

Quarterly

NEWSLETTER



JULY 2019

INVESTMENT BRIEF

ADAM HOFFMANN, CFP®, CHIEF INVESTMENT OFFICER

Summer is here once again with its ubiquitous combinations like mosquitos and barbeques, lightning and thunder, swimming pools and sunshine. One exciting pairing for 2019 that has been far less common, in fact it hasn't happened since the early 1990s, is an American League leading Minnesota Twins and equity market all-time highs.

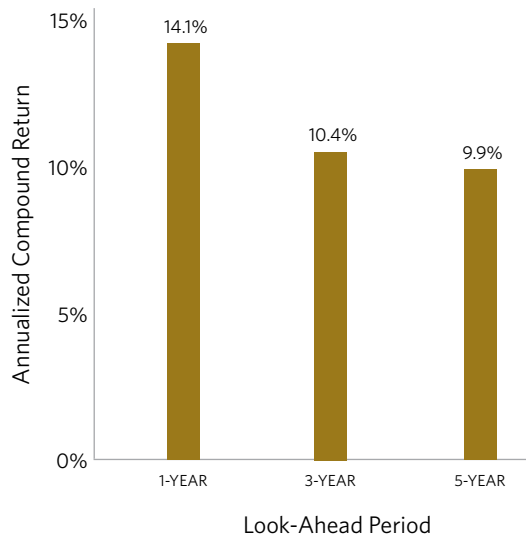
As a lifelong Minnesotan sports fan, and having experienced what felt like greatness coming up short one too many times, it's easy to be conditioned to feel that the only place to go when you're on top is straight down. What's amazing is that more often than not, when markets are at their peak, they typically climb higher.

Granted, they're not immune from loss like the proverbial wide right field goal or the future impact that can be felt when a franchise player is traded, but it's important to note that the S&P 500 has held up its end of the bargain in reaching new highs more than 500 times since the last confluence of the aforementioned milestones. The

data in the chart below shows that markets reward investors for remaining invested, regardless of where they start.

Average Annualized Returns After New Market Highs

S&P 500, January 1926–December 2018



In US dollars. Past performance is no guarantee of future results. New market highs are defined as months ending with the market above all previous levels for the sample period. Annualized compound returns are computed for the relevant time periods subsequent to new market highs and averaged across all new market high observations. There were 1,115 observation months in the sample, January 1990–present; S&P 500 Total Returns Index. S&P data © 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. January 1926–December 1989; S&P 500 Total Return Index, Stocks, Bonds, Bills and Inflation Yearbook™, Ibbotson Associates, Chicago. For illustrative purposes only. Index is not available for direct investment; therefore, its performance does not reflect the expenses associated with the management of an actual portfolio.

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CARLSON
CAPITAL MANAGEMENT

Integrated Wealth Management Since 1987

PLANNING FEATURE

*Have you Considered
a Family Meeting?*

KATY VERMEER, CFP®,
SENIOR INTEGRATED WEALTH ADVISOR



What image does a “family meeting” conjure up for you? Do you think of your childhood when your parents would ominously announce, “It’s time for a family meeting!” or maybe it’s your spouse asking, “Does this incident warrant a family meeting?”

In our home, one form of a family meeting occurred when my husband and I had casual discussions with our three kids over dinner when we would say something along the lines of, “We have something important to talk about.” I recently asked our young adult children their recollection of these conversations and they said that when we met in the living room then they knew we were going to talk about something really important. Regardless of the topic, family meetings in one form or another are a method of communication for loved ones to connect, share important information, and often have a relevant ensuing conversation.

At CCM, we see family meetings as a wonderful opportunity to listen to and dialogue about a family’s wealth and its purpose. We encourage these meetings so that our clients have an opportunity to communicate with their loved ones about what is important to them regarding their wealth—opening up some key lines of conversation that can reap benefits for many years to come.

As you consider if a family meeting is a good option for your family, following are some insights as to how we prepare for one and the types of topics that are covered:

- One key step in having a successful meeting is preparation. We work with

clients on the front end to determine the goals and the purpose of the meeting. To that end, we encourage clients to complete a pre-meeting questionnaire that helps establish a meeting agenda and sets parameters and expectations for the meeting. This is where you determine who should attend, and what level of financial and estate-related details should be shared.

