PREMIER FINANCIAL PLANNING, INC.
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A Registered Investment Advisor

Year 2016 Commentary | *January 2017*

Happy New Year! We had a jam-packed quarter with the Presidential election and worldwide events impacting the markets in unexpected ways. Although some indices lost some ground prior to year-end, we still had a good year overall. With the challenges that our markets and economy continue to face and rising interest rates this year, the strategy of a diversified portfolio remains key to long term success.

What to Expect for 2017?

U.S. Stocks: The anticipation for tax cuts, infrastructure spending and an easier regulatory environment should continue to have a favorable impact on the markets. Expectations for higher interest rates and lower regulation are positives for financial stocks. The growing probabilities of increased infrastructure spending and deregulation lifts industrials and materials sectors. Stronger economic growth helps companies in the consumer spending sector. Healthcare stocks are bouncing back as law makers pledge to reform existing healthcare laws and programs. We will continue to see day-to-day volatility in the markets, but are hopeful for a strong year.

U.S. Fixed Income: With our slowly improving economy, the Feds have forewarned that we will have continued interest rate increases this year in order to keep inflation in check. We have been anticipating this for several years and it looks like this may finally occur. While this will result in a short term decline in bond valuations, this is a good thing for financial stocks and bonds in the long term and will allow bond yields to return to historical levels.

Global Jitters Will Continue with Volatility & Pullbacks. Rising political risk continues to plaque many countries. Following Great Britain's vote to leave the European Union in June, several European countries are holding key elections in 2017, including Germany and France. Emerging Markets will continue to come under pressure as the U.S. dollar surges as this impacts global currency rates.

As always, we recommend a continued asset allocation strategy that best fits with your individual risk tolerance and investment time horizon. A defensive, diversified posture allows us to participate when the markets rise while limiting our risk exposure during more volatile times. Please let us know if you have any questions or concerns.

Coming Soon:

Capital Gains Notices. As is our normal practice, we will be sending out your 2016 Capital Gains notice in the upcoming weeks. This document should be maintained with your other tax information and provided to your CPA/accountant at tax time.

December 31, 2016 Benchmark Returns*

	4th Quarter	2016
Large-Cap US Benchmarks		
Dow Jones Industrial TR	8.66%	16.50%
Standard & Poor's 500 TR	3.82%	11.96%
NASDAQ Composite TR	8.87%	1.66%
Russell 1000 Growth TR	1.01%	7.08%
Russell 1000 Value TR	6.68%	17.34%
Small-Cap Benchmarks		
Russell 2000 Growth TR	3.57%	11.32%
Russell 2000 Value TR	14.07%	31.74%
Large Cap International		
MSCI EAFE (Local Currency)	6.72%	2.34%
MSCI EAFE (US Currency)	-0.71%	1.00%
Fixed Income Indices		
Barclay's US Aggregate Bond TR	-2.98%	2.65%
Citigroup World Govt. Bond	-10.84%	1.81%
Real Estate Indices		
Dow Jones US Select REIT TR	-2.53%	6.68%

** Index performance is provided as a benchmark only. The performance of your individual portfolio will vary from that of any one index. Past performance of an index is never a guarantee of future results.*
Note: TR=Total Return (includes reinvested dividends).

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Financial Planning Tip

Continue to Maximize your Retirement Plan Deferral. Investing on a tax-deductible, tax-deferred basis is usually your best investment ever – especially if you receive employer matching! The IRS has again maintained most of last year's maximum contribution levels for tax year 2017. You may defer up to the following maximum amounts:

401k:	$18,000 + $6,000 catch-up if >50 years of age by 12/31/17; $24,000 maximum
SEP:	20% x (net business income less ½ SE tax); $54,000 maximum (an increase of $1,000 from last year)
Solo 401k:	$18,000 plus 20% x (net income less ½ SE tax); $54,000 maximum + $6,000 catch-up if >50
Simple:	$12,500 + $3,000 catch-up if >50; $15,500 maximum

Enclosed Investment Reports

4th Quarter and Annual 2016 Reporting:

- *Aggregate Overview; Current Value, Asset Allocation and Performance; summarized by Portfolio and Combined Portfolios, as applicable*
- *Holdings Analysis by Account; summarized by Asset, Account and Asset Allocation*
- *Portfolio Performance Detail by Account; summarized by Asset and Account for 2015 calendar year performance*
- *Statement of Fees* for the 1st Quarter 2017 (based on 12/31/16 values)
- *Disclosure Statement*

Note: Please remember that this investment report is for informational purposes only and you should also refer to the investment statements you receive from your brokerage custodian. Benchmark returns on page one are 12/31/16 Morningstar *reported values which include dividends (a "total return" value versus a "price return" which excludes any dividends and thus have slightly lower returns). Since most client portfolios have dividends reinvested, we choose to illustrate "apples to apples" benchmark comparisons.*

We hope 2017 is a year that exceeds your expectations in every meaningful way. As always, we appreciate your continued confidence and trust. Should you have any questions or concerns, please contact us.

Best regards,

Patricia C Patterson

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