

J.K. Financial, Inc.



REGISTERED INVESTMENT ADVISOR

8222 Douglas Ave Suite 590

Dallas, TX 75225



1st QUARTER 2019

Capital markets movement

Observations, possibilities, conclusions

Themes, rhymes and trends sometimes occur, only to be broken. Looking back at the “best” months using history as our guide, October is usually shaky – check, November is better – nope and December is usually the best month of the year – no check.



John A. Kvale,
CFA, CFP®

So what exactly happened? While no one knows exactly what turned collective market participants glum, we know it did occur just as October commenced. Early in the year, synthetic products created false market movement and patience was needed and rewarded. What follows

(see *Tariff*, Page 2)

Personal credit card theft story

*Updated from abbreviated form at Street-cents.com

At approximately 10 a.m. Saturday Oct. 20, a quick work out was in the cards as there was a gap between the 13 year old’s tennis match and the 10 year old’s need to be transported.

After carefully parking underground -tons of little guys

in the YMCA garage due to soccer being moved indoors- wallet tossed into the cup holder, along with the car keys and a tug of the small towel to cover both items from outsiders view (unsuccessfully) doors locked from external key pad and heading to the stairs to climb to the ground floor. A bad guys was

(see *Scammers*, Page 4)

Office changes

More than in a decade, meet Jen Hill

Seems like only yesterday Cathy Kitzman, known in the office as CK, was making her way to the office for the first day. Fast forward to what seems like only a minute in time, 11 years later and earlier in the year, she turned the corner to her new chapter: retirement in a smaller town outside the bands of Dallas and concrete sidewalks.

With a freshly built new home overlooking a lake and huge back yard,

(see *From*, Page 6)

INSIDE:

- **Tariff talk** reality, increasing rates; Great earnings, consumer spending

- **Scammers ask for** itunes, cash cards

- **VAULT: How to access** your vault via cell phone, how to upload confidential documents

- **From Cathy to Monica to Jen Hill**, our new Operations Manager

- **Dallas Magazine Best of Wealth managers**

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Tariff talk reality, increasing rates

Capital markets movement

(continued from Page 1)

are the items we are watching and the most likely sources of concern.

Tariff talk is finally becoming reality

Capital market participants do not like uncertainty and frequently run rather than wait for answers. As the year transpired, the tariff talk has become real and caused a pause in many business dealings creating a pause in certain transactions.

We would argue this is artificial and will be resolved but at the writing of this article there is still enough uncertainty to give participants pause, leading to a minor chink in the capital market armor. Not mortal but a chink.



Increasing rates

Being big fans of higher rates, which are now providing much greater income to many fixed income instruments, the extended length rates were very low and has lead to uncertainty over where exactly the normal rate will be.

In a prior newsletter, we covered the inverted yield curve well before many began discussing. While an inversion has not occurred, the yield curve has flattened but again not inverted at this time.

With longer rates having a growth/inflation component embedded in them, the fact that longer term rates

(see Great, Page 3)



Great earnings, consumer spending

(continued from Page 2)
are not going up by large amounts may signal that growth may be slower than once thought. The chart (bottom of Page 2) time frame was carefully chosen as it shows the breaking of the back of inflation by Paul Volker (FOMC Chair in the late 80's) by raising short term rates to over 18% - the new normal is likely a much lower 2-4%.

Until market participants agree and get comfortable, another small chink in the markets armor.

Earnings are great

Earnings are the core of capital market growth. Great earnings lead to great capital markets, eventually.

There can be disconnects and after having multiple years of synchronized global "red hot" growth, it is natural that some cooling would occur. Current market

participants are fearing more than a simmer, which we think may be incorrect at this time. As earnings continue to pass through to company bottom lines and capital markets standing still, valuations (Price/Earnings) get cheaper and assets become better and better values.

Bottom line: earnings up and markets sideways equals better value for us as investors. No chink here, just all positives. This is being ignored SO FAR.