- While we are fans of living rooms, we actually do find that holding the meeting at our office provides a professional and neutral environment for family meetings, ideally with all attendees physically present. We also find it works best when your CCM advisor is the host and facilitator. This way all family members are “around the table” and equal participation is encouraged.
- We’ve hosted a number of family meetings on a variety of topics that go far beyond the dollars and cents. The subject matter can be as broad as sharing

“No matter which topics you choose to focus on, the intention of a family meeting is the same; to provide a forum for healthy, constructive dialogue between generations about your financial situation and what is important to you.”

family values around money or the ultimate plan for distribution of assets, to topics as specific as plans for the family cabin or funding grandchildren's educations. Meetings apply to all types of families as well. For example, we've recently worked with blended families with adult children to talk about issues specific to both families coming together into one financial equation.

- Often times, the purpose of a family meeting is to share our clients' estate plan with their children. This topic can provide family members peace of mind; for parents, because they know that they've informed their loved ones of their intentions, and for children who are reassured that there is a plan in place. CCM's President, Justin Stets will sometimes say to clients, "We're going to eventually have this meeting with your children. Wouldn't you just as soon be present?"
- In one recent family meeting, we met when the clients' son from out of town was visiting. The primary purpose of that meeting was for a discussion about our clients' charitable intent so that their two children could learn and ask questions. Our clients found that not only did the conversation inform their kids about their desires, it also allowed for a powerful conversation about how the kids would work together to make sure the parents' legacy was carried out.

What are your "living room" conversations you would like to have with your loved ones? No matter which topics you choose to focus on, the intention of a family meeting is the same; to provide a forum for healthy, constructive dialogue between generations about your financial situation and what is important to you.

We welcome the opportunity to assist you in planning and hosting a meeting with your family. From our perspective, it's a really important conversation to have.

ENHANCED CLIENT PORTAL

Coming Soon!

The CCM Team is working hard behind the scenes to bring you a new client portal experience providing you with secure online access to your financial accounts and data.

Among numerous enhanced features, the new CCM Client Portal will include seamless online access any time to:

- An interactive big picture, real-time overview of all of your CCM-managed accounts,
- Numerous dynamic reports that adjust as you select custom criteria,
- A snapshot of your current/daily investment holdings,
- Secure access to important documents related to your financial plan and
- CCM communications such as quarterly newsletters and compliance documents.

For clients already enjoying access to the current portal, we'll be sending you instructions to transition to the new portal as soon as it goes live.

For any clients not presently utilizing the CCM Client Portal, we encourage you to sign up and enjoy the many benefits of the portal experience.

We're eager to share the new portal with you! Please watch for future communications that will include login instructions for this exciting new tool and interactive experience.



CLIENT PORTAL

AN UPDATE FROM THE TAX TEAM

Should I Contribute to a Roth 401(k) Instead of the Traditional 401(k)?

KEVIN KOSKI, CPA, DIRECTOR OF TAX SERVICES



With many employer-based retirement plans (i.e. 401(k) or 403(b) plans) now offering a choice between making contributions into a Roth or a Traditional option, a conversation we frequently have with clients centers on the difference between contributing to one versus the other. As with most financial and tax planning questions, the answer depends a great deal on your personal situation, but there are several factors that are generally the most important to consider in deciding if a Roth is a good option for you.

The key differentiation between the two has to do with when the funds contributed to the plan are taxed. The table below reflects the tax characteristics of each option:

	ROTH	TRADITIONAL
Contributions to the Plan	After-Tax	Pre-Tax (Deductible)
Earnings and Growth	Tax Free	Tax Deferred
Distributions Received	Tax Free	Taxable (Ordinary Income)

Should I pay taxes now or later?

Making contributions to a Roth requires that you pay more taxes now. It is often a difficult choice to decide to pay more taxes now, but the choice can be advantageous if you believe your current tax rate will be lower or the same as your future tax rate. Here are some situations or scenarios to consider:

- You are a younger worker expecting to earn more in the future.
- You are a young single income family that expects to become a dual income family in the future.
- The Tax Cuts and Jobs Act of 2017 placed you in a lower tax bracket in 2018 as compared to 2017.
- You expect your tax rate during your retirement years to be lower or similar to your tax rate during your working years.
- You expect future tax rates to be raised by Congress for all income levels.

