Condor Capital Reviews 1st Quarter 2016

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In the first quarter of 2016, domestic stocks initially experienced a steep plunge, but then made a powerful recovery.

Developed international stocks failed to participate in the global equity rebound, though emerging markets generally rallied.

In the U.S., the Federal Reserve decided to keep interest rates at bay and reduced their rate forecast for the remainder of the year.

March 2016

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Cost of Living: Where You Live Can Affect How Rich You Feel.

What's New in the World of Higher Education?

What is the federal funds rate?

What information will I need before shopping for an auto insurance policy?

Global markets plummeted in January, kicking off the worst start to a year on record. With oil prices continuing to drop on fears of a supply glut and worries of slowing economic growth abroad, markets remained weak over the first six weeks of 2016. Thankfully, this downward streak reversed itself during the second half of the quarter, as signs of a possible bottom in oil prices emerged. Moreover, the U.S. dollar declined, easing pressure off commodity prices and buoying emerging market stocks. In light of weakness abroad, the Federal Reserve elected to not raise interest rates. With volatility abating in the latter half of the period, the S&P 500 Index posted a slight 1.35% gain for the quarter.

After all was said and done, mid-cap stocks generally outperformed both their large- and small-cap peers in the first quarter. Value names outperformed their growth brethren, as these stocks are well represented in many commodity-reliant sectors, which experienced a bounce-back in March. With earnings stability still at the forefront of investors' minds, the utilities and telecommunications sectors once again performed well in the period. However, financials underperformed, as bank stocks fell due to compressed net interest margins.

Abroad, European Central Bank President Mario Draghi announced several aggressive policy measures aimed at bolstering the fragile Eurozone economy, which included an expanded bond-buying program and a series of rate cuts. Despite continued fears over economic deceleration, however, the English and Swiss central banks elected to hold rates at their current levels. In a historic event, meanwhile, the Bank of Japan surprised investors by adopting negative interest rates for the first time ever, in hopes of invigorating growth in the country's struggling economy. In light of these events, the MSCI EAFE Index fell 3.01% in the quarter. Contrastingly, the aforementioned decline in the dollar and waning anxiety about China's economic slowdown helped boost the MSCI Emerging Markets Index to a 5.71% return for the period.

On the domestic front, the Federal Reserve maintained a dovish stance on monetary policy amid uncertain global markets. During the FOMC's meeting in March, policymakers decided to reduce their rate forecast for the remainder of the year as a result of low inflation expectations and risks of global deceleration. Moreover, the Fed Chair announced that the FOMC will not consider raising rates in their upcoming meeting scheduled for April. On the other side of the Atlantic, the ECB indicated that interest rates will likely stay where they are going forward, in order to ease pressure off Europe's reeling banks.

With oil prices slumping early in the quarter and concerns over economic growth, fixed income markets experienced a flight to quality, causing Treasuries to rally. Accordingly, the U.S. 10-year Treasury yield trended lower, beginning the period at 2.27% and ending at 1.78%. Noting uncertainty, corporate bond spreads widened only to trend back to their starting levels as markets stabilized. Municipal bonds posted modest returns, helped by falling yields and solid demand fundamentals, but trailed like-duration Treasuries due to increased supply levels. Over the first quarter, the Citi Corporate Bond Index posted a 3.95% return, while the Lipper Municipal Fund Index delivered a 1.54% gain.

Outlook – With the first few weeks of 2016 wiping out $2.3 trillion of wealth from the global markets, many investors wondered whether one of the longest bull markets in history was finally coming to an end. Fortunately, there are still several reasons for optimism given the ongoing accommodative central bank policies around the globe. It is important to note that while a stronger greenback benefits the economy by supporting domestic consumer spending, it also weakens corporate earnings for export-centric companies, which was the case in 2015.

