Your Personal Money Manager

Pearson INVESTMENT LETTER

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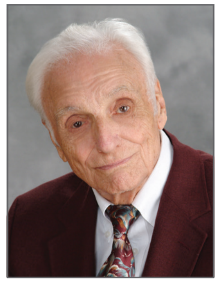
FEATURED STOCKS - NOV/DEC 2017

VALUE STOCKS:

Air Lease Corp | **Lear Corp**
Nucor Corp | **Steel Dynamics**

ETFs:

SPDR® S&P Dividend
Vanguard High Dividend Yield Index Fund



Walter D. Pearson
Chairman

Donald E. Pearson
President

Ann Hathaway
Account Manager

The Path to Successful Retirement

So many of us believe we know how to retire successfully, but, unfortunately, less than 12% of us, when reaching the age of 65, can retire to begin doing the things we have always wanted to do without financial concerns. Too many people today focus on right now and do not look ahead to those retirement years.

Think of what your earning power is today. You will need about 80% of that amount to maintain the same lifestyle with a pot of wealth in reserve of about fifteen times your current annual income. For example, if someone currently earns around $80,000, to sustain their quality of life, they will need about $64,000 annually in retirement as outlined with the 80 percent formula. They should have a cash reserve at retirement of about $1,200,000 to do this. Social Security will assist, but in most cases it will contribute about 30-45% of what's needed. After adding in other sources, the remainder becomes your responsibility. This is why many retirees must continue to work part-time.

If you have many years before you will retire, note that about 70% of Americans could save more but do not. Too many financial commitments are made to today's activities that are not really needed. A great budget to get on is simply the 50/30/20 budget: 50% of pay after taxes should go to necessities, such as mortgage or rent, insurance, and food; 30% goes to wants such as vacations and gym membership; and 20% goes into savings or investing.

Another helpful idea to get you to where you need to be is to decide to work past age 65 and delay retirement until age 70. If full retirement is age 66, many people make the mistake of drawing Social Security at age 62 because that's an option given. For those waiting to age 70 instead of starting at age 62, the amount given will be a full 76% higher. This will make a significant difference with your payment received.

Another area of concern once retired is continuing to make additional income with the savings pot, as inflation will cannibalize the savings at 2-4% annually. We can assist with this as we have many options that can produce growth while minimizing portfolio risk. As you begin to draw down from your savings at about 3%, programs put in place to produce growth at 4% will provide you with a sensational retirement, and you'll be free to do the things you've always wanted to do. Sound good to you? Then get started today if you're not on track already.

A Better Choice

When we talk to exceptionally conservative people about their savings and investments, we often hear they would rather be safe and buy Treasuries or five-year CD's with a guaranteed, but low, percentage rate. To be safe sounds great, but the reality is every year the value of the dollar continues to decrease because of rising prices. Simply said, the prices of things you need at supermarkets, clothing stores, and a host of other places, are going up. Depending on whose evaluation of inflation you choose to believe, the 1% favorable return you're receiving in reality is losing 2-3% annually because of a weakening dollar and increasing prices. So your CD after five years has lost a minimum of 10% conservatively or, in reality, probably considerably more.

If I were working with you and managing your account, the advice I would give you would be as follows: Why not take all, or a large part, of what you would like to protect and purchase either an individual stock or two, or an ETF, because the CD is a guaranteed loser. As an alternative one could purchase a stock such as Apple (APPL) that has a performance showcasing consistent growth over a very long period of time. Over a five-year period, performance is up more than 100%. Even if it were flat, it has yielded 1.5%, thus an improvement over the CD of 50%. An even better selection would be the S&P dividend ETF (SDY) that selects the best profitable companies. The index is designed to measure the performance of the highest dividend yielding S&P Composite 1500® Index constituents that have followed a managed-dividends policy of consistently increasing dividends every year for at least 20 consecutive years. This year their performance has had a favorable return of 10% and a five-year return of 14% annually. Morningstar has an excellent rating service and has a near-perfect rating on this. More importantly, the yield has returned 2.4% thus more than doubling the CD's performance. When we are building using yield with performance as the priority, another choice is Vanguard's high dividend yield (VYM). This has Morningstar's top rating and yielding 3%. This year's performance is +11% and has a five-year annual performance of +12%.

