

JULY 2017

THE DELTA ADVISOR™

A NEWSLETTER FOR DELTA PILOTS



Leading Authority on Successfully Investing Your 401k Plan

Captain's Table

Universal Basic Income

Go to page 5

It's said that timing is everything. And that's true. But really, it's bigger than that. Time – itself – is everything, and truly the world's best companies are finding ways to give you more of it. (On page 6)

We got pretty lucky last month in our feature of Amazon (timing is everything!). Possibly the most buzzworthy news of June was Amazon's bid on up-scale grocery chain Whole Foods. Amazon continues to disrupt the entire retail complex. There's a lot of speculation around Amazon's strategy with the food chain, but there's no doubt that the other companies in the grocery space are shaking in their boots. Amazon seeks to completely change how we shop, and their recent launch of Prime Wardrobe is proof of it. Shoppers will be able to try before they buy and only pay for the items they keep. Effortless consumerism.



Let's take a quick look at the most important economic news and market events, and then return to this focus on time and recent developments in the tech sector.

CAPTAIN'S BRIEFING:

ONE CHANGE in each model.

- **Make sure you are keeping track of your trade dates for the 30-day hold period!**

Share Class Change On June 30, 2017, the Plans will replace the Fidelity® Contrafund® Commingled Pool, a collective investment trust, with a new share class called the Fidelity® Contrafund® Commingled Pool Class 2, which has a lower expense ratio than the current share class.

U.S. ECONOMY

Economic data continues on, in a somewhat mixed fashion. The US Bureau of Labor and Statistics reported that the unemployment rate fell to 4.3%, the lowest it has been in 16 years. The broader U-6 reading (which measures both the un and under-employed) dropped to 8.4%. At the beginning of 2009 U-6 was at 17%. The really low unemployment data points to an economy that should be heating up. However, inflation data is telling a different story. For the third month in a row, year-over-year inflation has disappointed, coming in at only 1.7% in the most recent release. Various manufacturing data are giving mixed signals as well —some improving slightly, some falling slightly. However, the data skews to the positive overall. One US state worth mentioning is Illinois, which found its credit rating slashed to “junk” status recently. Political gridlock there is holding back any signs of progress. Lastly, consumer sentiment spent 11 months of 2016 in the low 90s. Half way into 2017, consumer sentiment has hovered around 97 (from the Bureau of Labor and Statistics). What does this mean? Good consumer numbers mean people are feeling okay and likely to make purchases.

INTERNATIONAL

The “atta-boys” have to go to Japan and Europe this month. Europe is growing above potential; Japan is growing way above potential; and the emerging markets, including China, are growing at potential. The losers for the month include Qatar and Argentina. Most of Qatar's regional neighbors are cutting the country off as punishment for supporting various terrorist groups. And Argentina got the cold shoulder from the MSCI when they passed on allowing Argentinian stocks back into their Emerging Market Index.

(Continued on page 2)



INTERNATIONAL (Continued from page 1)

Elsewhere, China's mainland shares did make the cut (finally) and will be included in the MSCI Emerging Markets Index, a nod of legitimacy. Some economists have expressed concerns about China's debt-fueled expansion, but just about the worst economic story in the news nowadays has to be the debacle that is Venezuela. The nation finds itself dealing with drastic food shortages, riots, and political unrest. Recently, grenades were dropped on a Capitol building from a stolen helicopter commandeered by a movie star action hero. You can't make this stuff up, folks.



STOCKS

The S&P 500 bounced between 2420 and 2450 for nearly the entire month of June, and more specifically it spent about 80% of this month's trading days between 2430 and 2440. Financial stocks advanced on two events: 1) the Fed's June rate hike; and 2) all of the big banks passed the Fed's stress tests. Optimism about the current healthcare legislation sent healthcare stocks higher, as well. The tech sector was up nearly 19% year-to-date, before a small retreat that started mid-month. Lastly, the energy sector has again lost ground and is down nearly 14% YTD. However, FactSet projects that S&P 500 earnings growth will be greatly aided by the energy sector over the second half of the year.



