Janney Update

President's Message to Clients

As we enjoy crisp weather and find ourselves in the hustle and bustle of autumn, our thoughts turn to the many activities that arise through the remainder of the year. As you plan for the coming months, it's the perfect time to talk with your family about your financial goals—and make sure your investment portfolio aligns with your objectives.

At Janney, our advisors are ready to help you—by supporting your family conversations, providing relevant advice and resources, and creating plans tailored to your needs.

The Economy and Markets

Slow but positive economic growth continues, as we enter the fourth quarter of 2016. In fact, the economy is in its 87th month of expansion—making it the fourth-longest period of steady growth in the U.S. in over 150 years.

As our Chief Investment Strategist, Mark Luschini, explains in this issue's *Economic Outlook*, growth will likely continue, "given the strength in the primary driver of activity—consumer spending." The recent pace of job growth and wage gains is a powerful force to drive consumption, along with rising home values and stock prices. While higher rents and increased healthcare costs may dampen some of that consumption, says Mark, "the trend of spending that has occurred over the last several years is likely to continue going forward, which should propel economic growth." Businesses have been hesitant to make capital expenditures—but that may change if growth continues and concerns over global conditions recede.

The Federal Reserve recently indicated that an interest rate hike is likely before the end of 2016. That being said, longer-term interest rates are bound to remain low for some time. Mark suggests that investors focus on stocks in the U.S. and Europe as attractive investments.

Regulatory Update: DOL Letter

As I shared in our last issue, the U.S. Department of Labor (DOL) issued a new rule in early April that changes the standards and policies affecting Individual Retirement Accounts (IRAs) and other retirement accounts. The purpose of the rule is to ensure that advisors place clients' interests above all else.

We've included in this issue a letter from Jerry Lombard, President of Janney's Private Client Group, to help you better understand the meaning and impact of the DOL rule, as well as the steps Janney is taking to address these changes. Please read the letter, and feel free to contact your advisor. As Jerry explains, your advisor is the best person to answer any questions, and will work with you to determine the best options moving forward.

Rest assured, we'll continue to work together to address your financial needs well into the future, even if under new rules.

Advice Beyond Investments: Expert Commentary

At Janney, we're proud of our team of investment and planning experts, who provide top-notch advice and industry insights to our advisors and clients every day. In this issue, we're pleased to highlight two articles by our experts on college costs:

- *How to Fund Your Child's College Education.* The cost of college is rising each year. Many families find they make too much to qualify for need-based aid, but aren't able to cover the cost of college. Learn steps to take when the college bill arrives.
- *Tips for Leveraging 529 College Savings Plans.* Saving for college is one of the greatest contributions you can make to a child's future. With college costs rising each year, the time to start saving and planning is now.

Visit Janney.com to read or download these and other pieces, and be sure to contact your advisor to discuss any questions you have.

Moving Ahead in 2016: We're Here for You

As we enter the fourth quarter, I'm happy to report that Janney remains stable, profitable, and well-positioned to face what lies ahead—while keeping our relationships with you at the center.

- *Advice tailored to your needs.* Our clients span four active generations, with varying needs and preferences in terms of receiving advice and services. We're committed to evolving as your needs and preferences change.
- *Advice beyond investments.* We know our clients are looking for advice beyond investments—including financial, retirement income, insurance, and estate planning. We're here for you with industry-leading planning services, and outcome-oriented solutions.
- *Accessibility.* We take seriously our pledge to remain accessible to you at all times—through ease of communication with your advisor, easy access to experts, and innovative technology.

Finally, I'd like to highlight some industry and technology recognition our firm received this past quarter:

- Janney was named a *WealthManagement.com* 2016 Industry Awards finalist in the Broker/Dealer category for Technology.
- Three of our analysts were recipients of the 2016 Thomson Reuters Analyst Awards, which are presented to the top individual sell-side analysts and firms in the country.
- Three of our Financial Advisors were named to the 2016 *Financial Times* "Top 401 Retirement Advisors".

As always, thank you for your business and the trust you place in us each day.