We also offer guaranteed fixed CD's as another alternative at better than bank returns. We've been purchasing these for many years for many clients. It is an investment tied to an index such as the S&P, the Dow, or other choices, usually for five years, but can be sold earlier if one chooses. Call me if you would like to learn more about this excellent alternative.

DP

FISCAL POLICY

A fiscal policy is what your government has messed up. This is what you should think about. How are you going to get along once your money stops coming in? You will have to use your own brain power to figure it out. Do not rely on information put out by a government which cannot keep its own house in order. When social security first came in, it was to be something everyone paid into during their working years for an income in retirement. The money was to work for us, and we would get withdrawals at the retirement age. However, it soon changed. Our government made new rules and took the money, but, not to worry, they would pay us when the time came. Now we have a government that is so far in debt that even Esmeralda cannot find a way out. What it comes down to is pure and simple. Do not depend upon your government.

You must remember that the cash you have stashed away will deteriorate in value unless something is done, and that means that it must be invested. There are two ways to go today. One can invest in property or in the stock market. By investing in the stock market you have the advantage of being able to get as much as you need right away, so that is the way to go. The next problem is whether you do it yourself, or you let someone else do it for you. There again I believe you have no choice. Use a professional investor. There is no doubt a professional can do a much better job than you can. Now the important thing is that you must be very, very careful in your selection of that particular ONE. He or she will make a difference large or small depending upon how careful you were. The important things to consider are twofold: he must be honest, and he must be capable. Also, he must not overcharge you. I think that 1% a year is a reasonable fee, and you should be able to get under the wire here.

First of all it requires money and the more the better. You can be adding to your bundle as time goes on, and with the advent of time you may see your account getting a healthy boost. Time is a very important issue. It is difficult to make plain the importance, but maybe if I reach into my memory box I can give an example. Many years back when I started doing this type of work there was a stock that I liked, so I bought some. I watched it as time wore on, but one year later it was approximately the same price. I could find nothing wrong with it, and it seemed like a good buy, so I bought some for a new client. One year later the stock had doubled in price. What that means is that this investment had made 100% for my client that year whereas mine had worked at half of that or 50%. It doesn't mean that my investment was bad, but it does mean that you cannot look at market value and go by that alone. It is vitally important to you to have patience and hope for the best.

Again I say to you, get your money invested so that it will be working for you. Think of McDonald's or some outfit that you own, and you can comfortably sit around and eat and drink and think about the fact that this waiter is working for you. As he or she moves to and fro you can think of the dividend payments that this waiter is earning for you, and you will certainly feel much better when it comes time to pay your bill. Remember time is working for you, but it is also working better if there is more capital, so I admonish you to add cash if possible. It matters not how much; little bits may make that purchase possible.

WP

Source Rating Key *for **PCI's** featured stocks:* **Pearson Investment Growth Rating** *measures long-term past and future growth.*
Pearson Value Rating *measures current value in terms of potential for the dollar.* **Investors Business Daily** *measures growth and relative price strength.*
S&P *measures financial quality and growth potential.* **Value Line** *measures timeliness, value and safety.*

Walter Pearson is the former President of First New England Securities, Co., Inc. and at that time, also managed the Statistical Department.
He is the author of the book, Investing for the Millions and Publisher Emeritus for the Pearson Investment Letter.
At this time, Mr. Pearson is Chairman of the Board of Pearson Capital, Inc.
He is a contributing columnist for various publications and is listed in Who's Who in America.