Looking ahead, the earnings outlook remains positive. Consumer spending is expected to pick up in the second half of 2017, and any material progress on the tax reform effort would solidify optimism. Understand that if a tax bill is passed that cuts corporate taxes, it would instantly translate to higher bottom line earnings and probably to higher stock prices, or at least the higher earnings would help justify stock prices at current levels.



Lastly, the major stock indices continue to log new all-time highs, and investors have been somewhat spoiled by extraordinarily low volatility. But the markets can be fickle. Small pull backs are normal, and the past few 10%-14% corrections haven't lasted all that long. The environment has rewarded risk assets, and it seems likely to continue, however volatility is likely to increase.

CENTRAL BANKS

The US Federal Reserve approved a second rate hike for 2017, and now the Fed Funds Rate range stands at 1.00-1.25%. Fed Chair Janet Yellen spoke following the announcement, and stated that the Fed would begin to reduce the size of its balance sheet later this year. The plan is for this "reverse QE" process to start small and slowly and then increase in size on a monthly basis. Abroad, ECB President Mario Draghi spoke at a forum in Portugal, stating "The threat of deflation is gone and reflationary forces are at play [in the Eurozone]." However, inflation data is coming in weaker than anticipated, similar to what we're seeing in the US. Japan's negative interest rate policy remains intact as that country continues with its version of QE.

COMMODITIES

In May, OPEC voted to continue its output production cap, and YTD compliance to the agreement is a high 96%. However, oil prices have plummeted, and the commodity finds itself in its sixth bear market in the past four years. US active oil rig counts have gone up ever since oil prices recovered from the lows of 2016. Basically, US drillers are efficient enough to pump and make money, even at these prices, which keeps the supply glut story intact.



(Continued on page 6)

Velocity Composite Fund Score™ Ranking

Ticker	Fund Name	Score	YTD	1MoPerf	3MoPerf
-	S&P 500 Index	944	9.36%	0.60%	3.09%
-	Small/Mid Cap Index	842	7.38%	2.33%	2.71%
-	International Equity	841	16.06%	-0.23%	6.58%
-	Large Cap Growth	828	11.90%	0.24%	4.08%
GOBSX	LM BW GLB OPP BD IS	817	9.98%	1.72%	4.21%
-	Emrg Mrkts Eq Idx	803	19.01%	1.01%	6.23%
-	Large Cap Value	795	6.16%	2.08%	2.38%
-	Intl Eq Idx	795	14.04%	-0.18%	6.26%
-	Emerging Markets EQ	733	16.10%	0.28%	4.23%
-	Bond Index	732	2.34%	-0.16%	1.44%
-	Diversified Bond	721	3.26%	0.00%	1.84%
-	Small/Mid Value	699	2.06%	2.01%	0.85%
-	LifeCycle 2020	621	5.66%	0.25%	2.33%
-	Small/Mid Cap Growth	617	12.24%	1.21%	4.85%
-	Fid ContraFund Pool	613	16.84%	-0.40%	6.11%
RRRZX	Deut Real Estate R6	608	3.31%	1.78%	2.49%

APPROXIMATE Future Publication Dates
8/3/17
9/6/17
10/4/17
11/3/17
12/5/17
1/4/18

Ins Ctrct/Stable Value will not appear in the monthly rankings since it technically mimics a money market fund.

Definitions & Notes:

1. Tickers: The majority of the funds in the Delta Plan are not really mutual funds. They are composites or comingled funds, etc.

YOU WILL USE THE FUND NAME TO TRADE. Data from proxy funds is used to make all calculations for the funds listed above.

2. The funds above were selected to work, using the model system. There are other funds in the plan that are not used. There is no reason to have multiple international or emerging market funds, for example.

The Velocity Composite Fund Score Ranking combines the Velocity (speed of advance of a fund compared to all other funds) with its Buy Point Score (how close the fund is to a recent bottom). This composite score is used to rank all available fund choices. In defined Bull Market advances, the system uses the Top 3 funds in the Aggressive model and the Top 4 in the Moderate and Conservative models.

