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This Issue:

How This Year's Election Could Affect Your Investments

By Jason Benowitz
Roosevelt Investments

NEW YORK CITY – On both Main Street and Wall Street, the 2016 election is a hot topic. This year's contest, atypical in many respects, features the first female major-party nominee. Following record debate ratings and voter turnout, Donald Trump captured the Republican nomination despite never having held elected office. Bernie Sanders, a self-described democratic socialist, proved a formidable challenger to Democratic nominee Hillary Clinton. Mitt Romney, who topped the Republican ticket in 2012, actively opposes his party's nominee, going so far as to encourage others to mount a third-party candidacy. And the Senate is also up for grabs, with a handful of close races likely to determine which party holds the majority next year.

Beyond the personalities and the drama of the cable news cycle, the election has real implications for economic and fiscal policy. Indeed, Washington has increased its sway over the economy in recent years, as the Federal Reserve embraced unprecedented monetary policies, legislation like the Dodd-Frank Act and Affordable Care Act transformed entire industries and the debt ceiling debate introduced new risks into global capital markets. Looking ahead, the next president may preside over reforms in tax and trade policy, as well as more targeted actions in sectors such as energy and housing.

Historically, the uncertainty over future policy that accompanies presidential elections has tended to depress equity market returns. According to Standard and Poor's, since the end of World War II, stock prices have advanced 6 percent on average in election years, compared to 9 percent in all years.

From a Wall Street perspective, the critical difference among the 2016 candidates may be certainty. When future policy paths are uncertain, stock prices tend to adjust lower to reflect plausible worst-case scenarios. As events unfold and clarity emerges, stocks may move higher to price in a greater likelihood of better outcomes.

In the current election, investors likely perceive Clinton as a known quantity. She is a political veteran with an established track record. Her administration would be expected to largely keep current policy in place. While the last eight years were marked by sub-par economic growth and increased regulatory burdens, most companies adapted and delivered earnings-per-share growth via expense reduction, acquisition, tax planning and share repurchase. Investors generally see a Clinton administration as less than ideal but at least not disruptive.

Conversely, a Trump victory would introduce tremendous policy uncertainty. He has no political experience to examine for clues and there is inconsistency in some of his rhetoric. At this point, it seems investors are assigning a high probability of a Clinton victory in November. This is the consensus of Washington-based policy observers who advise Wall Street. It is visible in the betting odds in overseas markets, where tens of millions of dollars have been legally wagered on the outcome. And it may be inferred from the stock market's apparent indifference to Trump's rise to the nomination; if he is going to lose the general election, then security prices need not adjust. Contrast this with a September 21 tweet from Clinton on drug pricing that drove a 5 percent decline in biotechnology stocks that day. This data suggest that investors are ignoring Trump uncertainty and pricing in a Clinton victory with all it implies.

Indeed, the edge likely lies with Clinton at this point. She has more experience campaigning nationally, an established donor base, access to the Obama digital platform and a seemingly durable advantage among minorities. She also begins with a more favorable electoral map if one assumes states that were solidly red or blue in the last few elections are unlikely to switch allegiance this year.

Nevertheless, many polls suggest that the election is likely to be close. Both candidates begin the summer with challenges in their base, and we anticipate both are likely to overcome them and emerge with party unity following the conventions in late July. The campaign may well be determined in the swing states, the largest of which are Florida, Pennsylvania, Ohio, North Carolina, Virginia and Wisconsin. At times, the polling advantage may switch from one candidate to the other, a customary feature of modern campaigns.

If Trump moves ahead in the polls and investors ascribe him with at least an even chance of victory, then equity markets could decline to price in greater policy uncertainty. There are many opportunities for this sort of scenario to unfold: His vice president selection could strengthen the Republican ticket, he could exceed expectations in the debates, and we will see how the public reacts in the aftermath of the FBI investigation into Clinton's use of a private email server. It is unclear what impact a terror attack might have on the polls. While Trump appears more willing to sacrifice certain freedoms for security, Clinton may be perceived as a steadier hand with more relevant experience. Of course, the election is just one of several possible sources of market volatility this summer, along with the United Kingdom's decision to exit the European Union, the continuing debate over Federal Reserve interest rate hikes and corporate earnings reports.

