We hope this note finds all is well with you. If asked to characterize the start to 2016 in the markets we would say that we sense a lack of conviction. To us, this feeling seems to emanate from the top as various Fed officials appear to be offering inconsistent views on the state of the economy, the pace of future rate hikes, and even the criteria they use to make those decisions. Conventional wisdom is beginning to accept that Yellen and the Fed are giving more weight to broader international economic data and policy than was previously believed. It was just a few quarters ago when she mentioned for the first time that these issues were part of the decision making calculus at all. My view is that the Fed feels somewhat hamstrung by the low and even negative interest rates in other countries. Because of this we feel that as long as inflation stays in a moderate range she will keep U.S. rates low while waiting for the rest of the global economies to catch up.

Ordinarily this would be viewed as positive by markets which tend to love “cheap” money. This time however seems to be a bit different as many are starting to consider how we would react if our own economy were to falter while we are waiting. With our rates already low what tools would be available to help pull the US economy out of a possible recession? This questions leads to the discussion of negative rates as a potential solution should the need arise. In fact, the most recent round of bank stress testing included a scenario which included negative rates.

Several countries are already in negative rate territory, but it is too early to evaluate the outcome. Economists and planners theorize that rather than paying a bank to hold assets consumers would spend or invest instead. At this early stage it appears that the result has been for consumers to simply hold money at home…in Japan the sale of home safes skyrocketed after the negative rates went into effect. Perhaps the policy makers should heed Mark Twain when he said that it is not what you don’t know that will get you in trouble; it is what you know for sure that just isn’t so.

Sometimes unintended consequences of policy or regulations can lead to unforeseen outcomes that may develop into market moving events. The angst we sense in the markets seems to us to stem from this uncertainty. As we have often said, there is nothing the market fears more than uncertainty and in this grand experiment being conducted by central banks around the globe there is an abundance of it. It is with this in mind that we go on the record and say that we have no idea what negative rates might mean for the markets. This acknowledgement does not mean that we lack conviction in our views. We believe, as always, that the best way forward is to own a diversified portfolio of assets based on their fundamental metrics; how much cash do they have, how much debt, how good is the management, what are the earnings, and so forth. Based on your specific time horizon, risk tolerance, and needs. As always we appreciate your trust and confidence in allowing us to help you navigate these and other issues. Please call on us at any time.
Financial Planning Webinars

Our first financial planning webinar was a great success. We want to thank everyone who followed the link to Microsoft LiveMeeting and dialed in to the conference call for “A Closer Look at your Social Security Benefits”. Our next two presentations will focus on health care costs in retirement. If you plan on attending please let us know.

Below are the presentations and the corresponding times and dates:

**Planning for Health Care in Retirement: A guide to covering your medical expenses**
Thursday, April 28th  
5:30 – 6:30pm CST

**Prepare for a Healthier Future: The value of long-term care expense planning**
Wednesday, June 15th  
5:30 – 6:30pm CST

We will be sending out individual invitations to each of the webinars that will include the link to the meeting and dial in information. Please make sure to test the LiveMeeting link on your personal computer or tablet before trying to log into the webinar. We have instructions on how to ensure the program works but do not have the ability to troubleshoot after that.

---

Like us on Facebook!

We are excited to share with you that The Riverwood Group at Morgan Stanley is now on Facebook! With the popularity of social media, you may already be using social networks. Now we can communicate and exchange information here as well.

We invite you to “like” our professional page on Facebook so you can:

**Access our Research and Insights:** Get our perspective on the latest market activity and how it may impact your wealth.

**Get Guidance on Planning for the Future:** Get thematic wealth planning material to help you reach your financial goals.

**Participate in the Social Dialogue:** Engage in social media conversation and join your peers on this powerful interactive channel.

We truly value our relationship and hope we can use this new communication medium to further develop it.

**Like our professional page on [FACEBOOK](#)**

---

“Working hard to earn your trust...and even harder to keep it”
The views expressed herein are those of the author(s) and do not necessarily reflect the views of Morgan Stanley Wealth Management or its affiliates. All opinions are subject to change without notice. Neither the information provided nor any opinions expressed constitute a solicitation for the purchase or sale of any security.

Past performance is no guarantee of future results.

This material does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of the persons who receive it. The strategies and/or investments discussed in this material may not be suitable for all investors. Morgan Stanley recommends that investors independently evaluate investments and strategies, and encourages investors to seek the advice of a Financial Advisor. The appropriateness of a particular investment strategy will depend on an investor’s individual circumstances and objectives. Information contained herein has been obtained from sources considered to be reliable but we do not guarantee their accuracy or completeness.

The investments listed may not be suitable for all investors. Morgan Stanley Smith Barney LLC recommends that investors independently evaluate particular investments, and encourages investors to seek the advice of a financial advisor. The appropriateness of a particular investment will depend upon an investor’s individual circumstances and objectives.

Morgan Stanley Smith Barney LLC (“Morgan Stanley”), its affiliates and Morgan Stanley Financial Advisors or Private Wealth Advisors do not provide tax or legal advice. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning and other legal matters.

Morgan Stanley Smith Barney LLC offers a wide array of brokerage and advisory services to its clients, each of which may create a different type of relationship with different obligations to you. Please visit us at http://www.morganstanleyindividual.com or consult with your Financial Advisor to understand these differences.

Life insurance, disability income insurance, and long-term care insurances are offered through Morgan Stanley Smith Barney LLC’s licensed insurance agency affiliates.

International investing may not be suitable for every investor and is subject to additional risks, including currency fluctuations, political factors, withholding, lack of liquidity, the absence of adequate financial information, and exchange control restrictions impacting foreign issuers. These risks may be magnified in emerging markets.

Morgan Stanley Smith Barney LLC, Member SIPC

“Working hard to earn your trust...and even harder to keep it”