



INVESTING **BIG** in a **TINY** House World

presented by

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Financial Advisor, October, 2016

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Agenda

1. Defining Millennials life choices
2. Why does this matter?
3. The Baby Boomer dilemma
4. The Millennial contribution
5. Why it is such a BIG investment decision



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Life Choices

A major generational difference for Millennials is how they **choose** and **aspire** to live.



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Most Millennials don't find the choices of prior generations to be attractive lifestyles for them to seek to follow.

They do not tend to believe that in the concept of "putting in your time" to reach success. In a world full of social media, it is possible to take a great idea to millions overnight.

Most tend to live more healthier and environmentally conscious lifestyles than previous generations.

The TINY House Trend

Is in full swing..



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The popularity of these tiny houses is far reaching.

But Why?

1. Millennials see housing as a burden that disables their lifestyle freedom.

2. They saw first hand what housing did to their parents and our economy.

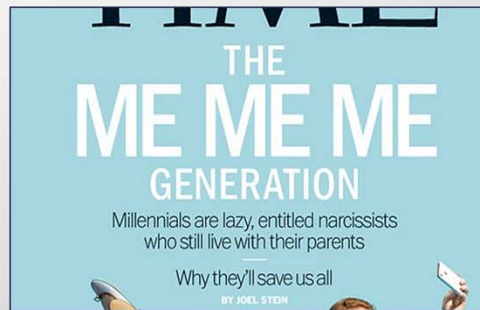
3. Their college debt is so high, they cannot afford big mortgages w/ current income.



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Millennials impact on our economy

They don't earn much, don't spend much, don't build big houses, why would we invest in them?



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This is the popular question for many of the older generation.

The answers are quite clear. Among the top reasons, they control the future. A future that we are going to live in.

What is different about them?

A unique set of traits characterize Millennials.

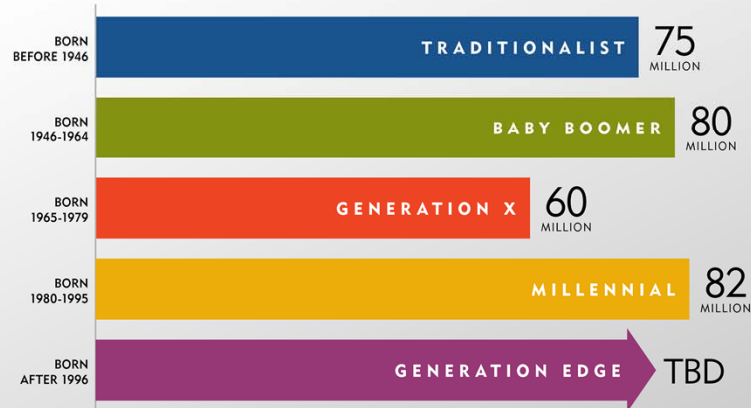


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They have the numbers

The Generations²

The Millennial generation is the largest American generation of all recorded history.¹



¹ US Census Bureau, January 2016

² Lancaster & Stillman, BridgeWorks, - Minneapolis MN July 2016



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Shaping influences



PARTICIPATION AWARD

Growing up, many Millennials received awards for simply playing, not winning the game. This led to negative stereotypes for this generation such as entitled, spoiled and lazy.



REALITY TV

The Real World, Survivor, Big Brother – Millennials saw the explosion of unscripted television during the late 1990s and early 2000s. Reality TV glorified the concept that you could achieve fame and fortune simply by being yourself.



THE SIMPSONS

This generation grew up alongside America's longest running sitcom, *The Simpsons*. The show gave Millennials a pop-culture education as they embraced its satirical humor that is prevalent online today.



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Shaping influences



COMPUTER GAMES

Originally designed to teach school children about pioneer life, Oregon Trail became a favorite computer game among Millennials. They were the first generation to receive virtual education from an early age.



SOCIAL MEDIA

Millennials grew up comfortable putting their lives online. Through Facebook, Twitter and others, they skimmed the social media feeds of their peers, often leading to less than favorable comparisons to their own lives.

INSTALLING...
VERSION 8.1.1



UPGRADE CYCLE

When the latest technology launches, Millennials are the first in line to upgrade. This generation grew up as the tech industry was booming, and as a result not only do they require constant upgrade but also constant access.