Sectorial Shifts

While broad market movements are most visible to the casual observer, impacts on certain market segments may be more important for investors, creating both opportunities to profit and traps to avoid. Areas in which the candidates are aligned may be ripe for investment, while areas in which they diverge should be approached with caution but could be attractive if unfavorable policy outcomes are already incorporated into security prices.

Among areas of alignment that may be investable, two stand out. The first is defense spending, as both candidates have expressed hawkish views on foreign policy. The defense budget declined in recent years under sequestration, and we think it will inflect higher in future years no matter who wins in November. Both candidates also express support for strategies that could increase the operational tempo in the Middle East. These trends may bode well for defense contractors, whose stocks may have the additional advantage of acting as a hedge against other sources of market volatility.

The second is infrastructure stimulus. The nation has a tremendous stock of aging infrastructure in need of repair or replacement. Both candidates want to rebuild, and such a program could take advantage of low interest rates, declines in commodity prices and slack in the labor market, while supporting economic growth. The largest investment needs are for surface transportation and the electric grid. Other notable deficiencies are in schools, public parks, airports, water and wastewater. One area often overlooked is the need for fiber optic cable driven by the rise of cloud computing as well as federal mandates for rural access. In December, the Fixing America's Surface Transportation Act provided long-term certainty for highway and transit funding for the first time in more than a decade. Additional legislation is possible in the next few years, regardless of who wins in November. We believe a vast supply chain could benefit, including engineering and construction firms, providers of raw materials such as concrete and pipe, and technologies used in electric and fiber optic transmission.

A final area of alignment is trade, where both candidates have tilted toward protectionism. Trump has pledged to renegotiate existing trade agreements and possibly increase tariffs. Clinton withdrew her support for the Trans-Pacific Partnership, a trade agreement reached in February among 12 nations, including the United States, Japan, Canada and Australia, that has not been ratified by Congress. Either candidate would herald a change from the last 25 years of policy, which consistently broadened the scope and scale of free trade. Overall, introducing frictions into international trade will likely have a dampening effect on economic growth. However, domestic manufacturers that compete largely with imported goods could benefit in areas such as large appliances, tires and steel.

Corporate tax policy also has some commonality among the candidates, though there are differences of degree. The United States has a high corporate tax rate that encourages

U.S.-based multinationals to invest abroad, and it also has an extraterritorial system, which discourages those companies from bringing international profits back home. To address this, there is a general outline of reform endorsed by both parties whereby the tax rate is reduced, with the government revenue loss offset by the elimination of tax breaks. The largest beneficiaries would be those U.S.-centric companies that bear the full burden of the corporate tax rate, such as railroads, banks and utilities. A reform package might also include a temporarily larger reduction in the tax rate applied to repatriated profits, which should benefit multinationals with cash trapped abroad, including technology and pharmaceutical firms. On this issue, we believe Trump would be more likely to strike a deal with Congress. While Clinton might pursue a similar style of reform, she supports more muted terms so as to limit the loss of tax revenue.

On most other economic issues, we think Clinton and Trump are likely to support policies that are largely in line with their party's historic preferences, putting the candidates at odds with each other and creating stock market winners and losers based on election results. Energy is a great example. U.S. oil and natural gas production flourished during the Obama presidency, driven by technological advances in well stimulation and supported by global commodity markets. But if oil and gas prices stabilize at their new lower levels, then cost will play a greater role in future production. Trump could reduce the regulatory cost burden in areas like offshore well controls or fugitive emissions, supporting production growth. Conversely, Clinton may favor tax breaks and mandates that drive investment in wind and solar energy at the expense of fossil fuels.