Sentiment- consumer

Broadly, the consumer who packs 2/3 of our economy due to their spending, is very happy. Yes, this can change and does at inflection points but could

give merit to markets just throwing a temper tantrum.

So what is the answer?

At the moment no one knows for certain why capital markets are grumpy.

CAPITAL MARKETS

Earnings are the core of capital market growth. Great earnings lead to great capital markets, eventually... Bottom line: earnings up and markets sideways equals better value for us as investors.

These afore mentioned factors are likely high on the positive and possible worry list of many.

We are watching these and many more items. This is again why we like being a conservative firm and looking through the short term clouds into the longer term sun.

JK

Capital markets movement



Scammers ask for itunes, cash cards

(continued from Page 1)
scoping.

Returning about 10:30 a.m., grabbing car keys and sticking wallet into the pocket, the day continued.

At 10:40, 10:41 and 10:42 a.m. three charges of \$500 each (gift cards) were charged to two separate cards. The third attempt to the same card set off a fraud alert.

Funny call -

With cell phone text notification of a \$500+ charge to a local grocery store - a "no" text response returned a texted phone number which was casually called.

"Fraud services, are you in possession of your card?"

"Yes, of course I am ?" NOPE.

Three cards were missing but the wallet was otherwise EXACTLY kept in tact so as not to alert - worked like a champ!

Four minutes later, first stolen and charged credit card is turned off. The other two cards are debit cards AND no idea what number to call.

Vault savior again

No idea of either debit credit card number.... no idea what phone number to call but after a quick opening of the Personal Vault which had pictures of the cards both front and back, the cards were turned off. Whew. Thank you, Personal Vault.

Do you have your cards saved in your Vault?

Police response and report - the rest of the story

Later in the day, a full police report was filed, grocery location and YMCA garage have full video surveillance and with such a detailed time line, an easy find? Will update in the future.

Fellow gym rats, this is a very common situation, especially for guys for whatever reason - guess we tend to separate ourselves from our wallets and keys during workouts.

According to the friendly female police officer Gonzales, this exact event occurs all the time all over the city at gyms and happened twice the prior weekend at my gym. This was the first incident of this weekend reported.

These are very specialized thieves that know exactly what they are doing and know how to quickly get fast cash. No, they didn't want

the car;, just the quick money and on to the next unsuspecting person, hopefully not you after this story.

Now here is the update from a chatty detective

Two of the cards were debit cards and as such, the return of lost money was a slightly stiffer path. The original police report did not include the lost amounts on each card which necessitated another visit to the local detective working on the case. The chatty detective took the exact amounts of each loss and all money was returned with no issues.

What was interesting were the extended conversations from the verbally loose detective post updated loss amounts to the police report.

Don't pay anyone with a pre-paid card of any type!

The detective casually mentions that one of the most frequent items they are running in to at the moment are all types of scammers asking for itunes or other types of nontrackable cash cards. Must be similar to the ones charged above.

Bottom line, this type of currency is, at the moment, untraceable and very desired by scammers.

And, these get better, so hold on.

Do we all really have skeletons?

In an "you cannot make this up moment" (detective had no idea this would be printed, certainly) a rash of letters has been sent to folks, including the detective and the local mayor of our municipality that leads with "I know what you did! And we have it saved from your computer!"

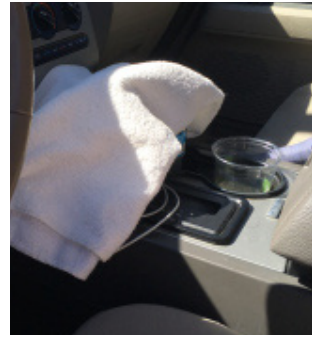
Not kidding. All the bad guys need is a minor \$12k deposit to an account or the preferred method, Bitcoin and the files will be deleted and no one will know. Ya right, if you pay, until they need some more money. Guess there is/are guilty parties out there.

We have your wife; get the cash!