In Defined Bear Market periods, this ranking is provided for information purposes and for those who are “doing their own thing” and would like to know how the system views the funds. Rankings dates are the last business day of each month. Proxies of each fund are used to calculate the score and historical returns.

Delta 401k Plan Conservative Model		
Symbol	Fund Name	Allocate
-	Ins Ctrct/Stable Value	60.00%
-	Large Cap Growth	10.00%
-	Small/Mid Cap Index	10.00%
-	S&P 500 Index	10.00%
-	International Equity	10.00%
		100.00%

Delta Pilots 401k Plan Moderate Model		
Symbol	Fund Name	Allocate
-	Ins Ctrct/Stable Value	36.00%
-	Large Cap Growth	16.00%
-	Small/Mid Cap Index	16.00%
-	S&P 500 Index	16.00%
-	International Equity	16.00%
		100.00%

Delta Pilots 401k Plan Aggressive Model		
Symbol	Fund Name	Allocate
-	Ins Ctrct/Stable Value	19.00%
-	Large Cap Growth	27.00%
-	Small/Mid Cap Index	27.00%
-	International Equity	27.00%
		100.00%

• ONE CHANGE in each model.

- IN A MONTH WITH TRADES—

THE NEW FUNDS WILL BE HIGHLIGHTED IN YELLOW

- **READ:** Your 401k plan has trading restrictions, so you need to keep track of your buy and sell orders. Fidelity does a poor job of defining what “excessive trading” is and has expanded that definition to include all funds.

- **Future Contributions:** The models work smoothly if you direct ALL future contributions into the Ins Ctrct/Stable Value. Then, they will be automatically invested into the correct allocation when you make changes to follow a model.

Advertisement

→ Are you 59 1/2 or older? Unlock the hidden growth potential of your 401k assets!

You now have the opportunity to do a Retirement Rollover into a personal IRA. Starting at 59 ½ you are able to move a sizable portion of your 401k, which is called an In-Service Rollover (ISR). Break the chains of the rules within your 401k plan and have more control over your hard earned money in an IRA.

Call today, toll free, at 1-888-254-1727 to learn more about the benefits of doing an In-Service Rollover.

