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CANBY FINANCIAL RETIREMENT REPORT

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Planning News

2016 looks like it will be the 5th consecutive year that the rate of Inflation for US Consumer Products has been less than 2%. A low average inflation rate means investment returns in the mid-single digits should help you build the purchasing power of your retirement portfolio. While inflation has been low in recent years, ***Inflation Risk*** remains one of the primary threats to a secure retirement. When you look at your own retirement plan projections, don't be fooled by the low inflation of recent years.

Your Account

The US Department of Labor issued a much anticipated set of new regulations regarding investment advice for retirement plans and IRAs in April. The original proposal was released in 2010 and lobbying by service providers and consumer advocates was fierce. The regulations are effective April 10, 2017. A primary objective of the new rules is fee transparency, so investors understand the annual expense ratios for the investments in their retirement accounts. You should watch your statements for changes in fee disclosure.

Financial Guidance for Every Stage of Life

INVESTMENT COMMENTARY

Seasonal Trends

The 3rd quarter is historically the weakest for Stock Market returns, as per the adage "Sell in May and go away". But that was not the case this year, as the S&P 500 gained almost 4% and Foreign Stocks gained just over 6% from July 1 to September 30.

The 4th quarter of the year has been the best quarter for stocks on average. In a Presidential election year, there is added uncertainty about the US political situation. After an election there is often more clarity about the direction of government policies, and the markets have tended to react favorably. Of course, each year is different and seasonal trends in stock markets don't always recur.

The Bond Market and interest rates can be even harder to predict. The long-term trend for interest rates has been down for 35 years, which has been favorable for bond investors as the value of bonds has steadily increased. While Central Banks around the world would like to raise interest rates, global economic conditions have forced them to keep rates low and continue quantitative easing policies (buying government debt, which finances annual government deficits).

Interest rates dropped sharply with the Brexit vote in June and some countries like Japan, Germany and Switzerland have experienced negative interest rates. You have to pay those governments for the privilege of lending them your money, which creates a negative incentive to save money. The central bankers want you to spend your money to boost the economy or invest in "risky" stocks.

Fortunately, US interest rates have remained positive. Most domestic bonds continue to make regular interest payment and those bonds still do provide some stability to our portfolio value, relative to the inherent volatility of stock prices.

Cash and bank deposits also provide stability and safety for our wealth, but the interest rates on bank accounts, money markets and certificates of deposit are historically low. Most of us will not reach our retirement dreams earning less than 1% on our investments.

Maintaining a diversified portfolio of stocks and bonds, allocated based on your time horizon and risk tolerance, is the most prudent strategy to help you reach your long-term retirement goals.

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

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