



Roadmap to Retirement Series:

Financial Planning — What You and Your Clients Need to Know to Prepare for a Successful Retirement

Presented by the Senior Lawyers Section

Thursday, June 6, 2019

Special thanks to our series sponsor for their support



Ben F. Wells, Esq.

Ben Wells is a Partner in *Dinsmore & Shohl's* Corporate Department, leads the firm's Fringe Benefits Committee and is the former head of the Firm's Tax, Benefits and Wealth Planning Practice Group. Over a period of more than 25 years, Ben has advised and counseled clients on a full range of issues relating to employee benefits, executive compensation and business succession planning.

Ben works with employers of all sizes, both public and private, to assist with the design and implementation of their qualified and non-qualified retirement plans, including stock option, deferred compensation and incentive plans. Ben advises boards of directors and compensation committees on senior executive compensation, including the requirements of Sections 162(m), 280G and 409A of the Internal Revenue Code. Ben also represents senior executives in the negotiation of employment, incentive, change in control and severance agreements.

Ben is also a nationally recognized authority on employee stock ownership plans (ESOPs), and he is a frequent author and lecturer on ESOP issues. He counsels ESOP trustees, fiduciaries, sponsors and lenders on the requirements of the Internal Revenue Code and ERISA as they relate to ESOPs and he illustrates strategies in the use of ESOPs as tools of business planning and succession.




Ben has received the Certified Exit Planning Advisor, or CEPA, certification through the Exit Planning Institute. The CEPA designation enables its participants to better serve business owners by integrating succession planning into their business, personal, and financial goals.



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Community Outreach:

- Chartered Financial Analyst Institute – Member
- Chartered Financial Analyst Society of Cincinnati – Member

Favorite HORAN Fundamental:
Do What's Best for the Client

3 Words that Describe Mark:
Trusted | Advisor | Thoughtful

Ask Me Anything: What is something interesting about you?
Mark's Answer: I love to travel, cook and spend time with my wife, Kim, and our three, soon-to-be, adult children.

Horan Capital Advisors is an SEC registered Investment Advisor.

Mark A. Bennett, CFA®, Portfolio Manager & Principal, is a senior strategist and advisor at HORAN Capital Advisors. For more than 35 years, Mark has focused on developing customized client portfolio strategies through in-depth security selection. He has extensive experience collaborating with high net worth and institutional clientele. He believes the rapidly changing global environment requires investors to develop a new thought process around the risk and reward spectrum of investments while maintaining the basic tenets of solid fundamental investing. Creating successful solutions that protect client lifestyles, allowing them to sleep at night is the most rewarding aspect of his business.

AREAS OF EXPERTISE



Tax & Wealth Transfer



Simplifying the Complex



Securities Analysis



Portfolio Management

EDUCATION

- University of New Mexico – Bachelor of Science in Business Administration
- Chartered Financial Analyst (CFA®) designation

ABOUT HORAN CAPITAL ADVISORS

HCA is an independent, investment advisory practice focused on the investment and planning needs for high-net worth families and institutions. HCA is dedicated to forming lifelong relationships with their clients while helping them develop customized investment portfolios and providing counsel on business and family planning.



Anna K. Pfahler, CFP®, AEP®


Director of Financial Planning


Anna K. Pfahler, CFP®, AEP®, brings context and clarity to complex situations through comprehensive financial planning and unbiased objective advice so that executives and business owners can make informed decisions about their wealth. Anna is passionate about what she does because she is able to blend being an expert and a guardian. She uses highly technical tools to secure and protect families.

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Community Outreach:

- Phi Beta Kappa - Honors Society
- Omicron Delta Epsilon - Economics Honors Society
- United Way BOLD Program, 2015
- Cincinnati Estate Planning Council, since 2014
- Estate Planning Council of New York City, 2010-2014
- Girls on the Run Cincinnati, Treasurer since 2017

Awards:

- American College of Financial Services 2017 Millennial Advisor Award
- Virginia Swinburne Brownell Prize in Economics
- 5 time marathon finisher

Favorite HORAN Fundamental:
Make Quality Personal

3 Words that Describe Anna:
Cruciverbalist | Marathoner | Capricorn

Ask Me Anything: Who is your favorite Disney princess?

Anna's Answer: Goofy

AREAS OF EXPERTISE



Business Succession Planning



Income and Estate Taxes



Cash Flow Planning



Family Wealth

EDUCATION

- Accredited Estate Planner (AEP®) designation, since 2018
- American College of Financial Services – Business Succession Planning Certificate
- Boston University – Financial Planning Program
- Vassar College – BA in Economics, Cum Laude
- London School of Economics – General Course, Economics
- Certified Financial Planner, since 2009
- National Social Security Advisor, since 2014

ABOUT HORAN

HORAN creates plans to control health care costs, protect your wealth and insure your life. But the end game for all that we do at HORAN is more than a set of plans. We believe good health and true wealth create a better quality of life for our clients and their families.

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**Practitioner's Roadmap
to Retirement Planning**
Cincinnati Bar Association
June 6, 2019




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What we will cover

- What retirement savings vehicles are available?
- How much can I contribute?
- What else do I need to know?



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What savings vehicles are available?

- Qualified plans
- IRAs and related vehicles
- Other tax-favored vehicles

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Qualified plans

- “Qualified” under Section 401(a) of the IRC
- 2 categories:
 - **Defined contribution plans**
 - Individual account for each participant
 - Contributions and investment earnings credited to the account
 - Retirement benefit = account balance
 - **Defined benefit plans**
 - Traditional “pension” plan
 - Promises a specific benefit at retirement
 - Funded by the employer based on actuarial calculations

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Qualified plans (cont.)

Characteristics common to each category

- » Deductible contributions
- » Tax-exempt trust or annuity contract
- » Favorable treatment for distributions

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Defined Contribution Plans

- 401(k) Plan
- Profit Sharing Plan
- 403(b) Annuity
- 457(b) Plan
- Other (money purchase plan, ESOP, etc.)

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401(k) Plan

- » **Funded with employee contributions or a combination of employer/employee contributions**
- » **Limits:**
 - Employee deferrals: \$19,000 (\$25,000 if 50+)
 - May be regular (pre-tax) or Roth (after-tax)
 - Employer contributions: \$56,000 (less employee deferrals)
 - May include an employer matching or profit sharing contribution
 - Also deduction limit (25% of compensation)
 - Eligible compensation limited to \$280,000 per year (applies to all qualified plans)
- **Investment usually directed by the participant**
- **Distributions restricted before age 59-1/2**
 - » Separation from service
 - » Hardship
 - » Loan

Profit Sharing Plan

- Generally funded with employer contributions
- Several design options available
 - Straight compensation
 - “integrated” with Social Security
 - Age based
 - Cross-tested
- May allow in-service withdrawals
- May be subject to forfeiture (vesting)
 - 3 year “cliff”
 - 6 year graduated

403(b) Annuities

- Sponsors limited
 - 501(c)(3) organizations
 - Public schools
 - Churches
- All employees eligible
- Limited investment options
 - Usually employee-directed
- Limits:
 - Employee deferrals: \$19,000 (\$25,000 if 50+)
 - Employer contributions: \$56,000 (less employee deferrals)
 - May include an employer matching or profit sharing contribution
- Distributions restricted
 - Similar to 401(k) rules

457(b) Plan

- » Sponsors limited
 - 501(c)(3) organizations
 - State & local governments
 - Public schools & colleges
 - Churches & church-controlled orgs
- » Generally limited to key employees (except for governmental & church sponsors)
- » Employer and employee contributions permitted (combined limit)
- » Limits:
 - \$19,000 per year
 - Special catch up contribution
 - » Last 3 years before retirement
 - » Twice the normal annual limit, or
 - » Unused limits from prior years
 - Limits not combined with other plans

Defined Benefit Plans

- » Traditional
 - Benefit typically expressed as an annuity at retirement
 - Contributions (typically employer only) actuarially determined
 - May be subject to PBGC premiums
- » Cash Balance
 - Benefit expressed as a \$\$ amount
 - Increasingly common for professional firms
 - May be combined with a DC plan
 - Allows owners to make significantly larger contributions