Provided by Smith Anglin, a Registered Investment Advisor

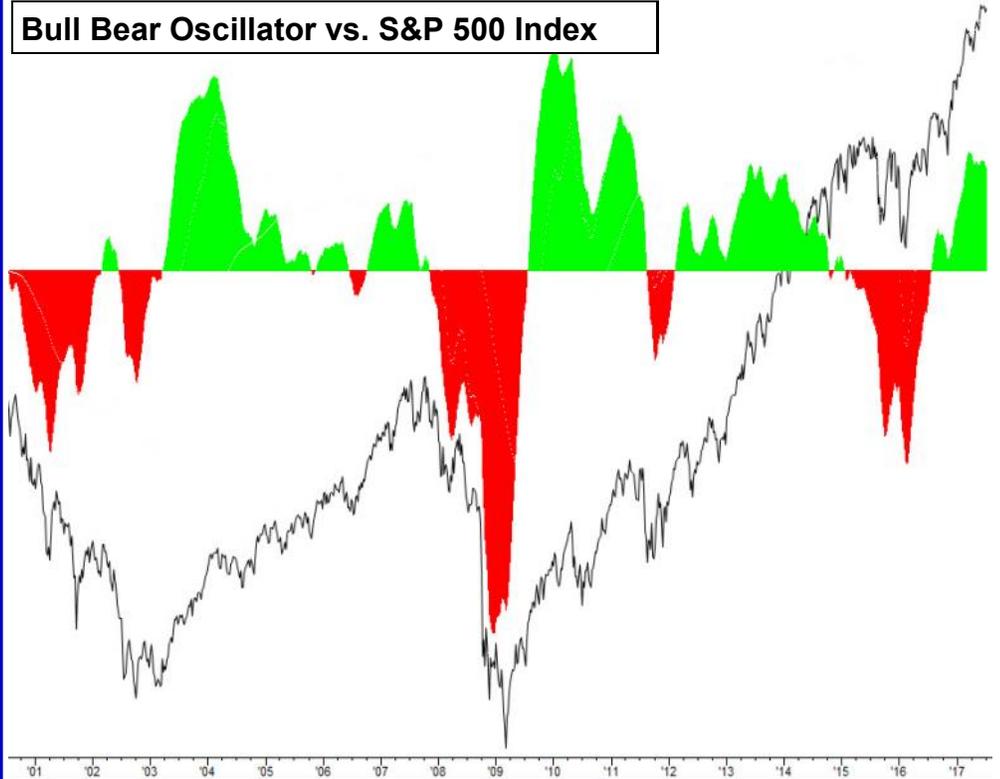
Fear & Greed Index

The needle on the Greed & Fear Index barely

budged in June, moving from 58 at the month's outset to 57 as the month closed out. Since any reading over 50 is positive (green), apparently optimism about the markets remains the order of the day. The fact that the index showed little change over the month may be due in large part to investor concerns that this bull market may finally be topping off. The S&P 500 advanced more than +8% over the first half of 2017, the most since 2013 and Wall Street strategists' average return expectation for the market for the rest of 2017 is only a +0.6 percent increase, the least bullish forecast at mid-year since 1999.



Bull Bear Oscillator vs. S&P 500 Index



Worry-Free 401k Flight Path Models™ - Delta

- Aggressive Model
- Moderate Model
- Conservative Model
- S&P 500 Index



DAL-

To borrow a phrase from baseball, our national pastime, Delta (DAL) hit the cover off the ball in June. The stock was up an amazing +9% for the month while the NYSE Airline Index (XAL) advanced a respectable +1.5% and the S&P was up only half of one percentage point. The combination of strengthening unit revenue and lower fuel prices, which have the wind at Delta's back, hasn't been lost on investors. However, DAL has surged more than 60% in the past year, so the stock may be due for a pause or even a pullback, sometime in the near future.



Delta Pilots 401k Plan (as of June 30, 2017)

Performance Stats

	YTD	1 Month	1 Year	3 Years	5 Years	10 Years	Inception
Conservative Model Annualized	3.86%	0.25%	10.06%	7.40%	17.46%	32.50%	90.48%
				2.41%	3.27%	2.85%	3.86%
Moderate Model Annualized	6.16%	0.31%	13.27%	6.66%	41.04%	54.49%	184.81%
				2.17%	7.12%	4.45%	6.35%
Aggressive Model Annualized	8.04%	0.24%	19.17%	14.16%	49.92%	85.12%	288.06%
				4.51%	8.44%	6.35%	8.30%
S&P 500 Annualized	9.34%	0.62%	17.90%	31.70%	97.92%	100.08%	132.48%
				9.61%	14.63%	7.18%	5.09%



from the CAPTAIN'S TABLE

Universal Basic Income – What Is It and Why Are People Talking About It?

Universal Basic Income (or UBI) is a trendy social policy concept being tossed about by a wide variety of thought leaders from Silicon Valley to the Washington DC think tanks. Whether it is a solution to combat the loss of jobs through automation, stimulate innovation and entrepreneurship, or help complement the existing social safety nets of society, there are a myriad of proponents and detractors with compelling arguments on both sides.

How do you feel about a fixed payment from the government with no strings attached, regardless of your employment status? The thought would be that government would provide every citizen a fixed payment to fund basic living expenses at a certain age for life.

A fixed cash payment from the government is not a new concept. Several foreign countries (Canada, Finland, and the Netherlands) have experimented with this concept on a limited scale with varying disputed results. Milton Friedman and Martin Luther King, Jr. advocated a basic income policy in the 1960's to help mitigate poverty. In addition, President Nixon's proposal (called the Family Assistance Plan) was presented to the Senate in 1970 but failed to garner enough support to become law. Hawaii is currently studying the possibility of implementing a uni-

versal basic income.

THE ROBOTS ARE COMING!!

