0.770	5/12/17	6/9/17	3.080	3.72
General Electric	GE	28.18	29.56	29.64	33.00	27.85	0.240	2/27/17	4/25/17	0.960	3.41
Cisco	CSCO	34.23	32.42	26.53	34.60	26.49	0.290	4/6/17	4/26/17	1.160	3.39
Coca-Cola	KO	43.73	42.79	45.35	46.01	39.88	0.370	6/15/17	7/3/17	1.480	3.38
Procter and Gamble	PG	86.33	90.03	81.23	92.00	79.41	0.6896	4/21/17	5/15/17	2.758	3.20
Boeing	BA	182.39	175.62	132.12	187.21	122.35	1.420	5/12/17	6/2/17	5.680	3.11
Intel Corp	INTC	35.63	35.25	29.91	38.45	29.50	0.2725	5/7/17	6/1/17	1.090	3.06
Caterpillar	CAT	102.42	93.10	70.07	105.98	69.04	0.770	4/24/17	5/20/17	3.080	3.01
Merck	MRK	63.51	62.61	53.88	66.80	53.98	0.470	3/15/17	4/7/17	1.880	2.96
Wal-Mart Stores	WMT	76.29	73.15	64.94	77.05	62.72	0.510	12/8/16	1/2/17	2.040	2.67
Johnson & Johnson	JNJ	126.99	124.99	113.56	129.00	109.32	0.840	5/30/17	6/13/17	3.360	2.65
McDonald's	MCD	146.28	130.76	128.83	145.50	110.33	0.940	3/1/17	3/15/17	3.760	2.57
Travelers	TRV	120.25	120.53	112.67	125.49	103.45	0.720	6/9/17	6/30/17	2.880	2.40
3M Company	MMM	197.63	188.65	168.32	199.90	163.17	1.175	5/19/17	6/12/17	4.700	2.38
J P Morgan	JPM	87.34	84.40	61.20	93.98	57.05	0.500	4/6/17	4/30/17	2.000	2.29
Microsoft Corp.	MSFT	68.43	64.95	51.08	69.71	48.04	0.390	5/18/17	6/8/17	1.560	2.28
Home Depot, Inc.	HD	157.33	145.91	133.13	158.15	119.20	0.890	3/9/17	3/23/17	3.560	2.26
United Tech.	UTX	120.92	112.09	100.27	121.95	96.89	0.660	5/19/17	6/10/17	2.640	2.18
Dupont	DD	79.46	77.44	62.91	82.37	61.12	0.380	5/15/17	6/12/17	1.520	1.91
American Express	AXP	78.33	75.80	64.12	82.00	57.15	0.320	7/7/17	8/10/17	1.280	1.63
Apple	AAPL	155.70	141.05	90.52	156.42	91.50	0.630	5/15/17	5/18/17	2.520	1.62
Unitedhealth Group	UNH	171.53	164.96	129.00	176.14	128.76	0.625	3/10/17	3/21/17	2.500	1.46
Walt Disney	DIS	109.13	113.20	100.52	116.10	90.32	0.780	12/12/2016	1/11/2017	1.560	1.43
Nike	NKE	53.77	55.34	57.31	60.33	49.01	0.180	6/5/17	7/5/17	0.720	1.34
Goldman Sachs	GS	225.12	223.32	155.34	255.15	138.20	0.750	6/1/17	6/29/17	3.000	1.33
Visa Inc.	V	93.23	88.87	76.83	92.98	73.25	0.165	5/19/17	6/6/17	0.660	0.71

* See the Recommended HYD Portfolio table on page 38 for current recommendations. † Based on indicated dividends and market price as of 5/15/17. Extra dividends are not included in annual yields. All data adjusted for splits and spin-offs. 12-month data begins 4/16/16.