IRAs and Related Vehicles

- Traditional IRA
- Roth IRA
- Simplified Employee Pension (SEP)
- SIMPLE Plan

Traditional IRA

- Annual contribution limits:
 - \$6,000 (<50)
 - \$7,000 (50+)
 - Cannot exceed earned income
 - No contributions after 70-1/2
- Deductibility limited if participant in another plan
 - » Phaseout begins if MAGI over \$103K (married)
 - » Phaseout completes at \$123K MAGI
 - » \$64K - \$74K phaseout for single filers
- Individual controls investment – but
- WATCH OUT for prohibited transaction rules
- Distributions before age 59-1/2 subject to 10% penalty
- Minimum distributions at age 70-1/2
- Distributions taxable (in excess of basis)

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Roth IRA

- Contribution limits the same
- No deductible contributions
- May not be eligible if MAGI:
 - >\$122,000 - \$137,000 (single)
 - >\$193,000 - \$203,000 (married)
- Contributions cannot exceed earned income
- No age limit
- Distributions not taxable (subject to restrictions)
- No minimum required distributions (during life)
- Can “convert” a regular IRA into a Roth IRA

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Simplified Employee Pension (SEP)

- Employer contributes to IRAs
- Contributions must be made for every employee who
 - Is over age 21
 - Earned \$600
 - Performed services in 3 of the preceding 5 years
- Contribution Limit: lesser of
 - » 25% of compensation, or
 - » \$56,000
- Employer contributions only

SIMPLE Plan

- Limited to employers w/ 100 or fewer employees
 - » \$5,000+ in compensation
- Any type of employer eligible
- Employees must be eligible if they
 - » Received at least \$5,000 comp in any of the 2 preceding years, and
 - » Is expected to earn \$5,000 this year
- » Contributions
 - » Made to a SIMPLE IRA for each employee
 - » Employee deferrals
 - \$13,000 limit + \$3,000 catch-up for 50+
 - » Employer Matching (up to 3%) or
 - » Employer non-elective (2%)

Other tax-favored vehicles

- HSAs
- Nonqualified deferred compensation
- Life Insurance

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Let's *Accomplish* more.™ Together.

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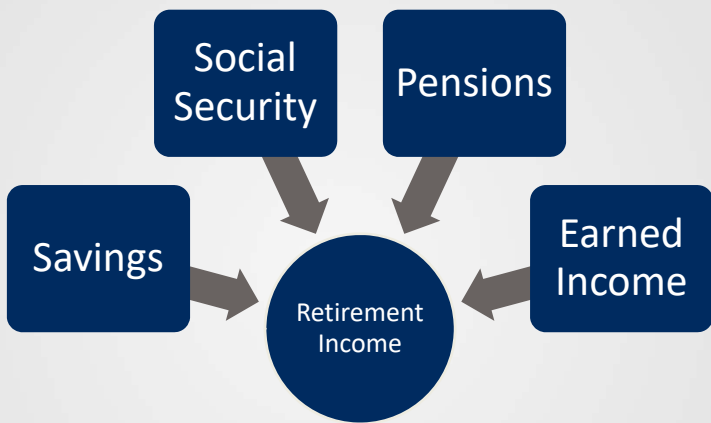

CBA Practitioner's Roadmap to Retirement Planning

Anna K. Pfahler, CFP[®], AEP[®] Director of Financial Planning
Mark Bennett, CFA, Principal and Portfolio Manager

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Retirement Income



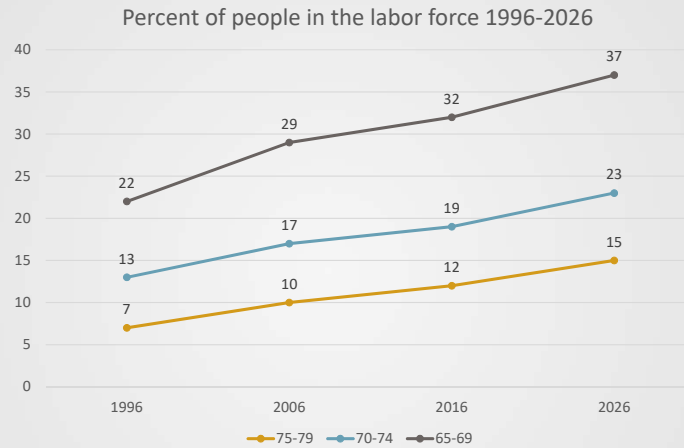
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graph TD; SS[Social Security] --> RI((Retirement Income)); P[Pensions] --> RI; S[Savings] --> RI; EI[Earned Income] --> RI;
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Earned Income



Bureau of Labor Statistics, Employment Projections

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Working in Retirement

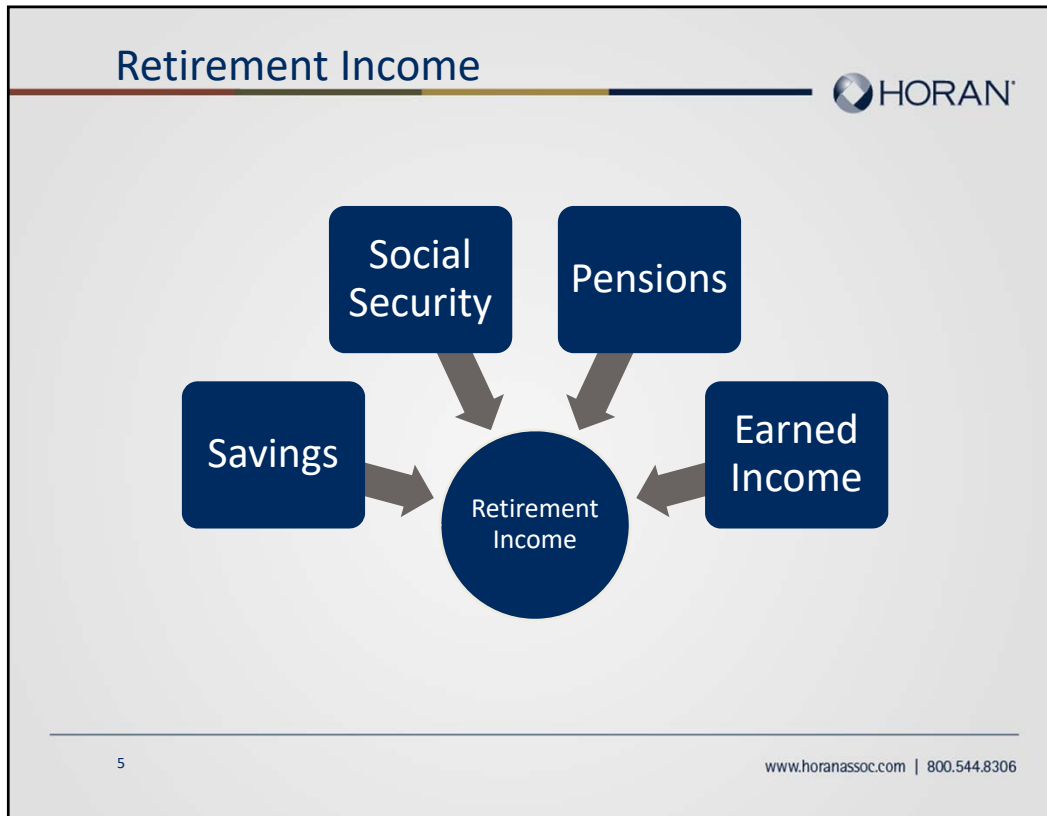


- Can contribute to savings
 - Traditional IRAs will not permit contributions after age 70 ½
- Delay taking distributions from savings
- Postpone Required Minimum Distributions from an employer retirement plan
 - Cannot own more than 5% of the company
- Social Security does have an earnings test before you reach Full Retirement Age. However, you are not penalized for working.

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Social Security

A central blue circle labeled "Retirement Income" is surrounded by four blue rectangular boxes: "Social Security" (top), "Pensions" (top right), "Savings" (left), and "Earned Income" (right). Arrows point from each of these four boxes toward the central circle, indicating that these four sources contribute to the total retirement income.