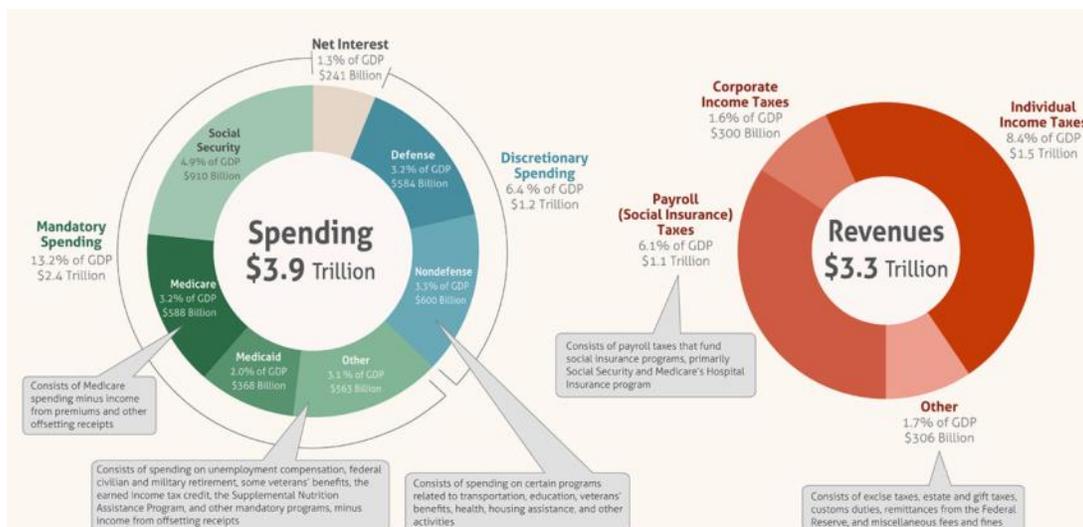
One of the top concerns prompting the discussion for a UBI is the coming impact of automation on jobs. Economists are debating and trying to project the effect of the automation movement. A 2016 study by the World Bank estimated that as many as two-thirds of the jobs in developed nations could be susceptible to replacement by robots. A similar study done by two members of Oxford University estimates that 47% of US jobs could be displaced by technology over the next 20 years. These technologies can and will cause disruptions in the job and labor markets without a doubt. One of the unsettled issues is whether there will be enough unemployment benefits for these displaced workers. Proponents argue UBI payments would provide funds to sustain the displaced workers while they retrain and transition to new jobs.

Another goal for the proponents of Universal Basic Income is that it may reduce or eliminate social welfare programs. We know changes in current other social welfare programs resulting in a reduction in benefits would meet resistance in the current political climate. Proponents argue that UBI would be much easier to implement because it eliminates the need for eligibility requirements. For this reason, Libertarian proponents push the policy of a UBI in the hope that it will simplify government redistribution and cut back on fraud and waste.

What is the Cost?

Cost estimates for a UBI payment of \$10,000 per year to eligible citizens would cost \$3 trillion. This leads many economists to conclude that this policy would not be feasible. For purposes of context, please consider that the total U.S. Federal Spending and Revenue for fiscal year 2016 in the chart below.

As you can see above, the total budget is \$3.9 trillion; and even if entitlements are reduced/replaced, there is no possible way to fund a UBI without significant increases to revenue. Many estimates would include a doubling of the personal income tax rate while also increasing the corporate income tax.



While Universal Basic Income could be beneficial to people in immediate need, no matter what the cause, the complications are many. More importantly, the cost would be unbearably expensive in the country's current revenue and spending structure. Discussion will continue, but until automation replaces enough unskilled workers to cause social unrest, I think the reality of a universal basic income will remain a discussion topic for government officials, academics, and futurists, but it will not be a program that comes to fruition in our near-term reality.

Have a great month and fly safe.

Steve

Steve Anglin, CPA is a Managing Partner at Smith Anglin Financial, and the Head of the Tax Preparation Services. He is also responsible for Smith Anglin's compliance supervision. He holds a BBA in Accounting and a BBA in Real Estate, and numerous securities licenses and designations.

Experts at the Captain's Table: All members have a wide and varied background in all areas of wealth management. Most importantly, the members have worked extensively with professional pilots at American, Delta, Federal Express, Southwest, United – and every airline that merged into these along the way – for more than 85 years combined. They know your world, your benefits, how to retire in the best way, and what is needed at each life-stage in retirement to get you to your goal.