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Shaping influences



HOMELAND VIOLENCE

While every generation witnessed violence, Millennials experienced it closer to home. Online bullying, school shootings and terrorist attacks on home soil taught this generation how vulnerable the world could be.



GLOBALIZATION

With major advancements in communication technology and the rise of the Internet, this generation didn't think twice about instant messaging with a friend in India or calling a grandparent in Italy.



THE GREAT RECESSION

Just as Millennials were hitting their stride in the workplace, the recession sent them back to their parents' houses. Paying off student loans while looking for a job has caused a delay in adulthood for many Millennials.



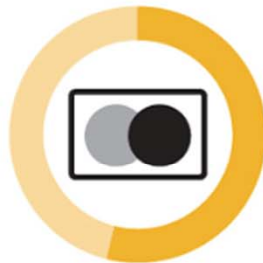
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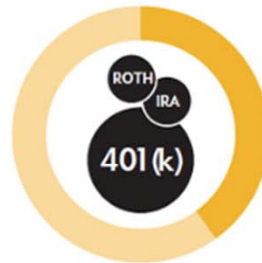
Millennials and money



23%
of millionaires
are Millennials.¹



54%
of Millennials say
debt is their biggest
financial concern.²



40%
of Millennials have
a retirement account.³

¹ Shullman
Research
Center- March
2014

² Wells Fargo-
Millennials &
Money- 2016

³ Kiplinger-
Millennials Face
Hurdles, 2014



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Millennials and money



Only **14%**
of Millennials say that
when it comes to saving
and investing they
are aiming high and
pursuing rapid growth.⁴



44%
of Millennials describe
themselves as "extremely"
interested in improving their
understanding of investing.⁵



71%
of college-educated
Millennials are investing,
but only 22% do so
through an advisor.⁵

⁴ Northwestern
Mutual 2014
Planning and
Progress Study

⁵ Accenture-
Generation D
study 2015



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Millennials and money



Millennials are shouldering \$1 trillion in student debt.⁶



Millennials will outpace Boomer earning by 2018.⁷

⁶ Council of Economic Advisors, BEA- October 2014

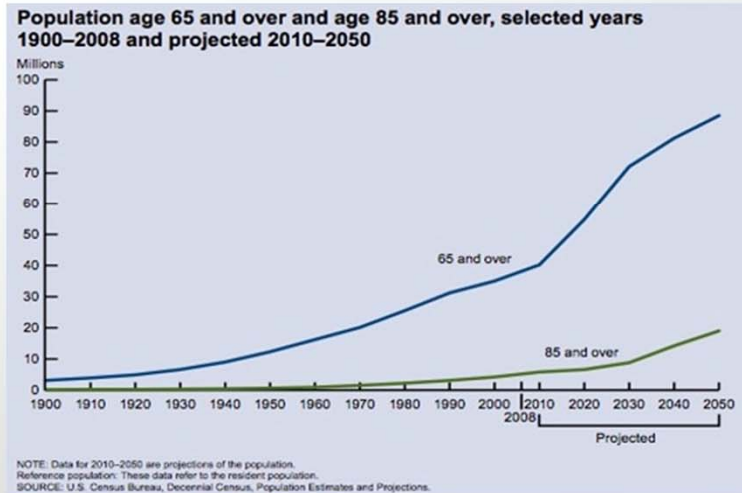
⁷ Harris Interactive, Deloitte- January 2015



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The Baby Boomer Dilemma

This year and continuing thru 2024, on average 10,000 Baby Boomers will retire each day.¹



¹ SSA, BEA, January, 2016

² 10-yr Treasury bond rate only @ 1.62% as of Sept 23rd, 2016



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The Baby Boomer Dilemma

As these Boomers retire, they are searching for 1 thing from the financial markets that simply is not adequate.

INCOME

and its just not available now. ²

¹ SSA, BEA,
January, 2016

² 10-yr Treasury
bond rate only @
1.62% as of Sept
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Boomers need Millennials to grow our economy to create economic growth and increasing interest rates.

And they can.



