MOSAIC FINANCIAL PARTNERS, INC.

Effective Financial Strategies

December 2016 MosaicFP.com

Diversifying With Emerging Markets—Does it Still Make Sense?

By Kevin Gahagan, CIMA®, CFP®, Principal and CIO

Some investors may question the wisdom of investing in emerging market countries. Given the political and economic risks associated with these countries, many ask: Why invest in these countries when the U.S. market is doing so well?

In fairness, in the aftermath of the financial crisis, the investment returns of the S&P 500 Index have dwarfed those of the MSCI Emerging Markets Index. From March 2009 to December 2015, the S&P Index increased by 221% cumulatively, while the MSCI Emerging Markets Index rose by only 95%. Given this type of investment experience, why would an investor choose to devote investment dollars to the Emerging Markets?

It is easy for us to recall the last few years when the S&P 500 Index has, in fact, substantially outperformed the international markets (more broadly) and the MSCI Emerging Markets Index in particular.

But it has not always been so. Even within the post-crisis time period, the EM Index significantly outperformed the S&P in 2009, 2010 and 2012. More importantly, following the dot-com recession, the MSCI EM Index grew at four times the rate of the S&P 500 Index. From October 2002 to September 2007, the MSCI Emerging Index rose by 409% cumulatively, compared to the S&P's rise of only 105% during this same period.

Over the last 15 years, ending December 31, 2015, the S&P 500 Index generated a compound annual return of 5.0%. In comparison, the MSCI Emerging Markets Index generated a compound annual return of 8.1%. For those long term investors willing to weather the extremes that Emerging Markets investments can experience, patience and discipline have been rewarded.

The chart on page 2, sometimes referred to as a "periodic table of investments," reflects the returns of a variety of both equity and fixed income indices

(Continued on page 2)

How Women Can Close the Retirement Gender Gap

By Sabrina Lowell, CFP®, Advisor and COO

Many Americans don't save enough for retirement, but women face particular challenges. There are often extra burdens on their retirement incomes, including longer life expectancies, greater health-care costs, and a greater likelihood that they'll provide care for their children or parents. At the same time, their ability to save is often reduced due to wage inequality and careers interrupted to raise children.

This means women have to be especially diligent about retirement planning. Here are a few ways you can make sure you're on the right path:

1. **Save what you can now.**

The best way to have enough money in retirement is to plan ahead—way ahead. Start saving as soon as

(Continued on page 4)

What's Inside

(Continued from page 1 - Portfolio Protection Strategies)

for the last 15 years, ending in 2015. The chart includes returns for both the S&P 500 and the MSCI Emerging Markets Indices.

As you can see, the MSCI Emerging Markets Index was the best performing asset class in four of the 15 years represented in the chart; it was also the worst performing in four of those 15 years. Interestingly, of the eight investment asset classes represented, over this 15-year period, the S&P 500 Index was never the best performing—another argument in favor of diversification.

Demographic growth is a significant contributor to economic growth. As a general rule, the populations of emerging market countries are growing much faster than those of the developed countries. As per capita income in the EM countries grows, their overall economies will grow as well. On that basis alone, a long-term exposure to emerging market countries makes good sense.

According to the European Central Bank, "Emerging economies are home to over 80% of the world's population...The projections for long-term growth, based on demographic trends and models of capital accumulation and productivity, indicate that emerging economies are likely to play an even greater part in the world economy."

As a result of both demographics and rising personal incomes, emerging countries are growing faster, on average, than the rest of the world. Ten years ago, the countries that make up the MSCI Emerging index represented approximately 6% of the global economy. Today, they make up nearly 11%.

Key Lessons for EM Investors

Given the extreme variability in the returns of the EM countries, investing in Emerging Markets is a long-term proposition requiring discipline and patience. It's important to remain fully invested through both good times and bad. In addition, broad diversification across the EM countries is essential.

Just as the periodic table illustrates, the EM asset class can shift from being the worst performer to being the best from one year to the next (see 2008 and 2011 as examples). To benefit from the long term performance of this asset class, it is essential to maintain one's discipline.