COMMODITIES (Continued from page 2)

While not entirely a traditional commodity, two of the major cryptocurrencies spiked and then experienced steep price drops in June. Those would be Bitcoin and Ethereum. The “b” word (bubble) is starting to pop up more in conversation lately, but the label applies to the cryptos more than anything else that comes to mind, at the moment. Look before you leap!

Time (Continued from page 1)

The most amazing thing about what Amazon is doing is that they are saving everyone so much time. It's invaluable. Buy your mother-in-law's birthday gift from your phone, while waiting for a haircut. Do your grocery shopping from your phone while the pasta for dinner is boiling. Update your wardrobe between commercial breaks, or, for more and more of us, during Hulu and YouTube ads. Not to mention all of the other business lines Amazon is involved in (shipping, the cloud, entertainment, and even space exploration). But what I really love the most about Amazon is the time I get back.

There was a second buzzworthy story in June, and it comes from a Bloomberg interview with Apple CEO Tim Cook. Apple has long been rumored to be exploring self-driving cars, and in the interview, Cook revealed that Apple is focused on autonomous systems, and at the center would be technology to run self-driving vehicles. He called it “the mother of all AI (artificial intelligence) projects... probably one of the most difficult AI projects to work on.” Think about all of the time we spend in cars. Traffic, ugh. What a waste of human existence.

Several big players in the auto and tech industries are testing self-driving cars, including Waymo (owned by Alphabet, which owns Google), Nissan, BMW, Tesla, Mercedes, Honda, Baidu (who some call the Chinese Google), Daimler and Uber. These companies are developing technologies that will support a self-driving vehicle with very little human interaction. The chart on the next page breaks down the various levels of self-driving technology.

Level 2 is similar to an advanced cruise control or autopilot system, which is what you find on some Teslas, but the driver has to remain alert. Rumors suggest that Tesla and GM could have Level 3 and/or 4 vehicles on the road as soon as 2018, and a lot of major names could be on the road with Level 4-5 vehicles as early as 2020.

Apple started its super-secret “Project Titan” back in 2014. Initially, Apple wanted to build its own car, but they recently revised that goal to focus on the technology. And it's coming soon. For Apple, it's a fascinating development as self-driving cars are described as fitting in their “autonomous system,” whatever that might mean. Don't forget that all of the hundreds of millions of dollars of investment in research and development are funded by Apple's most famous product and cash cow which recently turned 10 years old. Happy Birthday, iPhone!

So how does life change when you get all of that drive time back? What happens to parking garages? Could your car go work for you after it drops you off at your destination? What happens when a self-driving car gets into a wreck? Will you even need a car? We may not get answers to these questions in 2018 or 2020, but time will tell.

“Self-driving levels” as defined by the SAE International

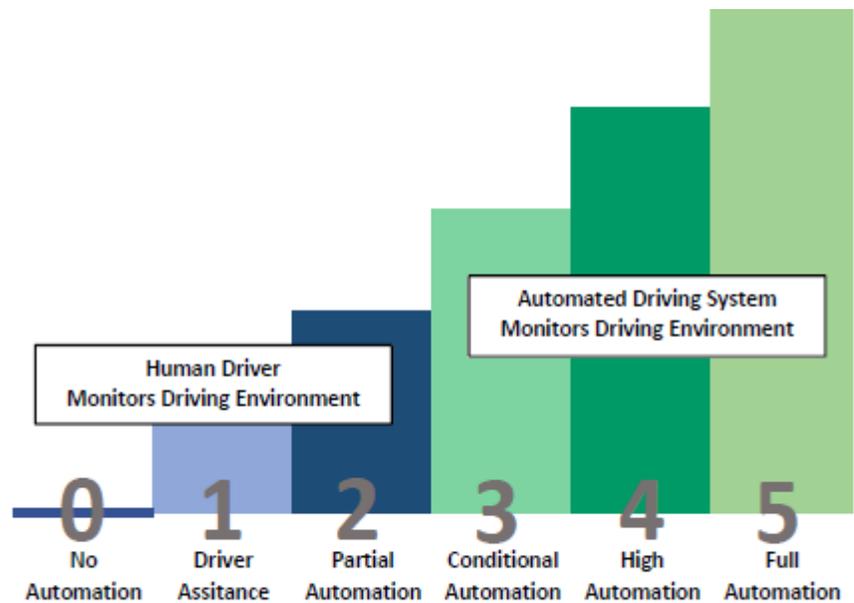
Level 1 automation some small steering or acceleration tasks are performed by the car without human intervention, but everything else is fully under human control

