



## CORRECTION? WHAT CORRECTION???

### A NOTE FROM JOE ROMANO



As of May 30, it's been 725 calendar days since the S&P 500 last had a correction. A correction is generally defined as a market pullback of 10% or more, with the last drop of 10.4% occurring in the 25 trading days between May 1 and June 2, 2012. According to research published

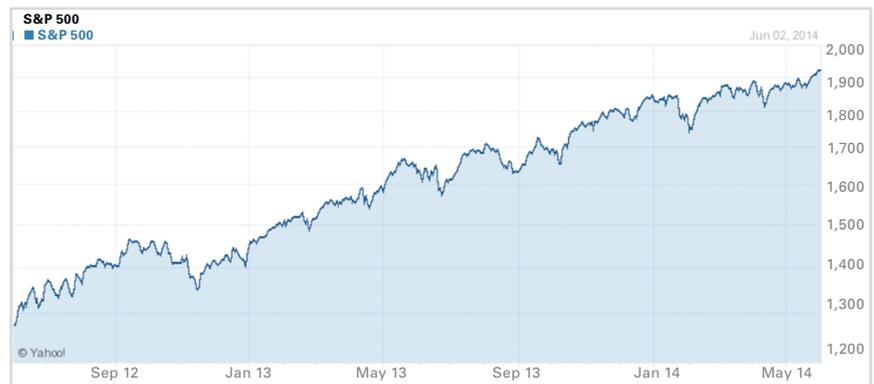
by Goldman Sachs, 5% corrections "typically" happen a few times a year, while 10-15% corrections occur every one to two years and 20% declines happen every three to five years, on average.

Many of you have heard me quote my father Dick who wisely says, "Let me tell you about averages: Did you hear about the man who drowned in a lake with an average depth of two feet?" And indeed, these are not average times as the Fed's experimental and unprecedented quantitative easing policy has supplied endless liquidity into the market. Over the last two years, there really haven't been any real selloffs barring a late January and early February period this year where the market sold off 7.7% in just a couple of weeks.

All eyes remain on the Fed, as they are clearly driving the rally. Despite steady reductions in their bond buying each month since the beginning of the year, bonds have vexingly strengthened with the 10 year treasury falling from 3% to just under 2.5% over that time frame. Stocks, while hitting new highs, haven't had the same turbo charged returns as last year with the S&P 500 up 4.07% during the first five months. Interestingly, the Dow Jones is only up .85% over the same period.

Noted investors like Michael Tisch have called bond yields "too damn low" and compared fixed income securities to "competing in an ugly contest." Others like David Einhorn have compared Fed stimulus to eating jelly doughnuts, a habit that can threaten long term health. Tisch admits he is buying stocks "begrudgingly" as he is forced into equities given the low rates on alternatives like bonds and cash. This is a situation we've addressed extensively in this column.

So in short, we share many of these sentiments and while it has been a great time period without a correction, we are believers in a reversion to the mean. For these reasons, it is with ever greater discipline that we continue to stick to our game plan: dividend paying stocks, special opportunity bonds, and slightly higher cash allocations.



Once again, thank you for your trust and confidence in us.

Sincerely,

Joe Romano, PRESIDENT

# WE DO MORE THAN MANAGE YOUR ASSETS



At Romano Wealth Management, many of our clients hire us to manage their assets, but as Wealth Managers we use the financial planning process to manage the liability side of their balance sheet as well. Often times, we can come up with creative solutions to their financing needs.

For example, a question we often get from clients concerns whether one should purchase or lease a car. Suppose a client was interested in purchasing a \$30,000 car at a 3.5% interest rate through the auto dealership or a bank. Rather than financing the deal, we often recommend they write a check from their Romano account to purchase the car outright. We then help them set up a re-payment plan in which we calculate a monthly payment back to their Romano account at the same 3.5% rate, over a desired term of their choosing (typically 36 to 48 months). In essence then, the client is creating a forced savings plan whereby they earn a risk free return of 3.5% on the \$30,000 over the life of the loan and paying themselves, rather than the bank, the interest. With the ten year treasury yield near 2.6%, we see this as a decent return on investment.

