CURRENTS FALL 2018

A NOTE FROM JILL

Investing, like much of life, is a delicate balancing act. As fiduciaries of your assets, it is our responsibility to ensure we understand your goals, set appropriate investment policy guidelines, choose the best investments for your assets, and have the conviction to stay the course during difficult times. The beginning of the fourth quarter introduced a level of volatility back into the markets that we haven't witnessed for some time. When the seesaw of the markets starts to teeter, it is natural to question which course of action to take. It is our job to guide you on this path: to stay informed without overdosing on superfluous information, to manage the short term while focusing on the long term, and to act without overreacting.

We see our service to you as twofold: **1.** to provide the best investment strategy and planning advice we have to offer and **2.** to help buffer the emotions you may feel as markets change and life events occur. These times can be unsettling and uncomfortable; however, it is critical that your financial decisions remain grounded in reason rather than emotion. Let us help shoulder the burden. We are here to talk, listen, and provide perspective built over thirty plus years of doing this job that we love.

This issue of Currents contains an article on the history of market pullbacks, which will provide perspective on the current increased market volatility and the inevitable market corrections of the future. It also features an article on the ways in which the managers of our Sustainable Portfolio are making the world a better place by impacting the environmental, social and governmental practices of the companies in which they invest. We hope you enjoy this edition, and, as always, welcome your feedback.

Happy Holidays and best wishes for the New Year to you and your families!

Jill

Jill Fopiano, CFA, CFP®
President & CEO

OUR DESIGNATIONS & WHY THEY MATTER

By Lis Zimmerman

Credentials can be important marks of distinction for a financial professional. In the financial industry there are many advanced designations and many on the O'Brien team hold various designations on topics from investments to estate planning. Below is a summary of the credentials our team holds and what they add to our ability to offer cutting edge advice to our clients.

CFP® – Certified Financial Planner

A CFP® certificant has completed extensive training, has passed the certification exam and met the experience requirements. The training covers the areas of investments, insurance and risk management, retirement planning, tax planning, estate planning and general financial planning. This certification mark is conferred by the CFP® Board of Standard and certificants are held to rigorous ethical standards. In order to maintain your CFP® designation, you are required to complete extensive education credits every two years. On our team, we have 6 CFP® certificants.

CFA – Chartered Financial Analyst

A CFA is a dedicated credential offered internationally by the CFA Institute. It is a key certification for investment professionals covering a broad range of investment topics including stock, bonds and options particularly relating to financial analysis, and portfolio management. Candidates must go through a rigorous process in order to obtain this designation. A candidate must pass three levels of the CFA program including annual exams, have 4 years of qualifying experience, and be accepted as a member of the CFA Institute.

CAIA® – Chartered Alternative Investment Analyst

The CAIA® credential is offered internationally by the CAIA® Association. Like the CFA, it is geared toward investment professionals, but this takes a deeper dive into alternative investments particularly relating to private equity, real estate, commodities, and options. Ethics is also covered as part of the curriculum. In order to obtain this designation a candidate must successfully complete two levels of the CAIA® program.

AEP® – Accredited Estate Planner

The AEP® designation is administered by the National Association of Estate Planners and Councils. It is a graduate level designation that specializes in comprehensive estate planning and is awarded to estate planning professionals who meet education and experience requirements. A candidate must also hold the CFP® or CFA certification before they are certified as an AEP®.

CASL® – Chartered Advisor for Senior Living

The CASL® is for professionals whose advice is tailored to helping senior clients reach financial security, wealth preservation and aid in wealth transfer planning. In order to obtain this designation, professionals must complete 5 required courses including understanding the older client, financial decisions for retirement, and health care and long term care financing.

CRPC® – Chartered Retirement Planning Counselor

A CRPC® is awarded by the College for Financial Planning. The CRPC® has a retirement planning specialty and has taken required coursework in retirement planning including investing for retirement, Social Security retirement benefits, retirement income streams, healthcare options in retirement, and tax and estate planning in retirement.

We hope this helps to give you a better understanding to what some call the "alphabet soup" of professional designations. As a firm we are committed to continous education and learning so that we continue to provide our clients the best thinking and solutions we can offer. If you have any additional questions on what these designations mean, please reach out to us.

