



D | A | DAVIDSON

10250 Regency Circle, Ste. 400
Omaha, NE 68114
(402) 898-1700
(866) 865-1700
Fax: (402) 392-7833
www.dadavidson.com
D.A. Davidson & Co. member SIPC

Happy belated Independence Day, where in 1776 a small group of 56 brave men signed a document that said they wouldn't be told what to do without having some say in it all. It's hard to comprehend the risks they were willing to take, but we have certainly been the beneficiaries of their courage.

Fast forward a little more than 241 years and today we have unemployment down to 4%, interest rates at historic lows, tame inflation, rock bottom gas prices and the stock market near all-time highs...so why the focus on defense rather than offense in your portfolios? It's a fair question. We've discussed our concern about overpaying for faster growing companies and our caution regarding rising interest rates in the last few quarterly updates, so we won't repeat ourselves. Fortunately, there are a few investments we think might prove rewarding for those with a little patience, so we continue to nibble at what we perceive to be reasonably priced companies, most of which haven't participated much in the recent market rally. We've also been sticking with our investments in highly rated bonds with shorter maturities. We continue to make gradual progress in your portfolio. In the meantime, we'll "stay calm and carry on".

On a more personal note, this has been an interesting year for our team (beyond the D.A. Davidson merger) as most of us have experienced our own financial challenges/opportunities. Our list includes shopping (and paying) for college, evaluating Medicare supplement options, caring for an aging parent, moving a spouse to assisted living, helping pay for a wedding, turning on social security, buying a vacation home, managing rental property and helping a child with the purchase of a home. We suspect and hope that we become better advisors with first-hand knowledge when dealing with the challenges we try to help our clients navigate. What follows is a brief recap of a little of what we've learned:



Susan Koesters, Associate Financial Advisor:

A regular question asked by clients is "should we invest in rental real estate?" It can be a good fit in an investment portfolio depending on certain factors. My husband and I have owned rental real estate (single family, multi-family and commercial) for more than 15 years and I wanted to share some reasons it's worked in our situation. We manage the properties ourselves

and my husband does almost all of the repairs. We also made the conscious decision to only own rental property in the town where we live, mostly for convenience and because we know and understand the market. With my law background, I handle the leases, evictions (none so far!), late rent and other rental issues. In keeping our expenses low and now owning each property except the newest one without debt, we have kept our rental rates below market to reduce tenant turnover. This allocates more of the return to appreciation of the property, which becomes realized at some point when we sell the properties. So, in addition to a balanced portfolio of stocks, bonds and cash, it can be reasonable to have investment real estate as one “leg of the stool”. But one thing to remember is...the stock market will never call and say my toilet is backed up!



Jennifer Digilio, Registered Client Associate:

I currently spend much of my time outside of work helping my elderly mother. Do you have an elderly parent, friend, relative who needs assistance? There are many resources out there that can help and here are a couple of the ones I have found helpful:

ENOA-Eastern Nebraska Office on Aging

<http://enoa.org/>

Whether you would like to volunteer with them or actually need assistance, these folks have been very informative and supportive in helping my mom. They have resources for those who may need a ride to the doctor or just assistance with every day household chores.

Bridge to a Better Living

<https://bridgetobetterliving.com/>

Is it getting harder for your loved one to take care of themselves on their own in their home? Most elderly do not want to leave their homes, but sometimes it is in their best interest to take the next step to having full-time or part-time care. These folks have a unique way of gathering information on your loved one and then finding the retirement community that best suits their needs, hobbies and interests, all while giving them the choice so they don't feel like they are being forced into something they are not ready for!



Kelli Damgaard, Senior Registered Client Associate:

Our family has entered the world of preparing to send a child off to college and there have been many changes since I went to school! One thing that we keep hearing as we visit colleges with our daughter is that each student/parent should file a Free Application for Federal

Student Aid (FAFSA), even if you don't have a need for financial aid. As stressful as completing the FAFSA can be, the process has improved. Beginning this year, you can file the FAFSA electronically beginning October 1st instead of the previous January 1st, which is helpful for colleges to review earlier and determine your child's award package. In regard to the FAFSA, 529 college savings plan accounts are counted if owned by the student or the parent, which means 529 accounts owned by a grandparent aren't counted. If a grandparent withdraws funds to pay the student's college expenses, it will be counted as student income on the following year's FAFSA and it's assessed at 50%. There are also a few websites that are helpful in determining scholarships specific to your child based on merit, we have used www.raise.me and www.scholarshipmastry.com. Lastly, if your child is interested in a school, it's a good idea to schedule a visit because talking with the faculty and the feeling you get on campus may be better than you expect!



Russ Manners, Senior Vice President, Financial Advisor:

Although I've got a few years to go before signing up for Medicare, I do have a few family members near and dear to me that we've recently helped through the process. Here are a few things I've learned:

- 1) A healthy 65 year old couple can expect to spend about \$322,000 on Medicare and dental insurance in retirement, according to Healthview Services. Today, the maximum monthly social security benefit is \$2,687 and the average is \$1,342.
- 2) Signing up is not so simple. To begin, it's important to get the timing right. The sign up period starts three months before the month you turn 65, and ends three months after. Don't procrastinate, start looking at your options and begin educating yourself early.
- 3) A Medicare Supplement Insurance (Medigap) policy, sold by private insurance companies, helps pay some of the costs that Medicare doesn't cover, like copayments and deductibles. Some policies even cover healthcare outside the U.S. You have many choices when choosing a supplemental policy, and it's not "one size fits all." We found it helpful to shop around for a knowledgeable agent to help us weigh the options. If you need a recommendation, please let us know.
- 4) Beware of "high income" surcharges. If your modified adjusted gross income is over \$85,000 (\$170,000 for joint filers), the monthly surcharge starts at \$53.50 and tops out at \$294.60.

Our primary mission in our advisory relationship with you revolves around building and managing a portfolio that is best suited to your unique circumstances. However, over the years, we've come to realize that many of your "unique circumstances" involve challenges beyond whether a municipal bond or utility stock might be best. Of course we are hardly experts in the areas mentioned above, but we are experienced and often know where to find good, honest expertise. We hope this adds to the value we bring to the table and are happy to talk over a cup

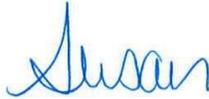
of coffee (tea for Susan!). Finally, if you notice that the normally very joyful and upbeat Kelli seems a little down a year from now, remember to remind her why going away to college is such a valuable and often enlightening experience.

As always, we thank you for your confidence. We seem to be “leaning against the crowd” a little these days and that’s not easy without trusting clients. Enjoy the rest of your summer.

Sincerely,

A handwritten signature in blue ink, appearing to read "Russ".

Russ Manners
Sr. Vice President
Financial Advisor

A handwritten signature in blue ink, appearing to read "Susan".

Susan Koesters, CAP®
Associate Financial Advisor