Of course, one of the most common and significant areas we focus on is the home mortgage. We work closely with our clients and our contacts in the lending industry to help determine if it would be advantageous to refinance their existing mortgage or set up a home equity line of credit. As wealth managers, our goal is to help find solutions for our clients to better manage their liabilities and simplify their lives in the process. With rates near zero and lending rates at historical lows we have counseled many clients through the re-financing process over the past six years. However, with rates at lows and a change in interest rate policy on the horizon, clients may be well advised to consult their Romano advisor soon if they haven't already.

As you know, we partnered with First Clearing Corp (a Wells Fargo affiliate) for our back office functions like trade settlement and execution. Since partnering with them we have gained access to some of their lending services including securities-based lines of credit.

A securities-backed line of credit allows the client to borrow money using eligible securities held in a taxable brokerage account as collateral. Funds borrowed can be used for a wide range of purposes such as financing a business, purchasing a second-home or consolidating other outstanding loans. Establishing a securities-backed line of credit is relatively easy and there are no setup, non-usage or cancellation fees. In addition, the interest rates offered to our clients by Wells Fargo have been very competitive when compared to other loans in the marketplace.

For example, we recently helped a client reduce the annual interest expense on an existing \$1.5 million small business loan. Initially, we explored the options available to the client such as paying the loan off outright, taking a margin loan and other loans available in the marketplace. Then, we approached Wells Fargo's lending services to discuss alternative solutions in refinancing an existing business loan. By establishing a securities-backed line of credit, the client was able to pay off the existing loan, reduce the interest rate by 2% and save over \$25,000 a year in interest expenses.

The point is that many clients value us because we do more than simply manage their assets—we advise them on all financial aspects of their lives. If you have a question regarding the liability side of your personal balance sheet or anything related to tax, retirement, or estate planning, please don't hesitate to reach out to your RWM portfolio manager.

Scott Miller, PORTFOLIO MANAGER

## WE SALUTE OUR CLIENTS!

### NEW EVANSTON SUPERINTENDENT

Romano Wealth Management client Dr. Paul Goren was recently named the new Superintendent of District 65 (K-8) in Evanston. District 65 said in a prepared statement, "Over the course of 34 years in education, Dr. Goren has served as a teacher, coach, deputy superintendent, strategic advisor and instructional leader and has many years of experience in running diverse urban school districts and designing educational policy."

With a Ph.D. from Stanford University's School of Education, Dr. Goren has served in executive positions in the Minneapolis Public Schools, the Chicago Public Schools and has held directorships with a number of leading educational organizations and institutions including the Noyce Foundation, which carries on the work of Intel founder Robert Noyce.

Congratulations to Dr. Goren. Romano Wealth Management is proud to have such an accomplished educator and community contributor amongst its clientele.





## PROXY VOTING

Springtime is the season when many public companies send out their annual reports to shareholders, and no doubt your mail box has just been inundated with them for each of your holdings. Clients often ask if we can stop sending this information as they usually discard it, but the fact is this is a shareholder right, and the SEC requires public companies to contract with a proxy servicer to distribute this information directly to individuals that own their stock. We can however request for most public companies that this information be sent electronically to your email account, which is at least a bit more eco-friendly. If you are interested, please contact the service administrator on your portfolio management team.

We frequently receive questions from clients regarding how to vote the proxies that they receive from the companies in their portfolios. Accompanying the proxy request is a rather formidable-looking pamphlet which contains information about the top officers of the company and their compensation, as well as information about the people who are up for election to the Board of Directors. Elections for Directors are seldom contested, so you will normally only have a choice of voting for, against or abstaining for each candidate.