Going forward, we consider central bank policy as well as domestic economic fundamentals to be the major determinants of market performance, both over the next quarter and the remainder of 2016. With the first interest rate hike since 2006 occurring in December 2015, the Federal Reserve has now dialed down its forecast for rate hikes for the remainder of the year. With fewer rate hikes likely to take off some steam in the dollar, profits of U.S. businesses with a global reach should rebound. Additionally, a robust labor market, characterized by rising wages and falling unemployment, adds clarity to the health of the overall economy. All things considered, we believe that capital markets will continue to reward patient, long-term investors, even if markets experience bouts of heightened volatility over shorter time frames.

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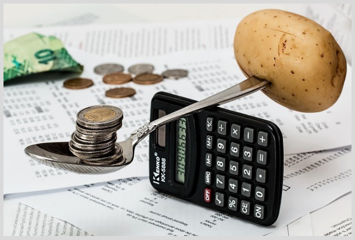

- *Having a high paying job does not necessarily guarantee a better quality of life*
- *Be aware of the major factors that make up the cost of living*
- *If you are thinking of moving, it is important to note cost-of-living information for a specific area*

Cost of Living: Where You Live Can Affect How Rich You Feel

Do you find yourself treading water financially even with a relatively healthy household income? Even with your new higher-paying job and your spouse's promotion, do you still find it difficult to get ahead, despite carefully counting your pennies? Does your friend or relative halfway across the country have a better quality of life on less income? If so, the cost of living might be to blame.

The cost of living refers to the cost of various items necessary in everyday life. It includes things like housing, transportation, food, utilities, health care, and taxes.

Single or family of six?

Singles, couples, and families typically have many of the same expenses--for example, everyone needs shelter, food, and clothing--but families with children typically pay more in each category and have the added expenses of child care and college. The Economic Policy Institute (epi.org) has a family budget calculator that lets you enter your household size (up to two adults and four children) along with your Zip code to see how much you would need to earn to have an "adequate but modest" standard of living in that geographic area.

What areas have the highest cost of living? It's no secret that the East and West Coasts have some of the highest costs. According to the Council for Community and Economic Research, the 10 most expensive U.S. urban areas to live in Q3 2015 were:

Rank	Location
1	New York, New York
2	Honolulu, Hawaii
3	San Francisco, California
4	Brooklyn, New York
5	Orange County, California
6	Oakland, California
7	Metro Washington D.C./Virginia
8	San Diego, California
9	Hilo, Hawaii
10	Stamford, Connecticut

Factors that influence the cost of living

Let's look in more detail at some of the common factors that make up the cost of living.

Housing. When an area is described as having "a high cost of living," it usually means housing costs. Looking to relocate to Silicon Valley from the Midwest? You better hope for a big raise; the mortgage you're paying now on your modest three-bedroom home might get you a walk-in closet in this technology hub, where prices last spring climbed to a record-high $905,000 in Santa Clara County, $1,194,500 in San Mateo County, and $690,000 in Alameda County. (Source: *San Jose Mercury News,* Silicon Valley Home Prices Hit Record Highs, Again, May 21, 2015)

Related to housing affordability is student loan debt. Student debt--both for young adults and those in their 30s, 40s, and 50s who either took out their own loans, or co-signed or borrowed on behalf of their children--is increasingly affecting housing choices and living situations. For some borrowers, monthly student loan payments can approximate a second mortgage.

Transportation. Do you have access to reliable public transportation or do you need a car? Younger adults often favor public transportation and supplement with ride-sharing services like Uber, Lyft, and Zipcar. But for others, a car (or two or three), along with the cost of gas and maintenance, is a necessity. How far is your work commute? Do you drive 100 miles round trip each day or do you telecommute? Having to buy a new (or used) car every few years can significantly impact your bottom line.

Utilities. The cost of utilities can vary by location, weather, usage, and infrastructure. For example, residents of colder climates might find it more expensive to heat their homes in the winter than residents of warmer climates do cooling their homes in the summer.

Taxes. Your tax bite will vary by state. Seven states have no income tax--Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming. In addition, property taxes and sales taxes can vary significantly by state and even by county, and states have different rules for taxing Social Security and pension income.