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- At age 62, each year's earnings are tallied and indexed for inflation.
- Highest 35 years of earnings are averaged (AIME).
- AIME is divided by three "bend points" to determine your primary insurance amount (PIA). This is the amount you'll receive at full retirement age.
- Benefit is increased each year by cost-of-living adjustments (COLAs).

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Social Security



Year of Birth	Full Retirement Age
1943-54	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

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Social Security



If you take benefits early you will receive a percentage of your PIA.

Apply at Age	If FRA = 66	If FRA = 67
62	75.0%	70%
63	80.0%	75%
64	86.7%	80%
65	93.3%	86.7%
66	100%	93.3%
67		100%

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Social Security



If you apply after FRA, you will earn 8% annual delayed retirement credits.

Apply at Age	Benefit will be % of PIA if FRA = 66	Benefit will be % of PIA if FRA = 67
66	100%	93.3%
67	108%	100%
68	116%	108%
69	124%	116%
70	132%	124%

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Social Security



Your family members may receive auxiliary benefits

- Spousal Benefits
- Divorced Spouse Benefits
- Survivor Benefits
- Children's Benefits

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Social Security



Spousal Benefits:

- 50% of the primary worker’s PIA if started at full retirement age
- Primary worker must have filed for benefits
- Spousal benefits are reduced if taken before Full Retirement Age
- No delayed credits on spousal benefits after 66
- Restricted Application is still available at Full Retirement Age for those born before January 2, 1954.

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Social Security



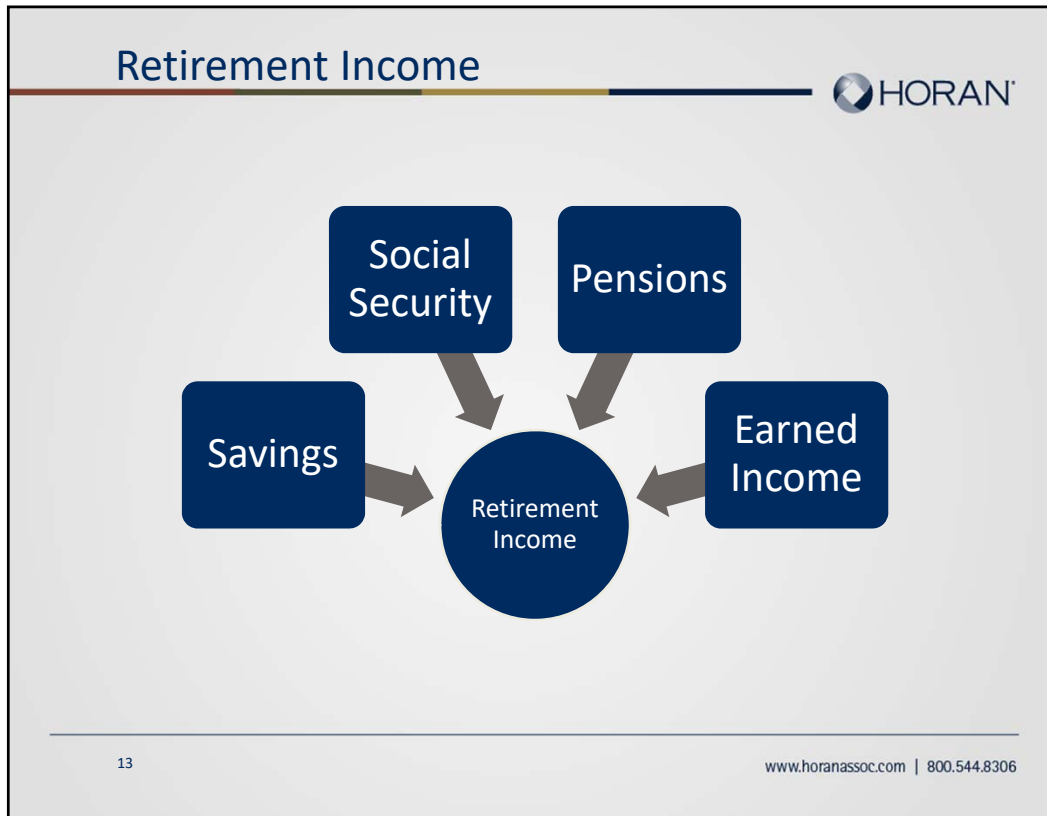
Survivor benefit will depend on:

- The age at which the deceased spouse originally claimed benefit (the “original benefit”).
 - If claimed before FRA, survivor benefit will be limited to the higher of the deceased spouse’s benefit or 82.5% of PIA.
 - If claimed after FRA, the survivor benefit will include delayed credits.
- The age at which the widow claims the survivor benefit (the “actual benefit”).
 - If claimed before FRA, survivor benefit will be a fraction of the original benefit (e.g. 71.5% if claimed at 60).
 - If claimed at FRA or later, survivor benefit will equal 100% of the original benefit.

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Pensions

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As an annuity...

- Regular income for the rest of your life
- Long-term profit
- Survivor's benefits
- Management outlays for investments
- No capital for heirs (beyond a certainty period)

As a lump-sum payment...


- Financial flexibility
- Investment opportunity
- Remaining capital retained for your heirs

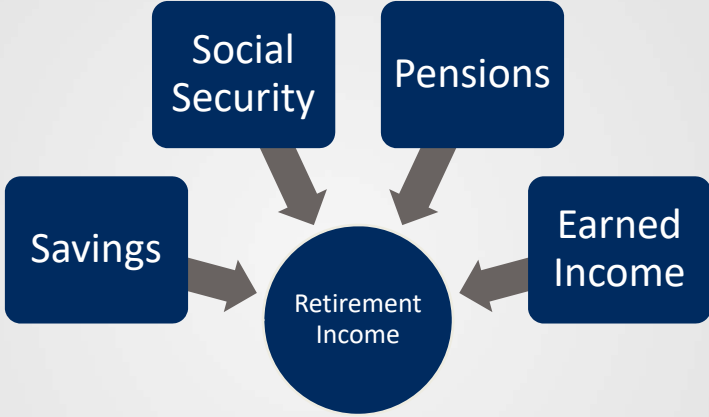
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Retirement Income






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Savings



	\$100,000	\$125,000	\$150,000	\$175,000	\$200,000	\$250,000	\$300,000
Current age	Checkpoint (x current household income)						
25	0.1	0.2	0.4	0.6	0.7	0.9	1.0
30	0.6	0.8	1.0	1.2	1.4	1.6	1.8
35	1.3	1.5	1.8	2.0	2.2	2.5	2.7
40	2.1	2.3	2.7	3.0	3.2	3.6	3.8
45	3.0	3.3	3.8	4.2	4.4	4.9	5.1
50	4.2	4.6	5.1	5.6	5.9	6.4	6.8
55	5.6	6.1	6.7	7.3	7.7	8.3	8.7
60	7.3	7.9	8.7	9.4	9.8	10.6	11.1
65	9.6	10.3	11.3	12.1	12.7	13.7	14.3

MODEL ASSUMPTIONS

- Annual gross savings rate: **10%***
- Pre-retirement investment return: **6.0%**
- Post-retirement investment return: **5.0%**
- Inflation rate: **2.0%**
- Retirement age –
 - Primary earner: **65**
 - Spouse: **62**
- Years in retirement: **30**