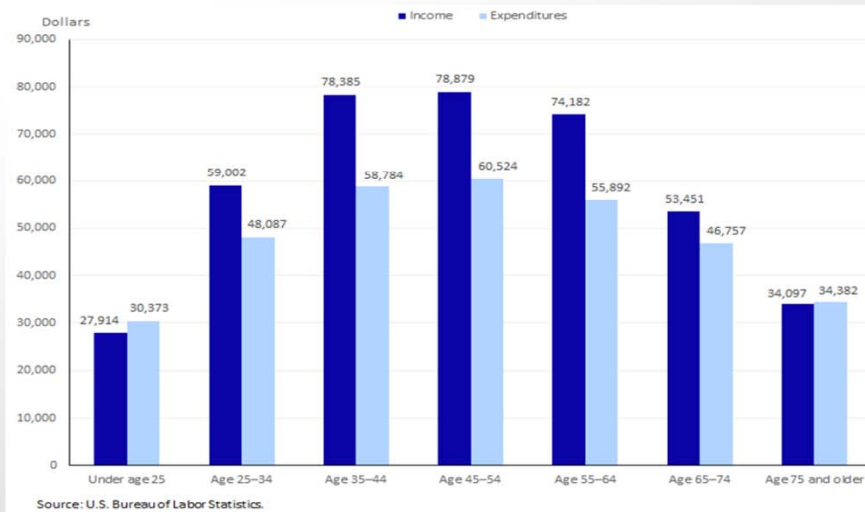
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Although the way Millennials work and interact in the world is different than prior generations, the leading edge Millennials are beginning to make higher incomes, build wealth, and harness their skills to create profitable businesses in noticeable numbers.

It's Demographics

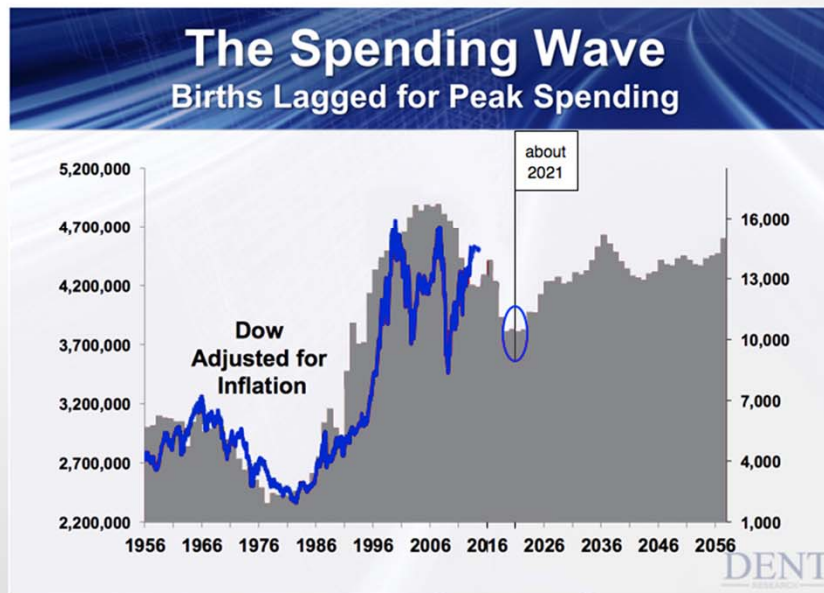
Income and expenditures by age:



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As more of the Millennial generation approach peak income and expenditure age ranges, we would anticipate that our economy will begin to grow again. Particularly once the number of new Millennial workers entering the workforce begins to exceed the number of Boomers leaving the workforce.

It's Demographics



Somewhere 3-5 years from now, The Dent Foundation data (a pioneer in Demographics studies) would suggest that would be when the wave of Millennials entering the workforce and peak earning years will create a lot of positive implications for our economy.



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It's Demographics

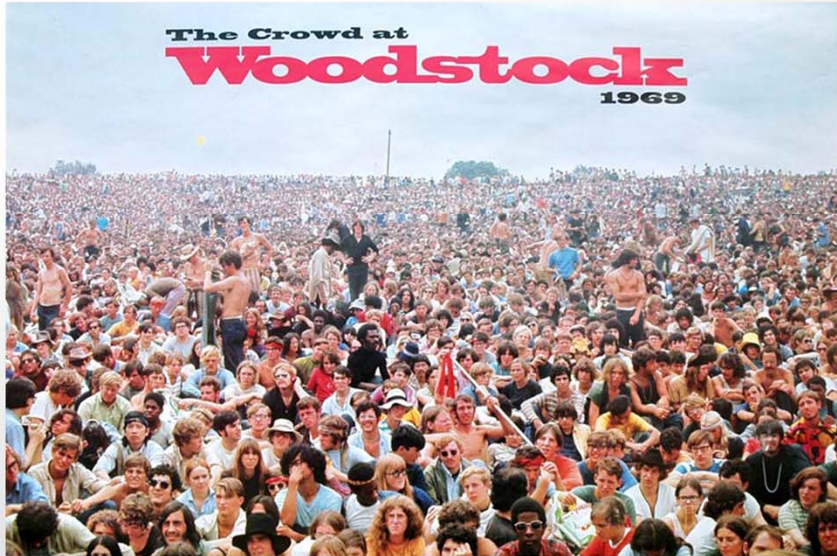
Consider the implications of a 80M+ strong generation getting past college debt, having children (with mouths to feed), and figuring out all together that they cannot stay in their tiny houses, live with their parents, and ride their bikes to work any longer.