"Remember the Lord your God, for it is He who gives you the ability to produce wealth." (Deut. 8:18)

AIR LEASE CORP (AL) NYSE PRICE $41.63

Air Lease Corporation is an aircraft leasing company. The Company is principally engaged in purchasing new commercial jet transport aircraft directly from aircraft manufacturers, such as The Boeing Company (Boeing) and Airbus S.A.S. (Airbus), and leasing those aircraft to airlines across the world. Along with its leasing activities, the Company sells aircraft from its operating lease portfolio to third parties, including other leasing companies, financial services companies and airlines. The Company also provides fleet management services to investors and owners of aircraft portfolios for a management fee. The Company provides aircraft to airline customers in various markets, such as Asia, the Pacific Rim, Latin America, the Middle East, Europe, Africa and North America. As of December 31, 2016, the Company had 237 owned aircraft and 30 aircraft in its managed fleet portfolio.

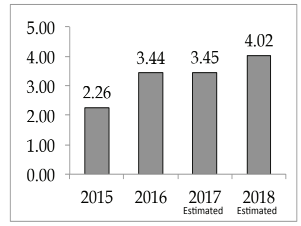
Type: Value
Sector: Industrials

Institutional Holdings: 420
Industry: Trading Companies & Distributors

Ratings & Recommendations

Current P/E Ratio: **12**
Annual Yield: **0.96%**
Annual Dividend: **0.40**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A-**
Morningstar Rating: **N/A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **B**

Earnings per share



LEAR CORP (LEA) NYSE PRICE $173.72

Lear Corporation (Lear) is a supplier to the global automotive industry. The Company is engaged in supplying seating, electrical distribution systems and electronic modules, as well as related sub-systems, components and software, to automotive manufacturers. The Company's segments include Seating and E-Systems. The Company serves the automotive and light truck market. The Seating segment consists of the design, development, engineering, just-in-time assembly and delivery of complete seat systems, as well as the design, development, engineering and manufacture of all seat components, including seat covers and surface materials, such as leather and fabric, seat structures and mechanisms, seat foam and headrests. The E-Systems segment consists of the design, development, engineering, manufacture, assembly and supply of electrical distribution systems, electronic modules and related components and software for light vehicles across the world.

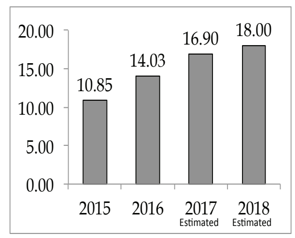
Type: Value
Sector: Consumer Discretionary

Institutional Holdings: 1358
Industry: Auto Components

Ratings & Recommendations

Current P/E Ratio: **10.6**
Annual Yield: **1.2%**
Annual Dividend: **2.00**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A**
Morningstar Rating: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **A+**

Earnings per share



NUCOR CORP (NUE) NYSE PRICE $54.79

Nucor Corporation (Nucor) manufactures steel and steel products. The Company produces direct reduced iron (DRI) for use in its steel mills. It operates in three segments: steel mills, steel products and raw materials. The steel mills segment produces and distributes sheet steel (hot-rolled, cold-rolled and galvanized), plate steel, structural steel (wide-flange beams, beam blanks, H-piling and sheet piling) and bar steel (blooms, billets, concrete reinforcing bar, merchant bar, wire rod and special bar quality). The steel products segment produces steel joists and joist girders, steel deck, fabricated concrete reinforcing steel and cold finished steel. The raw materials produces DRI; brokers ferrous and nonferrous metals, pig iron, HBI and DRI; supplies ferro-alloys, and processes ferrous and nonferrous scrap metal. It also processes ferrous and nonferrous metals and brokers ferrous and nonferrous metals, pig iron, hot briquetted iron (HBI) and DRI. Price & Volume

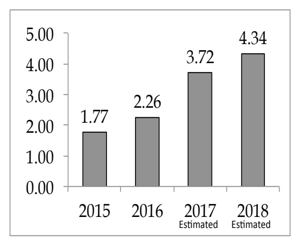
Type: Value
Sector: Materials

Institutional Holdings: 1349
Industry: Metals & Mining

Ratings & Recommendations

Current P/E Ratio: **15.3**
Annual Yield: **2.8%**
Annual Dividend: **1.51**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A-**
Morningstar Rating: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B**

