



# EPSTEIN & WHITE

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Retirement Income Solutions



## Looking at Labor

**WEEKLY UPDATE - FEBRUARY 6, 2017**

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Political headlines continued to fill the news last week, and while domestic markets declined during mid-week trading, they rebounded on Friday, February 3.<sup>[1]</sup> Overall, the week showed only modest movement, as the S&P 500 added 0.12%, the NASDAQ was up 0.11% to end at a record high, and the MSCI EAFE grew by 0.01%.<sup>[2]</sup> The Dow was down by 0.11% but still managed to end above 20,000 after dipping below this benchmark between Tuesday and Thursday.<sup>[3]</sup>

So, why did domestic markets perform well on Friday? A better-than-expected jobs report.<sup>[4]</sup>

### The January Jobs Report

Depending on which survey you look at, economic experts predicted the economy would add an average of between 175,000 and 180,000 jobs in January.<sup>[5]</sup> Instead, on Friday, the Bureau of Labor Statistics' report showed the economy added 227,000 jobs last month - far higher than predicted.<sup>[6]</sup> This increase means job growth has continued for 76 months in a row.<sup>[7]</sup>

You gain a much clearer picture, however, when you look beyond the big headlines and see what other data tells us. Here's a quick rundown of what we found:

### Hourly Earnings Increased, but by a Very Small Margin

Average hourly earnings grew by only 3 cents in January - and showed a 2.5% increase over last year.<sup>[8]</sup> This monthly growth is less than a third of what we saw in December 2016.<sup>[9]</sup> However, one industry in particular may have caused these slower gains, as a 1% decrease in financial industry earnings depressed overall wage growth.<sup>[10]</sup>

## Unemployment Increased, but for a Potentially Positive Reason

When you hear that unemployment increased from 4.7% in December to 4.8% in January, this may sound like bad news.<sup>[11]</sup> However, a major reason for this increase is that labor force participation grew by 0.2% in January, the first increase in months.<sup>[12]</sup> In other words, after sitting on the sidelines, more people are now rejoining the labor force and creating additional opportunities for economic growth.<sup>[13]</sup>

## Jobs Are Available, but Workers May Need Training or Relocation

While labor force participation increased last month, its 62.9% rate is still near the lowest level in decades.<sup>[14]</sup> According to Glassdoor Chief Economist Andrew Chamberlain, approximately 5.5 million jobs remain open in the U.S. - close to a record number.<sup>[15]</sup> Some of these jobs, such as retail and food service, don't require much training, but they aren't always located near where unemployed workers live. Other jobs in the hot fields of healthcare and technology require training and skills that many workers simply do not have right now.<sup>[16]</sup> As a result, closing the gap between open jobs and willing workers is a complex challenge for employers and job-searchers alike.

## The Bottom Line

The labor market is continuing to improve, but the pace remains slower than what most people would prefer. Nonetheless, the Bureau of Labor Statistics' latest revisions show that private-sector payrolls have increased for 83 straight months, the longest growth streak since the 1920s.<sup>[17]</sup>

How any potential new pro-growth policies affect the labor market remains to be seen, as does how to fill the millions of open jobs available right now. In the meantime, people are working more hours for higher pay than they were this time last year, and job participation is growing.<sup>[18]</sup>


## ECONOMIC CALENDAR:

**Monday:** Labor Market Conditions Index

**Tuesday:** International Trade

**Wednesday:** EIA Petroleum Status Report

**Friday:** Import and Export Prices, Consumer Sentiment

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Data as of 2/3/2017	1-Week	Since 1/1/17	1-Year	5-Year	10-Year
Standard & Poor's 500	0.12%	2.62%	20.12%	14.16%	5.86%
DOW	-0.11%	1.56%	22.86%	11.21%	5.86%
NASDAQ	0.11%	5.27%	25.81%	19.01%	12.89%
U.S. Corporate Bond Index	0.00%	0.16%	5.08%	3.90%	6.76%
International	0.01%	3.43%	10.91%	2.63%	-1.93%
Data as of 2/3/2017	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.50%	0.62%	0.81%	1.94%	2.47%

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized. Sources: Yahoo! Finance, S&P Dow Jones Indices and Treasury.gov. International performance is represented by the MSCI EAFE Index. Corporate bond performance is represented by the SPUSCIG. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

## QUOTE OF THE WEEK

*"Motivation is when your dreams put on work clothes."*

*- Benjamin Franklin*

## RECIPE OF THE WEEK

### Simply Delicious Roast Chicken



*A hearty classic from famed chef, Thomas Keller*

*Serves 2 - 4*

#### **Ingredients:**

1 2 - 3 lb chicken  
 Kosher salt  
 Black pepper, freshly ground  
 2 tsp thyme, minced (optional)  
 Unsalted butter

Dijon mustard

## Directions:

1. Preheat your oven to 450 degrees.
2. Rinse the chicken and use paper towels to dry it very well inside and out.
3. Add salt and pepper to the bird's cavity.
4. Truss the chicken by tying up its wings and legs.
5. Cover the skin with salt and add pepper to taste.
6. Place the chicken in a sauté or roasting pan.
7. Put the chicken in the preheated oven.
8. Roast the chicken for 50 - 60 minutes, until fully cooked.
9. Add thyme to the pan's juices and baste the chicken with this liquid.
10. Carve chicken and slather meat with butter.
11. Serve and enjoy!