RECOMMENDED INVESTMENT VEHICLES

Data as of April. 28, 2017	Security Symbol(s) (1) Mut. Fund	ETF	Avg. Market Cap / Avg. Maturity	Number of Holdings	Expense Ratio (%)	Turnover (%)	Price-to-Book Ratio	Trailing 12-Mo. Yield (%)	Annualized Returns (%) 1-Year	3-Year	5-Year	Tax Cost Ratio - 3 Years (%) (3)
Short/Intermediate Term Fixed Income												
Vanguard Short-Term Bond	VBISX	BSV		2.90 yrs.	0.15	51		1.31	0.60	1.28	1.09	0.60
SPDR Blmbg Barclays ST Corp Bd ETF		SCPB		1.99 yrs.	0.12	56		1.69	1.50	1.33	1.51	0.64
iShares 1-3 Year Treasury Bond ETF		SHY		1.97 yrs.	0.15	76		0.74	0.28	0.62	0.50	0.25
Vanguard Ltd-Term Tax-Exempt	VMLTX			3.00 yrs.	0.19	13		1.38	0.41	1.16	1.20	0.04
SPDR Nuveen Blmbg Barclays ST MunBd ETF		SHM		3.02 yrs.	0.20	23		0.98	0.25	0.91	0.95	0.00
Inflation-Protected Fixed Income												
iShares TIPS Bond ETF		TIP		8.34 yrs.	0.20	24		1.59	1.70	1.61	0.57	0.51
Vanguard Inflation-Protected Securities	VIPSX			8.50 yrs.	0.20	27		2.10	1.63	1.73	0.54	0.72
International Fixed Income												
Vanguard Total International Bond	VTIBX	BNDX		9.20 yrs.	0.15	20		1.79	1.80	4.02	n/a	0.70
Real Estate (REITs)												
Vanguard REIT	VGSIX	VNQ		9.91 B	0.26	7	2.19	4.26	4.64	8.81	8.96	1.45
SPDR Dow Jones REIT		RWR		11.14 B	0.25	10	2.34	4.00	3.73	8.27	8.45	1.56
Vanguard Global ex-US Real Estate (2)	VGXRX	VNQI		5.38 B	0.35	7	1.01	4.41	4.17	3.53	6.86	1.53
iShares International Developed Property		WPS		5.93 B	0.48	15	0.99	5.22	3.32	3.36	7.46	1.55
SPDR Dow Jones Global Real Estate ETF		RWO		9.08 B	0.50	9	1.58	3.49	1.23	4.98	7.19	1.38
U.S. Large Cap Value												
Vanguard Value	VIVAX	VTV		81.57 B	0.18	7	2.09	2.29	16.13	9.36	13.40	0.75
iShares Russell 1000 Value		IWD		57.78 B	0.20	16	1.81	2.17	16.34	8.07	13.12	0.69
U.S. Mid Cap												
Vanguard Mid-Cap ETF		VO		12.48 B	0.06	15	2.41	1.48	17.47	9.40	13.30	0.46
iShares Russell Mid-Cap		IWR		11.54 B	0.20	11	2.41	1.56	16.55	8.76	13.16	0.52
U.S. Small Cap Value												
Vanguard Small Cap Value	VISVX	VBR		3.26 B	0.19	18	1.79	1.71	20.26	9.78	14.12	0.66
iShares Russell 2000 Value		IWN		1.59 B	0.25	26	1.47	1.76	27.04	8.58	12.86	0.69
iShares Micro-Cap		IWC		0.46 B	0.60	25	1.71	1.14	24.98	7.39	12.93	0.45
U.S. Marketwide												
Vanguard Total Stock Market	VTSMX	VTI		48.69 B	0.15	4	2.61	1.76	17.81	10.25	13.28	0.59
Fidelity Total Market Index	FSTMX			48.49 B	0.09	4	2.61	1.64	17.91	10.30	13.33	0.86
Foreign - Developed Markets												
iShares MSCI EAFE Growth ETF		EFG		31.48 B	0.40	26	2.70	1.96	9.83	2.02	6.54	0.52
iShares MSCI EAFE Value ETF		EFV		34.25 B	0.40	26	1.15	3.02	14.78	-0.95	6.40	0.97
Vanguard Developed Markets	VDVIX	VEA		21.82 B	0.17	11	1.58	2.66	11.94	1.67	n/a	0.87
SPDR S&P International Small Cap ETF		GWX		1.00 B	0.40	20	1.27	2.59	13.93	4.83	7.96	2.08
Foreign - Emerging Markets												
Vanguard Emerging Markets Stock	VEIEX	VWO		13.89 B	0.32	13	1.56	2.10	17.66	2.17	1.32	0.94
Schwab Emerging Markets Equity ETF		SCHE		22.37 B	0.13	10	1.56	2.01	18.93	2.39	1.92	0.83
Gold-Related Funds												
iShares Gold Trust		IAU			0.25			0.00	-2.16	-0.78	-5.53	0.00
SPDR Gold Shares		GLD			0.40			0.00	-2.33	-0.93	-5.69	0.00

Data provided by the funds and Morningstar. (1) Some funds are available as mutual funds and ETFs, in which case both symbols are shown. In these cases, data represent the mutual fund. The ETF may offer a lower expense ratio and returns may deviate. For Vanguard funds, the Investor share class is shown. The Admiral share class, which has a higher minimum investment, may offer lower expenses. (2) VGXRX includes a 0.25% fee on purchases and redemptions, which are paid directly to the fund. (3) This represents the percentage-point reduction in an annualized return that results from income taxes. The calculation assumes investors pay the maximum federal rate on capital gains and ordinary income. The calculation comes directly from Morningstar.