Sincerely,

Timothy C. Scheve
President and Chief Executive Officer

New Rule Impacting Retirement Accounts

To Our Clients:

The U.S. Department of Labor (DOL) is responsible for the administration of pensions and retirement plans. They ensure compliance with the Employee Retirement Income Security Act (ERISA), which sets standards for most retirement and health plans in private industry.

As you may be aware, in April 2016, the DOL released a new rule which essentially applies a best interest standard, otherwise known as a fiduciary standard, on professionals who provide advice to individual owners and trustees of retirement accounts. This rule will impact many investors who use an Individual Retirement Account (IRA) to save for their personal retirement. The new rule may also impact our dealings with other types of retirement plans where Janney may provide advice such as 401(k)s, profit sharing plans, and pension plans. Janney as a firm, and all of our individual financial advisors, must begin complying with these new requirements by April 10, 2017.

What does this all mean for you?

In short, the overall intent of the DOL is to protect investors from “conflicts of interest” as defined in the rule, and requires financial advisors to act as a fiduciary for retirement accounts. By doing so, the rule prohibits any conflicts of interests in the delivery of advice and recommended investments used in retirement accounts.

Acting in our clients’ best interests is a concept we fully support. Building trusted, long-term client relationships is the foundation of our business at Janney, and we take the stewardship of client assets and client care very seriously. We have always worked to serve our clients by listening to their needs and providing personal, relevant advice for any and all types of accounts and a variety of financial goals. In fact, Janney has provided clients with options for account management, including fiduciary accounts, for decades. Trust is the foundation of our client relationships—our client-first approach will not change as a result of this or any other new rule.

The biggest impact the DOL rule will have on most investors, including many of our clients, is a change in how they pay for the advice and administration of an IRA going forward.

Pursuant to the new rule, retirement accounts that engage in traditional, transaction-oriented, commission-based investment activity carry conflicts of interest. The DOL views fee-based accounts—where advice is paid for with an asset-based fee instead of a payment by commission per transaction—as reducing conflicts of interest. Accordingly, based on your individual circumstances, goals, trading activity levels, and a host of other factors, some of you may wish to consider a different compensation arrangement where an annual asset-based fee is paid instead of commissions per transaction, sales loads, or “trail” commissions.

For many clients, there will be no change in how they do business with us today. For other clients who may be impacted, your Janney Financial Advisor will contact you to determine how we can best continue working together to meet your goals under the new DOL rule.

We’re ready for this change.

Our experienced advisors can tailor any number of investment solutions for you, and are fully prepared to work within the parameters of the DOL rule. For all clients, what will not change is the dedication of our Financial Advisors to help you achieve your long-term retirement and financial goals. Your Janney advisor is the best person to answer any questions, and you have my assurance your advisor will work with you to determine the best options moving forward.

Thank you for being a client, and for putting your trust in us.

Sincerely,

Jerome F. Lombard, Jr.
President, Private Client Group

Money Market Mutual Fund Reform

Summary of the SEC's New Regulations

The Securities and Exchange Commission ("SEC") issued final rules that will enhance regulation of the money market mutual fund industry. The new rules will become effective October 14, 2016 and are intended to increase transparency and investor protections during periods of market stress. The rules are the culmination of several years of deliberation by the SEC in response to the stress experienced during the credit crisis in 2008. The changes incorporate new definitions and are anticipated to provide enhanced features to strengthen resiliency and liquidity, while maintaining many of the benefits that money market mutual funds were designed to provide to shareholders.

During periods of market stress, when redemptions may increase significantly, the new rules will enable money market funds to impose liquidity fees on redemptions, and allow for the use of redemption gates that can halt redemptions and withdrawals for temporary periods of time, generally up to 10 business days during a 90-day period. The rule changes create new classifications for Government, Retail, and Institutional money market funds. Non-institutional funds may continue to use a constant $1.00 net asset value (CNAV) while institutional prime and institutional municipal funds are required to price and transact at a "floating" net asset value (FNAV).