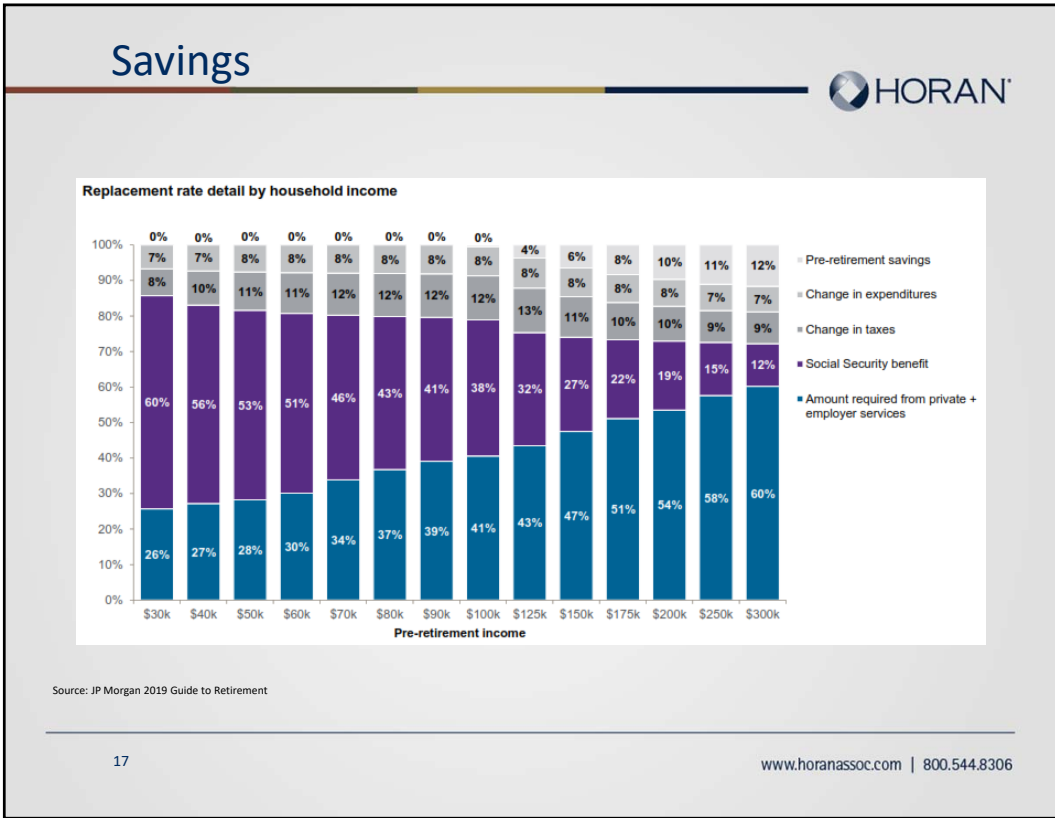
*10% is approximately twice the U.S. average annual savings rate

How to use:

- This analysis assumes you would like to maintain an equivalent lifestyle in retirement.
- Household income is assumed to be gross income (before tax and savings).
- Go to the intersection of your current age and your closest current household income.
- Multiply your salary by the checkpoint shown. This is the amount you should have saved today, assuming you continue contributions of 10% going forward.
- Example: For a 40-year-old with a household income of \$100,000: \$100,000 x 2.1 = \$210,000.


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Savings



The 4% Rule

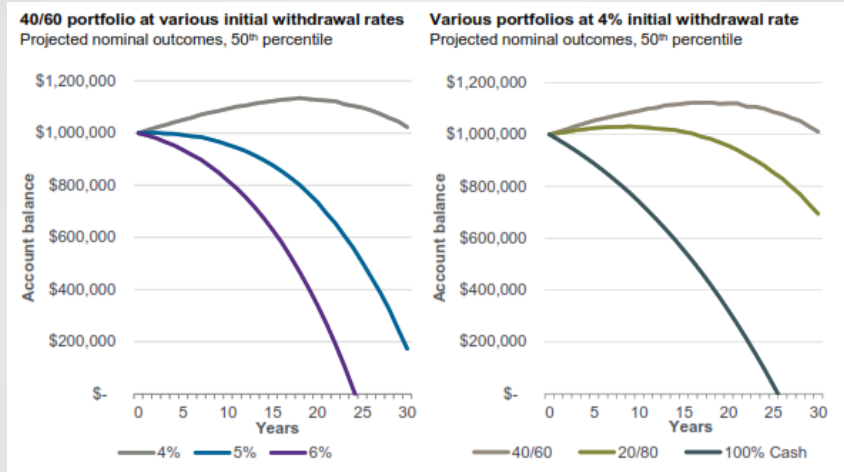
- “Back of the envelope” method to estimate the amount you can conservatively withdrawal from a portfolio annually over a 30+ year retirement

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Savings



Source: JP Morgan 2019 Guide to Retirement

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Taxes in Retirement



Savings

- Income earned in non-retirement accounts is taxable. Qualified dividends and long-term capital gains have more favorable tax rates.
- Withdrawals from retirement accounts and Required Minimum Distributions are taxed as ordinary income.
- Qualified Charitable Distributions after 70 ½ avoid income taxation and count toward Required Minimum Distributions.

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Taxes in Retirement



Social Security

- Up to 85% of your Social Security benefit may be taxable income. Benefits included in your income are taxed at ordinary rates.
- Ohio does not include Social Security benefits in taxable income.

Pension

- Pensions are taxed at ordinary rates.

Employment

- Wages and other earned income are taxed at ordinary rates.

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Investing for Retirement



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Getting Started



Over 80% of people surveyed indicate they are interested in financial planning for retirement but over one half of people have no plan at all.

- Financial planning and investment management is complex and can be overwhelming.
- If the “Do-It-Yourself” approach is daunting, consider engaging an advisor.

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Engaging a Financial Advisor



A good advisor will:

- Help you identify your financial goals.
 - Protecting your standard of living
 - Providing for children and grandchildren
 - Creating a legacy
 - Supporting charities
- Develop a roadmap for achieving your goals.
- Evaluate the various elements of risk that you will likely face over both the short and long term.
- Provide holistic advice in partnership with your other advisors such as accountants and attorneys.

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Engaging a Financial Advisor



Most individual investors do not have the knowledge, the time, or the access to resources and tools to manage their own money.

Individual investors have a tendency to be overly emotional which can significantly impair longer term investment results.

- History has demonstrated that individual investors tend to sell or sell out of the equity markets during periods of stress just before recoveries missing out on substantial returns.
- Investors frequently demonstrate a “herd” mentality.

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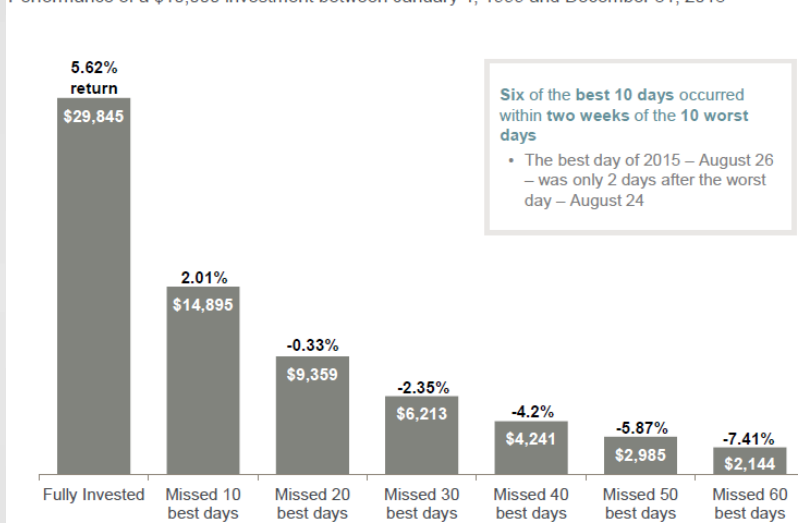
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Engaging a Financial Advisor



Returns of the S&P 500

Performance of a \$10,000 investment between January 4, 1999 and December 31, 2018



Source: JP Morgan Guide to Retirement

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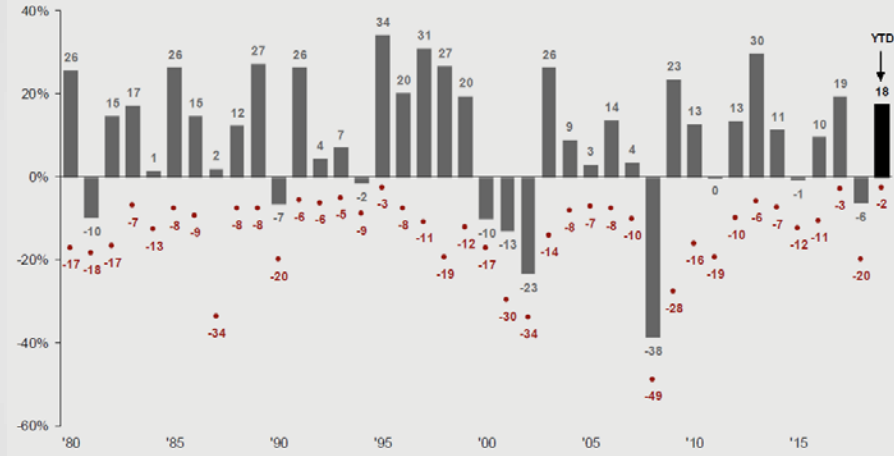
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Engaging a Financial Advisor



S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 13.9%, annual returns positive in 29 of 39 years



Source: JPMorgan – Guide to Markets

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Engaging a Financial Advisor



A good advisor will:

- Rely on logic, experience and discipline. An advisor takes the emotion out of investing.
- Develop a proper asset allocation framework and act in a timely manner to make adjustments taking advantage of market conditions.
- Provide superior technology solutions to monitor, analyze and report on your portfolios.
- Examine the risk around various investments such as analyzing “upside capture” vs “downside capture”.
- Manage investments in context with your overall financial plan.
- Have experience navigating through various market environments.

