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<u>Investment Strategy Update:</u> *"Balancing Opportunity with Risk for Your Goals." April, 2018*

U.S. tax rates for individuals, corporations, and small businesses were lowered and regulations re-written. Volatility has increased in most domestic and global equity markets and will likely continue. In 2017, domestic markets experienced little volatility and significant gains. While the return of volatility may feel jarring, it is actually normal. Last year's calm is what was unusual. Despite market volatility, the economy appears to be on solid ground. When announcing March's interest rate increase the Federal Reserve increased the economy's growth projections and expressed that "the economic outlook has strengthened in recent months." In 2018, the Fed expects unemployment to fall to 3.8% and the economy to grow by 2.7%. (Source: WJS) We expect two more rate increases in 2018. Interest rates globally have risen with most global rates no longer negative and the 10 year US Treasury rate up to almost 3%. The Federal Reserve continues repurchasing less long term bonds shrinking its balance sheet. This will likely cause interest rates to continue rising and volatility short term while being a positive longer term assuming rates rise slowly enough to not slow economic growth. While the U.S. economy is performing well, geopolitical issues will continue to weigh on the stock market. We are positive long-term on investing expecting continuing global economic growth and increased volatility and risk due to higher valuations, geopolitical risks, and slowly rising yet still low interest rates.

<u>Positives / Opportunities</u>:
- The pace of U.S. and global economic growth, revenues and profits is increasing.
- Growing worldwide demand for the quality of U.S. consumer goods, services, and assets continues.
- U.S. and global employment growth is yielding lower unemployment and rising wages.
- Innovation continues yielding profits, high cash balances, and lower costs of operations.
- Consumer and U.S. bank balance sheets are much stronger and continue improvement.
- Europe's economy and markets continue improving after not doing well for many years.

<u>Risks / Challenges</u>:
- Geopolitical, international trade, and physical and cyber terrorism risks remain for investors and companies.
- Large interest rate and U.S. dollar fluctuations vs. slow rising rates and stable U.S. dollar expected.
- The markets appear fairly valued, yet economic growth, revenues and profits are rising while rates remain low.
- Average employment wages are growing slowly due to a gap in rapidly changing skills needed.
- The Affordable Care Act and health care costs continue as a challenge to consumers and employers.
- A reduction of U.S. Government deficit-spending and borrowing balanced with economic growth is needed.

<u>Things to Consider Now When Investing (We are here to help with these.):</u>
1. Maintain a diversified investment allocation given the areas of opportunities, risks, and challenges.
2. Allocate funds for your time frames of when you will need money (<1, 2-5, 5-10, 10 plus years).
3. Utilize dollar cost averaging, diversification, and dividend reinvesting as risk management tools.
4. Exercise patience and persistence as assets are vulnerable to pullbacks as investors adjust for changes.
5. Consider the possible opportunities of recent tax law changes.
6. Remember, fear and greed emotions are challenges to your long term financial success.
7. Follow your plan and balanced strategy, reviewing with us as needed, to fit your unique financial situation.

<u>Please call or email us to set up an appointment so we can set aside some quality time to review</u> with you by phone or in our office if we have not reviewed in the last six months. We enjoy helping you meet your investment and financial goals, and appreciate you and your referrals of others.

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Experienced Ongoing Investment, Retirement and Financial Advice.