These are just a few of the key considerations around this question. If you would like assistance with how to analyze and decide on the best choice for your situation, please reach out to your CCM advisory team.

NOTE: The information provided in this article is intended for clients of Carlson Capital Management. We recommend that individuals consult with a professional adviser familiar with their particular situation for advice concerning specific investment, accounting, tax, and legal matters before taking any action.

WELCOME NEW COLLEAGUES

We're happy to introduce three new colleagues who have recently joined the team at Carlson Capital Management: TIARA, OMER and JOHN.



Tiara Elg
Client Servicing Representative
Bloomington Office



Omer Abramovich, CFP®, MBA
Integrated Wealth Advisor
Bloomington Office
College of Charleston
& The Citadel



John Ostrand,
CFP®, CTFA®, CAP®
Chief Wealth Advisor
Bloomington Office
St. Cloud State University

Full biographies are featured at carlsoncap.com/team where you can also connect directly with any colleague at the firm.

CCM WELCOMES JOHN OSTRAND *as Chief Wealth Advisor*

We are happy to introduce JOHN OSTRAND, CFP®, CTFA®, CAP® who has joined CCM in the role of Chief Wealth Advisor. In this new position at the firm, John will lead the firm's strategic, operational, and tactical activities related to the overall wealth management experience for clients, ensuring that delivery of CCM's client experience is aligned with the mission and vision of the firm. He'll be responsible for all CCM advisory functions, business development initiatives and for the talent management of advisory team members. In addition, as a member of the senior management team, John will work closely with the President and the Board on the development of the firm's annual and long-term strategic plans.

John brings more than 25 years of experience in the financial services industry to his position at CCM. He began his career with Charles Schwab & Co. at the St. Paul, Minnesota branch, and held roles with progressive responsibility leading to his position as Vice President and Branch Manager which he held for eight years. In that role, John provided clients and their families wealth management services, while leading successful teams of advisors. His business development acumen earned

him the Chairman's Club Platinum Award. While at Schwab, John led the efforts to open and manage the offices in St. Paul as well as Rochester, MN and Sioux Falls, SD. John then transitioned to serving clients with trust administration and portfolio management. From there, John served in a Sr. Vice President and Managing Director role, where he spent six years serving clients and leading the Trust Fiduciary teams for the Minneapolis St. Paul markets of a large national banking institution. His professional experience includes working with clients on all aspects of wealth management and financial planning, and managing teams of financial professionals in their service to clients.

John is a Minnesota native and graduated from St. Cloud State University with a Bachelor's degree in Finance. He holds the Certified Financial Planner™ designation granted through the Certified Financial Planner Board of Standards, as well as the Certified Trust Financial Advisor and Chartered Advisor in Philanthropy credentials.

We're thrilled to welcome John to the CCM Team and look forward to introducing him to our clients.

SECOND QUARTER RETURNS



	Q2 2019	1-YEAR RETURNS	ANNUALIZED 5-YEAR RETURNS	10-YEAR RETURNS
S&P 500 Index	+ 4.30	+ 10.42	+ 10.71	+ 14.70
US Large Value	+ 3.84	+ 8.46	+ 7.46	+ 13.19
US Small Cap	+ 2.10	- 3.31	+ 7.06	+ 13.45
US Small Value	+ 1.37	- 6.24	+ 5.39	+ 12.40
International Large Cap	+ 3.68	+ 1.08	+ 2.25	+ 6.90
International Large Value	+ 1.54	- 2.10	+ 0.05	+ 5.50
International Small Cap	+ 1.71	- 6.35	+ 4.40	+ 9.67
International Small Value	+ 0.88	- 6.39	+ 3.02	+ 8.93
Emerging Markets	+ 0.61	+ 1.21	+ 2.49	+ 5.81
US Short-Term Bonds	+ 1.86	+ 4.96	+ 1.53	+ 1.73
US Intermediate-Term Bonds	+ 3.08	+ 7.87	+ 2.95	+ 3.90

Data represents past performance. Past performance is no guarantee of future results. Chart is for illustrative purposes only. Returns are based on data from the S&P 500, Russell Investments for US indices, MSCI for international and Barclays for bonds for the time period of April 1, 2019 through June 30, 2019.

