



MARKET PULSE

THE REMODELING OF AMERICA

Did You Know: *Average Cost To Remodel*

HomeAdvisor.com reports that more than one-third of homeowners don't know how much a remodel or hiring a professional will cost. Here's a list of common remodeling projects and their average costs:

Kitchen remodels come in at an average of \$20,474, with homeowners spending anywhere from \$4,500 to \$49,000.

The average basement cost is \$18,711. Most homeowners spend between \$10,579 and \$27,000.

The average cost of hiring a plumber is \$299. Plumbers may charge by the job or by the hour. Average hourly costs range from \$45 to \$150, with emergency calls costing more.

The average cost of hiring an electrician is \$322, where costs range from \$50 to \$100 per hour.

The average cost for replacing a roof is \$6,838, but that depends on size, roof pitch, and type of materials used.

Homeowners spend anywhere from \$100 to \$3,000 in permit fees, with most homeowners spending \$398 to \$1,456. Those who skip this step risk hefty fines.

Source: HomeAdvisor.com

Goodbye 2016! It was quite a year that we just finished – one that that won't fully be judged for many moons to come. From BREXIT decisions across the pond, to election results on our own shores, surprise was the constant. The Dow finished the year up 13.5% while the S&P 500 came in just below 10%. Good returns considering the year started with many experts calling for a repeat of 2008.

What's interesting is that almost 60% of this year's returns took place following the presidential election. Literally, 8% of the Dow's annual return happened within the last 40 trading days of 2016.

But this wasn't the only surprise. While the Dow and S&P soared to new highs, so did interest rates. In less than three months, the yield on the 10-year US Treasury Bond jumped close to 1%. A move we consider more significant than the stocks markets year-end push. As a result, fixed income and interest rate sensitive sectors like MLPs, REITs and utilities crumbled. Leaving many conservative investors wondering if its time to change lanes and switch to more growth oriented investments that will fall in line with a Trump presidency.

Well, both the short and long answer is a resounding No! The best way for me to analogize what is happening in the market place is similar to how most home remodeling projects unfold. Essentially, all home improvement projects start out fun and exciting. The idea of having

something new and improved leaves many people feeling optimistic and ready to jump in and get started.

After the dream and project goals have been cemented in our minds, demolition takes place. Tearing things apart is one of the most popular parts of the remodeling process. In many cases, it's a relatively quick process and leaves people feeling like they are half way through the project as they look at a blank slate to rebuild on.

But that's where the problem is, demo can feel like the half way point and as if things can only get better, but that's not how projects or economies work. Rebuilding and putting all the final touches on can take three to four, if not five times longer than demo. Consider even popular home improvement shows like the Property Brothers who spend a few days on demo, and then use an 8 week time line to finish the project.

Whether it's on a show or in real life, unexpected problems always show up and these snags can raise tough questions and impact the timing of the job. Whether it's rot or mold behind the walls, electrical or plumbing problems, weather conditions, or having the right tools, no remodeling project goes smoothly and as planned.

The Trump administration is facing a similar situation. For the last several weeks, we have been in the fun and exciting stage. Dreaming up how things can

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Interesting Trivia?



- 1) What color is the one-ball in a traditional pocket billiards game?
- 2) What Sesame Street Muppet was bright orange during the show's first season?
- 3) What CEO bounced back after being fired by Henry Ford II in 1978?
- 4) What man was golf's first millionaire & followed by an Army of fans?



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Remodeling America In 2017 Continued

be better and different. In the next couple of weeks we will go through the demo phase and are likely to feel like the job is almost or pretty much done. I suspect this could give stocks a short term lift as we meander through the first quarter. However, and inevitably, there will be snags along the way.

I don't think we need to try and predict or focus on what will go wrong or what obstacles may come up - and I am by no means suggesting some type of catastrophic fall - but rather suggesting that the thing to do right now and going forward is to stay disciplined.

That is why our theme for the year is "Stay in your lane and go with what you know." It's not a new style or approach but is worth re-iterating as we head into 2017. The philosophy offers investors several things. First, it provides a familiar and predictable approach to selecting investments. As you will see on your December statements, we did add some new positions to portfolios near the end of the year. This was because interest rates finally seemed to stabilize and trade in a range that allowed us to access some new positions at levels that should provide long-term value.

Additionally, our goal to primarily use some of the biggest and best run dividend-paying companies may have been initially out of favor during the last 40 days of the market, but we can't measure

success in days, but rather years. Furthermore, we don't believe that the election has impacted the long-term brand positioning, cash flow, or ability of these companies to make their dividends payments in 2017 and beyond.

Yes, some brands may get a verbal lashing on twitter, but that won't necessarily affect their space on grocery shelves, change their prime locations, or use among consumers.

Overall, as the Trump Administration and Republican Congress begin to remodel our country and economy, we expect some bumps in the road in terms of delays and unforeseen problems. Furthermore, we expect the governmental learning curve to be harsh at times. Just like a first time, do-it-yourselfer learns a few things the hard way, we expect this administration will make a bad cut or two, or realize they missed an important step with a new piece of legislation.

That's not to say that some new policies and agenda items won't be welcomed or help add to GDP and jobs growth, while increasing business and consumer sentiment. However, there is a big difference between promises and policy. That makes execution risk one of the greatest threats to the market's recent run. As a result, by sticking with names and companies that have weathered market ups and downs and various economic cycles over many new administrations, we can focus our efforts on long-term results rather than a quick fix.

Trivia Answers

- 1) The one-ball is yellow
- 2) Oscar The Grouch
- 3) Lee Iacocca
- 4) Arnold Palmer (Arnie's Army)

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