PREMIER FINANCIAL PLANNING, INC.
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A Registered Investment Advisor

Year 2017 Commentary | *January 2018*

Happy New Year! The US equity bull market has surely exceeded the expectations of many investors. While we believe the fundamental underpinnings for equities remain positive and should support continued gains, investors should temper their expectations given the likelihood of more muted returns amid potentially greater volatility. That said, the markets did great in 2017! ☺

What to Expect for 2018?

U.S. Stocks: The US economy appears to be settling into the moderate growth path it has followed for the past several years. We expect growth to run at an annualized rate of around 2% to 2¼% in early 2018, fed by moderate gains in nominal wages and the recent pickup in capital expenditures. Similarly, inflation appears to be stalled at around 2%, which should keep the Federal Reserve on its current gradual-tightening path. We should temper expectations for equity returns in our aging bull market amid elevated valuations and peak profit margins. At the same time, continued economic growth, rising earnings, healthy consumer and business balance sheets, and lower tax rates could support further market gains.

U.S. Fixed Income: The central banks have signaled they may continue to hike interest rates up to 3 times this year. If long-term rates remain stable, this would flatten the US Treasury yield curve. If the Fed hikes more than that, it could cause an inverted yield curve which could imply a negative outlook for the US economy. That said, if the Fed proceeds cautiously, a reasonable rate of economic growth should be achievable.

Upward Bias for Stocks Globally: Two key drivers could create an upward bias for stocks and other equity assets globally; improving global growth and the continuation of accommodative monetary policy. While this doesn't mean we won't experience a correction (particularly in the US), it does suggest it could be more short-term in nature.

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 2017 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, 2017 Benchmark Returns*

	4th Quarter	2017
Large-Cap US Benchmarks		
Dow Jones Industrial TR	10.96%	28.11%
Standard & Poor's 500 TR	6.64%	21.83%
NASDAQ Composite TR	6.55%	29.64%
Russell 1000 Growth TR	7.86%	30.21%
Russell 1000 Value TR	5.33%	13.66%
Small-Cap Benchmarks		
Russell 2000 Growth TR	4.59%	22.17%
Russell 2000 Value TR	2.05%	7.84%
Large Cap International		
MSCI EAFE (Local Currency)	3.33%	12.23%
MSCI EAFE (US Currency)	4.23%	25.03%
Fixed Income Indices		
Barclay's US Aggregate Bond TR	0.39%	3.54%
Citigroup World Govt. Bond	1.57%	10.33%
Real Estate Indices		
Dow Jones US Select REIT TR	1.98%	3.76%

** 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).

30535 Star Haven Drive, Valley Center, CA 92082 760.751.2397 • *fax* 760.749.6807

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 updated some of last year's maximum contribution levels for tax year 2018. You may defer up to the following maximum amounts:

401k: $18,500 + $6,000 catch-up if >50 years of age by 12/31/18; $24,500 maximum
SEP: 20%* x (net business income less ½ SE tax); $55,000 maximum (an increase of $1,000 from last year)
Solo 401k: $18,500 plus 20% x (net income less ½ SE tax); $55,000 maximum + $6,000 catch-up if >50
Simple IRA: $12,500 + $3,000 catch-up if >50; $15,500 maximum

**20% if self-employed; 25% if S-Corp with payroll.*

Enclosed Investment Reports

4th Quarter and Annual 2017 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 2017 calendar year performance*
- *Statement of Fees* for the 1st Quarter 2018 (based on 12/31/17 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 12/31/17 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 2018 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

Patricia C. Patterson, CFP®, CMFC®