Lis Zimmerman,
CFP®, CASL®, CRPC®

Senior Advisor, Director of Financial Planning

Principal

O'BRIEN IN THE NEWS

O'Brien in the News

1. *In the press: Jill Fopiano had articles featured on Forbes.com, Thrive, and Kiplinger on subjects ranging from The Money Taboo to Balancing Career, Family & Self, to Budgeting. In her Boston Business Journal profile "High finance, down-to-Earth," Jill focused on the personal and the professional.*
2. *Lis Zimmerman and Jill Fopiano attended Schwab's 2018 IMPACT Conference in Washington, DC. The information and relationships gained at this national conference help us become a better in everything we do.*
3. *Lauren Higgins and Brenna LaPierre attended the eMoney Conference in Orlando, FL. Clients will see clear improvements and benefits of using our new eMoney Financial Planning software to share, explain, and keep track of their financial pictures.*
4. *Jill Fopiano recently participated in another Reuter's Twitter Chat on the topic of owning a small business.*
5. *Congratulations to Tim Pilczak, who was recently promoted from Associate Advisor to Advisor. Tim has been a great addition to our firm and we all wish him well in his new role!*
6. *Richard completed the education requirement of the Investment Advisor Certified Compliance Professional (IACCP®) Program. Next step: take the IACCP® Examination.*

A BRIEF HISTORY OF MARKET MOVEMENTS

By Lauren Higgins

Given the recent swings in the market, we thought it would be interesting to provide a brief historical perspective on market corrections. In times of increased volatility, investors may become concerned about what lies ahead and question how to proceed. Behavioral economics theorizes that many investors tend to "anchor" their outlook on the most recent news story they heard or conversation they had with friends or colleagues. In a world of 24/7 information it can be hard to sift through the noise, step back and assess the reality. Acting on the noise, rather than filtering down to the fundamentals, can have a material long term effect on your investments. By examining historical market behavior we believe investors may better understand the context of today's markets and the potential consequences of different courses of actions.

During the month of October we saw stock market volatility which unnerved many investors. Throughout the month, many stock market indices fell from their recent peaks, experiencing near double digit declines. However, by the end of the month, some of these losses were erased. The S&P 500 ended the month of October down 6.94% and up 1.43% year to date through October. A similar story can be told for MSCI ACWI, a global stock market index, down 7.57% for the month and down 5.55% for the year. The NASDAQ, a global market-cap weighted index comprised largely of technology – a sector that has enjoyed an outsized share of market growth over the last 9 years – remained positive for the month at 1.06% and for the year up 12.86%. As you can see, intra-month volatility does not necessarily foretell an equally negative month end.

Market pullbacks are a normal and regular part of investing. The following data is based on the commonly known S&P 500 Index, the largest 500 stocks in the U.S. market, but is likely indicative of most other major indices as well. Following are some interesting points regarding market declines:

- Over the last 30 years, on average, the S&P 500 declined by 5% or more once every 16 months
- The last decline of this size prior to October 2018 was February 2017. The S&P 500 declined 10.2% in just 13 days and ended the year up 19.42%
- Declines greater than 20% are classified as bear markets
- Three times in 30 years the market pullback resulted in a bear market
- The average time to the bottom was 1.5 years

Over an even longer time period from 1945-2017, within 24 months of a bear market, investors' stock portfolios rebounded to within 1% of their peak value. Pullbacks are an expected component of investing, but so are the recoveries that follow suit. The question for long-term investors is how to remain invested during turbulent times to maximize long-term growth. Over time, an investor's ability to remain invested contributes a significant portion of their long-term return. Unless you can time the market tops and bottoms perfectly, more money is lost on trying to time a correction than during the correction itself.

Over the twenty year time period between 1998-2017, the S&P 500 returned **7.2%** annualized. A 60/40 stock to bond portfolio (defined as 60% S&P500 and 40% Barclays Agg Bond) was up **6.4%**. However, the average self-directed investor had an annualized return during that same period of just **2.6%**. This alarming difference is indicative of the tendency of self-directed investors to sell at the wrong time in a declining market. Additionally, in our experience, investors who panic and sell long-term investments during market declines often wait several months or years to buy back in, missing the rebound in part or entirely.

During that same 20 year window an S&P 500 investor who missed just 10 of the best days in the market had an annualized return of 3.5%; over 50% lower than the buy and hold strategy that resulted in an annualized return of 7.2%! After missing 30 of the best days, an investor's 20-year annualized return dropped into negative territory at -0.19%. Twenty years of return was wiped away by missing less than **1%** of the trading days. What about those investors who stay out of the market for longer? After missing 60 of the best days, an investor's annualized return was -6.11%, dramatically lower than the buy and hold strategy and potentially detrimental to achieving long-term goals.