Earnings per share



STEEL DYNAMICS INC (STLD) NASDAQ PRICE $36.95

Steel Dynamics, Inc. is a steel producing and a metal recycling company. The Company is engaged in the manufacture and sale of steel products, processing and sale of recycled ferrous and nonferrous metals, and fabrication and sale of steel joists and deck products. Its segments include steel operations, metals recycling operations, steel fabrication operations and Other Operations. It offers a range of steel products, such as sheet products, long products and steel finishing. The steel operations segment includes Butler Flat Roll Division, Columbus Flat Roll Division, The Techs galvanizing lines, Structural and Rail Division, Engineered Bar Products Division, Roanoke Bar Division, Steel of West Virginia and Iron Dynamics. The metals recycling operations segment consists of OmniSource Corporation. The fabrication operations produce steel building components. The Other Operations segment consists of subsidiary operations and smaller joint ventures.

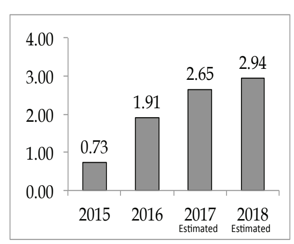
Type: Value
Sector: Materials

Institutional Holdings: 1037
Industry: Metals & Mining

Ratings & Recommendations

Current P/E Ratio: **17**
Annual Yield: **1.7%**
Annual Dividend: **0.62**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **B+**
Morningstar Rating: **B**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B**

Earnings per share



Congratulations are in order for our resident analyst, Chris Carothers!

After months of study, on November 6th, Chris took and passed his series 65 exam to obtain his Registered Investment Advisor certification. Though a passing score was 73, Chris exceeded that with an 81 on his first and only attempt!

What does this mean for Pearson Capital? Our company now holds two RIA licenses, and should anything happen that might prevent Don from managing the accounts, Chris would be able to step in to maintain our business in the interim.

Way to go, Chris!

*****

I also want to extend congratulations to all of our RMD clients! For the first time we will have all clients in compliance before the end of November with the exception of those who will take their last monthly distributions in December. This is due mostly to the fact that almost all of these clients have elected to complete an **IRA Move Money Authorization** form. This has allowed us to simply contact the client by phone, verify their options, and process as requested. Once the form has been submitted to TD it remains on file allowing me to act on behalf of the client with NO MORE paperwork! There are many options with this new form, checks can be issued, direct deposits made, and internal transfers to other existing accounts can be made in minutes. Your decision to withhold taxes, or not, is now able to be done verbally, saving time and postage.

There is also a non-IRA version of this form available. Completed properly and placed in your account, fund and securities movement in or out of your account is an easy process. Also, at any time you may revoke or update this authorization.

If you think that this might be a good option for your accounts, let me know and I'll send you the form.

SPDR® S&P Dividend ETF (SDY) NYSE ARCA PRICE $92.95

The investment seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of the S&P High Yield Dividend Aristocrats Index. The fund generally invests substantially all, but at least 80%, of its total assets in the securities comprising the index. The index is designed to measure the performance of the highest dividend yielding S&P Composite 1500® Index constituents that have followed a managed-dividends policy of consistently increasing dividends every year for at least 20 consecutive years.

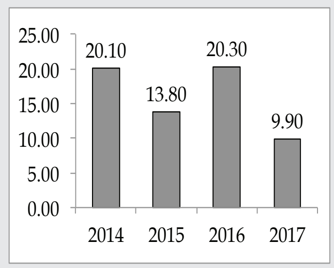
Location: USA
Type: 100% Stocks

Category: Large Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.4%**
Annual Dividend: **2.25**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Morningstar Rating: **A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by%



Vanguard High Dividend Yield Index FUND ETF (VYM) NYSE ARCA PRICE $82.72

The investment seeks to track the performance of a benchmark index that measures the investment return of common stocks of companies that are characterized by high dividend yield. The fund employs an indexing investment approach designed to track the performance of the FTSE High Dividend Yield Index, which consists of common stocks of companies that pay dividends that generally are higher than average. The adviser attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