Specific indexes used for the table are as follows: S&P 500 TR USD; Russell 1000 Value TR USD; Russell 2000 TR USD; Russell 2000 Value TR USD; MSCI EAFE NR USD; MSCI Value NR USD; MSCI EAFE Small Cap NR USD; MSCI Small Value NR USD; MSCI EM NR USD; Barclays US Govt/Credit 1-5Yr TR USD; Barclays US Agg Bond TR USD.

- Equity markets experienced steady growth through the second quarter of 2019.
- U.S. equities slightly outperformed international equities, with large companies performing best.
- Leading sectors in the second quarter were Financials, Materials and Technology.
- Lagging sectors in the second quarter were Energy, Healthcare and Utilities.
- Bonds have performed extremely well of late, with even short-term bonds rallying nearly 5% over the past year.

COMPANY NEWS

CCM NAMED A *Financial Times 300 Top RIA*

Carlson Capital Management has been named to the 2019 edition of the Financial Times 300 Top Registered Investment Advisers. The list recognizes top independent RIA firms from across the U.S.

In the publication's sixth edition of the listing they "assess registered investment advisers (RIAs) on traits desirable to investors." According to editor Loren Fox, "We present the FT 300 as an elite group, not a competitive ranking of one to 300. This is a fair way to identify the industry's elite advisers while accounting for the companies' different approaches and different specialisations."

The colleagues of CCM are very honored to be included in this national listing. ft.com

More information and related methodology at: carlsoncap.com/news



FT 300 Ranking June 2019

SAVE-THE-DATE

CCM Women's Forum

FEATURING NORA MCINERNY

.....

WE ARE EXCITED TO ANNOUNCE

that our first CCM Women's Forum
will take place on

THURSDAY EVENING
SEPTEMBER 26, 2019

at Olympic Hills Golf Club in Eden Prairie.

.....

The inaugural Forum will feature renowned speaker and best-selling author, Nora McInerny. Nora will share her compelling story of profound loss and her journey of healing to explore the topic of *Doing Well and Being Well*.

We look forward to this opportunity to gather with our female clients, along with friends and other guests you'd like to bring. Please save the date and plan to join us! More information will be sent out as the date nears. For questions, please contact Angie Olson, angie@carlsoncap.com, 507.321.4014.

The Women's Forum is an event planned by members of the CCM Women's Initiative.

Learn more about the Initiative at carlsoncap.com/womens-initiative



BRANDON WERTH



COMPANY NEWS & COMMUNICATIONS



In early May, members of the CCM Advisory and Paraplanning Teams, as well as firm Directors gathered with our ZERO ALPHA GROUP (ZAG) peers for the annual ZAG Forum, held in Chicago. This year's event focused on topics related to company culture and client service, featuring speakers such as Tim Arnold on Storybranding and Greg McKewon on Essentialism, along with subject matter experts from Schwab and Corgenius. ZAG is a national network of independent wealth management firms serving clients in a fiduciary capacity. CCM has been a member of ZAG for nearly seventeen years.



zeroalphagroup.com



The entire CCM TEAM congratulates DORENE KELLY on her recent retirement. Dorene retired from her position as a client servicing member of the CCM Tax Team in May. Dorene's positive energy, infectious smile and care for those around her will be missed by all. We wish her the

very best as she turns her focus to road trips and travel adventures with her husband, Mike.



This summer, CCM welcomed two interns to the team, GRACE and TUUKKA. Grace McDonald is working with Marketing/Communications and Tuukka Totto is assisting the Investment Team. Both have been fantastic additions to the Northfield team of colleagues and we're grateful for their contributions.

CCM is proud to sponsor Minnesota Public Radio. Listen for our underwriting spot during the Marketplace Evening Report with Kai Ryssdal. mpr.org



IMPORTANT DISCLOSURE INFORMATION: *Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Carlson Capital Management, LLC ("CCM"), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from CCM. Please remember to contact CCM, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. CCM is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of CCM's current written disclosure Brochure discussing our advisory services and fees is available upon request.*

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