JANUARY 2016

CANBY FINANCIAL RETIREMENT REPORT

Chris Borden
Financial Advisor

Planning News

As part of the budget deal passed in December, the ***"File & Suspend"*** strategy for claiming Social Security will be eliminated as of April 30, 2016. If you turn 66 before that date, you are still eligible to file for your SS benefit, but suspend receiving checks until reaching age 70, so your monthly benefit grows to its maximum amount. Your spouse may then be able to claim a Spousal benefit based on your earnings while allowing his or her own SS benefit to increase until age 70. We recommend you contact Social Security for more details.

Your Account

In today's world, each of us is more responsible for securing our own future. It is always beneficial to save more by increasing the amount we contribute from each paycheck. We also need to make an informed decision about how our retirement account is invested. Many plans are set up with a ***Qualified Default Investment Alternative*** *(QDIA)*, which should be an appropriate investment strategy for the long-term. You should consider increasing your contributions and ask if your plan has a QDIA option.

Financial Guidance for Every Stage of Life

INVESTMENT COMMENTARY

Is This a Bear Market?

After less than satisfying investment results in 2015, stock markets around the world plunged in the first two weeks of 2016. Investors are spooked by China's slowing economic growth, the crash of oil prices and the first increase in the Federal Funds interest rate since 2007. Will these macroeconomic trends lead to a Bear Market?

Bear Markets are defined as a decline of at least 20% from a previous market high. The index most commonly followed to declare a bear market is the S&P 500 Index, which tracks the market value for 500 of the largest companies in the US. The S&P 500 has not declined by 20% since the 2008-2009 Financial Crisis.

Other investment categories, however, are already in Bear Market territory. Small Cap US Stocks, as measured by the Russell 2000 Index, have dropped by more than 20% since the recent high in May 2015. Japan and many European market are down more than 25% since their peak values. Emerging Market stock values have dropped even more on average. And oil has declined 70% in the past 18 months.

For most retirement portfolios, the largest allocation is invested in Large Cap US Stocks, which on average have not yet dropped by 20% from their all-time highs. But, many investors' retirement accounts are diversified with holdings in asset categories which have already experienced a Bear Market. We believe we are already in a Bear Market, just not for Large Cap US Stocks.

Is it possible for a new Bull Market to begin without the S&P 500 Index suffering a 20% decline? Maybe not technically, but in a global investment market where many asset categories have dropped by more than 20%, a recovery could begin without an official Bear Market.

It can be discouraging to see the value of your hard earned retirement savings decline during periods of market weakness. However, if you continue to save into your retirement account, you are buying shares while stock investments are down. You will see the benefits in the next Bull Market.

We believe maintaining a diversified portfolio of stocks, bonds, real estate and cash remains the best strategy for building your wealth. Depending on your stage of life, your long-term financial objectives and the size of your portfolio, you can determine an appropriate allocation among different investment categories to match your risk tolerance.

If the recent "bear market" makes you nervous about your portfolio allocation, please give us a call.

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

CANBY
Financial Advisors

161 Worcester Road, Suite 408—Framingham, MA 01701—Phone 508-598-1082
Email: cborden@canbyfinancial.com — www.canbyfinancial.com.