Recipe adapted from Epicurious.com<sup>[19]</sup>

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TAX TIPS

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## Know If You Can Claim Exemptions and Dependents

Minimizing tax liabilities is common practice as Americans prepare to file and optimize their tax returns. The exemptions and dependents you claim can help increase your deductions. For the 2016 tax year, each exemption typically allows you to deduct \$4,050 on your return. However, taxpayers earning above a certain income bracket will lose all or part of that deduction, so you'll need to be aware of how your income affects your deductions.

As you prepare your taxes, here are some points to pay attention to about listing dependents and exemptions:

**1. Personal Exemptions:** If you are married and file your taxes jointly, then you can typically exempt items on your return. However, if you are married but file separate returns, your options are limited. You can only claim an exemption for your spouse if your partner:

- Did not receive gross income
- Will not file a tax return
- Was not another taxpayer's dependent

**2. Exemptions for Dependents:** If you live with a child or relative who is financially dependent on you, then you can often claim them as tax exemptions. You will need to provide each dependent's Social Security number, so be sure to have that information available.

**3. Dependents' Exemption Limits on Return:** Any person that you claim as a dependent on your tax return cannot claim their own personal exemption on their tax return. The dependent cannot claim their personal exemption even if no one claims them on a return.

**4. Dependent Filing Requirements:** Just because you claim someone as your dependent does not mean they are free from having to file their own taxes. Details such as their total income, marriage status, and taxes owed will guide whether they should file.

You can learn more about the rules surrounding claims on exemptions and dependents on the [IRS website](#).

Tip courtesy of IRS.gov<sup>[20]</sup>



## Hit Solid Shots in Windy Weather

Wouldn't it be wonderful if every round of golf came with still, calm weather? Of course, wind can pick up at any time, and you don't want to sacrifice your score (or sanity) if it does. Fighting the wind can be tempting, but no matter how strong you are, you're probably not stronger than the breeze. So, rather than trying to muscle through, follow these two simple tips to hit solid shots when the wind is blowing.

**1. Go up a club or two.** The key to maintaining your game in a breeze is hitting solid, low shots. By going up a club or two, you can focus on making ideal contact with the ball, rather than trying to hack at it with all of your strength.

**2. Swing at 75%.** Because you have more club than you'd usually use, you can swing with less force. By avoiding the backspin that often accompanies a fast swing, you won't send your ball skyrocketing high in the air, where the wind can easily catch it.

Playing in the wind is always more challenging than enjoying a round on a clear day. With a slower swing and a stronger club, you will be better able to keep your ball low and straight, and have more control of where your shots land.

Tip courtesy of Keely Levins and Butch Harmon | Golf Digest<sup>[21]</sup>



## Protect Your Health With Good Sleep Habits

We all know that getting enough sleep is important, but the side effects of insufficient rest include much more than feeling tired or not having enough energy. Missing sleep can throw off your circadian rhythm, which helps to regulate your brain and body systems. As a result, you may experience a variety of negative symptoms, including increased blood pressure and decreased working memory.

As you age, your brain takes longer to adjust after insufficient rest. What can you do to avoid sleep-deprivation in the first place? Start by following these three tips:

**1. Get Adequate Rest.** Aim to get a minimum of 6 hours of sleep each night, but strive for 7 to 8, which is a more optimal range. Also, focus on going to bed and waking up at the same time every day.

**2. Readjust to Different Time Zones.** When you travel to a new time zone, you can throw off your body's circadian rhythm. Help yourself adjust more quickly by being in bright morning light. Go outside when you wake up, and consider walking for an hour while you're there.

**3. Treat Sleep Disorders.** Obstructive sleep apnea becomes more common as you age. This sleep disorder causes you to stop breathing while asleep, and then wake up - disrupting your rest. If you suspect that you or your partner may have sleep apnea, consider talking to your doctor about a CPAP (continuous positive airway pressure) machine, which will help regulate breathing.

Tip courtesy of AARP<sup>[22]</sup>



## Easy Ways to Reduce Your Pollution Impact at Home

**1. Swap Liquid Soap for Bar Soap:** Liquid soap is harming the planet. Producing liquid soap uses 5 times more energy for raw materials than bar soap and 20 times more energy for the packaging. By switching to a bar, you will also use nearly 7 times less product, decreasing your consumption impact.