For long-term investors, it is critical to remember that market volatility and pullbacks are both common and expected when investing in the stock market and that the subsequent recoveries are concentrated in hard-to-predict, single day market movements.

To better prepare you and your portfolio for the next market downturn, ask yourself or talk with your O'Brien Advisor about the following:

- Do I have enough liquidity outside of my invested portfolio to meet emergency cash needs?
- Do I have enough safe investments within my portfolio to withstand a bear market lasting on average 1.5 years?
- Do I know what to expect from my portfolio and my ability to meet long-term goals in a pullback or bear market?
- Do I have too much cash sitting on the sideline that could or should be invested for long-term goals?

Determining an appropriate asset allocation, remaining invested, and understanding the regularity in which we see market pullbacks are imperative to reaching your long-term goals. If you want to discuss your portfolio, please call your O'Brien Advisor – we welcome the opportunity to talk with you.

Lauren Higgins, CFP®
Advisor
Principal

5 QUESTIONS ON CYBERSECURITY TO ASK YOURSELF

By Kari Mekler

1. Are your passwords strong enough to thwart today's cybercriminals? If passwords are written on a sticky note on your desk, they are definitely not secure! The more complex your password is, the more secure it is. Your password should have a minimum of 12 characters. It should include a mix of numbers, symbols, uppercase letters and lower-case letters. Your password should not be a word you can find in a dictionary, nor should your password contain obvious letter substitutions (ie. H0use, where you replace an o with a 0). You probably have a plethora of websites that require a password, so how can you possibly remember them all? This is where a password manager, such as LastPass or Dashlane, could come in handy. These programs allow you to put all your password-protected accounts under one master password. As long as you create a strong master password that you can remember, it may be the last password you'll need to deal with.

2. When a website offers you extra password protection, do you click "Skip for Now?" Do not skip this step! Any offer to enable multi-factor authentication should be accepted. This is when the website you are accessing requires more than one method of authentication from independent categories of credentials to verify your identity. There are many different types of authentication methods that will provide you with extra protection – answering a few personal security questions, using Touch ID or Face ID on your cell phone, or entering a security code that is sent via text or email to you. Touch ID and Face ID are the most secure choices. This extra step can ensure that it is you and only you logging in.

3. Do you click on unknown links? They are so tempting, but don't do it. They are phishing for your information! Phishing is the fraudulent practice of sending emails purporting to be from reputable companies in order to coerce you to reveal personal information, such as passwords and credit card numbers. These emails look so real unless you know the signs. If you hover your mouse over a link, you will see the URL (http://www.website.com). Often, this is a dead giveaway that what you are about to click is not safe. If the URL is not a website you recognize, delete the message! To make matters worse, links aren't limited to email any more – there are links everywhere, from social media sites to text messages. Never give out your personal information in an email, unless you are sure it is encrypted.

4. Do you answer Facebook quizzes or Email surveys? Avoid these! They seem harmless, but these quizzes are attempts to gain access to your information and accounts. While they don't always steal passwords, they gain unauthorized access to post on your behalf. You do not want to give an unauthorized user access to all of your personal details. Never take a survey where you are asked to pay in order to take it, or are promised compensation if you take it. If you click on a survey, you may be letting a scammer install malware on your computer enabling them to steal your information. Stay away from quizzes and surveys!

5. Is all of your software up to date? At work, this is usually handled by your IT department and updates are addressed quickly and efficiently. At home however, you are on your own, but you don't have to be! You should always have an active antivirus software program on your computer. McAfee, Norton, Intrusta and Trend Micro are just a few of the recommended ones to use. These programs scan your computer for viruses, block unauthorized access with a personal firewall, block phishing and spam emails, and block malicious pop-up ads. When a software update becomes available on your cell phone or computer, you should always apply the update. Chances are pretty good that the update addresses the latest security flaw found and will help protect you from further harm.

