

January – February 2018

Money Moxie®

TAILORED FINANCIAL STRATEGIES FOR YOUR LIFE



SMEDLEY FINANCIAL SERVICES, INC.®



2017 A Banner Year! Where to from Here?

Dear Friends and Financial Partners!

The following is quoted from WealthTrack with Consuelo Mack.

“For answers about the 2018 stock market (S&P 500) we turn to Ed Hyman, Founder, Chairman, Head of Economic Research at Evercore, ISI, a top-ranked macro and investment firm. Hyman was voted #1 Wall Street Economist by *Institutional Investor’s* survey of professional investors for an incredible 37 years. His comprehensive, but succinct and easily digestible daily macro research is considered a must-read by professional investors.”

2017 was the first year ever that the S&P 500 posted positive returns in every month.

“To understand where we are growing, it helps to understand where we have been. A central thesis of Hyman’s is that the stock market drives economic activity. Since 1968—that’s a 50-year stretch—the S&P 500 has increased 20 percent or more only 12 times. Last year (2017) it came within a hair of doing so with its 19.4 percent gain.”

Between 1968 and 2017:

- The S&P 500 increased 20 percent or more 12 times
- In 10 of those 12 times, real GDP increased by 2.7 percent or more

“In 10 of those 12 times, the economy was strong the following year. Taking out the effects of inflation, real GDP increased 2.7 percent or more. So 83 percent of the time economic activity was robust. The average for the 12 years after market advances of 20 percent or more was 3.4 percent real GDP growth.”

“The S&P 500 last year had another distinction. According to Hyman’s team, 2017 was the first year ever that the S&P 500 posted positive total returns—that’s including dividends—every month. The previous closest perfect year was 1995, which had only one down month. The market that year (1995) was up 34 percent. The following year (1996) it gained 23 percent, dividends included, and real GDP was a gang buster 4.5 percent.”

Bullish Best Wishes in 2018,



Roger M. Smedley, CFP®
CEO

The S&P 500 is widely considered to represent the U.S. stock market. One cannot invest directly in an index. Investing involves risk, including potential loss of principal. Past performance does not guarantee future results. The opinions and forecasts expressed are those of the author and may not actually come to pass. This information is subject to change at any time, based upon changing conditions. This is not a recommendation to purchase any type of investment.

Source: WealthTrack, Episode #1429, Broadcast January 5, 2018

Timing of Your Tax Forms

Tax Statements: Most 1099 tax forms for 2017 for your accounts with Smedley Financial should be available online between January 27 and February 17, 2018. Some non-retirement 1099s will not be available until March 3, 2018. Make sure you have your official 1099 and not a “preliminary” 1099 before filing your taxes.

Forms should be available online 5 days before they are received in the mail.

To view National Financial accounts online, go to **SmedleyFinancial.com** and click on Wealthscape under Client Tools and Preferred Providers. You may need to register if you have not previously done so.

Call us at 800-748-4788 if you have any questions.

When Do You Need a Financial Advisor?

By Mikal B. Aune, CFP®

Last week I attended the Silicon Slopes Tech Summit that celebrates the booming Tech sector along the Wasatch Front. As I spoke with vendors and attendees, a consistent theme came up: “When do I need an advisor?”

Here are my thoughts on this and other similar questions I was asked.

Do I really need an advisor? You may not always need an advisor, but you always need a plan. If you don’t have a roadmap, how do you know if you have reached your destination? Many people have vague ideas in their heads of what success looks like. Maybe it’s retiring at the age of 50 and sitting on a beach drinking lemonade. Maybe it’s starting up your own company. Maybe it’s giving back to the community.

It is important to sit down and write out your ideas of success. Then take one more step by defining the path that will take you there. Without creating the stepping stones, your ideas will only remain wishful dreams.

Do you need an advisor to create that plan? No, as long as you are willing to do the research. Nowadays there is so much information available on the internet that you can become an expert in any area...as long as you are willing to do the research. As our CEO Roger Smedley puts it, “*You don’t know what you don’t know.*” Even more dangerous may be the things you think you know with certainty.

So, if you want to create your own plan, but fear you are missing something, consult with a professional that can identify potential pitfalls and help turn your stepping stones into concrete, actionable ideas.