What makes this story creepy is the fact that the scammers called from what looked like the wife's cell number and the creeps lead with a very personal fact, "We know your mother-in-law broke her ankle and is staying at your house."

This fact was true

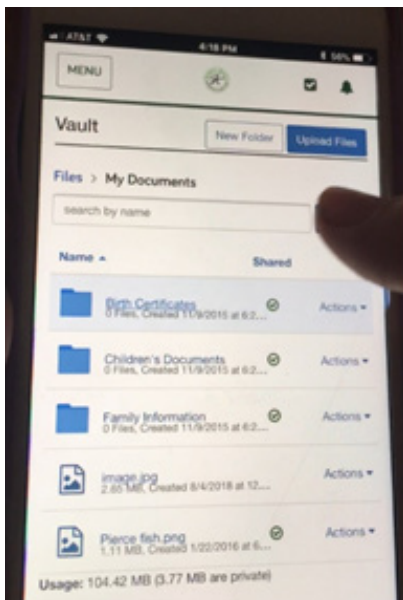
(see Safe, Page 5)



VAULT: How to access your vault via cell phone, how to upload confidential documents

This summer we recorded two new videos for our New Total Vault. These videos are specific to using your cell phone to access your vault, especially for important documents, possibly in a desperate moment.

We now have a total of eight, in-house Vault videos, all available on our website for your easy viewing from our main website at <https://www.jkfinancialinc.com/new-total->



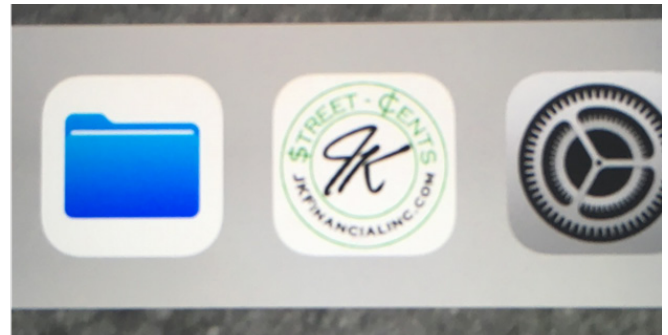
vault-video-library or by simply clicking on the resources drop down tab and clicking on New Total Vault tab.

Another easy way to get to the videos are via our blog site at www.street-cents.com and using the Category Tab – Vault.

Lastly, you can access the videos directly on our JKfinancialinc YouTube channel <https://www.youtube.com/user/jkfinancialinc>. Either way will get you to the Videos exceptionally easy from our cell phone. Best of all, these videos are all just around one minute – less than 10 minutes to review them all.

The seventh video

In this video, with the help of an 11 year old family member (10 at the time), we access our Vault via our cell phone and quickly download the neat JK



logo quick start to our home screen of our cell.

The eighth video

In this video we show you how to seamlessly upload a document from your cell phone into your Vault. We also show you how to access this document and feature a neat benefit of using your cell to take a photo of an important document and upload it. The document is not stored on your cell phone in any way, helping with security.

With several neat updates coming this year, look for more videos and as a sneak peek, new reports, of course, accessible from your cell phone. *JK*

Safe word for family that all know recommended

(continued from Page 4)

solidifying the story and with the call appearing to come from the absent wife's cell number, he was hooked. The husband was told not to hang up the phone and to head to a cash machine and withdraw \$2,000 as quick as possible.

A quick jump back in time notes that the wife was called directly on her cell hours earlier and told she had missed a mandated jury duty appearance. If she did not show up, a warrant for her arrest would be issued, sending her immediately to the local court house.

The distraught husband was only able to extract \$1,000 (luckily) with greedy thieves

wanting more, off to another cash machine was mandated. With thieves listening closely from the number of the wife's cell, while the husband scurried to another cash machine, imagine the happy surprise coming from a second same number of the wife, who after trolling for some time at the local court house, was unable to find any call for her presence. Problem solved -whew!

The friendly/chatty detective recommended a safe word for the family that you all agree on and know. We now have ours. Please get yours. It may save some anguish in the future.

