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Major Index YTD Performance
 (As of 5/30/2017)

Dow Jones Indust. TR	+7.58%
S&P 500 Index TR	+8.70%
NASDAQ Comp.	+ 15.23%
MSCI World Ex US	+12.38%
Russell 2000 TR	+1.55%
Barclay US Aggregate	
Bond Index	+2.27%
Long Commodity Idx.	-6.78%

All performance data provided by
Morningstar

Domestic Equities Trend Upward in May

The three major domestic stock indexes continued to climb in May, extending the trend seen since the November U.S. presidential election. Growth slipped a bit mid-month but picked back up toward the end.

Although equity benchmarks around the world have toyed with record highs in recent months, headwinds remain for continued global growth. Concerns linger around political tensions in North Korea and in Europe as Brexit negotiations begin. At home, investors are waiting for the new federal administration to fulfill expectations on infrastructure spending and tax reform.

According to Conference Board data, Americans seem slightly less optimistic about jobs and business growth this month, but that's in comparison to a 16-year high reached in March. Despite the slight decline, investors remain relatively confident that the domestic markets have priced in a June hike in short-term rates from the Federal Reserve (Fed), according to Fixed Income Strategist Benjamin Streed. However, the central bankers may be concerned about the recent trend of soft inflation data. We also got clarity on the Fed's plan to slowly divest its ~\$4.5 trillion balance sheet over a number of years. More details will follow in the months ahead, but markets reacted positively (bond prices higher, yields lower).

The Federal Open Market Committee left short-term interest rates unchanged at its May meeting, as expected, while policymakers described the first-quarter slowdown in gross domestic product as "transitory."

The unemployment rate fell further (4.4%) in April, while the underlying trend in non-farm payrolls remained strong. On balance, the data are consistent with a June 14 Fed rate hike (although another employment report is expected on June 2).

Consumer spending growth for the first quarter was revised higher, but remains soft. Business fixed investment was revised higher for the first quarter, but soft new orders hint at weaker results for the second quarter.

The equity markets have transitioned from an interest-rate driven secular bull market to an earnings-driven one.

Raymond James Chief Investment Strategist Jeff Saut believes that the "profits trough" for the S&P 500 occurred in the second quarter of last year with earnings gaining momentum ever since.

For the first quarter, the estimated earnings growth rate for the S&P 500 is now 13.9%, which would mark the highest year-over-year earnings growth for the index since the third quarter 2011, according to Raymond James analysts.

With the French election over, all eyes now turn to the June 8 meeting of the European Central Bank (ECB). Europe still needs extraordinary monetary policy support, which could help keep a lid on domestic yields as overseas investors see value in U.S. Treasuries.

Market participants appear to be more enthusiastic about European equities and the euro given the possibility of economic reforms.

In Asia, the focus is on China's efforts to build diplomatic links and infrastructure to boost trade and wealth through the Belt and Road initiative, which is essentially a modern-day trade route through Asia and Europe.

As always, we will continue to monitor events and circumstances that can effect the various investment markets. Should anything change, I'll be sure to keep you updated on matters that could affect your long-term financial plan. Thank you for your continued trust.



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Natural Disasters– Are You Prepared?

June is Disaster Preparedness Month and the best way to deal with a natural disaster is to prepare for it ahead of time.

Here are some tips to get you started:

- Post emergency response phone numbers near the telephone.
- Know how to turn off utilities such as gas, electricity, and water.
- Have an escape plan. Familiarize yourself with escape routes from your neighborhood, in case you wind up in harm's way.
- Your family may not be together if a disaster strikes. Choose a safe meeting place and design a communication plan. Make sure everyone is familiar with the location and knows how and with whom to communicate.
- Be familiar with local warnings (e.g., siren) that notify residents that a disaster is approaching.
- Bolt water heaters and heavy appliances to the floor; bolt tall, heavy furniture to floors and walls.
- Display heavy objects on low shelves.
- Make an inventory of your possessions (along with receipts and serial numbers) and store it somewhere other than your home (e.g., your office, friend's house, safe-deposit box). Pictures are a good way to further verify items.
- Store important documents somewhere other than your home (safe-deposit box).
- Review your homeowners policy periodically to make sure you have proper coverage at all times and understand what's not covered.
- Consider purchasing specific insurance coverage for earthquakes and floods.

Emergency supplies to keep on hand:

In case of a disaster, it is important to have emergency supplies on hand. Start by putting together the following items in a portable, waterproof container:

- First-aid supplies (e.g., bandages, antiseptic)
- Canned goods, can opener
- Several gallons of water
- Battery-powered radio
- Extra batteries
- Matches
- Flashlight
- Toiletries, sanitation, and personal hygiene items
- Special items for infants (e.g., formula) and the elderly (e.g., prescription medications)
- \$1000-\$2000 in cash in small to medium denominations (\$1-\$20 bills)
- Cell phone, charger and list of key phone numbers in case phone battery dies

Other items that you'll want to have readily available include:

- Plywood
- Plastic sheets
- Sandbags
- Shovels
- Protective clothing
- Extra bedding, sleeping bags
- Copies of important documents (e.g., wills, birth and marriage certificates, driver's license, insurance policies)

What's Happening– A Personal Note

To begin, I want to thank everyone who has asked how things are going at my house. I hesitate to call it my “new” house anymore because I have been in it for 8 months now. It took a while for me to stop feeling like I was just taking care of someone else’s house in their absence. But that feeling has subsided and it now feels more like my home. Especially since I have had a variety of household projects and minor repairs that were my responsibility alone. So, any feeling that this was someone else’s house disappeared when the first repair bill arrived with my name on it. That aside, all is well with the house.