**2. Wash Laundry and Run Dishwasher at Night Instead of During the Day:** Every time you run the washer and dryer or the dishwasher, the machines create heat and humidity, causing your AC to pump harder in warmer months. Try washing items during off-peak hours, typically after 8 pm. You can also go a step further and hang your clothes to line dry or use low dryer settings.

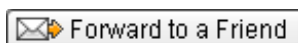
**3. Replace Coffee Pods with Traditional Coffee Maker:** The #7 plastic used in each coffee pod container is often not recyclable. As a result, every single pod not recycled ends up filling our landfills. With billions of coffee pods sold each year, switching to a traditional coffee maker can make a huge difference in limiting your environmental impact.

Tip courtesy of Real Simple<sup>[23]</sup>

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### ***Share the Wealth of Knowledge!***

*Please share this market update with family, friends, or colleagues. If you would like us to add them to our list, simply click on the "Forward email" link below. We love being introduced!*



Investing in risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia and Southeast Asia.

The S&P U.S. Investment Grade Corporate Bond Index contains U.S.- and foreign-issued investment-grade corporate bonds denominated in U.S. dollars.

The SPUSCIG launched on April 09, 2013. All information for an index prior to its Launch Date is back-tested, based on the methodology that was in effect on the Launch Date. Back-tested performance, which is hypothetical and not actual performance, is subject to inherent limitations because it reflects application of an Index methodology and selection of index constituents in hindsight. No theoretical approach can take into account all of the factors in the markets in general and the impact of decisions that might have been made during the actual operation of an index. Actual returns may differ from, and be lower than, back-tested returns.

The S&P/Case-Shiller Home Price Indices are the leading measures of U.S. residential real estate prices, tracking changes in the value of residential real estate. The index is made up of measures of real estate prices in 20 cities and weighted to produce the index.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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[1] <http://www.cnn.com/2017/02/03/us-markets.html>

[2] <http://finance.yahoo.com/quote/%5EGSPC/history?period1=1485493200&period2=1486098000&interval=1d&filter=history&frequency=1d>

<http://finance.yahoo.com/quote/%5EIXIC/history?period1=1485493200&period2=1486098000&interval=1d&filter=history&frequency=1d>

<https://www.msci.com/end-of-day-data-search>

[3] <http://finance.yahoo.com/quote/%5EDJI/history?period1=1485493200&period2=1486098000&interval=1d&filter=history&frequency=1d>

[4] <http://www.cnn.com/2017/02/03/us-markets.html>

[5] <http://www.cnn.com/2017/02/03/us-markets.html>

<https://www.bloomberg.com/news/articles/2017-02-03/yellen-patience-on-timing-of-next-hike-justified-by-jobs-report>

[6] <http://www.cnbc.com/2017/02/03/us-markets.html>

[7] <http://www.forbes.com/sites/maggiemcgrath/2017/02/03/job-growth-beats-expectations-u-s-added-227000-jobs-in-january/#1b533b7b761>

[8] <http://www.cnbc.com/2017/02/03/us-markets.html>

[9] <http://www.cnbc.com/2017/01/06/nonfarm-payrolls-dec-2016.html>

[10] <https://www.bloomberg.com/news/articles/2017-02-03/slowdown-in-wage-gains-muddies-picture-of-tight-u-s-job-market>

[11] <http://www.ftportfolios.com/Commentary/EconomicResearch/2017/2/3/nonfarm-payrolls-increased-227,000-in-january>

[12] <http://www.forbes.com/sites/maggiemcgrath/2017/02/03/job-growth-beats-expectations-u-s-added-227000-jobs-in-january/#1b533b7b761>

[13] <https://www.bloomberg.com/news/articles/2017-02-03/yellen-patience-on-timing-of-next-hike-justified-by-jobs-report>

[14] <http://www.pdilitico.com/story/2017/02/economy-added-227-000-jobs-in-january-234598>

[15] <http://www.forbes.com/sites/maggiemcgrath/2017/02/03/job-growth-beats-expectations-u-s-added-227000-jobs-in-january/#1b533b7b761>

[16] <http://www.forbes.com/sites/maggiemcgrath/2017/02/03/job-growth-beats-expectations-u-s-added-227000-jobs-in-january/#1b533b7b761>

[17] <http://www.ftportfolios.com/Commentary/EconomicResearch/2017/2/3/nonfarm-payrolls-increased-227,000-in-january>

[18] <http://www.ftportfolios.com/Commentary/EconomicResearch/2017/2/3/nonfarm-payrolls-increased-227,000-in-january>

[19] <http://www.epicurious.com/recipes/food/views/my-favorite-simple-roast-chicken-231348>

[20] <https://www.irs.gov/uac/how-exemptions-and-dependents-can-reduce-taxable-income>

[21] <http://www.gdftdigest.com/story/how-to-hit-solid-shots-in-the-wind>

[22] <https://stayingsharp.aarp.org/art/relax/15/sleep-problem-solving.html>

[23] <http://www.realsimple.com/home-organizing/green-living/causes-of-pollution>

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