



L-R: Andrew Mehari, Carol Martz, Lisa Kirchenbauer, Kathy Frakes and Jared Jones

New Year, New You!



Ah, it's 2017...Happy New Year! A lot has happened since we last communicated with you. Although some people mark time based on a school calendar, **most of us use January as the beginning of the year to reset, recommit or just change things up.** Perhaps this year will be set by the November election? The question is, can you stay on track?

As the years move on, it has become clear to us **what really matters in financial life planning:**

- What you care about
- What you are committed to
- What's worth spending money on
- What you spend

Understanding these four elements can be the difference between a successful & meaningful financial plan or a situation where money has driven one to an unsatisfying end result. These four elements are also things that you can control vs. the economy or financial markets. As we continue to provide our financial life planning services to you, **we hope you'll think about these elements and reach out to us to help you clarify and articulate them so that we can incorporate your answers into our planning process for you.**

In this quarter's issue, we have some planning-related updates from our newest team member, Kathy Frakes.

Jared provides our thoughts on how the markets and SEI models finished for 2016 and what might lie ahead. Finally, Andrew shares some tips on navigating access to the two websites more critical to our work with you: eMoney and SEI.

And so back to "New Year, New You"...**more and more we are finding that one of our most valuable services to our clients is helping them stay on track!** As we meet with you at the beginning of the year, **please be thinking about what you are hoping to achieve personally & financially.** Where appropriate, we will try to provide ideas and ongoing support to help you achieve these goals as soon as possible. **To that end, please check out our Books & Resources section for a link to my recent appearance on WJLA NewsChannel 8 where I provided "7 Tips to Get Financially Fit in 2017" as well as some other resources.**

2017 looks to be a year of great change and transition. Omega is committed to helping you navigate the financial ramifications along the way! Please don't hesitate to reach out as needed.

With appreciation for the opportunity to work with you,

Lisa A. K. Kirchenbauer, CFP®, RLP®, CeFT™
President



Planning Updates



by Kathy Frakes



Happy New Year! James Mackintosh recently had a column in *The Wall Street Journal* where he shared the old joke: “Why did God create economists? To make weather forecasters look good!” All joking aside, Mr. Mackintosh makes an important point—forecasting the future is challenging especially when the economic forecast can actually cause people to take actions that change the economy. **Since none of us can see into the future, it is important to have a plan that will help you achieve your goals regardless of what the economy does this year. That’s why the work we do together with you is so vital!**

As we meet together with you this year, we will ask about your personal and financial goals for 2017. It is important for us to consider both, not just the money, as personal goals may have a financial component. In addition, often, if your personal goals aren’t being met, your financial goals will not be as compelling or meaningful.

Education Planning

One common goal for many of our clients is education planning for their students. January marks the beginning of the period of time when students will start receiving notifications about their college applications. **If education planning is one of your goals, there are many factors to discuss—in-state vs. out-of-state; public vs. private; 4-year vs. 2-year vs. trade school; brick-and-mortar vs. online. If your high school or college student has not yet taken a Kolbe assessment, this could be a useful tool for them as they are contemplating these decisions.** The Kolbe assessment looks at how we each instinctually take action—it’s not a personality assessment. Lisa is a Certified Kolbe Consultant and is happy to interpret results for you or your children. **Regarding education costs, the 529 Savings plans are still tax-advantageous ways to save and pay for college costs.** January is also the time to start thinking about filing the Free Application for Federal Student Aid (FAFSA). This form is used to determine the Expected Family Contribution toward college expenses. The formula (for students who are tax dependents of their parents) is mostly driven by parental income but also factors in parental assets, student income and student assets. **Lisa recently found**

The OWM Financial Planning Experience

If you are due for an update of your planning analysis work with us, you will begin to notice that we will be using a more collaborative, technology-supported approach. As always, **it will be important to help us keep eMoney updated and to have a good handle on your expenses and future cash flow needs, to make the analysis as accurate as possible.**

A new year brings with it the hope of possibilities. We look forward to journeying together with you as we discover what is to come!

that when you declare your business value on it, it can dramatically impact the amount of aid for which your student qualifies. While you don’t have a choice in whether to declare the business value on the FAFSA or not, you can make an appeal to the financial aid office at the college(s) making the offer of aid.