Don’t advisors cost a lot? At SFS, our initial consultation is free. I love to see young college graduates come in who are ready to conquer the world. I give them some time to help create a plan. I know that if I help guide them in the right direction, they will be more financially secure, and who knows, they may even become one of my top clients in the future.

If a person becomes a client, then there are fees that vary depending on the services provided. Comparing our fees and our in-depth planning, we are a far better value than our competition. I have had people question our cost, but I have never had them question our value.

What you don’t want to do is to get your advice at the water cooler. While good advice may not be cheap, bad advice will always cost you dearly no matter how little you pay for it.

Is it best to talk to an advisor before or after my company goes public? Anytime you are dealing with a potential windfall, you should talk to an advisor. As human beings we constantly overestimate how much something is worth. When I was young, I thought \$100,000 for retirement was a lot of money. Now, I know it could disappear in a heartbeat.

So, if you get a windfall, reward yourself by using some of the money to take a trip or do something fun. Just don’t blow it all in one place. The world is full of once-rich people that are now broke.

Make sure your money helps you accomplish your goals according to your plan. And if you don’t get the windfall you were expecting, still talk to an advisor. We can help you reach your goals. SFS

Will You Benefit From the Recent Tax Cut?

By Sharla J. Jessop, CFP®

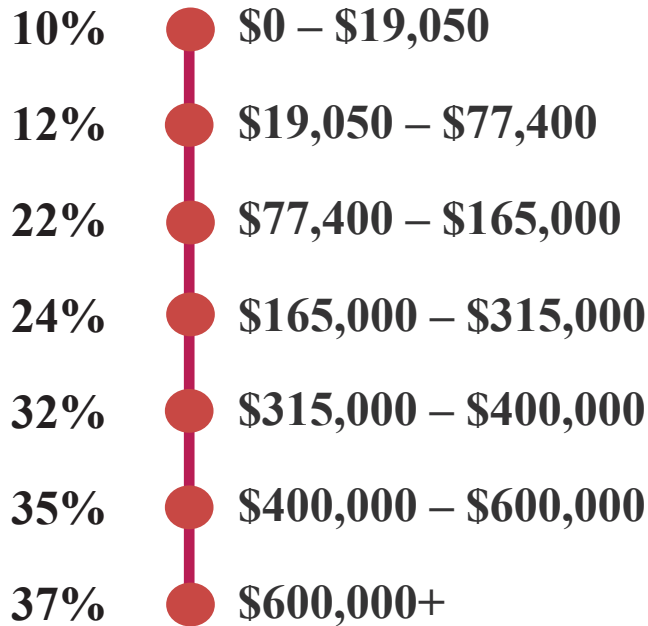


Changes to the marginal tax-brackets will benefit those who are close to the threshold for the 10 percent thru 32 percent brackets. If your income is \$400,000, you will hit the 35 percent marginal bracket with less income than in 2017. One notable change is the top bracket—now 37 percent—affecting those with income of \$600,000 or more.



2018 Marginal Tax Rates

Married, Filing Jointly



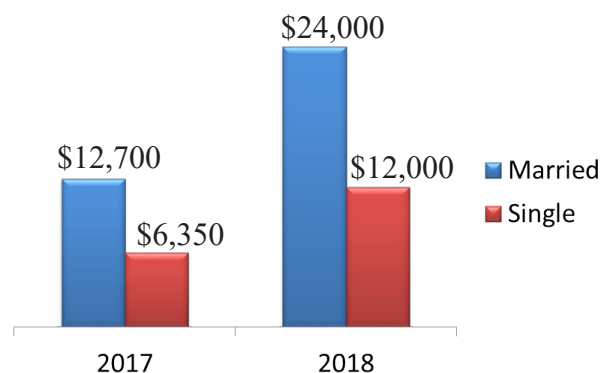
Contribution Limits

Account Type	2018	Catch-Up
Employer Sponsored: 401(k), 403(b), 457, SAR-SEP, Roth 401(k), Roth 403(b)	\$18,500	\$6,000
Simple IRA	\$12,500	\$3,000
Traditional IRA & Roth IRA	\$5,500	\$1,000

Retirement contribution limits for some plans have been increased while others remain the same.

