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Investment Strategy Update: *"Balancing Opportunity with Risk for Your Goals." September, 2018*

The U.S. economy, corporate profits, and equity markets have continued to improve since the pullback in stock prices in February of this year. Lower tax rates for individuals, corporations, and small businesses combined with loosened regulations have helped; however, trade negotiations and the fear of interest rates rising too quickly have been headwinds causing volatility along the way. The Federal Reserve increased the Federal Funds interest rate by another ¼% on June 13th from 1.75% to 2% and signaled the possibility of one or two more increases in 2018 due to the strengthened economic outlook. We think one more rate increase in 2018 is most likely while two more are possible. Interest rates globally have risen with most global rates no longer negative, and the 10-year US Treasury hovers just below 3%. The Federal Reserve is shrinking its balance sheet by continuing to repurchase fewer long-term bonds. This will likely cause interest rates to continue rising along with short-term volatility. This should be a positive with rates still low, assuming rates rise slowly enough to not hinder economic growth. While the U.S. economy is performing very well, interest rate increases, trade negotiations, and the upcoming elections in November will continue to weigh on markets. We are positive long-term on investing, expecting U.S. economic growth will outpace the rest of the world, and increased volatility and risk due to higher valuations and other factors mentioned here.

Positives / Opportunities:
- U.S. economic growth, wealth, revenues and profits are increasing more than in most of the world.
- 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, lower costs of operations, and less inflation.
- Consumer and U.S. bank balance sheets are much stronger and continue improvement.
- Europe's economy and markets continue improving slowly after not doing well for many years.

Risks / Challenges:
- China and some emerging markets are struggling as compared to the U.S.
- 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.

Things to Consider Now When Investing (We are here to help with these.):
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.

Please call or email us to set up an appointment so we can set aside some quality time to review 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 goals, and appreciate you and your referrals of others.

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Experienced Ongoing Investment, Retirement and Financial Advice.