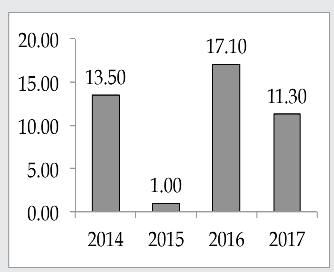
Location: USA
Type: 100% Stocks

Category: Medium Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **3%**
Annual Dividend: **2.42**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Morningstar Rating: **A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by%



Earnings Flows:

The leading stocks in the indexes, Facebook, Amazon, Google, and Apple, are doing well. Since we are in the middle of this quarter's earnings season, December is the time the mutual funds quarter ends, creating a traditional Santa Claus rally. This leaves room for the market to reach new highs at the end of this year. Many tech stocks and large multinational stocks announced better-than-expected third quarter results in the past weeks, giving the market the ammunition to move higher. For example, after Apple started accepting orders for its iPhone X, the supply sold out in minutes. People waited in line in many locations for the new phone. This caused Apple and many other companies, including many suppliers, to increase their earnings expectations. After Hurricanes Harvey and Irma, demands for new homes, vehicles, and durable goods have also surged.

In the most recent quarter:

1) The government is still providing relief to those affected by the hurricanes.
2) The price of oil has rebounded from recent lows in June to reach two-year highs in November.

Key Point: Many companies are reporting higher earnings growth.

Cash Flows:

The Presidential administration prefers to have a tax plan finished by January 1; however, both the House and the Senate are still in the middle of their respective committees. There are some big differences between the House and the Senate, as they have different objectives. One side wants to phase in the corporate tax cut, while the other wants that right away. Both are debating with getting rid of the deduction for state and local taxes, and how much of the deduction from the interest on a house would be. Both groups know that the cuts will create a larger deficit, and some taxpayers may not benefit at all. However both sides agree that corporate taxes should be cut across the board. After the tax cut bill passes, we expect companies to announce increased buy backs and dividend increases as part of their plans to return capital to shareholders.

New trends we see.

1) The discussion has stopped about infrastructure investments related to the tax repatriations.
2) The deficit would increase in the long term after passing this bill.

Key point: Congress is still working on those tax cuts.

WALL STREET INDEXES

Indexes	2011	2012	2013	2014	2015	2016	2017
S&P 500	EVEN	13.4%	29.6%	11.4%	(0.8%)	5.8%	15.5%
Dow Jones	5.5%	7.3%	26.5%	7.5%	(2.2%)	7.9%	18.7%
Nasdaq	(1.8%)	15.9%	38.3%	13.4%	5.7%	4.1%	26.2%
Market Average	1.2%	12.2%	31.5%	10.8%	0.9%	5.9%	20.1%

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

The good news is that the economy is growing stronger. Recently our country's consumer confidence index surged forward to a 17 year high, as many people are optimistic about the future. Meanwhile, at the most recent Federal Open Market Committee (FOMC) meeting, the Federal Reserve announced that it has left key short-term rates unchanged. But instead of its wait and see approach, they signaled that a key interest rate increase at its December FOMC meeting is highly likely. Many Fed officials hinted that the Fed would raise the Federal Funds rate to 1.25% in December, as current signs of consumer spending and wage growth are rising in a robust fashion, providing the largest monthly increases in years.

At the same time, the current Fed Chairman, Janet Yellen, is stepping down. The presidential administration nominated Jerome Powell to become the next Fed Chairman. Powell is expected to be more prone to seeking financial stability in both the bond and stock markets, so his appointment was viewed favorably on Wall Street. He follows in Yellen's footsteps with the same economic viewpoint that is currently being followed.

However, we are hearing that in China, poor regulatory oversight has encouraged the continued creation of bubbles in areas such as online lending and real estate. China accounted for a large part of global growth last year, and it is the largest trading nation in the world. Any slowdown in the economy may impact future growth worldwide.

New trends that we see:

1) The British pound is moving lower, as the cost of Brexit continues to rise.
2) The Fed is letting assets roll off the balance sheet. A little at first, but more later.

Key Point: Due to surging growth, the Federal Reserve may increase rates by the end of the year.

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