Returns by Asset Class, 2001-2015

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
12.3	7.6	62.6	33.2	34.5	36.0	39.8	8.8	79.0	28.1	9.4	18.6	38.8	32.0	5.8
8.4	5.1	56.3	29.9	25.5	32.6	8.2	6.6	51.4	26.9	3.4	17.9	32.4	13.7	4.5
7.3	3.6	47.3	26.0	13.8	19.8	6.3	4.7	28.5	24.9	2.3	17.1	26.0	4.9	1.4
6.4	3.4	36.2	18.3	4.9	18.4	5.9	-33.8	27.2	19.2	2.1	16.3	1.2	1.9	1.0
2.5	-6.0	28.7	10.9	4.6	15.8	5.5	-37.0	26.5	15.1	0.6	16.0	0.6	1.2	0.9
-2.4	-7.1	2.0	2.7	3.1	4.3	3.6	39.2	2.3	3.7	-4.2	2.1	0.3	0.2	0.2
-10.2	-20.5	1.9	1.3	2.4	4.1	-1.6	-47.8	0.8	2.0	-15.5	0.9	-0.1	-1.8	-4.4
-11.9	-22.1	1.5	0.8	1.3	3.8	-17.6	-53.2	0.2	0.8	-18.2	0.2	-2.3	-5.0	-14.6

Legend:

- Large U.S. Stocks
- Small U.S. Stocks
- Real Estate (REITs)
- International Small Stocks
- Emerging Markets
- 1-year Treasury notes
- 1-5 year Treasury Bonds
- 1-5 year World Bonds (hedged to U.S. dollar)

Sources: Morgan Stanley Capital International, Dimensional Fund Advisors, and the European Central Bank.

Saving and Paying for College

For many families—even those with significant savings and means—the cost of college has become daunting.

According to Collegeboard.org, the average cost of tuition, fees, room and board is now $20,092 for public, four-year in-state school and $45,365 for private nonprofit four-year school—and these figures continue to grow faster than the rate of inflation.

This has caused families and their students to stretch all financial means available: According to a report by independent nonprofit organization The Project on Student Debt, seven out of every ten 2015 graduating seniors had student loans. The borrowers owed an average of $30,100.

If you are unable to fully fund a college student's education with your own resources, how can you best avoid having to take on overwhelming debt?

Well, here are some key tips that might help your child or you avoid taking on more debt than is needed:

- Start saving as soon as possible—ideally in a state 529 plan. Every dollar saved (and growing tax-free in a 529 plan) lowers the amount a student will have to borrow.

- Apply for any scholarship for which the student might be eligible. There is no cost to do this and you just might uncover some substantial aid. Fill out the FAFSA (Free Application for Federal Student Aid). Look into resources offered by organizations like your local library, community foundation, Rotary, private clubs, and do research on the internet. The competition has heated up along the scholarship path but it's still worth the effort. Don't be afraid to ask the school you are applying to for aid—many are now offering aid to families who earn $200,000 or less.

- Having two kids who are close in age will help with your financial aid eligibility—it essentially reduces the burden parents are expected to carry on each child. One way to affect this is have an older child delay going to college by a year.

- Avoid putting assets into the name of the student. Assets held in the name of the parents have less weight in calculating financial need. Put money into a 529 plan rather than in a custodial account, like an UTMA. An UTMA is considered the student's property. A 529 is not.

- Money set aside by a grandparent in a 529 plan for a child does not factor into financial aid calculations at all—grandparents' assets are outside what is considered available.

- On the flip side, do not ever count on getting any kind of a "full ride" or scholarship. Stories abound of students who were star athletes in high school, but injure themselves so no longer qualified as prospects for the colleges. According to Morningstar, fewer than 0.3% of students will receive full ride scholarships. But about two thirds of all undergrads receive some kind of financial aid, including student loans.

- If at all possible, avoid selling assets the year before applying for aid—this can have the unpleasant side affect of raising your reportable income for that year, which would reduce your qualification for financial aid (withdrawals from IRAs or converting a traditional IRA to a Roth IRA can hit you like this). The ideal thing is to have this money already set aside in a 529 plan, so that all gains remain untaxed—but you are still able to move your portfolio to a more conservative model so that you do not have to worry about being hit by the market.

Paying for college is likely going to be an expensive affair no matter how you save, but it's a worthy investment. The more early planning you can do together can ultimately save you significant sums, and can teach your child valuable economic lessons before they even start college.

Mosaic can help you learn more about any of these strategies, or help you think longer term about your college funding needs.