Earlier in May I attended a regional conference sponsored by Raymond James. The topics revolved around the ever changing environment in the markets along with rule and regulatory changes that affect my clients and my practice. As a result of this new insight, there may be some changes coming that I hope will improve the quality and consistency of the services my office provides. I am very excited about these new perspectives and where applicable, I will be happy to share them with you.

Beki is a member of the Downey Arts Coalition in Downey, California. The coalition sponsored the production of a play called *Defying Gravity*, at the **Columbia Memorial Space Center**, in Downey. The play is a stylized, uplifting story that revolves around the Challenger Space Shuttle disaster. Many people do not know this, but Downey played a substantial role in the space shuttle program. Two of the shuttles were built there. The coalition was able to get several of the engineers who actually worked on the shuttles to come to a couple of the shows and answer questions from the audience, after the show. Their comments were fascinating. The thing that struck me most was that many of these people, who were so deeply engaged in the project, weren’t even watching the launch when this tragedy occurred. Space flight had become so routine by that time, that this launch held no special interest for them. It is unfortunate that it holds special interest for us now.

Beki and I had an event to attend in Santa Maria, California. It had been a while since we took a road trip so we decided to turn this event into an extended, hopefully relaxing, weekender. We arrived Saturday in Santa Maria around noon. There was some preparation for the event and then we had a relaxing mid-afternoon snack. The event ended in the early evening and we set out for Pismo Beach, about 20 miles up the road.

We stayed at the Kon Tiki Inn, in Pismo Beach. It was a wonderful hotel. It is situated on the top of a cliff overlooking the main area of Pismo Beach. The building is curved and every room faces the water. Our room also happened to face down the beach toward the pier. So *our* view in particular was quite impressive. That is until the fog rolled in. Then there was nothing to be seen any more than one hundred feet in any direction. But, as I learned, that is Pismo Beach.

We were within walking distance of the main drag, so we took a leisurely walk to the local food and drink scene and settled into a diner called the Cool Cat Café. It had the look of a 50’s diner but also had the charm of a beach town eatery. We ate dinner, enjoyed the eclectic collection of music played over the sound system, and when we finished, went for another walk around town.

We stopped in various establishments including the local bowling alley. This was a great experience for us both. Beki and I truly enjoy Americana/nostalgic styled establishments and buildings. This bowling alley was a throwback to a bygone era. There were only 8 lanes. The entire building was decorated in the same way I imagine it was 50 years ago. All wood flooring, dim lighting and a snack bar that I am sure served the best greasy food in town. The lanes were full and everyone seemed to be having a good time. One of my favorite touches was the fact that the bowling balls provided by the alley were all made up to look like billiard balls. A nice touch, if you ask me. Afterwards, we strolled around town a little more and then went back to the hotel.

The next morning we headed home. A normal drive from Pismo Beach to my house would be about 3 1/2 hours. For us, it took over 6 hours with stop and go traffic for well over 90 miles of the way back to Long Beach. What had been a relaxing weekend excursion had been interrupted by the fickle hand of Los Angeles traffic. That said, it did not diminish from the great time we had. Beki enjoyed Pismo Beach so much, she grabbed a real estate magazine for the area. Needless to say, neither one of us will be moving up there any time soon. But it was fun to look.

Disclosures

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 - Past performance may not be indicative of future results.
 - Diversification and asset allocation do not ensure a profit or protect against loss.
 - **U.S. Government Bonds and Treasury Bills** are guaranteed by the U.S. Government and. If held to maturity. Offer a fixed rate of return and guaranteed principal value.
 - The **S & P 500** is an unmanaged index of 500 widely held stocks that's generally considered representative of the U.S. stock market
 - The **NASDAQ Composite** is an unmanaged index of securities traded on the NASDAQ system.
 - The **MSCI** is an index of stock compiled by Morgan Stanley Capital International. The index consists of more than 1,000 companies in 21 developed markets.
 - The **Russell 2000** index is an unmanaged index of small cap securities which generally involve greater risks.
 - **Morningstar Long-Only Commodity Index**. The Long-Only Commodity Index is a fully collateralized commodity futures index that is long all eligible commodities.
 - **Barclays US Aggregate Bond Index** is a broad based index often used to represent investment grade bonds being traded in the United States
 - The **Dow Jones Industrial Average** is an index of 30 stocks that is considered a representative of the overall market.
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