INVESTMENT
UPDATE

ROMANO
BROTHERS & CO.
WEALTH MANAGEMENT

Protecting Your Prosperity. Securing Your Future. Since 1962.

June 2015

NOT TOO HOT, NOT TOO COLD, BUT THIS ONE'S JUST RIGHT…

A NOTE FROM JOE ROMANO

As of this writing (May 17), the market sits upon all-time highs with the Dow at 18,272, the same level reached at the end of February. It's been an exceptionally quiet second quarter so far, with almost three full months of the Dow trading in a 600 point, or less than 4% wide trading band.

On May 8th, some jobs and other economic data came out that was within expectations, though unremarkable. Within an hour of the premarket opening report, analysts and the media had already labeled the economic environment as a "Goldilocks economy." As pointed out in earlier commentaries, all eyes are and have been for some time, on the Federal Reserve. Presumably, the data was just tepid enough to not be considered bad and cause any worry, and not strong enough to suggest the Fed would begin raising rates too soon, but was *just right.* Hence the title of this piece, and no need to turn down the music just yet…

This seems like a poor excuse (to this writer at least) to keep an epic bull running, but even I must admit it makes some sense. While stocks are not cheap and there aren't many (in fact a scant few) bargains to be had, they aren't egregiously overvalued either.

But it's been a bit of a different market in the bond world. The 10 year U.S. Treasury note reached a low yield of 1.64% on January 30, but has recently spiked up to 2.25%, ironically at the same level where it began the year. That's a 50% round trip move in just a few months. It's another sign that the Fed Funds rate guessing game is alive and well, and a more solemn reminder that when things change they can change in the blink of an eye, before one has a chance to react.

It still makes me question just how orderly things will be when the fed eventually raises rates, an event that seems like it is continuously six months out. Yet with foreign yields even lower than those in the US, it's hard to see a catalyst for a sharp move up. While the Fed has the power to raise the Fed Funds rate which is currently at 0%, it is pondering only a quarter point raise. Increasing rates to 0.25% is hardly draconian, but it will be interesting to see how the market reacts nonetheless.

Yet one thing is certain-- our last significant market correction was exactly four years ago, beginning in April of 2011 and with stocks ending up 19% lower six months later. While everyone remembers 2008, few remember this downturn or that we typically get a 10% correction almost annually, and haven't had one in this four year span.

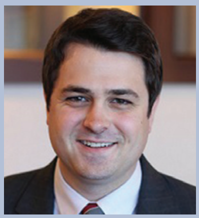
Don't get us wrong, this doesn't have to spell doom and gloom, and we wouldn't want to end our letter that way. But what it does mean, is that a little bit of a correction is not only overdue but healthy for valuations. Until then, we stand vigilant, with our pencils sharpened and our laundry lists at the ready.

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

Sincerely,

Joe Romano, PRESIDENT

REFLECTIONS OF A WIREHOUSE CONVERT



Having left a big "wirehouse" brokerage firm and joining Romano Wealth Management in September, I have now been afforded a unique perspective on two very different approaches to serving clients and providing financial advice. While there are a number of similarities between a boutique firm like Romano and the big firm world, it is the difference in culture that has been most noticeable since my move.

During my time at my prior firm, I participated in a rigorous and demanding training program. All of the large firms have similar programs, and they are designed to weed out those not fit for the job. Over my three years there, I saw countless people hired and then leave the firm, some by choice and most others not. The idea is that the big firms will hire enough financial advisors that some will stick, while the others will be forced to move on. The success or failure of an advisor is predicated solely on his or her ability to hit sales hurdles. Those who bring in enough money and generate enough fees and commissions are those who survive. This creates a competitive, sales-driven culture amongst the advisors rather than the team-like, client centric environment here at Romano.

The way those commissions are created in most cases is similar to the fee structure across the industry. The advisor charges an asset-based fee on the amount of money they are managing, typically between 1% and 1.5%. However, big firms are becoming weary about the risks associated with letting every advisor choose the investment for their clients. The result is a big push to use firm-based proprietary products consisting of generalized managed mutual fund portfolios. In this arrangement the advisor charges the same fee, but there is also an added level of fees embedded in the mutual funds of 0.5% to 1.0%. That generally brings the overall fee paid by the client to between 1.5% and 2.5%. The advisors are acting as little more than salesmen for their firm, and are charging a premium price for doing so.

All of that is in contrast to my experience at Romano Wealth Management. There is no unrelenting pressure to bring in new business or to generate commissions here. This allows RWM portfolio managers to act as true advisors acting in their client's best interest rather than salesmen selling investment products like mutual funds, alternative investments, and annuities. Further, rather than creating pooled, commoditized portfolios that each client is plugged into, we create portfolios specific to the needs of each individual client, using the same ideas we use ourselves, and we do all of this at a cost that is significantly less than our wirehouse counterparts.