(Continued from page 1 - Closing the Retirement Gender Gap)

possible, even if you haven't sketched out a plan yet. Starting earlier will give you more flexibility, should you want to work less or add another person to the mix. It also means you'll need to save less each month. Here's an example: if you start saving $200 per paycheck at age 20, and have an investment return of 4.5% per year, you'll have $77,568 saved at age 33.

But if you wait to start saving until you're 26, you'll need to save $330 a month to have the same amount in your account at age 33.

2. Estimate your retirement income needs.

People are typically told that in retirement they should plan to spend 70–85% of what they currently spend. In my experience, though, people often spend just as much or more in retirement as they did while they were working. And because women tend to live longer than men do, they often need to save even more.

You'll also have more free time for activities and vacations during retirement, or you may need to personally cover expenses that your employer once paid, such as your phone bill or some meals. Conversely, child- or mortgage-related expenses may drop off around the time you retire.

To estimate your retirement-income needs, create a spreadsheet with one column listing all of your current expenses, and another column listing your projected expenses in retirement. A chart like this should help you envision how your expenses will change over time, either as a change in dollar amounts or as a percentage change.

Unexpected situations can arise, of course, but it's still important to guess how much you'll need to support your lifestyle once you stop working. Knowing this information can help you stick to your plan.

3. Calculate how much you should be saving.

Once you have an idea of how much you will want to spend annually, you can figure out how much you need to save to achieve that number, starting now. This step alone would put you ahead of most Americans. In a 2013 study by Ameriprise, only 23% of respondents had even tried to calculate how much they would need to save for retirement.

Online calculators can help you double-check your estimates and start making a strategy. Most online retirement calculators will consider factors such as inflation and investment rates of return. Try the calculators at NerdWallet, Vanguard or T. Rowe Price to get started.

4. Maintain your skills and contacts.

If you need to leave the workforce, whether it's to raise children or care for aging parents, help ensure that you can return to it successfully by keeping your skills and professional networks fresh.

Consider taking professional-development courses, attend mixers and stay in touch with colleagues to keep your network active. Making time for these steps can be a challenge, but even a relatively minimal time investment can pay dividends when you're ready to re-enter the workforce.

5. Consider long-term care insurance.

Women's retirement needs projections should cover long term care—such as nursing homes, assisted living, or in-home care services—in case they become incapacitated later in life. The average 65-year-old has a 70% chance of needing long-term care at some point in his or her life, according to the U.S. Department of Health and Human Services. Women need professional care more often than men do because of their higher incidence of chronic illness and longer life spans—which means they're more likely to be living alone by the time they need help.

Because long term care can be expensive, you might want to buy some coverage through a long term care insurance policy. Premiums are cheaper the younger you are when you buy the policy. A good time to start thinking about this is in your mid-fifties.

Ensuring that you have a reasonable income during retirement is your responsibility. Be proactive, and don't expect someone else—like your husband—to work it out for you. The sooner you get started, the better you can plan for the future and make any changes necessary before you retire.

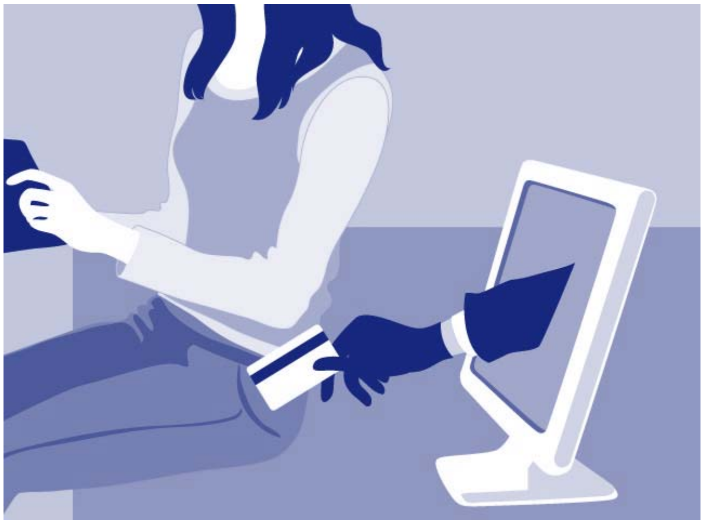
Thoughts to Live By

"Always bear in mind that your own resolution to success is more important than any other one thing." Abraham Lincoln

"I've learned that people will forget what you said, people will forget what you did, but people will never forget how you made them feel." Maya Angelou

Best Practices for Handling Identity Theft

By Melissa Cheong, RP, Client Services Manager



Identity theft is on the rise and is one of the most serious economic crimes in the United States. It costs more than all property crimes combined. The main target of identity theft, whether enacted on an individual or an institution, is to obtain personal identifying information that will enable the thief to use a victim's information for criminal activity.

