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CANBY FINANCIAL RETIREMENT REPORT

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Planning News

It's still too early to know the specifics of our new President's tax regulations and how they will impact investment markets. While we face uncertainty about how our financial plans may be altered, current regulations offer generous long-term tax benefits for our retirement savings. As our government debt continues to grow, some sacred tax loopholes are in for more scrutiny. Taking advantage of the tax benefits for retirement savings now is smart planning, in case deduction limits are reduced in the future.

Your Account

Are you saving enough for retirement? For most people, the tax-deferred growth potential of a retirement plan is a valuable incentive to save. For tax year 2017, the maximum salary deferral contribution remains $18,000 (pre-tax and/or Roth) for 401(k) and 403(b) participants. If you will be 50 or older in 2017, you may add an additional $6,000. For SIMPLE-IRA plans, the maximum contribution for 2017 is $12,500 / $15,500, if you will be 50 or older. If you are not able to save the maximum amount, you should still consider increasing your salary deferral by 1 or 2%.

Financial Guidance for Every Stage of Life

INVESTMENT COMMENTARY

Economic Change

Comparing investment values on January 1, 2016 with their values one year later, you might think 2016 was a solid, uneventful year. Of course, we know investment markets moved sharply up and down throughout 2016.

As the year began, deflation was the primary global economic concern. The price for a barrel of crude oil dropped below $30 in January for the first time since 2002. Stocks followed oil lower and were down 10% or more on average in the first 6 weeks of 2016. Fears of slow global growth pushed interest rates lower and after the Brexit vote was surprisingly approved, the 10-year US Treasury interest rate dropped to 1.5%, after starting the year around 2.25%.

With deflation in mind, central banks continued to provide liquidity to stimulate economic growth. Oil prices rebounded in the spring and stock markets recovered, as expectations for corporate earnings turned more favorable. In July and August, US Stock indexes reached all-time highs, as US economic growth appeared to be improving. But global growth was still struggling, and the 10-year Treasury interest rate remained below 2%. Facing uncertainty about the US election, stocks drifted lower.

Donald Trump's unexpected election as US President stunned the world. Investment markets were not sure how to react initially, but the consensus quickly became that the new administration's policies would be positive for economic growth. The potential for faster economic growth caused interest rates to move up sharply and the 10-year US Treasury closed the year yielding around 2.5%.

In December, the US Federal Reserve Bank raised the Fed Funds Rate, and set expectations for more increases in 2017. Signs of improving economic growth are showing up in Europe and many emerging market countries. With the price of oil back above $50, fears of deflation are being replaced by whispers of worry about inflation. 2017 look like it will be a year of economic transition. After 8 years of extraordinary monetary stimulus, the Fed is now moving toward more normal interest rate policy. Government spending on infrastructure projects and lower tax rates, among other policy changes, may lead to faster economic growth. We believe these trends could bode well for stock market returns, but advise our clients to maintain a diversified portfolio of stocks, bonds, real estate and cash allocated appropriately based on your personal retirement plan objectives and risk tolerance.

PLEASE GIVE US A CALL IF YOU HAVE ANY QUESTIONS ABOUT THE INVESTMENT OPTIONS IN YOUR RETIREMENT PLAN

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