In the housing market, the next president will likely address the fate of the government-sponsored entities Fannie Mae and Freddie Mac, which are currently in conservatorship under the Federal Housing Finance Agency. We believe Clinton would seek to preserve a government backstop to the mortgage market, which should benefit the manufacturing supply chain, including homebuilders, building products such as plumbing and cabinetry, appliances and specialty retailers. Trump may lean toward a private market solution, which benefits banks and insurers.

Turning to healthcare, the key difference among the candidates is their position on the Affordable Care Act, also known as Obamacare. Trump says he would repeal and replace it, while Clinton seeks to preserve and strengthen it. Obamacare has benefitted the healthcare industry by increasing the volumes of insured patients accessing care; consequently, the stocks are vulnerable to the regulatory uncertainty that would accompany a Trump presidency. At the same time, Obamacare has increased cost and reduced flexibility of the labor force, so a replacement policy that addressed this shortcoming might support economic growth more broadly.

The Dodd-Frank Act addressed the systemic risk of the largest financial institutions in ways that should be largely preserved in the next administration. Separately, that legislation created the Consumer Financial Protection Bureau (CFPB), an agency whose mandate extends to those industries dependent on financing and that is presently investigating areas including automotive, retail and vacation ownership. Trump might seek to rein in the CFPB by replacing its sole director with a bipartisan commission, as well as disaggregating its funding from the Federal Reserve, while Clinton has expressed support for retaining its structure and continuing its activity.

The net neutrality debate in telecommunications and technology is likely another area of disagreement. Clinton may come down on the side of Silicon Valley bandwidth users such as Apple and Google, which want to use regulation to steer broadband providers away from charging for increased usage. Trump may favor carriers such as Comcast and AT&T, which desire to earn a return on their investments in bandwidth capacity.

The 2016 election will impact the U.S. economy and capital markets. It will introduce volatility in the market indices broadly, as well as in various subsectors, some of which we have already seen. However, it is unlikely to spur a bear market in equities, in our view, and will create opportunities as well as traps in certain areas.

It is just one of many factors investors must heed in order to properly navigate the investment landscape, achieve desired returns and meet long-term planning needs.

MBJ

Jason Benowitz is a portfolio manager with Roosevelt Investments in New York City, which offers comprehensive and customized financial planning services to families and individuals.

NFDA Says FTC Staff Misinterprets Key Provision of Funeral Rule

By T. Scott Gilligan
NFDA General Counsel

Brookfield, Wisconsin – Below is a question one might find on a standardized reading comprehension exam. Let's see how you do:

A regulation states that a funeral provider must: "Give a printed or typewritten price list to people who inquire in person about the offerings or prices of caskets or alternative containers. The funeral provider must offer the list upon beginning discussion of but, in any event, before showing caskets."

Please indicate from the choices below to whom the funeral provider is required to give a casket price list:

A. Any person who inquires in person about caskets as soon as there is any discussion of caskets or before that person is shown a casket.

B. Any person who is seated in an arrangement office that contains a casket display, even though the person never inquired about caskets.

C. Both A and B are correct.

The correct answer is, of course, A. However, in a series of Advisory Opinions, the FTC Staff has indicated that "C" would be the correct response. Contrary to all rules of statutory and regulatory construction, the FTC Staff has decided that before a consumer can be seated in a room that has a casket display, he or she must be given a Casket Price List (CPL).

The section of the Funeral Rule that is quoted in the question above is Section 453.2(b)(2)(i). It explains under what circumstances a funeral provider must give a CPL to a person. In accordance with the plain language of the first two sentences of this section, NFDA has always advised funeral providers that the CPL must be given to a person who inquires about caskets as soon as there is any discussion about caskets and before that person is shown caskets.

During the first 20 years that the FTC has been conducting undercover shops at funeral homes, it has never cited a funeral home for seating a person in an arrangement office that has casket or vault displays without first presenting them with a CPL or OBCPL. Yet, for the first time in 2015, it chose to do so. The FTC Staff stated that the seating of a consumer in an arrangement office with a casket display constitutes "showing caskets." Then, focusing solely on the last seven words of the second sentence of Section 453.2(b)(2)(i), it held that before "showing caskets," a CPL had to be offered. The FTC Staff has elected to ignore the fact that the consumers being seated in the arrangement office never "inquired in person" about caskets.

