



MARCH 2017

WHY DOESN'T EVERYONE DO THIS?

Written by David Ferrucci

Recently, on the same day, I visited two friends; with one for coffees and the other for lunch. Both are long-time clients of The Ferrucci Company, and both posed a question I hear with surprising regularity: "Why doesn't everyone do this?"

This is an oft-used word to indicate a person, thing, idea, event, time, or remark as being present, near, just mentioned, or pointed out. *This* is understood by both parties: speaker and listener; author and reader. The question – *Why doesn't everyone do this?* – implies approval and often joy!

Why doesn't everyone play beautiful golf courses?
(a personal favorite!)

Why doesn't everyone take a polar plunge in the Atlantic?
(which I've done, though not again soon!)

Why doesn't everyone skydive?
(exhilarating, I'm sure, but not something I'll do!)

I have long enjoyed the work of Edward Diener, Professor of Psychology at the University of Illinois. Dr. Diener has spent decades researching the notion of happiness and its connections to various aspects in life, money being one of them. In academic parlance he refers to happiness as "subjective well-being" because it is, says Diener, "How people evaluate their lives and what is important to them." Throughout his research, Diener has been asked, countless times, whether money buys happiness. He suggests, "If pressed to reduce the answer as simply as possible, I would respond to the

Subjective well-being:
How people evaluate
their lives and
what is important to them.

*"Why doesn't everyone
do this?"*

question by saying, 'Yes, money buys happiness, but there are important exceptions.'"

Many are familiar with the Biblical passage, "For the love of money is the root of all evil." Diener, and others whom have studied connections between happiness and money, are often quick to point out, either directly or otherwise, that the Apostle Paul was on the mark: that love of money is one of those exceptions. The verse in I Timothy concludes with a caution that those who do love money "pierce themselves with many sorrows." On the other hand, money is connected positively with happiness in that it enables us to pursue those things most important to us, alongside the people whom are most important to us, and in the places that are most important to us; whether on a beautiful golf course, in the icy Atlantic, or free-falling from 15,000 feet!

Returning to my aforementioned visits for coffees and lunch, I had been asked the question – *Why doesn't everyone do this?* – in the context of a discussion about *balance*; balance relative to personal finances in general and The Ferrucci Company in particular.

Why doesn't everyone do this? ...make smart decisions about money?

Why doesn't everyone do this? ...enjoy a meaningful relationship with Paul, Frank, and me; a meaningful relationship with The Ferrucci Company?

My stock answer seems to be, quite simply, that people don't know. While skilled and targeted advertising on television may give the impression that everyone does **this** (makes smart decisions about money) and has **this** (a meaningful relationship with their advisor), research suggests otherwise.

Paul, Frank, and I are grateful for **this**: our calling to help you make smart decisions about money, and our enjoyable and meaningful relationships! We invite you to share **this** with those you care about deeply!

MARKETLIGHT

Presented by Paul Ferrucci

Another great month for stock markets

The major U.S. indices posted impressive gains in February, with the S&P 500 Index, Nasdaq, and Dow Jones Industrial Average up 3.97 percent, 3.91 percent, and 5.17 percent, respectively. All three set multiple all-time highs during the month.

The rally was bolstered by better fundamentals and improving sentiment. As of February 24, with 92 percent of S&P 500 companies having reported, the blended earnings growth rate for the fourth quarter of 2016 was 4.9 percent, rising from 3.1-percent growth forecasted at the end of last year.

Consumer and business sentiment also improved last month. Technically, the news was good, with the three U.S. indices remaining comfortably above their 200-day moving averages throughout February.

The MSCI EAFE Index (international equities) gained 1.43 percent in February on better economic news across Europe. Additionally, the MSCI Emerging Markets Index rose 3.07 percent, spurred by improving commodity markets and uptrends in economies around the globe. On the technical side, both indices stayed above their 200-day

moving averages throughout the month.

Fixed income markets had a strong February, with the Bloomberg Barclays Aggregate Bond Index up a healthy 0.67 percent and the Bloomberg Barclays U.S. Corporate High Yield Index gaining 1.46 percent.