Advisors also have access to institutional pricing that is not available to most investors.

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Fee Structure



A good financial advisor should be considered an investment – not an expense.

Fees

- Most professional investment firms charge in the range of 1%.
- Some advisors earn commissions or fees from the investments they purchase for you.
 - We believe a fee only model is the best approach for aligning the interest of clients and their advisors
 - Fee only i.e. one transparent fee, set as a percentage on assets, no a la carte charges, and no proprietary products or referral programs.

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Asset Allocation



Savings and investment growth are an increasingly outsized factor in retirement security

- How you invest matters

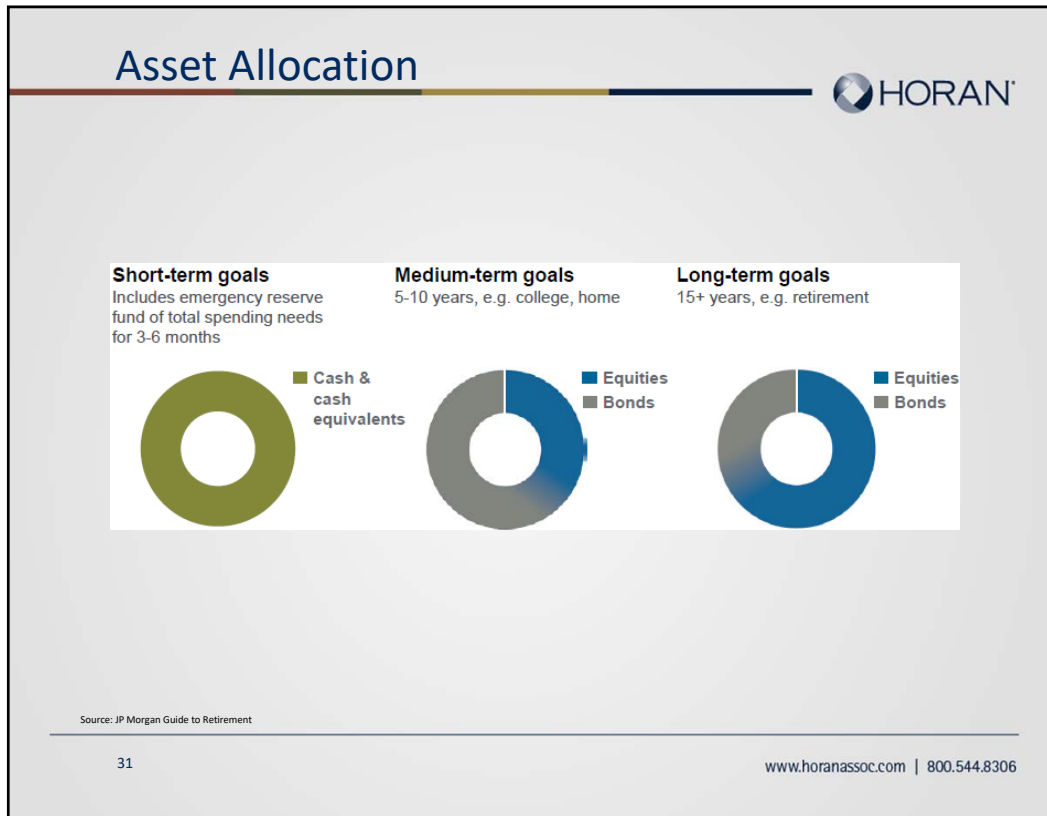
Accumulation vs. Draw Down

- Keep several years of spending needs relatively protected from volatility
- Longevity requires ongoing growth of assets
- Dynamically managing withdrawal levels