If your personal information has been acquired illegally and used fraudulently, you can be affected financially and personally. Some victims might even find themselves subject to criminal or civil proceedings. Unfortunately the damage done can take years to fix at great cost to the victim.

What should you do when your identity has been stolen or compromised? Experts recommend the following electronic security measures:

- Clean your computers of any malware by using a reliable anti-virus program that you can run on your own or by a trusted professional source.
- Change all your passwords and PINs immediately. Use a password generator and do not use the same password across all services. This can include banking information, email and social media sites.
- Contact all the companies where you know fraud has occurred and explain that your identity has been stolen; ask that they freeze the accounts. This way, no new charges can be added on without your agreement.
- Contact banks and brokerage firms and add verbal passwords or, if available, request voice verification.
- Place a free 90-day fraud alert with any of the following credit agencies: Experian, TransUnion and Equifax. (The credit agency you contact must tell the other two credit agencies.) This is useful where your personal information, such as your social security number, has potentially been compromised. Get a copy of your free credit report and flag any suspicious activity.
- You should report identity theft to the Federal Trade Commission (FTC). Based on the information entered, identitytheft.gov will create an identity theft report and recovery plan. This report also provides businesses with proof that your identity has been stolen and guarantees you certain rights.
- You may also choose to file a report with your local police department. Request a copy of the police report for your records.

At Mosaic, we put our clients' interests first. We ensure that all requests for personal or account information, trade requests or funds transfer requests are coming from a client. We will always call to verify this information with you over the phone.

Please be aware that hackers and identity thieves commonly take over vulnerable emails when attempting fraud. Do not trust email as a means of verifying the legitimacy of a request.

Additional security-related information is readily available online at Charles Schwab and Fidelity, and on our blog.

Mosaic continues to work closely with our custodians to ensure that we are kept up to date on best practices and training.

Spotlight on George Galat V, CFP®

What brings you to Mosaic?

A large number of Mosaicans are heavily involved with speaking and shaping the industry. Not only does this give Mosaic the ability to stay current with the latest planning and investment strategies, but it allows for networking with other professionals and sharing best practices within the industry. I met Sabrina after she spoke at a Financial Planning Association's NexGen meeting.

At that time, I was thoroughly enjoying the work I was doing, but I was working in a brokerage environment that created competing interests between financial advisors and the clients they served. It was often unclear whether the investment solutions recommended were ultimately in the best interest of the client, or of the advisor, who stood to gain transactional revenue and commissions at the client's expense. Over time, this created a mismatch in values between me and my prior firm.

After our initial introduction, Sabrina and I continued our dialogue, and she mentioned that Mosaic was looking to expand their team. As our discussion progressed, I quickly came to understand that Mosaic and I share common ground and speak a common language. Clients aren't accounts to sell product to; they are people we have a relationship with. Our compensation structure is such that there is no incentive to recommend one strategy over another. We advise the most appropriate course of action in the best interest of the client.

With that perspective as the backdrop, I knew Mosaic would be a place I could continue to grow professionally and contribute to in a meaningful way; a firm that I could call "home."

What do you most love about the work you do?

Each day, I look forward to tackling complex and evolving issues that directly impact the lives of our clients.

One day could be filled by answering or revisiting a client's query, "Can I retire?" Another might focus on the question, "What would life look like if I sold my business?" or yet another could be, "What's the most effective way for me to give?" These can be deceptively easy questions to ask, but the resulting answers have potentially lasting implications that get to the heart of what we do: planning for a successful tomorrow.

Can you tell us more about the quote you chose for your bio on the website?

"People don't buy what you do; they buy why you do it. And what you do simply proves what you believe." This quote is from Simon Sinek's 2009 TED Talk, *How Great Leaders Inspire Action*; I highly encourage those who haven't yet done so to take a moment for this inspirational video.