Miscellaneous. If you have children, other things that can affect your bottom line are the costs of child care, extracurricular activities, and tuition at your flagship state university.

To move or not to move

Remember The Clash song "Should I Stay or Should I Go?" Well, there's no question your money will go further in some places than in others. If you're thinking of moving to a new location, cost-of-living information can make your decision more grounded in financial reality.

There are several online cost-of-living calculators that let you compare your current location to a new location. The U.S. State Department has compiled a list of resources on its website at state.gov.

Those looking into college for themselves or their relatives should note several changes in the world of higher education

What's New in the World of Higher Education?

If you're a parent or grandparent of a college student or soon-to-be college student, you might be interested to learn what's new in the world of higher education.

Higher college costs

Total average costs for the 2015/2016 school year increased about 3% from the previous year: $24,061 for public colleges (in-state), $38,855 for public colleges (out-of-state), and $47,831 for private colleges.[1]

Total average costs include direct billed costs for tuition, fees, room, and board; and indirect costs for books, transportation, and personal expenses. Together, these items are officially referred to as the "total cost of attendance." Note that the cost figure for private colleges cited by the College Board is an average; many private colleges cost substantially more--over $60,000 per year.

Higher student debt

Seven in 10 college seniors who graduated in 2014 (the most recent year for which figures are available) had student loan debt, and the average amount was $28,950 per borrower.[2] It's likely this amount will be higher for the classes of 2015 and 2016.

Student loan debt is the only type of consumer debt that has grown since the peak of consumer debt in 2008; balances have eclipsed both auto loans and credit cards, making student loan debt the largest category of consumer debt after mortgages. As of September 2015, total outstanding student loan debt was over $1.2 trillion.[3]

Reduced asset protection allowance

Behind the scenes, a stealth change in the federal government's formula for determining financial aid eligibility has been quietly (and negatively) impacting families everywhere. You may not have heard of the asset protection allowance before. But this figure, which allows parents to shield a certain amount of their nonretirement assets from the federal aid formula, has been steadily declining for years, resulting in higher expected family contributions for families. For the 2012/2013 year, the asset protection allowance for a 47-year-old married parent was $43,400. Today, for the 2016/2017 year, that same asset protection allowance is $18,300--a drop of $25,100. The result is a $1,415 decrease in a student's aid eligibility ($25,100 x 5.64%, the federal contribution percentage required from parent assets).

New FAFSA timeline

Beginning with the 2017/2018 school year, families will be able to file the government's financial aid application, the FAFSA, as early as October 1, 2016, rather than having to wait until after January 1, 2017. The intent behind the change is to better align the financial aid and college admission timelines and to provide families with information about aid eligibility earlier in the process.

One result of the earlier timeline is that your 2015 federal income tax return will do double duty as a reference point for your child's federal aid eligibility--it will be the basis for the FAFSA for *both* the 2016/2017 and 2017/2018 years.

School Year	Tax Return Required	FAFSA Earliest Submission
2016/2017	2015	January 1, 2016
2017/2018	2015	October 1, 2016
2018/2019	2016	October 1, 2017

American Opportunity Tax Credit now permanent

The American Opportunity Tax Credit was made permanent by the Protecting Americans from Tax Hikes Act of 2015. It is a partially refundable tax credit (meaning you may be able to get some of the credit even if you don't owe any tax) worth up to $2,500 per year for qualified tuition and related expenses paid during your child's first four years of college. To qualify for the full credit, single filers must have a modified adjusted gross income (MAGI) of $80,000 or less, and joint filers must have a MAGI of $160,000 or less. A partial credit is available for single filers with a MAGI over $80,000 but less than $90,000, and for joint filers with a MAGI over $160,000 but less than $180,000.

New REPAYE plan for federal loans

The pool of borrowers eligible for the government's Pay As You Earn (PAYE) plan for student loans has been expanded as of December 2015. The new plan, called REPAYE (Revised Pay As You Earn), is available to *all* borrowers with federal Direct Loans, regardless of when the loans were obtained (the original PAYE plan is available only to borrowers who took out loans after 2007).