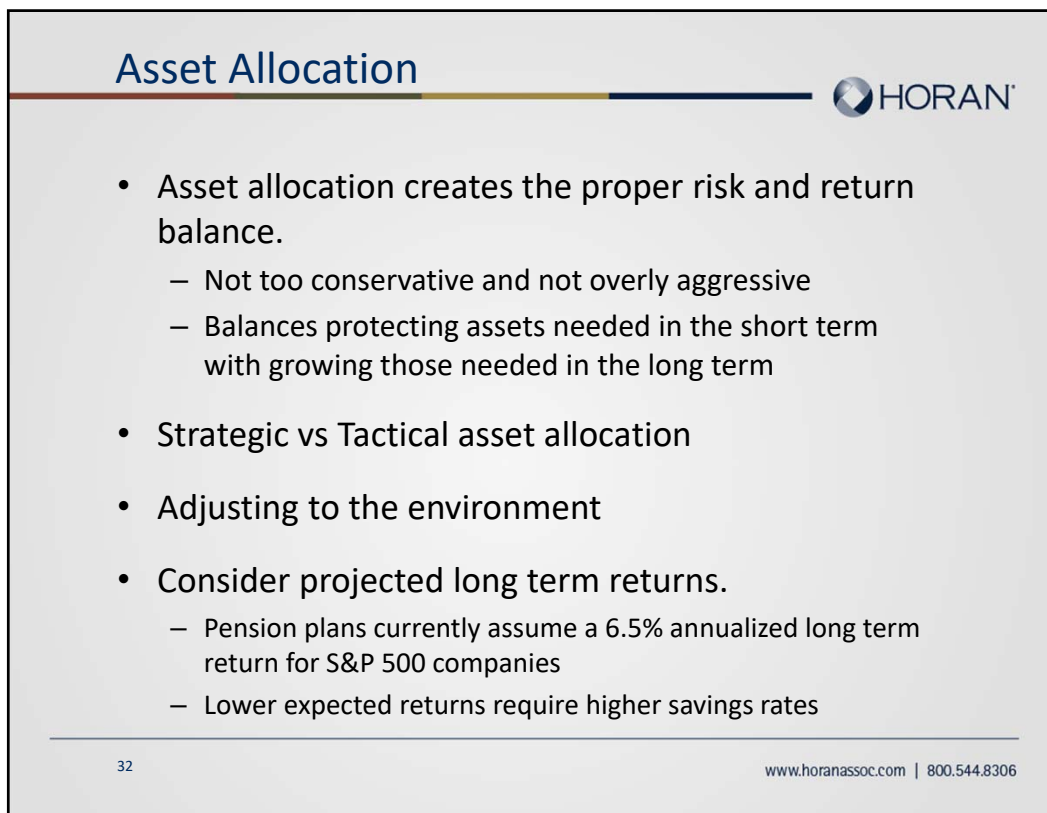
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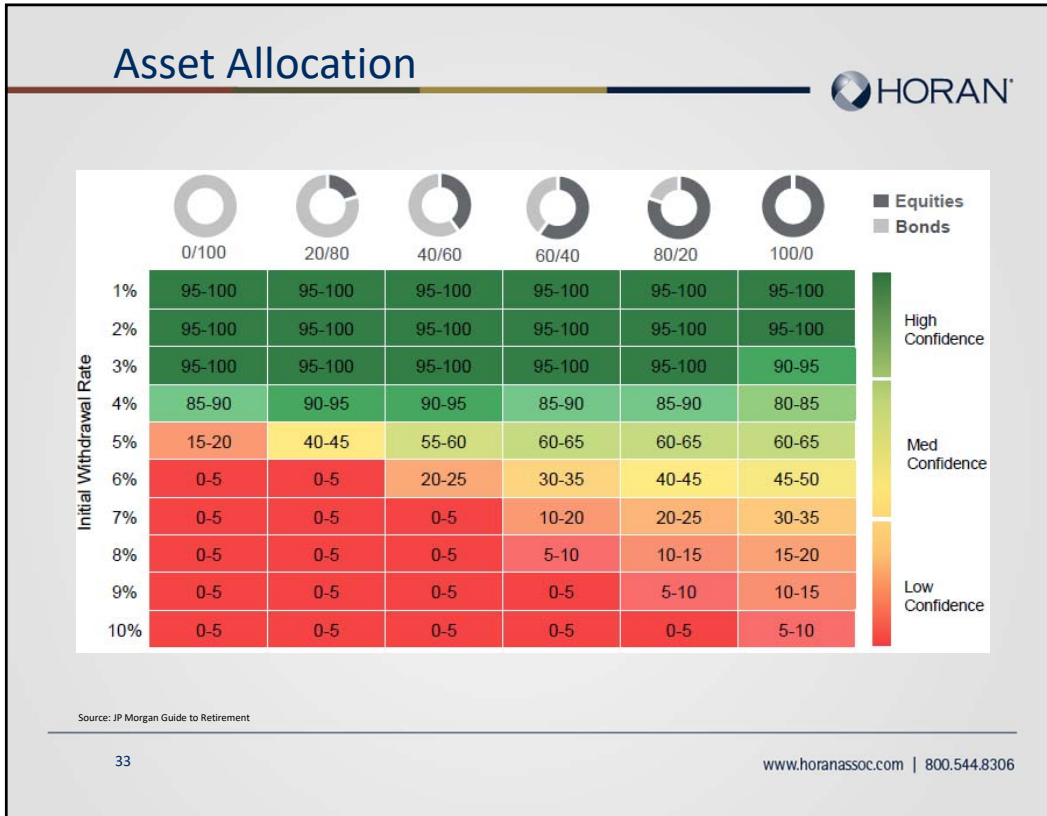
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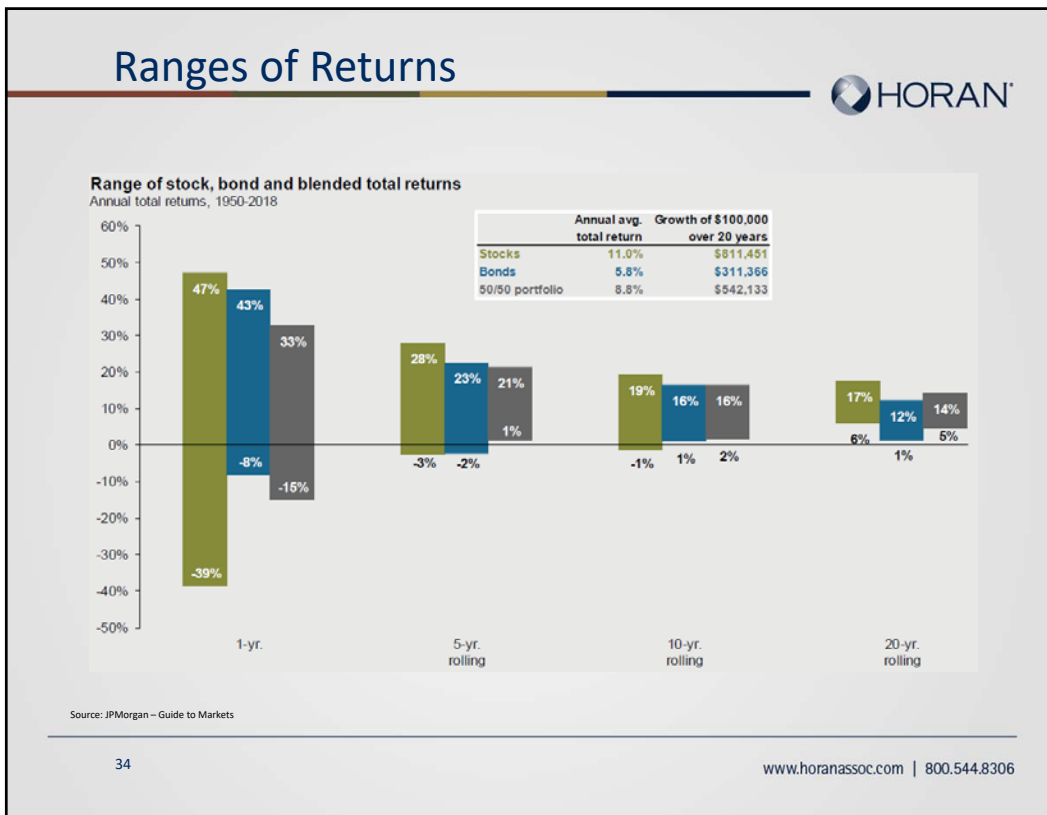
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Investable Universe



- Stocks/Equities
 - Individual Companies
 - Mutual funds
 - Exchange Traded Funds (ETFs)

- Bonds

- Alternatives
 - Continuously improving accessibility to a wide array of non-traditional investment strategies

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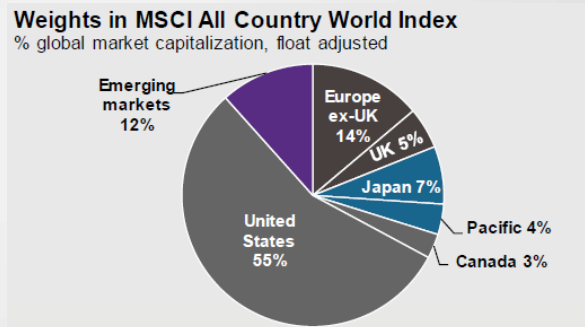
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Investable Universe



- Each possible investment has its own risk and return profile.
- A well-constructed portfolio will draw from across the universe in an analytical, calculated manner.



Source: JPMorgan – Guide to Markets

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Diversification and Balance



Benefits of Diversification:

- Reduces overall risk
- Decreases the probability of permanent loss of capital
- Improves return
- Helps you meet your short-term, intermediate and long-term cash flow needs

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Diversification: Historical Asset Class Returns



