



JUNE 2017

RECIPE FOR SUCCESS

Written by David Ferrucci

On June 4th, the oldest of Michele's and my three children, Maddie, saw her high school years come to a close. Over the course of her commencement weekend, I was struck by the parallels between two bookends, graduation and retirement.

Just as one would expect at an event for graduating seniors, as well as a dinner for retirees, those being honored were applauded for their numerous and varied achievements. At the same time, graduates and retirees are also offered words of encouragement and advice before embarking on their respective next chapters. Such wisdom is often summed up with a very simple *Good luck!* However, for the elders in the crowd – including yours truly – we know that all journeys require a lot more than good luck, and that simple truth may be the reason such observances always convey similar themes.

The keynote speaker at Maddie's graduation was Christopher Shays, U.S. Representative from Connecticut, 1987-2009. He urged the Class of 2017 to pursue their dreams: "Given the opportunities provided you, floating aimlessly from place to place is not an acceptable option. You owe it to yourself, and to those who have invested their time and love in you, to begin to understand who you are and what you want to become." Congressman Shays' continued by suggesting students, "patiently entertain dreams and allow them to gradually motivate and guide you."

"What you want to become" applies to all of us, regardless of age. Studies in the area of health and well-being support the importance of establishing and maintaining a vision of what we want our futures to look like. As discussed in previous editions of *balance*, George Vaillant, director of the Harvard Study of Adult Development,

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implores people of all ages to pursue. Pursue something! Set a target and start the journey. Vaillant cites numerous cases of individuals in their 40's – 90's who chase their dreams, pursuing them with vigor.

If Lesson One of the commencement guidebook is *Dream Big and Pursue*, Lesson Two is that we cannot do it alone. As Christopher Shays acknowledged, there are “those who have invested their time and love in you.” Likewise, in the years ahead, many people will continue to invest their time and love in graduates, as well as retirees and those who are somewhere in between. For each of us, such a list is seemingly endless. In this regard, Vaillant and others cite the importance of gratitude for those around us.

The student speaker on June 4th was chosen by her peers; a break from tradition that typically has the class valedictorian addressing fellow graduates and their guests. Drawing from her experiences over the previous four years, this smiling young woman urged her classmates to go forth with the *excitement* of a ninth grader, the *optimism* of a sophomore, the *hard work* of an eleventh grader, and the *fearlessness* of a senior.

Whatever your dream, goal, target, or vision for the future may be, pursue it with just that: excitement, optimism, hard work, and fearlessness. A proven recipe for success from high school well into retirement!

MARKETLIGHT

Presented by Paul Ferrucci

Positive month for markets as risks recede

The three major U.S. stock indices did well in May. The Dow Jones Industrial Average finished May with a 0.71-percent gain, and the S&P 500 Index rose 1.41 percent. Leading the pack was the Nasdaq, which was up 2.67 percent.

In the international equity markets, the MSCI EAFE Index rose 3.67 percent, and the MSCI Emerging Markets Index gained 2.98 percent. Faster global growth and diminishing political risks was encouraging to investors.

Driven by declining interest rates, the broader fixed income market, represented by the Bloomberg Barclays Aggregate Bond Index, was up 0.77 percent. Lower inflation data pulled the 10-year Treasury rate down, from 2.33 percent at the start of May to 2.21 percent by month-end.

The market expects the Federal Reserve to raise interest rates in June. An increase would reflect confidence in the economy. Currently, markets consider increases beyond June less probable, which also helped lower Treasury rates.

Economic slowdown fades

First-quarter U.S. gross domestic product growth was revised upward, from 0.7

percent to 1.2 percent. Much of the increase was due to positive revisions in personal consumption and business investment data. This led to expectations of faster growth for the rest of 2017.

Consumers spend more

Faster growth requires the ability to spend and the confidence to do so. The ability to spend comes from jobs, and jobs data reported in May was relatively strong.

Roughly 138,000 jobs were added in May. Wage growth was up, and unemployment and underemployment rates were down. With personal income improving, the consumer's ability to spend is there.

During May, the confidence necessary for spending growth was there as well. Both major consumer confidence measures remained near 14-year highs. For the first time in 2017, job growth and confidence led to higher consumer spending. Retail sales rose in April, and the low March levels were revised upward.

Political risks bear monitoring

Political risks remain, though recent risks haven't been as damaging as feared—in particular the French elections. But the U.S. situation is an area of concern. The ability of the Trump administration to move

forward on policy goals is unproven.

North Korea is still a flash point as well. Also, the potential Italian election later this year is raising concerns similar to those raised before the French plebiscite.

Future growth appears likely

Faster growth in consumer and business spending suggests that domestic economic growth should continue. Market resilience despite political uncertainty indicates that strong fundamentals support potential further gains. Other countries are doing well, which has led to the first synchronized global expansion since the financial crisis.

With hard economic data catching up to strong confidence levels, we could see [a *virtuous*] an opportunity for a positive cycle. Increased confidence leads to increased spending, which leads to higher levels of confidence and so forth.

In the short and intermediate terms, political and economic risks remain. Even with positive trends, we could see volatility. As always, investors should brace for that possibility. A well-diversified portfolio aligned with financial goals is still the best way to prepare for the future.

All information according to Bloomberg, unless stated otherwise.

The Ferrucci Company is a wealth management boutique to which families turn for financial guidance and leadership, freeing them to pursue their most important goals and values.

David Ferrucci: Over twenty-five years ago, David began helping individuals, couples, and families make balanced – and smart! – financial decisions. Earning Bachelor's and Master's degrees from Trinity College, he focused his studies within the field of behavioral finance; an academic discipline that factors human elements into traditional economic assumptions. David also earned a Master's degree from Columbia University, where he examined the complex relationship between personal finance and family dynamics. Currently, he is pursuing a Master of Philosophy degree through Wesleyan University, deepening his understanding of personal, family, community, and global matters as they relate to finances. Today, David's expertise lies in the macro-economic realm of coordinating, synchronizing, and advancing individual and family goals.

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balance is a monthly feature written by Paul and David Ferrucci,
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