



Market Commentary May 23, 2016

Dear Investors:

A mobile trivia game maker recently assessed the playing habits of Americans and identified the most popular topics by state. As it turns out, Alabamians like college football questions, Alaskans like queries about U.S. states, Rhode Island natives prefer inquiries about the human body, and Wisconsinites love their Green Bay Packers.

We think markets, finance, and economics offer fine fodder for quiz trivia. Test your knowledge with these questions about recent and pending market events:

- **What is ‘Brexit?’** The United Kingdom will hold a referendum in June to decide whether it should remain in the European Union. According to the *BBC*, opinion polls say the public is pretty evenly divided on the issue. ‘Brexit’ stands for ‘British exit.’
- **How likely is a stock market swoon during the next six months?** A lot less likely than most investors think, according to a three-decade study conducted by the *National Bureau of Economic Research* and cited by *Barron’s*. The study asked participants how likely it was the market would lose significant value – as much as it did during the worst one-day drops in history (down 22.6 percent and down 12.8 percent) – during the next six months:

“On average over the last three decades, respondents believed there to be a 19 percent risk of such a daily plunge in the subsequent six months... Given that there have been more than 32,000 trading sessions since then, the judgment of at least this swath of history is that in any given six-month period there is a 0.79 percent chance of a daily crash that severe.”
- **Which country is the biggest foreign buyer of U.S. residential real estate?** Here’s a hint: It starts with the letter ‘C’. If you guessed Canada, you are incorrect. *Barron’s* reported China surpassed Canada as the biggest buyer of U.S. residential real estate in 2015. U.S. commercial real estate is pretty popular with the Chinese, too.

Here’s another question analysts and economists have been pondering: Will the Federal Open Market Committee raise rates in June? The probability jumped from 4 percent two weeks ago to 30 percent last week, according to *CNBC*.

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Data as of 5/20/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.3%	0.4%	-3.5%	7.2%	9.0%	5.0%
Dow Jones Global ex-U.S.	-0.1	-2.7	-16.6	-3.4	-2.0	-0.4
10-year Treasury Note (Yield Only)	1.9	NA	2.3	2.0	3.2	5.0
Gold (per ounce)	-0.9	18.1	3.6	-2.5	-3.5	6.8
Bloomberg Commodity Index	0.5	8.0	-17.6	-13.8	-12.2	-7.0
DJ Equity All REIT Total Return Index	-2.5	4.5	7.6	6.1	10.6	7.2

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

AS YOU APPROACH THREE SCORE YEARS AND TEN, DON'T FORGET ABOUT REQUIRED MINIMUM DISTRIBUTIONS. Upon the occasion of his 70th birthday party, Mark Twain (a.k.a. Samuel Clemens) commented, "We have no permanent habits until we are forty. Then they begin to harden, presently they petrify..."

Whether Twain was right or not, the federal government demands most IRA owners develop a new habit at age 70. They must begin taking required minimum distributions, or RMDs, which are the minimum amount that must be withdrawn from most types of IRAs the year the owner reaches age 70½, and every year thereafter. Account owners can take more than the minimum, if they choose. Regardless of how much is distributed, the amount usually will be treated as ordinary income for tax purposes.

According to *Kiplinger's*, "...you have until April 1 of the year after you turn age 70½ for the first withdrawal, then you must take required withdrawals by December 31 every year after that."

The exception to the rule is the Roth IRA. RMDs are not required with Roth IRAs; however, designated Roth accounts, which hold Roth contributions made to 401(k), 403(b), and 457(b) plans, are subject to RMDs.

It's important to calculate RMDs carefully. There are several variables to consider, including the age of your beneficiaries. The consequences of a miscalculation can be expensive. Failing to take an RMD, or taking too small an RMD, can result in a 50 percent penalty tax.

If you would like assistance determining the amount of your RMD, please contact your financial professional.

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Weekly Focus – Think About It

“Let us never forget that government is ourselves and not an alien power over us. The ultimate rulers of our democracy are not a President and senators and congressmen and government officials, but the voters of this country.”

--Franklin D. Roosevelt, U.S. President

Best regards,



John Y. Kim, J.D., LL.M.
President

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

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- * Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
- * Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
- * The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- * The Standard & Poor's 500 (S&P 500) is an unmanaged index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
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- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

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- * Consult your financial professional before making any investment decision.
- * Stock investing involves risk including loss of principal.

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