2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD	Ann.	Vol.
REITs	EM Equity	REITs	EM Equity	Fixed Income	EM Equity	REITs	REITs	REITs	Small Cap	REITs	REITs	Small Cap	EM Equity	Cash	Small Cap	REITs	REITs
34.6%	34.5%	36.4%	39.8%	6.3%	79.0%	27.9%	8.3%	49.7%	38.8%	28.0%	2.8%	21.1%	37.8%	1.8%	18.6%	8.6%	22.4%
EM Equity	Comdty.	EM Equity	Comdty.	Cash	High Yield	Small Cap	Fixed Income	High Yield	Large Cap	Large Cap	Large Cap	High Yield	DM Equity	Fixed Income	Large Cap	EM Equity	EM Equity
26.0%	21.4%	32.0%	16.2%	1.8%	59.4%	26.9%	7.8%	19.6%	32.4%	13.7%	1.4%	14.3%	25.6%	0.0%	19.2%	8.3%	22.1%
DM Equity	DM Equity	DM Equity	DM Equity	Asset Alloc.	DM Equity	EM Equity	High Yield	EM Equity	DM Equity	Fixed Income	Fixed Income	Large Cap	Large Cap	REITs	REITs	Large Cap	Small Cap
20.7%	14.0%	26.8%	15.6%	25.4%	32.5%	19.2%	3.1%	18.6%	23.3%	6.0%	0.5%	12.0%	24.8%	-4.0%	16.9%	7.8%	18.6%
Small Cap	REITs	Small Cap	Asset Alloc.	High Yield	REITs	Comdty.	Large Cap	DM Equity	Asset Alloc.	Asset Alloc.	Cash	Comdty.	Small Cap	High Yield	DM Equity	Small Cap	Comdty.
18.3%	12.2%	18.4%	-1.1%	-26.9%	28.0%	16.8%	2.1%	17.9%	14.9%	5.2%	0.0%	11.8%	14.6%	-4.1%	13.3%	7.6%	18.6%
High Yield	Asset Alloc.	Large Cap	Fixed Income	Small Cap	Small Cap	Large Cap	Cash	Small Cap	High Yield	Small Cap	DM Equity	EM Equity	Asset Alloc.	Large Cap	EM Equity	High Yield	DM Equity
13.2%	8.1%	16.8%	7.6%	-33.8%	27.2%	15.4%	0.9%	16.3%	7.3%	4.9%	0.4%	11.6%	14.6%	-4.4%	12.3%	7.3%	17.6%
Asset Alloc.	Large Cap	Asset Alloc.	Large Cap	Comdty.	Large Cap	High Yield	Asset Alloc.	Large Cap	REITs	Cash	Asset Alloc.	REITs	High Yield	Asset Alloc.	Asset Alloc.	Asset Alloc.	Large Cap
12.8%	4.9%	15.3%	5.5%	-35.6%	26.5%	14.8%	0.7%	16.0%	2.9%	0.0%	-2.0%	8.6%	10.4%	-5.8%	11.3%	6.2%	14.5%
Large Cap	Small Cap	High Yield	Cash	Large Cap	Asset Alloc.	Asset Alloc.	Small Cap	Asset Alloc.	Cash	High Yield	High Yield	Asset Alloc.	REITs	Small Cap	High Yield	DM Equity	High Yield
10.9%	4.6%	13.7%	4.8%	-37.0%	25.0%	13.3%	-4.2%	12.2%	0.0%	0.0%	-2.7%	8.3%	8.7%	-11.0%	7.2%	5.2%	11.0%
Comdty.	High Yield	Cash	High Yield	REITs	Comdty.	DM Equity	DM Equity	Fixed Income	Fixed Income	EM Equity	Small Cap	Fixed Income	Fixed Income	Comdty.	Comdty.	Comdty.	Asset Alloc.
9.1%	3.6%	4.8%	3.2%	-37.7%	18.9%	8.2%	-11.7%	4.2%	-2.0%	-1.9%	-4.4%	2.6%	3.5%	-11.2%	5.9%	3.9%	10.3%
Fixed Income	Cash	Fixed Income	Small Cap	DM Equity	Fixed Income	Fixed Income	Comdty.	Cash	EM Equity	DM Equity	EM Equity	DM Equity	Comdty.	DM Equity	Fixed Income	Cash	Fixed Income
4.3%	3.0%	4.3%	1.6%	43.1%	5.9%	6.5%	-13.2%	0.4%	2.3%	-4.5%	-14.6%	1.6%	1.7%	13.4%	3.0%	1.3%	3.3%
Cash	Fixed Income	Comdty.	REITs	EM Equity	Cash	Cash	EM Equity	Comdty.	Comdty.	Comdty.	Comdty.	Cash	Cash	EM Equity	Cash	Comdty.	Cash
1.2%	-2.4%	2.4%	-45.7%	-53.2%	0.4%	0.4%	-18.2%	-1.4%	-9.5%	-17.0%	-24.7%	0.3%	0.8%	-14.2%	0.8%	-2.5%	0.8%

Source: JPMorgan - Guide to Markets

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Current Market Conditions




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Slow Economic Growth



Real GDP

Real GDP % Change (AR) - U.S.

Source: Thomson Reuters Datastream & HORAN Capital Advisors

U.S. GDP vs. Long Term Trend

GDP (AR) : United States

Logarithmic trend line of GDP (AR) : United States

Source: Thomson Reuters Datastream & HORAN Capital Advisors

- Q1 2019 GDP growth equaled 3.2%. More consistent economic growth needed in order to achieve prior trend growth rate.
- Below trend growth since the financial crisis has resulted in a gap in economic output.

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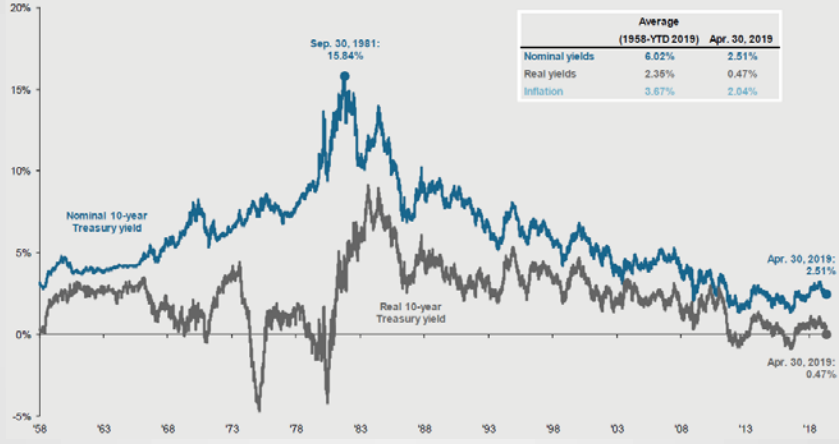
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Low Interest Rates



Nominal and real 10-year Treasury yields



Source: JPMorgan – Guide to Markets

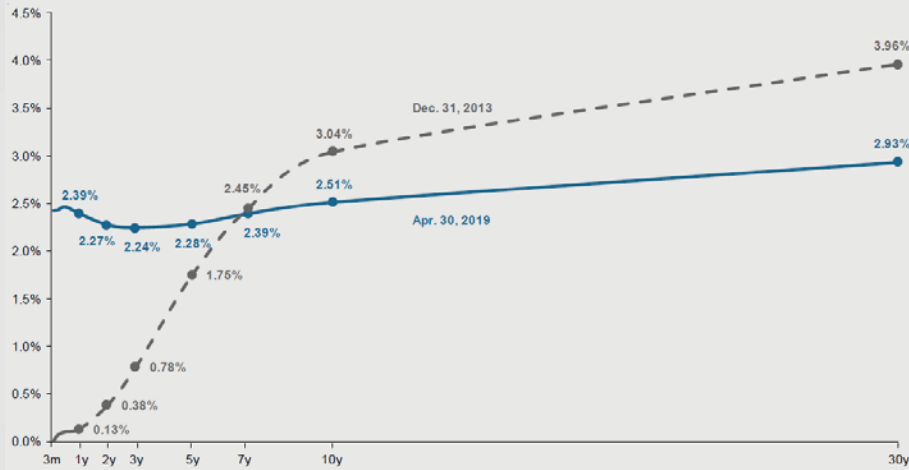
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Yield Curve