Tax Filing Preparation

This time of year is also the time to start gathering tax documents for tax filing. Although the IRS will begin accepting tax returns on January 23rd, we highly encourage you to wait until mid-March when the investment 1099s should have all been received. The final due date for tax filing this year is April 18th unless you file for an extension. We expect this year will bring changes to the tax law and we are working to stay up with the latest from Capitol Hill. **We’ll be working with you and your accountant to get your tax preparations done, looking for planning opportunities, staying vigilant in monitoring changes in the tax law as they relate to your individual situations and will send our annual Tax Preparation letter to help guide you with your filing.**

Investment Outlook



by Jared Jones

Investment Q4 Review

The final quarter of 2016 offered several large developments. **The election of Donald Trump and firm control of the Federal Government handed to the Republicans came as a surprise to many people. This led to a substantial rally in U.S. stocks and a downturn in bond markets. Major central banks made headlines, most notably with the Federal Reserve's rate increase and three potential rate hikes in 2017.** Many people had predicted two rate increases and were surprised to hear the Fed aiming for three after their last meeting in December. Further, the U.S. dollar has had a strong run in 2016 and many Wall Street analysts are still trying to make sense of how that will play out across the globe. Labor market conditions continued to improve as the unemployment rate dropped 0.3% to 4.6% in November.

So what were the primary drivers behind our portfolios? An overweight toward financials was the top contributor in U.S. large-company equity performance this quarter. The equity portions of the portfolios were also boosted by deeper-value companies that benefited from Donald Trump's pro-business campaign victory. Small value companies led all asset classes as they benefited from higher interest rates and energy prices. Fixed-income performance, except high-yield (risky) bonds and emerging market bonds which performed well, brought the performance of the portfolios slightly down. International equities and fixed income both struggled throughout 2016. **When you receive your Q4 statements, you may notice your accounts did not seem to match the Dow or S&P indexes. That's because SEI strategies are diversified beyond the 30 stocks in the Dow or the 500 large companies in the S&P 500®. We believe in deeply diversified strategies across many asset classes.** Further, we noticed that opposite of recent years, the non tax-managed strategies (often used on IRA accounts) performed better than the tax-managed strategies. This was a result of increased volatility early in the year and a broader selection of investments for the non tax-managed strategies. Overall the portfolios performed well this year and beat our expectations from the beginning of the year.

Looking ahead, we are reminded of a quote by Vladimir Lenin. "There are decades where nothing happens, and there are weeks when decades happen." After six years of political gridlock in Washington, it could feel like decades are about to happen in the next few months. Below I'll outline some of the impacts SEI believes the new Administration could bring that could affect the economy.

One of the largest items on the new Administration's list is tax reform. Currently at a top corporate rate of 35%, the U.S. is among the highest corporate tax rates in advanced nations. **The Trump Administration has suggested they would like the top rate reduced to as little as 15%, bringing the U.S. to among the lowest corporate tax rates among developed nations.** There is speculation a 15% tax rate may be hard to achieve

given corporate tax lobbyists' power to maintain beneficial tax loopholes for their clients. However, cutting the rate to even 20% and reforming the tax code would be a large improvement to the current corporate tax regime. Also, the Trump Administration has proposed a one-time "tax holiday," in which corporate cash held abroad would be subject to a reduced 10% tax (down from the current rate of 35%). The holiday is meant to entice international companies to bring some of their dollars held abroad back to the U.S. economy.

There has also been widely publicized talk of individual tax reform. Individual tax reform could be good for both the economy and your bottom line. Lower capital gains rates will mean greater take-home on investment sales.