You will always be asked to vote on approving (or not) the appointment of independent auditors for the company's financial statements. This is a routine issue, and it would be rare that you would not vote to approve.

Most proxies will ask that you vote approval, on an advisory basis only, the compensation for the executive officers of the company. The compensation formulas are provided in the proxy statement, but are generally fairly complex. To be an informed voter, one should read this information, but it is not light reading. Though the vote is non-binding, shareholders can sometimes express strong opinions. At the recent meeting of Chipotle Mexican Grill, shareholders voted 77% disapproval of the board's \$50 million compensation last year for the co-CEO's of the company. Apparently, shareholders felt that their compensation of 1203 times the compensation of the average Chipotle worker is excessive.

The above issues are the standard ones that are on every proxy request. There might be a few additional issues to vote relating to the specific company and its circumstances. We recognize that proxy voting can be rather a daunting process that can overwhelm an investor, so we suggest that if you would like some assistance, contact your ROMANO WEALTH portfolio manager. We're here to help.



### NEW CHIEF OPERATING OFFICER

Grace Garby, who joined Romano Wealth Management in 2005, has been named Chief Operating Officer of the firm.

In her new position, Grace will be responsible for managing all hands-on operational aspects of the company. She will work alongside firm President Joe Romano to develop corporate and operational strategies and implement them throughout the firm. As Chief Operating Officer, Grace will provide the leadership necessary to ensure that the company has the proper controls and procedures in place to effectively grow the organization and to ensure operational efficiency. Prior to assuming her new position, she served as Chief Administrative Officer.

Grace came to Romano with a background of 20 years in the investment industry in Operations, Compliance and Administration. She holds a FINRA Operations Professional Series 99 designation.



### MEET OUR NEWEST EMPLOYEE...

We are pleased to announce that Holly Nanos has joined our firm as an Associate Portfolio Manager and will be working closely with Doug Geisser in

our Fixed Income Department. Holly comes to us with 4 years of experience from The Ayco Company, L.P. (a Goldman Sachs Company). As a Senior Financial Analyst, Holly managed the account relationships of high net worth clients by assisting with their financial, insurance, estate and tax planning needs. She received her B.S. in Commerce (double major in Accounting & Finance) from DePaul University and her licenses include the FINRA Series 7 and 66.



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## JOE ROMANO, BUSINESS PERSON OF THE YEAR

In early 2014, Joe Romano was named Business Person of the Year by the Evanston Chamber of Commerce.

Joe was named president of Romano Wealth Management in 2003. The firm, founded by his father, Richard and his uncle, Robert, has grown from a firm that sought to help his grandparents invest wisely to a 52 year old success story, recently topping \$1 billion in assets. Joe directly oversees all day-to-day operations of the firm and leads the Investment Committee. He has served as President of the Illinois Securities Industry Association from 2005-2007 and is currently a member of the Financial Industry regulatory Authority (FINRA) District 8 Committee as well as the organization's Small Firm Advisory Board. Joe also continues a long-standing Romano tradition of teaching a class on the basics of investing at New Trier East High School's continuing education site.

In addition to his Romano duties, Joe serves on the boards of Connections for the Homeless and the Youth Job Center. He was appointed to the Firefighters Pension Review Board by Evanston Mayor Elizabeth Tisdahl and was an early sponsor



**JOE ROMANO HONORED EVANSTON  
BUSINESS PERSON OF THE YEAR**

of the Evanston Mash-Up, an annual gathering of Evanston's education, business and arts community. Joe is a member of the Young Presidents Organization and a former Board member of the Evanston Chamber of Commerce.

Joe made a heartwarming acceptance speech when he was honored, paying homage to his father and his mother for their dedication in making the firm a success. Over 200 business owners and community leaders came out to help him celebrate this accomplishment. If you would like to hear what Joe says about the firm and his family, go to the homepage of our website, RomanoWealth.com, to see the video.