

CANBY FINANCIAL RETIREMENT REPORT



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Planning News

The new tax law passed in December lowers the income tax rates at all levels of taxable income. It almost doubles the Standard Deduction for non-itemizers, making tax filing simpler for many Americans. While it caps the deductions for State and Local taxes, it preserves the tax breaks for Health Care, most Mortgage Interest, Charitable Deductions and Retirement Savings plans. For long-term investors planning for retirement, funding your 401(k) or 403(b) remains the most widely available strategy for achieving a comfortable retirement. Let us know if we can help with your investment decisions.

Your Account

When the investment markets decline, we always hear the joke, "How's your 201(k) doing?" So, now we should be asking, "How's your 601(k) looking?" Recent strong stock market gains could mean your account is at an all-time high. You may feel extra pressure not to lose these recent gains. Now may be a good time to lock in some investment profits in stocks and increase your allocation to more stable bond investments. But, remember retirement investing is a long-term game and stocks remain an appropriate investment for long-term growth.

INVESTMENT COMMENTARY

A Very Good Year

2017 was a very good year to be an investor. Diversified portfolios exceeded their long-term expected returns by a wide margin. Most Bond fund categories earned low to mid-single digit gains, while Stock Market returns in most countries around the globe were up 10-30%.

The current bull market in Large Cap US Stocks will be nine years old in March. Despite the recent robust stock market gains and the age of this bull market, is it possible we will see further gains in 2018? There are reasons to be optimistic.

Stock prices tend to move with corporate earnings and earnings tend to grow when economic activity is improving. As 2018 begins, economic growth is trending up in most of the world's major economies. Manufacturing activity is thriving as business optimism strengthens. Employment growth is solid and consumer confidence is

near highs last seen in the 1990's. In the US, tax reform should provide a nice boost to corporate earnings and economic activity.

With economic momentum building, there are worries that investment markets could overheat. Monetary policy will be critical as growth from fiscal stimulus (tax cuts, less regulatory drag) could result in rising inflation. So far, the gradual rise in interest rates has not slowed economic growth and inflation has remained under control. We expect additional interest rate increases in 2018, but global market forces are holding long-term interest rates down, which may limit the Fed's ability to fight inflation by raising short-term interest rates.

Over the past couple decades, globalization has helped to reduce inflation in most economies. Competition from workers around the globe helps to keep US wages from rising

and global trade allows goods and services to move freely from low cost countries to consumers. Despite rapidly growing emerging economies, the world's supply of commodities appears to remain sufficient to meet rising demand. For now, the commodity markets appear to be near a state of equilibrium with supply meeting demand and prices remaining relatively stable. On the other hand, crypto-currencies, such as Bitcoin, have been volatile, which illustrates that some people are still willing to speculate with their wealth.

As always, investing involves risks. Recently, investors have been rewarded handsomely for maintaining a diversified portfolio. The strong gains from global stock markets may mean your portfolio is over weight risky stocks. You should consider rebalancing your account to make sure the allocation is aligned with your risk tolerance. If current trends in economic growth continue, investment returns may help you reach your retirement plan objectives.

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



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**Financial Guidance
for Every Stage of
Life**