"Trumpanomics" is not without its problematic policies, mostly its focus on trade. In regards to NAFTA, SEI feels pragmatism will prevail. They cited Texas' economy—a state that provided 36 electoral votes to Trump—as a reason why NAFTA may stick around. Texas' trade with Mexico accounted for 40% of all U.S. exports to Mexico in 2015. **SEI's main fear is a decline in relations with China. They feel the Treasury Department is moving closer to labeling China as a currency manipulator. A tit-for-tat trade war with China could lead to a downturn in global markets. President-elect Trump has also expressed a willingness to tear up the newly minted TPP. (As we go to press, he has just signed an executive order to this effect.) Doing so has the potential to cause damages with nations around the Pacific Rim and opens the door for China to extend its economic and political influence in the region.**

It's important to note that a policy of increased spending with lower revenue may have effects that are not positive for the economy and markets in the long-run. **It will be interesting to see how these policies are perceived by the markets once Trump takes office and we have actual action.**

Finally, as stated before, the Fed raised interest rates by one-quarter of a percent in December. The rise bumped the Fed's target overnight rate (the rate at which banks lend to each other) from 0.25%-0.50% to 0.50%-0.75%. The Fed also increased the number of rate hikes it expects in 2017 from two to three. SEI feels that this is a reasonable guess. **Overall, SEI does not anticipate a sharp rise in interest rates during the year ahead. The strength of the dollar provides some braking to economic growth and should slow any further increase in inflation that may occur. As a result, we expect to see bond fund prices go down slightly, but as long as monthly income is being reinvested the impact should be muted.**

2017 provides for another year of market uncertainties for many reasons. As always, OWM will be keeping a watchful eye on the markets and any headlines we feel may be important to our clients' portfolios. We will be reviewing all of our clients' allocations formally during the first meeting of the year. However, if you have any concerns, please do not hesitate to contact us in the interim.



2016 4th Quarter performance by Index:

Benchmark	Q4	Category
S&P 500 TR USD	+11.96%	U.S. Large Cap Stocks
Russell 2000 TR USD	+21.31%	U.S. Small Cap Stocks
MSCI EAFE NR USD	+1.00%	International Stocks
Barclays US Agg. Bond TR USD	+2.65%	Intermediate Term Bonds



Online Client Interfaces

Some of our clients recently had questions as to how the financial software and websites we use pertain to their financial information. In the table below, I will provide a simple breakdown of how our two main tools, SEI's client website and eMoney's client interface, contain all the information you will need.

CLIENT TOOL	PURPOSE	PASSWORD RESET	ADVISOR ACCESS?
 eMoney wealth.emaplan.com/ema/ria/omegawealth	<ul style="list-style-type: none"> • up-to-date account values, holdings/positions in each account, and asset allocations • access to the "vault" – can store files for advisor to view or for safekeeping • cashflow/budgeting capability – must link your bank and/or checking accounts to enable 	<p>You can reset your password anytime by clicking on "Forgot password" at login page (advisor can also do this for you)</p>	<p>Advisor has complete access to your client interface (can make changes as requested).</p>
 SEI Investments accessmyportfolio.com	<ul style="list-style-type: none"> • transaction details • account performance • copies of statements and tax documents (ex: 1099) • realized gain-loss info • goal tracking 	<p>You will have to call SEI to reset your password: 1-800-734-1003 ext. 0</p>	<p>Advisor has read-only access to your client interface.</p>

Some other important items to note when periodically logging into eMoney and SEI client websites:

- Your SEI client user ID will expire after a year if you do not log in at least once a year
- Your SEI login will prompt you to answer your security questions after 3 months of inactivity
- Your eMoney password will expire after a year regardless how many times you log in that year – simply a security measure that they take

Login

User ID:

Register: Register for online access.

SEI Online Access – If you haven't received an e-mail inviting you to signup for online access yet from SEI, or if the e-mail is hiding somewhere in your spam folder, **you should take advantage of SEI's online client interface. Enter the following URL in your browser: www.accessmyportfolio.com.** That should take you to the main page where below the "User ID" box, is the option to **"Register for online access."** Clicking the link will register you for SEI online access, **which allows you to view your account transactions, performance, statements, tax documents, and more (as mentioned in the table above).**