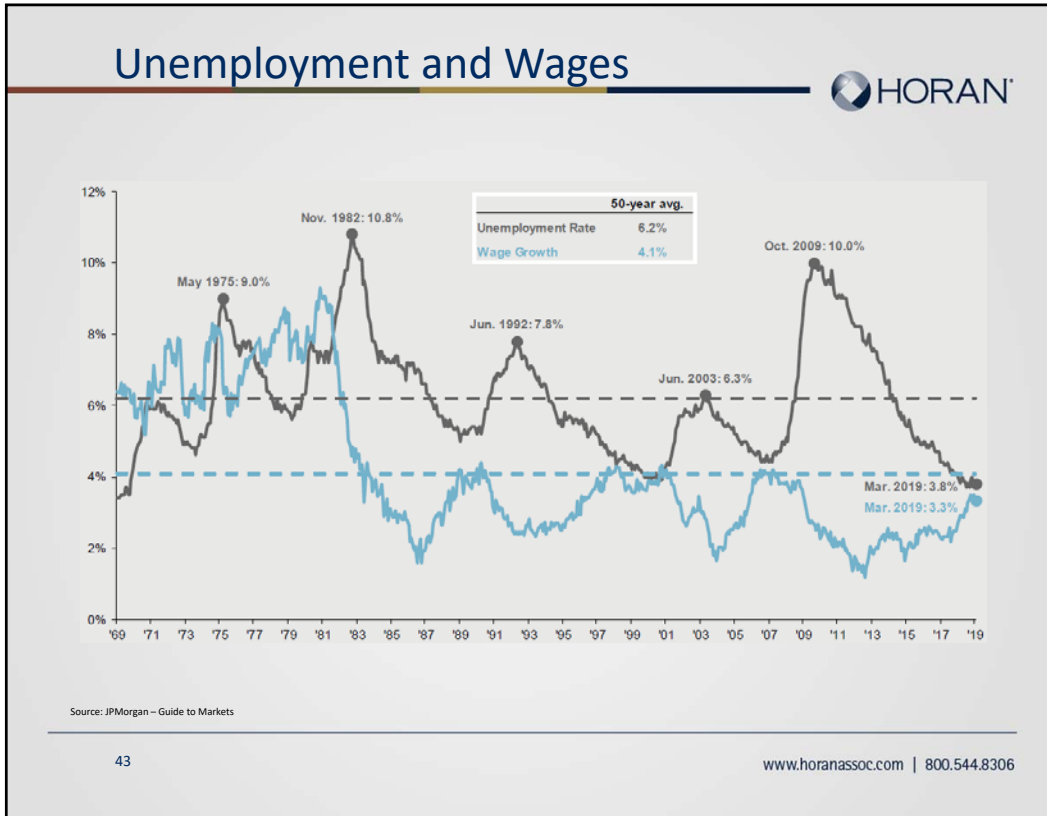
Yield curve

U.S. Treasury yield curve

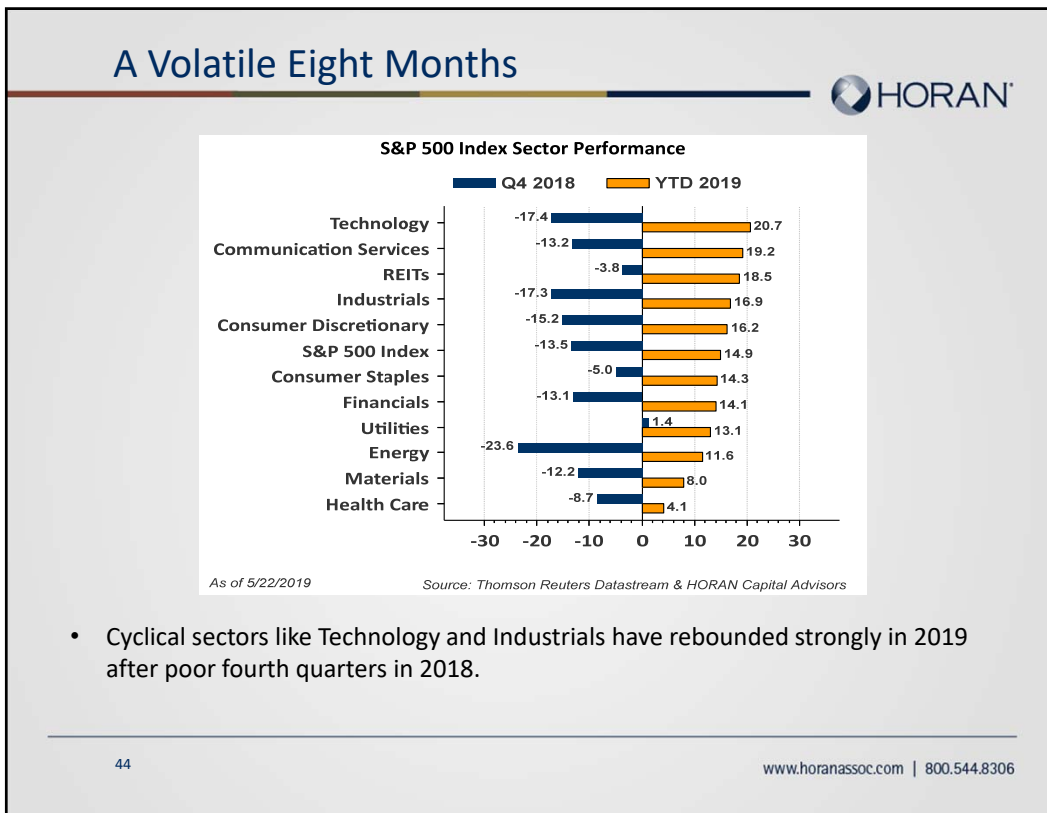


Source: JPMorgan – Guide to Markets

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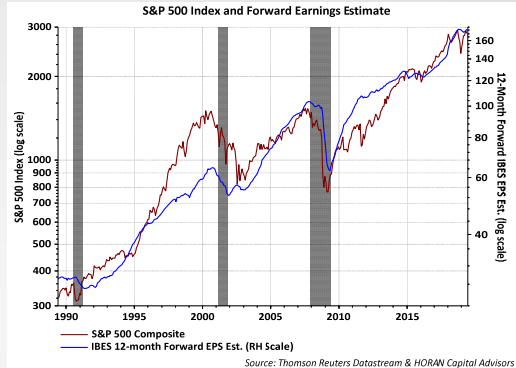
Earnings Growth Expectations



Exhibit 20. Estimated Earnings Growth for 2019

Sector	Today
Consumer Discretionary	7.2%
Consumer Staples	1.2%
Energy	-8.7%
Financials	9.3%
Health Care	6.1%
Industrials	5.9%
Materials	-12.8%
Real Estate	4.3%
Technology	-1.7%
Communication Services	2.3%
Utilities	4.2%
S&P 500	3.0%

Source: I/B/E/S data from Refinitiv



- Relatively muted earnings growth expected in 2019 after strong 2018 earnings growth aided by the Tax Cuts and Jobs Act
- 2020 S&P 500 earnings growth is currently predicted to be 11.7%

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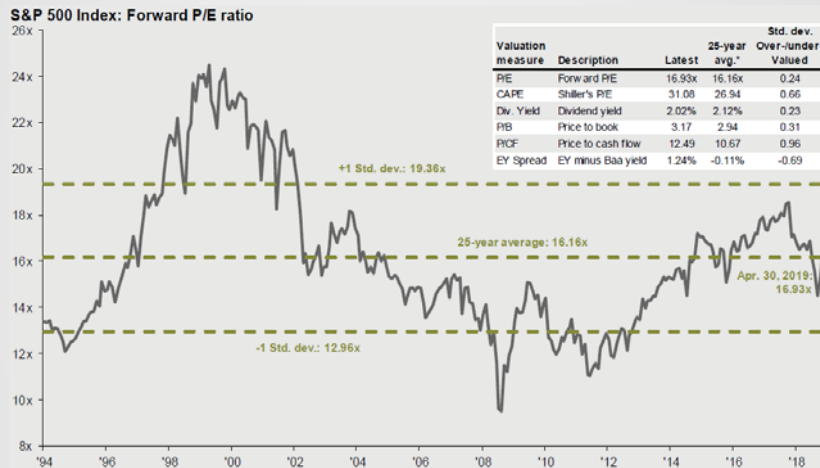
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Market Valuations



“Now” is always the toughest time to buy stocks!



Source: JPMorgan - Guide to Markets

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Disclosure



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Benchmarks or indexes are used to track current and historical market performance by specific market segment (large/small capitalization) or investment style (growth/value). For the purpose of this report, we use Standard & Poor's and Barclays Capital indices because they are well-known, prevalent indices. The S&P 500 Index and the Barclay's Capital Aggregate Bond Index are not publicly available investment vehicles and are not available for purchase. Horan Capital Advisors, LLC is simply attempting to use a formulaic approach to choose holdings that meet certain qualification criteria in an effort to meet a Horan Capital Advisors, LLC investment strategy. None of the indices mentioned have endorsed Horan Capital Advisors, LLC investing in any way.

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It is important to note that any strategy may underperform and may produce negative results. Purchases and sales of securities may be made without regard to how long you have owned the securities. Any tax ramifications are not taken into consideration. The ongoing trading and turnover of holdings may create significant short term capital gains and/or long term capital gains in addition to interest and dividends creating income tax liability. Your attorney and accountant should be consulted regarding legal and tax implications.

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