NFDA objected to the FTC Staff's position and explained that the Funeral Rule only requires a CPL to be given to a person "who inquires in person" about caskets. Since the consumer who was seated in the arrangement office had not inquired about caskets, there was no obligation on the part of the funeral provider to present the CPL.

In two FTC Staff Advisory Opinions issued in response to NFDA's objections, the staff has ignored NFDA's insistence that the FTC must read both sentences of Section 453.2(b)(2)(i) in conjunction. Rather, as evidenced by the most recent Advisory Opinion, issued June 16, 2016, the FTC Staff has argued that a consumer who is seated in an arrangement office containing casket displays could suffer injury if not first presented with a CPL. In that regard, the Advisory Opinion stated as follows:

"Allowing providers to escort prospective customers to a casket display room to wait for a funeral director who could respond to an inquiry, without first presenting them a CPL, would be to endorse a simple expedient for evading this core Funeral Rule requirement. Thus, we cannot accept your argument that funeral providers have no obligation to show consumers a CPL until the consumer 'inquire[s] in person' about caskets or their prices."

As the above quote shows, the FTC Staff continues to sidestep the essential element of NFDA's argument. This is not a dispute over what is needed to protect the consumer; it is a dispute only about what the language of the Funeral Rule requires. The FTC Staff does not have the authority on its own to ignore the language of its own regulation because it feels it needs to protect consumers. If it believes that there are ways for funeral providers to evade the requirements of the Funeral Rule because of the way the rule is drafted, then it needs to enact changes to the Funeral Rule by a formal rulemaking proceeding, as required by law. But the staff may not simply choose to ignore the first sentence of a key provision of the Funeral Rule 30 years after it has been enacted simply because it now believes some funeral providers may have a way to evade it.

This current dispute over the wording of the Funeral Rule is just another in a long line of examples of why the Funeral Rule needs to be redesigned and rewritten. While well intentioned, the Funeral Rule has always been burdened by overly broad and imprecise terminology and a confusing design. Written in the late 1970s, it is also hopelessly obsolete for today's deathcare marketplace.

Moreover, it has historically been wielded by the FTC Staff to unfairly advantage unregulated third-party providers at the expense of regulated funeral homes. When the Funeral Rule is reviewed in 2017 by the FTC, NFDA will push for a total rewrite of the regulation rather than the application of a few Band-aids.

With regard to what funeral homes that have casket or vault displays in arrangement offices should now be doing, NFDA would advise that the funeral home hand out the CPL and/or the OBCPL before showing consumers into the arrangement office.

In the meantime, NFDA will be taking up this matter with the head of the FTC Division of Marketing Practices. We will also be closely reviewing any future charges leveled at funeral homes by FTC undercover shoppers to see if they involve this particular issue.

NFDA members with questions regarding this article can contact Scott Gilligan at 513-871-6332.

MBJ

T. Scott Gilligan is general counsel for the National Funeral Directors Association.

Scam Alert – Be Aware of Merchandise Fraud

Brookfield, Wisconsin – The National Funeral Directors Association recently received a call from an Ohio funeral home asking about a large jewelry order it had received over the phone.

In addition, two separate funeral homes in small, rural areas of Minnesota have experienced calls from outside the state ordering expensive cremation jewelry.

In both incidents, the credit card information given over the phone proved stolen. One funeral home found out after the fact and the second called the credit card company ahead of time because it became suspicious.

It seems that scammers, in their never-ending quest to take advantage, may be re-using an old scam. Not all scams are as obvious as the long-lost uncle in Nigeria looking to transfer money to the United States or the bogus email from Apple with a dozen grammatical mistakes in an attempt to convey the message that an iTunes account will be frozen.