Consumers able and willing to spend

After signs of a slowdown in January, economic indicators rebounded and now point toward possible faster growth ahead. Hiring continued strong, with a surprising 227,000 jobs created in January. The labor-force participation rate also grew, and wages rose during the period.

Both measures of consumer confidence were near multiyear highs in February. The Conference Board metric reached levels not seen since 2001. The impact of the healthy job market and increased consumer confidence has begun trickling down through the economy, with consumer spending and retail sales beating expectations last month.

Business confidence and housing market strong

The ISM Manufacturing and Non-Manufacturing indices remained in solid expansionary territory during February. U.S.

durable goods orders posted strong growth in January, though much of the growth was due to increased aircraft orders.

Housing was also on the upswing. Existing and new home sales rose, with the former reaching levels last seen in early 2007. Housing starts were also up in February, indicating that faster growth in housing is a distinct possibility.

Even the Federal Reserve remains optimistic

The probability of a rate hike announcement after the March 14–15 Federal Open Market Committee meeting rose to roughly 80 percent by February's end. An increase would signal confidence in continued economic improvement, though it could lead to some market volatility.

International risks are on the rise

International risks may play a growing role in future market volatility. Elections in Europe—namely, parliamentary elections in the Netherlands in March and the French presidential election in April—have the potential to shake global financial markets.

In Asia, concerns about the relationship between the U.S. and China persist. The yuan is still near multiyear lows against the dollar, driving trade tensions with the U.S. and capital flight

by China's citizens. Moreover, tensions surrounding China's development on islands in the South China Sea continue to rise.

Recovery picking up speed

Despite the risks, the U.S. economy continues to recover and may be accelerating. The improving economic fundamentals released in February strongly suggest that

January's slowdown was fleeting. In fact, high levels of consumer and business confidence seem to be having a positive impact on spending, which could lead to faster growth in 2017.

With markets setting records, it is natural to be optimistic about the future but also concerned about whether the good times will last. In the short run, prospects look good; however,

even if the risks engender a pullback, the solid economic conditions should limit the downside. The possibility of short-term volatility is present, but a well-diversified portfolio with a time horizon matching client goals can be the best way to achieve financial goals.

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.

david@ferruccicompany.com
1-800-633-3051

Paul Ferrucci: Over twenty-five years ago, Paul 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 in the areas of financial economics, applied portfolio theory, and personal finance. Paul completed the University of Pennsylvania's Private Wealth Management Program at Wharton School, where he examined a rich assortment of personal and family case studies. Today, Paul's expertise lies in the micro-economic realm of portfolio management, cash flow management, and multi-generational asset transference; all with the aim of advancing individual and family goals.

paul@ferruccicompany.com
1-800-633-3051

balance is a monthly feature written by Paul and David Ferrucci,
and presented by The Ferrucci Company for the education and enjoyment of others.

Disclosure: *Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Past performance is not indicative of future results. Diversification does not assure a profit or protect against loss in declining markets. All indices are unmanaged and investors cannot invest directly into an index. The Dow Jones Industrial Average is a price-weighted average of 30 actively traded blue-chip stocks. The S&P 500 Index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is 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. It excludes closed markets and those shares in otherwise free markets that are not purchasable by foreigners. The Barclays Capital Aggregate Bond Index is an unmanaged market value-weighted index representing securities that are SEC-registered, taxable, and dollar-denominated. It covers the U.S. investment-grade fixed-rate bond market, with index components for a combination of the Barclays Capital government and corporate securities, mortgage-backed pass-through securities, and asset-backed securities. The Barclays Capital U.S. Corporate High Yield Index covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. Asset allocation programs do not assure a profit or protect against loss in declining markets. No program can guarantee that any objective or goal will be achieved. This month's "MarketLight" authored by Brad McMillan, senior vice president, chief investment officer, and Sam Millette, investment research associate, at Commonwealth Financial Network®. © 2017 Commonwealth Financial Network®*

###

David Ferrucci and Paul Ferrucci are financial advisors located at The Ferrucci Company, 2 South Main Street, Essex, CT, 06426. They offer securities and advisory services as Investment Adviser Representatives of Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Adviser. © 2017 The Ferrucci Company 1-800-633-3051