Not that down payment

An Oklahoma

(see **Common**, Page 7)

From Cathy to Monica to Jen Hill, our new Operations Manager

(continued from Page 1)

we likely will not have to worry about her accidentally coming to the office out of repetition.

Through our contacts, we began a search for Cathy's replacement - to no avail!

About two weeks before Cathy's intended retirement, we offered Jen Hill the job but with an extra little household, she could not start until this fall when all would be in school.

At that moment we had decided to struggle through the summer and just "make it" until the end of summer.

Enter Monica!

Days before Cathy was to retire, we luckily found Monica Fair - those that have met or spoke to her, understand the meaning of luckily.

Honoring our word to Jen, it was not a struggle at all to get through the summer but enjoying her presence, effort and delightful enthusiasm we felt a great desire to help Monica as this was her first endeavor into this industry and the shoe fit perfectly.

Good news!

Feeling so lucky to have Monica over the summer, word was spread of her fantastic abilities and attitude.

We are very happy to report a friend in the industry luckily scooped her up in literally a seamless transition, as even her new office is about one block from ours.

Meet Jennifer "Jen" Hill

Raised in Long Island and after spending half of her

college years in Pennsylvania and the remaining back in New York, the journey began.

After a multi-year stint in real estate with a family member and then a two year advertising job representing a famous (and fun) rum, the financial world of New York was calling.

Working her way up from a starter position in documentation at Deutsche Bank then on to Option settlement, she finally ended up at the High Net Worth phone bank (aka High Maintenance Desk) and after six years a move was in the cards.

Ten, yes, 10 years at HSBC in product control and dealing with the great financial crisis first hand, the two hour each way - EACH WAY - commute was too much and a move to Dallas was in the cards.

With a spouse that formerly was a professional baseball player, now a fireman for an area town, Dallas is the new home of four years.

Jen and Jeremy Hill have two children, both of which are now in a local elementary school and a much closer 10 minute commute from the office. Whew.

The introduction was made via a sport you all know we have family connection. Jen is on a tennis team that included Pam. Such the intro.



Long time clients know Donald "the brain's" personality and mine as well. One of you once told me being chewed out by John for spending too much was like being "hit by a wet noodle" but the guilt did it's job.

If different personalities make for more fun and efficiency, at the time of this writing, we had trouble getting our photographer to deliver our pictures. After several emails by myself, the New York came out in Jen.

"Give me Bret's number. I am going to call him and choke him out! We will get those pictures!"

Of course she was kidding but certainly takes some wetness out of the noodle!

While it felt like a revolving door often this year, we are happy to report as an always open for new ideas firm, almost every operational part of our office has been reviewed, tested and in many cases adjusted due to a new view, offering more efficiency for those most important, you guys, the clients.

We look forward to all of you meeting our new Operations Manager Jennifer "Jen" Hill and happily welcome her to our firm.

A handwritten signature in black ink, appearing to be the initials 'JK'.

Dallas Magazine Best of Wealth Managers

We are very happy to announce our nomination to D Magazine's Best Of again!

D MAGAZINE BEST OF DALLAS

For those fellow Dallasites, be sure to check out the current issue of D Magazine which will have the awesome picture you see at right.

Jen and Donald picked the photo. We had tons to choose from from our fantastic photographer Bret, who was shooting pictures at the Holiday party.

Can you believe they chose the picture showing the most grey? Grrrr

When commenting on this fact, an

assurance of "seasoning" was mentioned. Ok, so you guys are still sore about the black eye incident. Look close, Donald "the brain" has a huge shiner, saved by Jen's cover up.

TWELFTH CONSECUTIVE

FINANCIAL PLANNER AWARD

Luckily, yours truly was also awarded Best Financial Planner award for the TWELFTH consecutive time. Given the gray in the picture, maybe silence is better?

It is an honor to be

named in both portions of the D Magazine Best Of series. We are most proud to be named as a firm, to recognize those that REALLY make it possible, the gang at J.K. Financial, Inc.