Government money market mutual funds are not impacted by many of the new structural changes, although they must invest 99.5% or more of total assets in cash, government securities, and/or repurchase agreements collateralized by such securities. A summary table of the SEC's final rules changes can be seen in Exhibit A below:

Exhibit A

Fund Type	Net Asset Value (NAV)	Liquidity Fee	Redemption Gate
Government	Stable	No*	No*
Retail Municipal/Tax-Exempt	Stable	Yes	Yes
Retail Prime	Stable	Yes	Yes
Institutional Municipal/Tax-Exempt	Floating	Yes	Yes
Institutional Prime	Floating	Yes	Yes

Certain funds do not have current plans to impose liquidity fees and/or redemption gates.

Money Market Rule Change	Description
Retail Money Market Fund Definition	Retail funds must adopt policies and procedures reasonably designed to limit shareholders of beneficial ownership to "natural persons".
Institutional Money Market Funds & Floating NAV (FNAV)	Institutional funds are those in which non-natural persons may represent beneficial ownership. Funds classified as "Institutional" are required to price and transact at a variable net asset value per share, calculated to four decimal places. The NAV can change or "float" similar to traditional mutual funds, along with changes in the market-based value of the portfolio.
Liquidity Fee	If weekly liquid assets fall below 30% of the fund's total assets, the fund's board may impose a fee of up to 2% on redemptions. If weekly liquid assets fall below 10% of the fund's total assets, the fund must impose a 1% fee, unless the fund's board determines otherwise.
Redemption Gate	If weekly liquid assets fall below 30%, the fund's board may suspend redemptions for up to 10 business days during any 90-day period.

As this reform goes into effect, Janney remains committed to supporting the investment needs of clients. Please remember to read prospectuses carefully and keep them for future reference. To find out more about the SEC rule changes referenced above, visit www.sec.gov/spotlight/money-market.shtml or contact your Financial Advisor. ■

Expert Financial Insights

College Savings

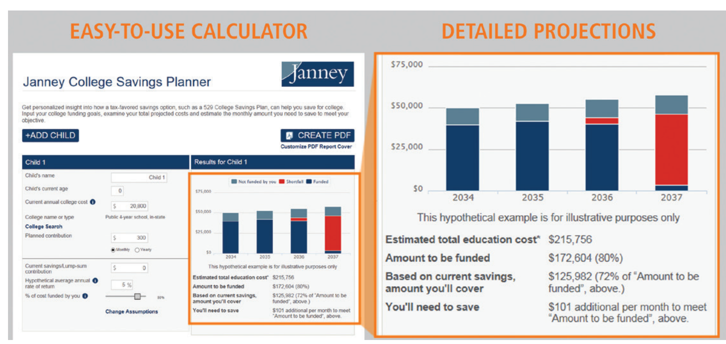
- How to Fund Your Child's College Education
- Tips for Leveraging 529 College Savings Plans

Our Janney experts are dedicated to providing you with insights regarding your common financial questions. Here, we highlight two new commentaries. Go to Janney.com to read/download these and other pieces, or talk with your advisor. ■

Worried About Future College Costs?

Janney has a new and easy-to-use college calculator located on Online Access. Go to your online account and get calculating.

To help you understand more about your college savings goals, we've provided free access to our College Saving Planner. It provides projected college cost information for U.S. public and private schools. Using this tool, you can see calculated costs using different assumptions:



- Costs for specific colleges and universities, or average public and private school costs—including room and board, tuition, and fees
- Various contribution rates, and rates of return
- Percentage of costs you wish to fund

Once your projection is complete, it provides a report which you can decide to share with us. Please call us if you have any questions, or to request more information. ■

Statement of Financial Condition

Janney Montgomery Scott LLC is subject to the Uniform Net Capital Rule of the Securities and Exchange Commission, and is required to maintain a minimum amount of net capital. As of June 30, 2016, Janney's Net Capital and Net Capital Requirement were $68,185,780 and $7,230,752 respectively. You may obtain a copy of this Statement of Financial Condition as of June 30, 2016 at no cost by accessing our website at www.janney.com or by calling our toll-free number at 800-526-6397.