Level 2 automation is like advance cruise control or original autopilot system on some Tesla vehicles, the car can automatically take safety actions but the driver needs to stay alert at the wheel

Level 3 automation still requires a human driver, but the human is able to put some “safety-critical functions” to the vehicle, under certain traffic or environmental conditions. This poses some potential dangers as humans pass the major tasks of driving to or from the car itself, which is why some car companies (Ford included) are interested in jumping directly to level 4

Level 4 automation is a car that can drive itself almost all the time without any human input, but might be programmed not to drive in unmapped areas or during severe weather. This is a car you could sleep in.

Level 5 automation means full automation in all conditions.



Source: SAE International – Levels of Driving Automation

Upgrade your 401k Autopilot ProgramSM with BrokerageLink[®]!

Remove the restrictions imposed within the 401k platform fund choices and open your retirement savings to more investment opportunities.

- ◆ no longer limited to just the funds in the Delta Plan; you have access to hundreds of actively managed mutual funds, exchange traded funds (ETFs), and even individual stocks
- ◆ freedom to trade without fear of “frequent trading” warnings; and ETFs, stocks and similar securities are able to be traded during a trading day
- ◆ Call today, 1-888-254-1727

Manage My 401k for Me!

Are you too busy to keep up with your 401k? Do trips and time zones keep you out of the loop? Want to make sure changes are made automatically to your account?

The 401k Autopilot ProgramSM is offered through Smith Anglin (not the newsletter). The firm provides *daily supervision*, going beyond the newsletter recommendations. All this for a fee smaller than the amount the market often fluctuates in a *day*. There is a \$250,000 minimum combined 401k plus any transferred accounts.

Get your free Autopilot Starter Kit at www.smithanglin.com/401k-autopilotprogram/

Services provided through Smith Anglin, a Registered Investment Advisor



Reading someone else's copy?
Visit us on Facebook to get our New Member—3 months FREE offer now!



Like us on Facebook!

<https://www.facebook.com/USPFA>



Is your credit card about to expire? Have you recently received a new card OR have you requested a new credit card because of vendor security issues?

To update new CREDIT CARD information BEFORE your credit card expires, either call us at 717-569-8162 or go to the “Update Credit Card Information” section under the Member’s Tab.

THE ADVISOR NEWSLETTER is published each month by US PILOT FINANCIAL ASSOCIATION, INC., 1853 William Penn Way., Suite 19, Lancaster, PA 17601, Telephone (717) 569-8162. This newsletter information is designed to provide general information on investing and retirement plans. It is sold with the understanding that neither the author nor publisher is engaged in rendering legal, accounting or other professional services. If legal or other professional advice is warranted, the services of an appropriate professional should be sought. Also, this material cannot be an exhaustive and complete presentation on investing or retirement plans, due to the restrictions on length, etc. While every effort has been made to make the information presented here as complete and accurate as possible, it may contain errors, omissions or information that was accurate as of its publication, but subsequently has become outdated by marketplace or industry changes or conditions, new laws or regulations, or other circumstances. Neither author nor publisher accepts any liability for responsibility to any person or entity with respect to any loss or damage alleged to have been caused, directly or indirectly, by the information, ideas, opinions or other content in this newsletter. If you do not agree to these terms, you should cease using the information immediately and request a full refund. The subscriber must evaluate information in THE ADVISOR NEWSLETTER in light of the subscriber’s own financial situation and goals. The Publisher is not an investment advisor. © Copyright 2000-2017, USPFA, Inc, all rights reserved. www.USPFA.org