I value my three years spent at a big financial services firm, as I learned a great deal about how to run a practice, develop a clientele, and what it takes to be a financial advisor. Above all though, it allowed me to really appreciate the value for myself and to my clients of the family-like, client-first culture at Romano.

Peter Hemwall joined Romano Wealth Management in September of 2014 and works on Joe Romano's team. Having joined a big investment firm straight out of Miami University (Ohio), after 3 years he and one other classmate were the only survivors from their initial class of 40 advisors. Peter is the son of Rick Hemwall, who joined RWM after also departing the same big firm 19 years earlier...

A ROMANO MILESTONE

HAPPY 25TH ANNIVERSARY!

Congratulations to Doug Geisser, Vice President of Romano Wealth Management, for achieving a significant milestone—he is marking his 25th year with the firm. Doug oversees the fixed income department and manages over $265 million in client assets. For several years he has been recognized in *Chicago Magazine* as a Five Star Wealth Manager, a select group which represents less than 3 percent of the wealth managers in the Chicago area.

SPOTLIGHT ON OUR CLIENTS

A DREAM HOME ON THE LAKE

Dick and Joe Romano are shown here celebrating with their clients **Margaret and Joe Flanagan**, who that very day closed on the purchase of one of Evanston's most premier and spectacular lots on the shores of Lake Michigan. Now the Flanagans will begin designing and building their dream home.

Through its affiliation with First Clearing/Wells Fargo, Romano Wealth Management had access to bank loan products and personnel to assist in the financing of the purchase by arranging a bridge line of credit against their investment portfolio at an extremely favorable interest rate.

JOHN D. DAVIS-CPA, MOTORCYCLE ENTHUSIAST

For many years John Davis took care of other people's money. As an accountant in Evanston, IL, he served a growing clientele for forty years.

Early in his career John was located in the Old First Illinois Bank building where he met a fellow tenant, Dick Romano, founder of Romano Wealth Management. He and Dick became friends and eventually he became a client. John who retired in 2006 lives in Chanute, Kansas.

Being semiretired leaves John lots of time to enjoy his hobby—collecting and in some cases, riding, vintage motorcycles. And thanks to Romano's guidance, John can enjoy both riding and retirement. He has ridden for 50 years, but confines his active riding to a 1969 Honda CB750 and a 1982 Honda CBX. For the past several years via his bike, he has returned to the Evanston area to meet with old friends and enjoy an occasional golf game.

"I can look at my accounts with RWM anytime I wish and I trust them completely", says John. "Security and serenity...isn't that what we all want in our retirement?"

SCOTT MILLER PASSES THE CFP®

Portfolio Manager Scott Miller has recently acquired the CFP® (Certified Financial Planner™ certification) which is the most recognized in the industry for personal financial planning. The designation is conferred after a rigorous schedule of advanced study with only 17% of all financial advisors in the industry claiming this distinction. This official recognition comes with extensive training in financial planning, estate planning, insurance, investments, taxes, employee benefits and retirement planning, as well as in CFP® Board's Standards of Professional Conduct, which are rigorously enforced. In addition, continued education in related areas is required to insure that the individual is current with the ever changing marketplace.

Romano President, Joe Romano CFP®, said "We are very pleased with Scott's willingness to commit the time and effort to receive this designation and to further enhance the quality of expertise we give to our clients."

ROMANO
BROTHERS & CO.
WEALTH MANAGEMENT
Protecting Your Prosperity. Securing Your Future. Since 1962.

1560 SHERMAN AVENUE
SUITE 1300
EVANSTON, IL 60201

OFFICE 847 866 7700
FAX 847 866 7054

ROMANOWEALTH.COM

PROTECTING YOUR PROSPERITY. SECURING YOUR FUTURE. SINCE 1962.

ROMANO NEWS

Congratulations to Brett Larson and Holly Nanos for completing the Investment Planning course of study and to Peter Hemwall for completing the Income Tax Planning course of study that meets the educational components to obtain the Certified Financial Planner™ certification! Keep up the great work Brett, Holly and Peter, you'll be a CFP® in no time!

After six years, Laura Daly, Director of Client Relations is leaving the firm. She managed the client accounts of Dick and Joe Romano and Scott Miller. Laura will be managing personnel at the Daly home that includes her two young daughters.

"We will miss Laura, her handling of client relationships and her unique skills were outstanding," said Joe Romano.

Best wishes, Laura, from all.

Firm President Joe Romano speaking at the FINRA Small Firm Advisory Board (SFAB) 2015 FINRA Annual Conference Luncheon in Washington, DC. The SFAB where Joe serves as its chair, works to ensure that issues of particular interest and concern to small firms are effectively communicated and considered by the FINRA Board of Governors.