The key word is vigilance. T. Scott Gilligan, NFDA general counsel, prepared the following list of precautions to avoid merchandise fraud.

1. Whenever the funeral home receives an email detailing that some person has died and the sender is looking to make funeral arrangements, your radar should click on. This is especially true if the sender is from outside the United States. Funeral homes should insist that the person makes arrangements in person or over the phone. Do not commit to any arrangements until you can verify the death and the location of the body. Never pay out any cash advances, such as funds for air travel or removal costs of the funeral home holding the body. Do not give out your banking information if the sender wants to "wire" money to your account.

2. Simply because a charge goes through on a credit card does not mean it is legitimate. The credit card may have been stolen and a chargeback will eventually be made against the funeral home when the theft is discovered. Funeral homes should be very careful about accepting credit card payments when the contract is initiated by the consumer and the card number is given via email, fax or telephone. If a consumer sends you a check and asks you to ship merchandise, wait until the check has cleared and the money is in your account before shipping.

3. Never wire funds to a consumer, especially overseas. Also do not provide account information to an overseas consumer who needs to deposit funds into your account.

4. Be suspicious whenever a purchase order is for several of the same items of merchandise, such as cremation jewelry.

5. Whenever a funeral home is required to ship to an international address, it should be suspicious as many scams are initiated overseas.

6. VISA advises that merchants be careful when asked to ship to a single address when the transaction is placed on multiple cards.

7. Another sign of a possible scam is orders from addresses that use free email services. VISA reports that these email services have no billing relationship with the consumer, making them very difficult to trace.

Guidelines to Avoid Telephone Scams

1. Funeral homes should not accept collect calls from shoppers.

2. Beware of any calls or emails from someone claiming to be an IRS agent. The IRS does not call or use email when initiating any type of tax inquiries. Rather, any such

contact would be made by U.S. mail.

3. Be wary if the caller claims to be a telephone company employee or government investigator checking on possible technical problems with your telephone. Do not comply with requests to dial certain numbers in order to "check" on technical problems. Instead, ask the caller for his or her name and telephone number and then call the telephone company immediately to determine whether there is a problem with the funeral home's telephone service. Do not dial any numbers or transfer the call to an outside line.

4. If the funeral home provides telephone calling cards to its employees, the calling card number and personal identification number should be memorized. Never write the PIN on a calling card. If the calling card is stolen or lost, it should immediately be reported to the company that issued the card.

5. Do not purchase any item over the phone from an unfamiliar company. Always request more information in writing and delay your purchase until you have received it and had the opportunity to review it.

6. Never respond or send money to a charity on the basis of a phone call. Always ask for and wait until you receive written material about any charity.

7. If a funeral home is stung by a telephone scam, alert your telephone carrier as soon as you receive the bill containing the charge. Inform the telephone company that you are contesting the charge because it is part of a fraudulent scheme. Most telephone carriers will delete the charge on that basis.

MBJ

The Notebook

The Foresight Companies has announced the dates of its Funeral Service Financial Boot Camp Seminar. "For five years, attendees have attended our five-day Boot Camp workshop, which teaches you what to do, compares it to what you are doing and helps you write a business plan to do it better," said Daniel M. Isard, Foresight president. "This past spring, we worked to reduce this to a three-day program. It was a huge success and still is the most intense seminar you can attend." Participants have some prep work to do before attending and are monitored for six months after the seminar. Every attendee who has completed Boot Camp and the implementation work has increased their profitability. This seminar is typically attended by funeral business owners and managers, as well as the next generation of owners. "By educating the next generation, we prepare people to be ready to assume ownership and leadership of businesses, well beyond what they can learn through any mortuary science program," Isard added.

The reformatted program is a working seminar that covers every aspect of business operations, including finance/accounting, pricing and packages, merchandising, marketing, human resources, surveys and preneed. Each participant will leave with a fully executed program to implement upon their return. Said Isard: "Participants will leave with a business plan to increase profit and operating efficiency."