What I've found is that even if you aren't selling a product in life, you are still selling yourself. Focus on your "why". When you do this, not only does this lead to personal fulfillment, but as you practice and share your why, you radiate an infectious energy to those around you.

Upcoming Events

Holiday Party

5:30 to 7:30 PM

Thursday, December 8th, 2016

RSVP at www.mosaicfp.com/rsvp

New lunchtime Women's Circles in 2017:

Developing Personal Financial Policies

Thursday, 1/26/17 in the East Bay

Wednesday, 2/1/16 in SF

www.mosaicfp.com/circles

MOSAIC WOMEN'S CIRCLES

Around the Office...

At the Podium

In October, **Kevin Gahagan** gave a talk on estate planning to the Contra Costa chapter of Sons In Retirement. The talk was followed by a lively Q&A session. **Kevin** also spoke on retirement planning for "Financial Planning Day," sponsored by the San Francisco Chapter of the Financial Planning Association.

Steve Branton participated in a panel discussion at FPA NexGen Summit in Sacramento; later in October, **Steve** moderated the 'Marriage Matters' panel for the San Francisco-based Horizons Foundation.

Sheila Schroeder recently spoke to Financial Women San Francisco on the topic of "The Power of the Female Checkbook: Women's rising engagement in politics via political giving.

Education: A Continuing Affair

Dave Cowles represented Mosaic at Schwab Impact, their annual investment conference. Walt Berlinger, Schwab's CEO, noted that advisors should add value for their clients via outstanding service—something Mosaic has focused on for years.

Geoff Zimmerman attended the 2016 National Association of Stock Plan Providers conference in Houston, furthering his knowledge of changes in stock plan design and increasing knowledge of issues faced by executive-level corporate officers.

In September, **Kevin** attended Dimensional Fund Advisor's "Advanced Conference" in Austin. The conference focused on continued research in a variety of investment topics. Highlights included presentations by Nobel Laureate Eugene Fama and noted academics Robert Merton, Ken French and Robert Novy-Marx.

Also in September, **Norm Boone** and **Channing Hussey** attended Bob Veres' Insider's Forum in San Diego.

In November, **Liz Revenko, Holly Gillian Kindel, Sheila,** and **Channing** attended the annual Women Adviser Summit sponsored by InvestmentNews, where **Sabrina Lowell** participated in a panel discussion on cultivating relationships with female investors.

Giving Back to the Community

Norm has joined the Professional Advisors Council in service to the San Francisco Foundation.

In November, the **Mosaic team** volunteered for St. Anthony's free clothing program.

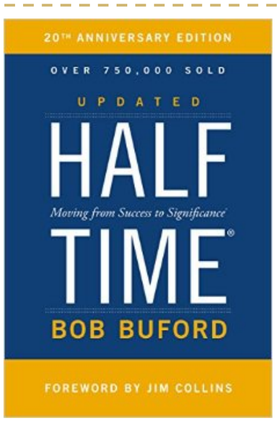
In October, FPA Planning Days were held at the San Francisco Public Main Library, and at the Oakland City Hall; both **Kevin** and **Steve** volunteered their expertise.

Channing has been selected for the 2017 class of Leadership San Francisco, an organization dedicated to educating and developing community trustees.

In October, **Sabrina** taught at the 2016 weeklong intensive known as the FPA Residency Program, which builds experience in real planning scenarios, establishes mentor relationships with thought leaders, and bestows continuing education credits towards the CFP Board's three-year requirement on its participants.

Other Fun Stuff

The team of **Kevin**, **Sabrina** and **Kyle** (along with Mosaic alumnus **Susan Morse**) all participated in a charity golf tournament / fundraiser for the San Francisco & Marin Food Bank. The event successfully raised over $50,000 for the Food Bank.



What We Are Reading

In *Halftime: Moving from Success to Significance,* author Bob Buford asserts that the second half of life should be seen as a quest for significance rather than a transition to be feared. Broaching midlife doesn't have to be a crisis; it can be an essential restructuring phase.

"The consultants are here."

Keeping You Informed

Follow us online for timely news and tips!

linkedin.com/company/mosaic-financial-partners

facebook.com/MosaicFP

@MosaicFP

Even more is available on our blog:
mosaicfp.com/blog

MOSAIC
FINANCIAL PARTNERS, INC.
140 Geary St., 6th Floor
San Francisco, CA 94108