PLANNING POINTS…

March 2017

	03/31/2017	2017 1st Quarter Change
S&P 500 *	2362.72	+ 6.07%
Russell 2000 **	1385.92	+ 2.47%
Barclays Capital Aggr. Bond Composite Index***		+ .82%

*The S&P 500 is an unmanaged index of the largest 500 companies weighted by capitalization.
**The Russell 2000 index is comprised of the smallest 2000 companies of the Russell 3000 Index which measures the performance of the largest 3000 U.S. companies based on total market capitalization. The Russell 3000 represents approximately 98% of the investable U.S equity market. Past performance may not be indicative of future results.
*** Barclays Capital Aggregate Bond Composite index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors
****MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the United States & Canada
The Dow Jones Industrial Average is an index covering 30 Major NYSE industrial companies.
Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary.

We are pleased to announce the marriage of our Client Service Associate, Ashley and her husband Chris Moultrup. Join us in wishing Mr. & Mrs. Moultrup and son Paxton happiness for many years to come!

STOCK MARKET REVIEW

The stock market experienced another good quarter. In fact, it was the best quarter in over two years. The S&P 500 gained 6.1%, and the Russell 2000 Index rose 2.5%. International stocks had a very impressive quarter as the MSCI EAFE Index posted a sharp gain of 7.3%, outperforming most domestic stock indices.

Stock market volatility has been practically nonexistent. The S&P 500 just ended a streak of 109 days without a 1% change in value. There have been only 11 streaks of over 100 days of less than 1% changes going back to 1928. Keep in mind that just a 1% change in the Dow Jones Industrial Average equates to about 200 points.

Enthusiasm for stocks was driven by hope that the new administration's policy agenda would bring about economic growth, more jobs, and increased corporate profits. Consumer confidence was recently reported at the highest level in 16 years.

There has been an increase in the number of market pundits calling for a market correction. They feel that stocks have run too far too fast. On the other hand, one market sage likes to say, "the market only cares if things are getting better or getting worse". At the moment, it appears that things are getting better.

Earnings season is about to start and it is anticipated to be the best since 2011.

It makes interesting cocktail discussion to speak with friends about prospects for the market, but investors should focus on ensuring their asset allocation and diversification is appropriate for their objectives and risk tolerance, regardless of market prospects. This is the strategy that most professionals employ and part of the reason why they tend to perform better over the long term than those who chase market returns or try to time the market.

BOND MARKET REVIEW

Interest rates were essentially flat in the first quarter. The ten-year U.S. Treasury bond rate was nearly unchanged at 2.39%.

The Federal Reserve increased rates during the quarter and said there will likely be more increases to come. The key to their decisions will be watching for an increase in economic growth and inflation.

We advise to maintain a cautious stance on bonds and focus on short to intermediate maturities.

PLANNING STRATEGIES

NEW RECORD HIGH FOR STOCKS

The stock market has been on a tear since the election and most indices have reached new record levels. Obviously, investors are pleased with the increase in their investment values. Importantly, this advance has occurred without much volatility.

Most of the strength in the stock market is due to expectations that the economy will improve. This belief is based on the expectation that proposals to cut corporate taxes, reduce regulation, increase infrastructure spending, and plans to offer companies a tax opportunity to bring cash back into the US will fuel the economic recovery.

We know that stocks generally trade on future expectations and this rally has been no different. The hope for the success of new proposals has been fueling market optimism. The potential problem is these expectations may not be met. Markets do not like to be disappointed and we could see a dip or a correction if that happens.

We are not suggesting a strategy to time the market, but because of record highs, your portfolio allocation to stocks has probably increased. If your exposure to equites has risen to a percentage above your comfort level, you should consider reducing your equity allocation. Everyone likes to make money, but many lose sight of controlling risk when markets are rising.

If you would like to discuss your allocation to equities or any other aspect of your portfolio, please give us a call.

2017 TAX PLANNING

The 2016 tax-reporting season is almost over but this is no time to take a rest from tax planning. Here are a few ideas you may want to consider for 2017 and beyond.

1. Maximize your retirement contributions to employer retirement plans to take advantage of tax-deferred growth if you are still working. Many employers allow you to arrange automatic contributions each pay period. Many employers match some of your contributions, so be sure to get the match. Some plans offer Roth 401(k)s and perhaps that choice would be advantageous for you.

2. Determine if you need to take required minimum distributions from your retirement plan accounts or IRAs. For those who are charitably inclined, the “qualified charitable distribution” tax rule has become permanent. It allows traditional IRA owners over age 70½ to donate up to $100,000 of their required minimum distributions to qualified charitable organizations.

3. Consider if tax–exempt municipal bonds could benefit you. If you are in a higher tax bracket, the tax-exempt nature of municipal bonds could offer better returns than taxable investments.

4. Evaluate the benefit of a Roth conversion from a Regular IRA. Roth IRAs have the potential to grow tax-free and withdrawals are not mandatory during the lifetime of the original owner. However, be aware that conversions to a Roth IRA will result in taxation of any untaxed amounts in the traditional IRA from which you are converting.

5. Consider charitable contributions of appreciated stock. You could avoid a capital gain and still get a charitable deduction.

Plan now to reduce your taxable income for 2017. If you have any questions about these strategies or other related items, please give us a call and as always, consult your tax advisor.

INVESTOR ACCESS

In order to better secure your information, Raymond James will be upgrading Investor Access in May. When the upgrade is completed, your Investor Access may be affected if you do not have the latest version of your web browser. If you do not have the latest version, you will be asked to upgrade. If you need any assistance with Investor Access, be sure to call our office.

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