Under REPAYE, monthly student loan payments are capped at 10% of a borrower's discretionary income, with any remaining debt forgiven after 20 years of on-time payments for undergraduate loans and 25 years of on-time payments for graduate loans. To learn more about REPAYE or income-driven repayment options in general, visit the federal student aid website at studentaid.gov.

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Please remember to contact Condor Capital Management if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing, evaluating, or revising our previous recommendations and/or services. Please also advise us if you would like to impose, add, or modify any reasonable restrictions to our investment advisory services. A copy of our current written disclosure statement as set forth on Form ADV Part II A/B continues to remain available for your review upon request.

What is the federal funds rate?

In December 2015, the Federal Open Market Committee (FOMC) raised the federal funds target rate to a range of 0.25% to 0.50%, the first shift from the rock-bottom 0% to 0.25% level where it had remained since December 2008.

The federal funds rate is the interest rate at which banks lend funds to each other from their deposits at the Federal Reserve, usually overnight, in order to meet reserve requirements. The Fed also raised a number of other rates related to funds moving between Federal Reserve banks and other banks. The Fed does not directly control consumer savings or credit rates, but the federal funds rate serves as a benchmark for many short-term rates, such as savings accounts, money market accounts, and short-term bonds.

The prime rate, which commercial banks charge their best customers, is typically about 3% above the federal funds rate. Other forms of business and consumer credit--such as small-business loans, adjustable-rate mortgages, auto loans, and credit cards--are often directly linked to the prime rate. Actual rates can vary widely. Fixed-rate home mortgages and other long-term loans are generally not linked directly to the prime rate, but may be indirectly affected by it

The FOMC expects economic conditions to "warrant only gradual increases" in the federal funds rate. Most Committee members projected a target range between 0.75% and 1.75% by the end of 2016, so you can probably expect a series of small increases this year. Although rising interest rates make it more expensive for consumers to borrow, higher rates could be good for retirees and savers who seek current income from bank accounts, CDs, bonds, and other fixed -interest investments.

The FDIC insures CDs and bank savings accounts, which generally provide a fixed rate of return, up to $250,000 per depositor, per insured institution. The principal value of bonds may fluctuate with market conditions. Bonds redeemed prior to maturity may be worth more or less than their original cost. Investments seeking to achieve higher yields also involve a higher degree of risk.

Source: *Federal Reserve, 2015*

What information will I need before shopping for an auto insurance policy?

Shopping for auto insurance might sound like a drag, but it's important for you to have appropriate coverage in the event of an accident. Following are some guidelines to consider when purchasing your auto insurance policy.

- **Gather information.** Before you start shopping, compile key information about each vehicle you want to insure. This list should include the year, make, and model of each vehicle. Knowing your Vehicle Identification Number (VIN) may help you get a more accurate quote. Be prepared to answer questions about vehicle usage or special after-market equipment installed in your vehicle.
- **Decide what you need.** Whether you're purchasing auto insurance for a new vehicle or making changes to your existing policy, it's important to be familiar with the different coverages available to you. Maybe what you currently have doesn't meet your needs, or perhaps your premium seems to high.

Bear in mind that there may be a gap between how much coverage your state requires you to have and how much you may actually need.

- **Shop around.** When selecting an insurer, ask questions. How long has the company been selling auto insurance? Does it have a good reputation? How is the company's customer service and claims handling? Is it able to provide the coverage you need at a price you can afford? Answering these questions could make it easier for you to shop for the policy that's right for you.
- **Ask about discounts.** You could be eligible for several discounts. These vary by state and company but may include discounts for multiple vehicles, anti-theft devices, and low annual mileage.
- **Compare quotes.** Once you have a collection of quotes, you need to compare them. Review each quote for information such as coverage levels, policy length, and price. This will help you attain the best overall value for your money as well as sufficient protection for your vehicle.