October 2017

Canby Financial Retirement Report

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Planning News

Tax Reform is the hot topic in Washington DC this fall. In order to reduce tax rates for both Personal and Corporate taxpayers, some deductions must be reduced or eliminated. It's possible that contribution limits to 401(k) plans will be reduced as part of Tax Reform, but under current rules the ***maximum salary deferral*** is scheduled to increase from $18,000 to ***$18,500 in 2018***. The "catch-up" contribution limit remains $6,000 if you are at least 50 years old. It makes sense to contribute as much as possible to your retirement account before any limitations are enacted as part of tax reform.

Your Account

Do you have a target balance for your retirement accounts — $100,000, $500,000 or even $1 million? More importantly, how much income will your retirement account generate for you during retirement? Determining a prudent ***withdrawal rate*** helps you translate your account balance into a consistent income which could last for your lifetime. The appropriate withdrawal rate for your retirement savings depends on your age and investment strategy. If you have questions about your withdrawal rate, you should consult your financial advisor.

Financial Guidance for Every Stage of Life

Investment Commentary

Consistent Gains

The slow, steady climb of stock markets in 2017 is starting to feel routine. The major US Stock indexes continue to reach all-time highs on what seems like an almost daily basis. The S&P 500 Index has posted a positive return for each of the first 9 calendar months of 2017, and 11 months overall. Is this unprecedented consistency reason for concern? Let's look at what could cause the next bear market.

Most bull markets end due to economic recession, monetary policy error or geopolitical conflict (war). Economically, the fundamentals look solid, with low risk of a recession in the near future. In fact, economic growth is on an upswing in most major economies around the world. This synchronized expansion has resulted in global trade growth of more than 4% in 2017. In the long run, stock values are supported by corporate earnings. In the first half of 2017, corporate earnings grew by more than 10%. A weaker US dollar and stable oil prices near $50/barrel should be favorable for 3rd quarter US earnings, and avoiding a recession should allow for additional future earnings growth.

As the rate of economic growth increases, Central Banks around the world are beginning to cut back on the extraordinary monetary policies which have been in place since the 2008-2009 economic crisis. After years of printing money to fight off recessionary and deflationary pressures, the US Federal Reserve Bank is planning to begin reducing its balance sheet this month. With an improving economy and strong US job market, the Fed can shift its focus to the inflation rate. Raising the Fed Funds rate not only acts to dampen economic growth and keep inflation in check, it also helps to normalize interest rates.

Investment markets have withstood potential fallout from multiple domestic and foreign political flare-ups over the past 18 months. The populist movement is challenging some of the political structures put in place in recent decades, from the centralized government of the European Union to broad trade deals like NAFTA. This shift toward more nationalistic policies is alarming to many, who prefer more cooperation among global powers. So far, the changing political winds and the recent hurricanes and flooding have not deterred the steady climb of investment markets.

If inflation remains contained and political events don't lead to a global armed conflict, economic growth appears poised to continue and even strengthen. In that scenario, it is possible stock markets can continue to avoid a bear market. As always, a well-diversified portfolio that aligns your financial goals and personal timelines remains the best way to get where you want to go.

Please give us a call if you have any questions about the investment options in your retirement plan

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