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Consider the implications of a 80M+ generation getting past college debt, having children with mouths to feed, and figuring out all together that they cannot stay in their tiny houses and ride their bikes to work any longer. What happens next?

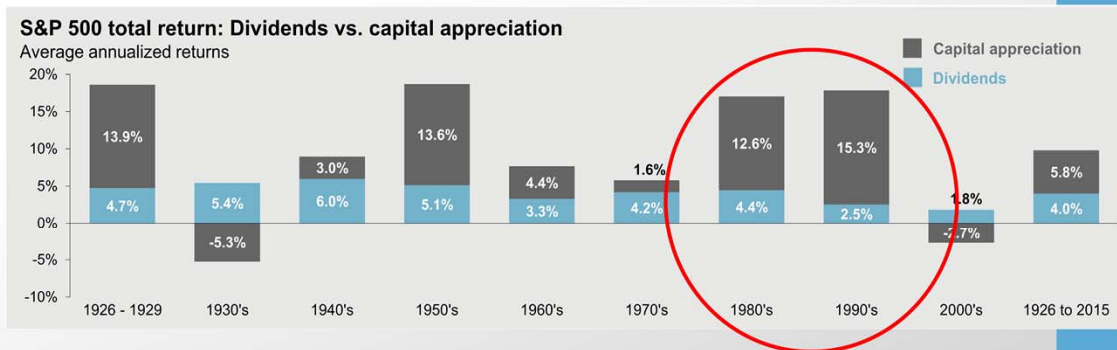
Remember this Crowd?



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This was the last generation this size when they were between 17-34 years old. Think about what that 80 million strong generation did for our economy.

Remember this Crowd?



Look what the (Boomer) generation did for the stock market when they were 25 to 45 years old, at peak earning years.

Source: JPM Asset Management, Standard & Poors



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What is different with Millennials?

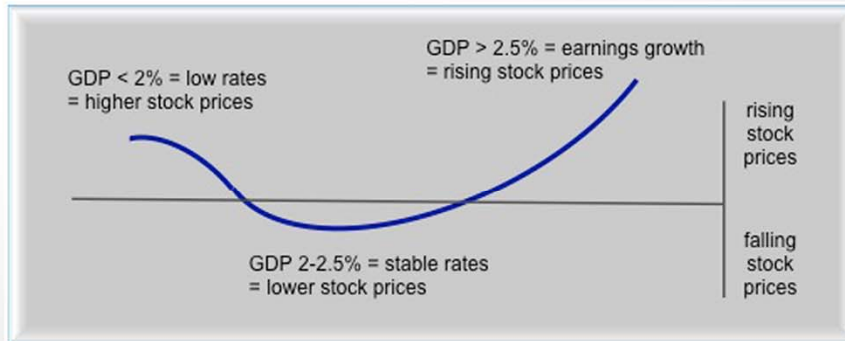
- Speed of change / upgrade cycles
- Technology savvy
- Most educated generation yet (*they have Google*)
- Social Media
- No more dependency on foreign oil
- Extreme mobility
- Global collaboration skills
- Interest rates near 0%



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The Millennial Generation is armed with so much more than the Baby Boomer Generation. It would be difficult to imagine that they will not be able to make a bright future with the tools they have at their disposal. (Assuming no political disasters or global wars don't impede their progress.)

So what next?