Economic Outlook

Mark Luschini, Chief Investment Strategist

The economy is in its 87th month of expansion, making it the fourth longest period of positive economic growth in the United States since the 1850s. The likelihood that it continues for the foreseeable future, in our view, is high given the strength in the primary driver of activity—consumer spending. The recent pace of job growth and wage gains gives little reason to believe that consumption is poised to roll over. Monthly payrolls have been expanding at a rate consistently above that which is considered to be necessary to sustain a high level of employment in this country. Besides the increase in the minimum wage imposed in certain states and by some individual companies, surveys from the National Federation of Independent Business—America's leading small business association—report that plans to raise wages are becoming increasingly common. That combination is certainly a powerful setup for sustaining the propensity Americans have to consume. Helping, of course, are rising home values and stock prices, which have pushed aggregate household net worth to an all-time high. Finally, low fuel costs and energy prices have been a boost to discretionary incomes, which is an added benefit across the entire spectrum of incomes.

The gains are not uniform, however, as rising rents and high deductible healthcare plans—purchased to lower the premium costs—chew up some of the above-mentioned tailwinds. On balance though, the trend of spending that has occurred over the last several years is likely to continue going forward, which should propel economic growth. Businesses, on the other hand, have been reluctant to invest in new plants and equipment. While they have opted instead to hire, which is good for employment, the normal uptick from business spending to accompany that which is driven by the consumer, is absent. Confidence in the C-suite will need to be rekindled before we anticipate capital expenditures to ramp up. Obviously, some of the shortfall is due to the collapse in oil prices but it actually goes beyond the energy patch. Continued economic growth and fading worries about global conditions will be necessary ingredients to lure some of the voluminous amounts of corporate cash from being used for share buybacks, dividend payouts, or hoarding on the company balance sheet.

While risks remain that the UK referendum on leaving the European Union leads to a loss of momentum in the European economy, so far the fallout has been fairly negligible, but it does bear watching. Other concerns, such as a military confrontation in the South China Sea, a chaotic run up to the Presidential election, or a geopolitical event that arises from oil prices remaining too low such that it causes an oil-producing country to act irresponsibly, demand monitoring—but may end up being more red herring than Black Swan events.

Meanwhile, the Federal Reserve has begun to warm market participants to the notion that another interest rate hike is likely before the end of the year. Recent comments from several Fed governors, including those of Fed Chair Janet Yellen, indicate monetary officials believe the conditions in the economy are sufficiently strong and trending to warrant an upward adjustment in the overnight rate. While we believe subsequent rate hikes will come very gradually, short-term yields will probably get a bump in the near future. Investors will not likely find much higher yields on longer-term debt instruments—as the gravitational pull from low or negative global bond yields, and the lack of inflation, will anchor interest rates for some time to come.

Equities marked a historical high in August, as investors having little alternative to stocks for potential capital growth, or income in the form of dividend payers, bid for everything from steel stocks to Utilities. While valuations are not cheap for U.S. equities, sectors such as Energy and Healthcare, consumer-facing industries like housing and media, and Telecom plus REITs for yield, are appealing. European equities discount quite a bit of bad news, leaving ample room for attractive capital appreciation in the event better news disappoints the doomsayers. Overall, some bumpiness is to be expected, but a non-trivial de-rating of stocks that could be justified under recessionary conditions seems a remote possibility and, therefore, not our base case at this time. ■

Retirement Annual Fee Invoice Included with the September Statement

The annual fees will be charged on December 5, 2016. The invoice for the annual fee (if applicable) is on the last page of the September statement. The invoice will not be included if you have previously elected to have this annual fee automatically deducted from another non-retirement account and/or you have elected to have your invoice suppressed. If you would like to have this annual fee automatically deducted from your retirement account in December, no further action on your part is required. If you prefer, you may send a check to Janney with the enclosed invoice to the address listed. You may also choose to not receive future invoices from Janney for the annual retirement account fee with your statement each year. In this case, you may choose to have future fees deducted from your retirement account in December each year, or elect to have the fee assessed through a transfer from your non-retirement brokerage account. To arrange for either one of these choices, you can complete, sign, and return the bottom of the enclosed invoice. Certain accounts are not subject to the annual retirement account fee. These include accounts invested in fee-based advisory accounts, accounts with more than $500,000 in household assets, Coverdell ESAs, and certain other accounts as detailed in the Janney Schedule of Account Service Charges available at www.janney.com in the Resources and Education Section. Please contact your financial advisor if you have any questions regarding the annual retirement plan invoice.

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