In addition to Isard, seminar presenters include Stephanie Ramsey, HR specialist for The Foresight Companies, and Jeff Harbeson, who recently joined The Foresight Companies as director of marketing.

The seminar takes place in Scottsdale, Arizona, at Scottsdale Resort at McCormick Ranch. It begins with a welcome cocktail party September 20 and runs through September 23. For registration information, visit *www.f4sight.com* or contact Catherine Belliveau by calling 800-426-0165.

Former Texas Funeral Directors Association President **Velma Sue De Leon** was recently honored by the Rio Grande Valley Hispanic Chamber of Commerce with the "Women of Distinction" award. This award recognizes and honors the accomplishments and contributions of outstanding women of the Rio Grande Valley. De Leon was selected to receive this award in the Entrepreneur category as she has excelled and gone above and beyond in her profession. She is owner of Memorial Funeral Home of San Juan and Edinburg, Memorial Event Center, Floral Designs by Memorial, Memorial Cremation Center and Memorial Pet Passages.

The **American Board of Funeral Service Education** has recently completed the relocation of its office from Missouri to New Jersey. The new contact information is: American Board of Funeral Service Education, 992 Mantua Pike, Suite 108, Woodbury Heights, NJ 08097; office 816-233-3747; fax 856-579-7354

Sally Pike has retired from her role as executive assistant and has been succeeded by Deb Tolboom (dboom@abfse.org). Robert Smith can also be reached at exdir@abfse.org.

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From the Editor's Desk…

Not Every Road Will Get You There

Last week in these pages, we presented information from NFDA's 2016 Cremation and Burial Report, and in the coming weeks, we will be taking a look at the data gleaned from the 2016 NFDA Consumer Awareness and Preferences Survey.

The Cremation and Burial Report attributed the steadily rising popularity of cremation to a number of factors, including consumer cost considerations, environmental concerns, fewer religious prohibitions of the practice and changing consumer preferences, such as the desire for simpler, less ritualized funeral practices. Cremation has become socially acceptable as more Americans are thinking and talking about death in new ways, and its popularity is expected to intensify.

The report also found that a surge in the number of Americans who no longer identify with any religion has contributed to the decline of the historically traditional funeral in America and the rise of cremation as the disposition of choice. According to research by the Funeral and Memorial Information Council (FAMIC, 2015), those who are not religious are most likely to consider cremation for family and friends.

Furthermore, a study by Pew Research Center found that from 2007-14, the percentage of unaffiliated adults increased from 16 percent to almost 23 percent of the U.S. public. Since 2012, the percent of U.S. consumers aged 40 and older who feel it is very important to have religion as part of a funeral has decreased from 49.5 percent (2012) to 42.1 percent in 2016.

This week, *Christianitytoday.com* published Ed Stetzer's blog, The Exchange, four articles on churches in America (the content originally appeared as a single article in the *Evangelical Missions Quarterly*, Vol. 52, No. 3). In the first part, Stetzer, an author, speaker, researcher, pastor, church planter and Christian missiologist, focused on some of the overall statistics, and his analysis pulls no punches: "Overall, the church's influence on Americans is beginning to fade. A growing number of Americans have given up on God – or at least on organized religion. They have become "nones," a term popularized by Pew Research. And their numbers are growing."

Like NFDA did in its Cremation and Burial Report, Stetzer's blog cited Pew Research over the past decade. Last year, Pew found that the Christian share of the U.S. population is declining, while the number of U.S. adults who do not identify with any organized religion is growing. The research also determined that these changes are taking place across the religious landscape, affecting all regions of the country and many demographic groups. Of note: While the drop in Christian affiliation is particularly pronounced among young adults, it is occurring among Americans of all ages.

The religious question is one that is affecting funeral service on many levels, and studies that examine the changing religious landscape might as well be talking to funeral service because of the traditional role religion has played in funeral home offerings.

On any journey, it's good to know where you are, but it's probably more important to know where you are going.

Ed.

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