The relationship between GDP growth, Interest rates, & stock prices-
expectations priced into current market as observed during 2015/16

JPM Asset Management- Advisor Summit 2016

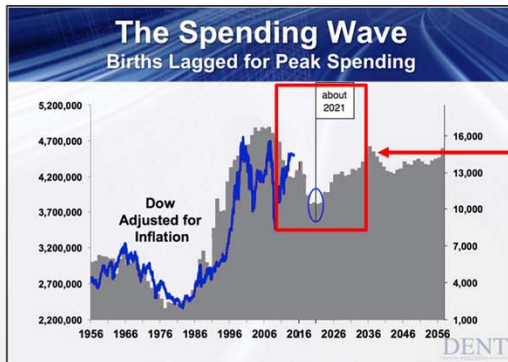


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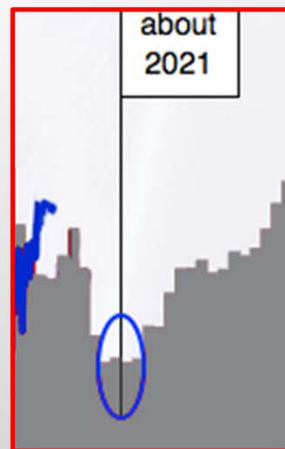
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The stock markets have repeatedly demonstrated a selloff in the past 12 months each time the Federal Reserve affirms its stance that they want to raise rates in the U.S., demonstrating the deleveraging that occurs when the cost of capital elevates. Many economists also would agree that a large segment of stock market investors today are using historically defensive stock sectors as a replacement for bonds and / or money markets seeking the dividend yield (which is greater than the banks are able to pay with interest rates set so low.) This would suggest a pullback in stock investing as interest rates rise at the banks.

So what next?



Rising interest rates & demographic shift in workers may trigger the next significant buying opportunity for the long-run.



Source: Harry Dent Foundation, U.S Census Bureau, Bloomberg



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When we consider that the number of people in the US at their peak spending part of their lifecycle is expected to diminish in the next 3-5 years and the Federal Reserve is targeting escalating interest rates for the next 3-5 years, our short term outlook for price appreciation in the stock market is not promising. However, for those who are disciplined to be prepared to invest for the next long term growth cycle on a major market correction in this period, the long term benefits of near term investments could be significant in growing retirement savings for a long period of retirement withdrawals for the following 10-25 years.

BIG investment decisions

In a yield starved investment landscape when everyone needs income, what choices do we have?

Here are a few ideas –

- Do not use debt (interest you pay is generally higher than low risk investments can make)
- Dollar cost average into diverse strategy over next 3-5 years
- Use investment approaches with downside protection
- Understand risks in momentum sectors, stay diversified
- Seek to have your maximum capital available 3-5 years from now and look for significant correction to buy.

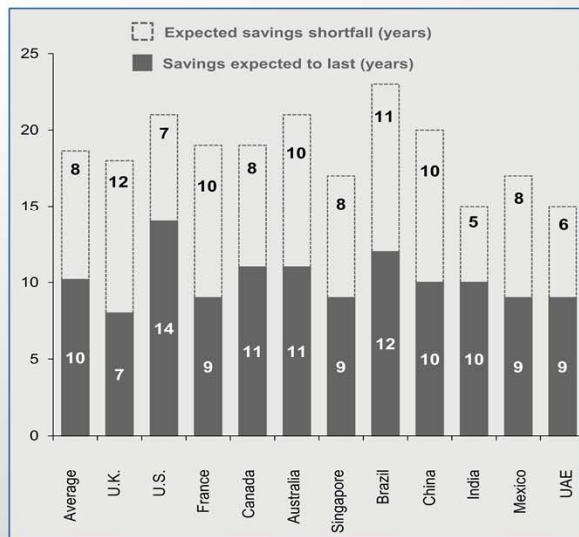


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Most retirees will run out of money

Without investing, Boomers are not likely to have enough cash to last through retirement years.



Source: "The Future of Retirement: Life after work?" study by HSBC- June 2016



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This is very important to keep in mind. People will be forced to work and never retire OR they must invest their resources to grow enough to out last their lifespan. This makes investing a BIG decision.

Conclusions

- We are living in a “Tiny House World”- Millennials are driving the future; we need to understand what makes them tick (*and also what makes them go to work*)
- The long term growth opportunity in the U.S. is alive and well; we just need to get through the transition period where Millennials entering peak earning years exceeds Boomers leaving peak earning years
- Boomer’s will need to invest in Millennials’ economy to grow assets needed for long term retirement
- We are here to help you get through it all.



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Questions

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