2017 Annual Contribution Limits Relating to Financial Planning

Elective Deferrals to 401(k), 403(b), 457 and SARSEPS	\$18,000
Catch-up contribution (age 50 or older)	\$6,000
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IRA or Roth IRA contribution limit	\$5,500
IRA or Roth IRA catch-up contribution (age 50 or older)	\$1,000
IRA deduction AGI phaseout limits for active participants	
Single	\$62,000 - \$72,000
Married filing jointly	\$99,000 - \$119,000
Married filing separately	\$0 - \$10,000
Non-active participant married to active participant	\$186,000 - \$196,000
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Annual Gift Tax Exclusion	\$14,000
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Health Savings Account	
Minimum Deductible Amount:	
Single	\$1,300
Family	\$2,600
Maximum Out-of-Pocket Amount:	
Single	\$6,550
Family	\$13,100
HSA Statutory Contribution Maximum:	
Single	\$3,400
Family	\$6,750
Catch-up contributions (age 55 or older)	\$1,000

Business Owners' Corner



As we begin a new year for most businesses, we encourage you to take some time before the year gets away from you to do some strategic planning. Taking this time can be part of an intentional approach to guiding and leading your business even when you have a lot coming at you at the beginning of the year. One point that we wanted to mention to our business owner clients is that **if you happen to be filling out a FAFSA or CSS form for financial aid, keep in mind that**

when adding your business as an asset, it may especially have a negative impact on your student's ability to get any aid. While you must disclose all assets, it may require a discussion with the Financial Aid office and further documentation to support the impact that being a business owner really has on your financial situation.

A few other important points/questions for our business owner clients:

- Do you have a clear sense of ALL the benefits business ownership can offer?
- Do you have a succession plan? Are you clear on the kind of business you have? (lifestyle or equity-based)
- Are you saving as much as you can? What can you do financially and strategically to increase that savings?

As you come in or talk with us this year, let's discuss these questions. If you don't know, no worries, let's get a plan to figure it out. Let us help you find resources and support to get the most out of your business and to help it integrate with your personal goals!

TEAM UPDATES



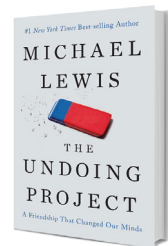
If you caught our Fall newsletter, then you know that **we have added a new team member: Kathy Frakes, CFP®**, who joins us as an Associate Financial Advisor. (For more on Kathy, please check out her bio on our [website](#).) Recently, **we have divided up support duties between her and Jared Jones to balance out the work in preparing for and following up after meetings.** In most cases, one or the other of them will sit in client meetings with me. As we prepare for our meeting with you, Jared or Kathy will be in touch to follow up on any outstanding homework that you have and to get updates that we may need to include in our meeting materials. **Kathy will also be leading on our overall financial planning & tax planning/preparation process (Jared is the point person on investments).** Andrew Mehari, our Operations Associate, continues to handle requests for money, transfers, new accounts, address changes and fee processing. Feel free to reach out to him directly for these requests, rather than going through me, Jared or Kathy. We work as a team, keep good records and communicate

regularly with each other. As many of you know, Carol Martz, our Office Manager, handles appointment scheduling. Right now, she is reaching out to clients who had their last meeting in the late Summer/early Fall, to get their first 2017 meeting scheduled. **If you need a meeting sooner than the cycle we are following, please reach out to Carol directly.**

BOOKS & RESOURCES

Lisa's NewsChannel 8 appearance on "7 Tips to Get Financially Fit in 2017"
<http://wjla.com/features/good-morning-washington/7-steps-to-get-financially-fit-in-2017>

Need a new, simpler, cashflow management tool? Check out www.YNAB.com (You Need a Budget). We love the educational and motivational aspect of the tool and if you don't need all the bells and whistles of a Mint.com, try YNAB.



A book recommendation from Jared...

"The Undoing Project: A Friendship That Changed Our Minds" by Michael Lewis

It's a fascinating story about Nobel-prize winning psychologist Daniel Kahneman and psychologist Amos Tversky, their friendship and what they discovered about the human decision-making process. Their impact has been felt in behavioral economics, Big Data analysis and understanding the biases that we bring to investments and decisions in general. Fascinating!

DON'T FORGET Important Dates and Reminders

Feb. 20th President's Birthday Holiday (markets/OWM closed)

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