Kari Mekler
Director of Operations
Compliance Associate
Principal

ADVOCATING FOR CHANGE THROUGH SUSTAINABLE INVESTING

By Cindy Kuppens

Many O'Brien clients are passionate about making a positive impact in their communities and in the world, and this passion extends to their investment plan. They want to invest in alignment with their values, without giving up performance; they want to ***Do Good, and at the same time Do Well.*** In past Currents issues we've written about our Sustainable Portfolio, which is a diversified portfolio comprised of mutual funds that select companies using Environmental, Social and Governance (ESG) factors in addition to traditional data-driven quantitative and qualitative screening factors. As with our traditional portfolio, in the O'Brien Sustainable Portfolio we seek to provide our clients with favorable returns and

> "Mutual funds and exchange traded funds have become a potent force in driving corporate behavior and bringing about positive change."

lower risk, but with the added objective of contributing to positive societal and environmental change. Sustainable investing options have come a long way in the past decade; When SRI (socially responsible investing) was first introduced it was unusual for what are now called sustainable funds to obtain comparable returns to traditional mutual funds and exchange traded funds. Today it is certainly possible to invest sustainably with comparable returns. When building the O'Brien Sustainable Portfolio, we include fund managers that both meet our rigorous screening factors, and use added ESG criteria. In addition, we look for managers who advocate for positive change through their proxy voting, conversations with the companies they include in their funds and introduction of shareholder resolutions to effect change.

To illustrate how fund managers actually advocate for positive change, let's look at several whose funds are currently included in the O'Brien Sustainable Portfolio.

The Calvert U.S. Large Cap Core Responsible Index fund is one of the large company stock funds in our Sustainable Portfolio. Calvert, one of the pioneers of sustainable mutual fund investing, established the index to include large companies that promote:

Environmental sustainability and resource efficiency, reducing negative impacts on the environment, managing water scarcity, reducing carbon emissions and driving sustainability innovation.

Equitable societies and respect for human rights, promoting diversity and gender equality within their organizations and marketplaces, commitment to their employees and respect for the health and well-being of their customers.

Good corporate governance and transparency, including effective and diverse boards and high ethical standards.

Calvert uses negative screening, and does not invest in companies that have records of forced or child labor, human rights violations, animal abuse, poor environmental performance, or manufacture tobacco, alcohol, weapons. or conduct gambling operations,

Calvert also engages with companies to effect positive change in areas covered by the **Pillars of Responsible Investing,** such as clean energy, climate change, and reduction of greenhouse gas emissions. They are also a member of Climate Action 100+, an initiative to engage greenhouse gas emitters to curb emissions. Last year Calvert filed shareholder proposals with four companies on energy and climate change practices.

Domini is another leader in sustainable investing, and the O'Brien Sustainable Portfolio includes the **Domini Impact International Fund.** This fund combines ESG standards (similar to those employed by Calvert) with financial analysis to select large and midsize international companies for inclusion in the portfolio. Internationally, Domini has advocated for workers in Bangladeshi leather tanneries, calling for improved safety, working conditions and rights to collective bargaining. Domini also engages on an ongoing basis to effect positive change with companies that contribute to deforestation around the world, which contributes to climate change, reduction in biodiversity and has negative impacts on local and indigenous communities.

Parnassus Endeavor Fund, a second U.S. large cap fund in the O'Brien Sustainable Portfolio, invests in companies that are recognized for having excellent work environments, with a commitment to diversity. Fund management looks for companies with outstanding workplaces because they "are usually able to recruit and retain better employees and perform at a higher level than competitors in terms of innovation, productivity, customer loyalty and profitability." In addition, Parnassus does not invest in fossil fuel companies, and screens out companies producing alcohol, tobacco, nuclear power, gambling operations and companies with business interests in Sudan. Up to 2% of the Parnassus Funds' assets may be invested in community development funds that work to benefit low-income communities.

Another way ESG funds advocate for positive environmental, social and governance change is through proxy voting. With their large voting blocks, fund managers can introduce corporate resolutions and vote proxies to effect change. Domini's proxy voting guidelines are based on their core value which includes companies that are transparent, accountable and have democratic governance are best equipped "to create long-term, broad-based wealth both for their stockowners and for their other stakeholders." Domini supports resolutions that promote environmental safety, energy efficiency, human rights, financial transparency, labor rights, and controls on alcohol, tobacco and firearms.

Mutual funds and exchange traded funds have become a potent force in driving corporate behavior and bringing about positive change. If you would like to learn more about sustainable investing and the O'Brien Sustainable Portfolio, please ask your O'Brien advisor. We will continue to bring you stories about advocacy in action and about how your investments can help you Do Good and Do Well.

Cindy Kuppens, CFP®, AEP®
Senior Vice President
Client Relations

Principal

TAKE A CLOSER LOOK...

Alena Taylor
Client Solutions Specialist

WHAT DID YOU DO BEFORE O'BRIEN?