Well done, guys.



J.K. Financial, Inc.

FINANCIAL PLANNERS AND WEALTH MANAGERS

As members of J.K. Financial, Inc., founded in 1995 and a Dallas-based, fee-only total wealth management firm, John Kwak and Donald Capone, with their newest addition to the team, Jennifer Hill, represent 58 years of collective industry experience. Currently acting as fiduciaries for clients, the firm's "Roll-Up-the-Sleeves" holistic approach and in-house, constantly updated "Life on One Page Reference Document" help clients not only with wealth management and financial planning, but also with retirement, insurance, and estate planning as well as the unique events and stressful curveballs that occur throughout life.

Single women make up the largest individual group of J.K. Financial's clients, followed closely by families owning small businesses, C-level executives, and millennials. The firm's high-touch, multi-generational approach has created a terrific age variance in clients spanning across all age groups, from the very young to the multi-decade retiree.

Through in-house, originally crafted articles on the firm's public blogsite, www.street-cents.com, J.K. Financial enjoys deciphering the capital markets and financial planning landscape as well as sharing common stories from recent events. They frequently use humor and personal experiences to energize and buffer an often-routine, yet important, subject matter.

Thanks very much for the recognition, and the firm welcomes any inquiries.

8222 Douglas Avenue, Suite 590
Dallas, Texas 75225
214.706.4300
jkfinancialinc.com

Common theme was need to hurry, promptness

(continued from Page 5)

executive who was in a hurry to close on a home, happily wired \$200k for a down payment on his new Dallas home as his job was moving quickly to our neighborhood and he wanted to have a smooth transition for his family. Never seeing the home and never speaking to a person live, the funds were wired but vanished, never to be seen again. You may say careless, read on.

Honey, we bought a house

In a best for last moment, a friendly "person" welcomed an unsuspecting happy family into a "bargain" of the century home purchase, once again in the local neighborhood. Knowing the key code to open the door of the fantastic home offer, the family was elated to get the home but

there was one issue: it must close within two weeks or the deal was off.

The family was able to close, move in and revel in their fantastic purchase. The problem occurred when the true owners arrived approximately one week after they were COMPLETELY moved in. The true owners alerted them to the fact that this home was never sold. A complete fraudulent home purchase had occurred.

In closing, a common theme to ALL of these events was a need of promptness or hurry. This lends itself to reckless behavior and often plays right into the hands of the thieves. Don't bite!

We hope you enjoyed our personal story and the experiences that came from it.

Be careful out there!



J.K. FINANCIAL, INC.
REGISTERED INVESTMENT ADVISOR

8222 DOUGLAS AVE SUITE 590
DALLAS, TX 75225

Phone: 214-706-4300

Fax: 214-706-4262

E-mail: info@jkfinancialinc.com



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Parting thoughts for you...

It seems like only yesterday we were saying hello to 2018. Now 2019 is already here.

After over a decade with "CK" at the helm, we wish her continued fun in retirement and look forward to the new journey with Jen as our pilot. We hope you all will enjoy getting to know her as much as we have already.

With tax season just around the corner, we are really looking forward to finally seeing just exactly how all the new tax laws play out with respect to our pocket books. We look forward

to reviewing our tax returns in greater detail than in years past.

For the time being, capital markets are grumpy and we lay out both positive and possible worry points for market participants in our market focused article. While we may not go back to the calm of some years past, we would not be surprised to see a more somber capital market as some of our discussions play out with time.

Have a great start to 2019 and we look forward to a new year together.

Dates:

Jan. 21 - Martin Luther King, Jr. day, markets closed

Feb. 18 - Presidents' day, markets closed

April 19 - Good Friday, markets closed

Things to do now:

WATCH Capitol Markets (see story, Page 1)

VAULT Set up your cell phone access (Page 5).

SAFE WORD Set up your family word (Page 5).

MEET Jen Hill, new Operations Manager (Page 6)