My creative background started with a Bachelor's Degree in Professional Music as a vocalist at Berklee College of Music, and later with a Certificate in Pastry at Le Cordon Bleu. These skills transitioned easily to an office setting as a receptionist/administrative assistant at a staffing company and have since been cultivated at O'Brien Wealth Partners.

WHAT DREW YOU TO O'BRIEN?

The genuine care and service provided to clients, co-workers, and contacts fits well with my own moral code. I have always been impressed by the ability to create a culture where work/life balance is treated with active consideration.

WHAT IS YOUR ROLE?

You will most likely hear my voice when you call the office, and see my face when you visit, but the secret to my role at O'Brien is the administrative magic that happens behind the scenes. I bring together clients, advisors, custodians, and accounting/legal professionals in order to best serve our clients. My goal is to create smooth transitions and processes along with ensuring that everyone has the tools they need to accomplish their goals.

TELL US MORE ABOUT YOU...

I moved to Boston from Moose Lake, MN back in 2001 and I don't plan on leaving any time soon. With the exception of a few years working in bakeries after pastry school, I have been with O'Brien for over 10 years. My goal is to open my own bakery named after my Grandmother, Dot, to bring my community together.

I raise funds for a charity each year; the most memorable so far have been the Buzz Off for Kids with Cancer, the Avon Walk for Breast Cancer, the Cystic Fibrosis Cycle for Life, and being a Big Sister through the Big Brother Big Sister program. I was an exchange student in Belgium my senior year in high school, and I recently started learning Scottish Country Dancing. I love my darling cat, Fritz, enjoy biking to work from Watertown on nice days, and appreciate the light, energy, and air provided by the numerous plants at my desk and throughout my home.

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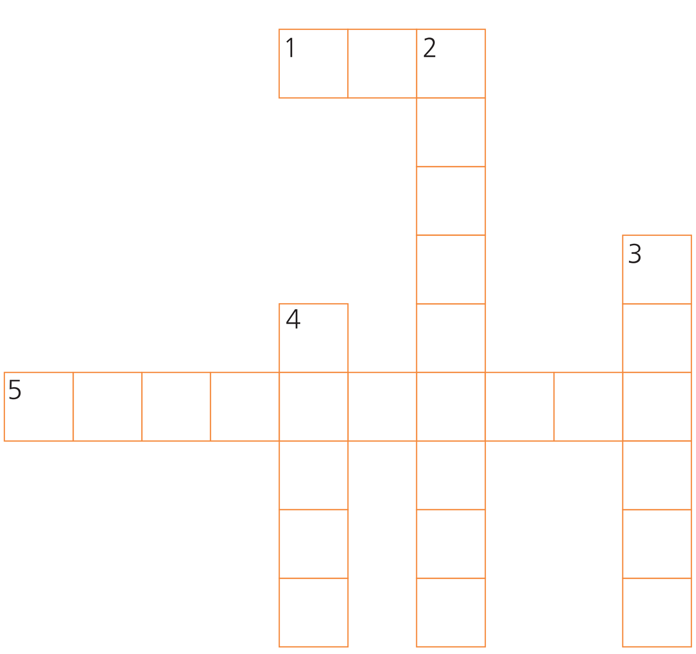
INSIDE

CROSSWORD

Each clue is pulled from the articles within this edition of **CURRENTS.** The answer key can be found in the "In the News" page of our website www.obrienwp.com.



DOWN

2. For long-term investors, it is critical to remember that market volatility and __________ are both common and expected when investing in the stock market.
3. Your password should have a minimum of how many characters.
4. What is Alena's darling cat's name?

ACROSS

1. A professional who has a holistic view of a client's investments, insurance, estate plan, tax plan, retirement plan and cash flow.
5. The sustainable investing process incorporates environmental, social, and corporate __________ (ESG) factors right alongside financial factors.

NOTE ON MONEY TRANSFER REQUESTS

Want to transfer funds?
You may receive a phone call from an O'Brien associate to confirm your identity.

Identity theft is a serious problem today. Emails can be hacked. Phones can be spoofed. We want to know that it is really you making the request. For your protection, when you email a request to transfer funds, we will call you to verbally confirm your request. However, that is not all we need to confirm! We need to know it is really you on the other line. The same thing applies to when you call us to request a check or fund transfer. We want to make sure we are talking to you! The best way to verify and protect your identity is to ask for some identification; therefore, do not be surprised when we ask you a question or two.