Standard Deductions

By increasing the standard deduction, the government will effectively reduce the number of filers who itemize. The new married limit is \$24,000 and the single limit is \$12,000. Both are double last year's limits.

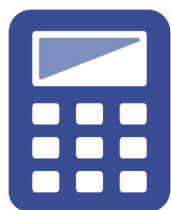


Itemized Deductions

The new law contains limitations that change the value of itemizing deductions for many filers.

- 1 Those over age 70 ½ who make contributions to charities can benefit from having their required distribution go directly to charity, bypassing the need to report it as income for tax purposes.
- 2 If you own a home or are considering buying, the mortgage interest deduction is capped to \$750,000 of debt. This will be felt heavily in states with higher home prices.
- 3 There is a new \$10,000 limit of combined property taxes and state income taxes.
- 4 Tax payers who were bunching deductions and itemizing every other year may be able to say goodbye to the cumbersome strategy.
- 5 If you have dependent children, you will benefit from the doubling of the Child Tax Credit limit to \$2,000 and the nearly quadrupling of the adjusted gross income phase-out to \$400,000. The credit is refundable up to \$1,400.

Alternative Minimum Tax (AMT)



The number of filers affected by the Alternative Minimum Tax is expected to drop by 96%. And many filers may not have to pay AMT again. This is due to two big changes (below).

Higher exemption levels—the amount of income automatically exempt from AMT calculation has increased to \$109,400 for married and \$84,500 for single.



Higher exemption phase-out levels—the income level above which you gradually lose your income exemption. The phase-out levels increased to \$1,000,000 for married and \$500,000 for single.

*Smedley Financial and its employees do not provide tax advice; therefore it is important to coordinate with your tax advisor regarding your specific situation.

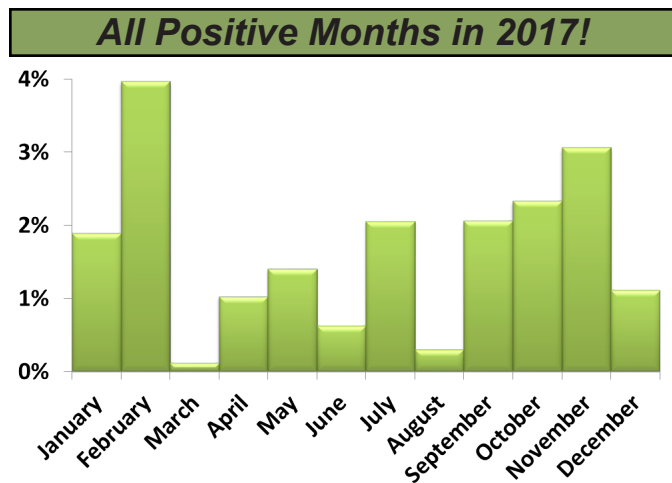
Record Breaking Year

By James R. Derrick Jr., CFA®

Major Markets Update						
Market	Index	2017	2016	2015	2014	2013
Large U.S. Stocks	S&P 500	19.4%	9.5%	-0.7%	11.4%	29.6%
Small U.S. Stocks	S&P 600	11.7%	24.7%	-3.4%	4.4%	39.6%
Global Stocks	Dow Jones Global	21.8%	5.8%	-4.0%	2.1%	20.8%

Entering 2017, I was more optimistic about the potential growth in stocks. In fact, my expectations were higher than 13 of 15 major investment companies. This optimism became a basis for staying invested throughout the year whether the market went up or down. The results were very positive.

I also assumed that at some point in 2017 we would wake up to some major down days. This never happened. The market just continued to climb all year long.



The S&P 500 (with dividends) rose every month last year for the first time ever! A positive return in January 2018 would bring the streak to 15 months in a row. Second place goes to a streak of 10 months stretching from December 1994 to September 1995.

These are powerful trends, considering the probability of any month being positive is around 60 percent. Strong momentum like this typically continues even after the streak is broken.

Dow's Fastest 1,000 Points!				
Milestone	Year	Days	Gain	Annualized Gain
26000	2018	8	4.0%	244%
25000	2017	23	4.2%	56%
24000	2017	30	4.3%	43%
23000	2017	54	4.5%	23%
22000	2017	106	4.8%	11%
21000	2017	24	5.0%	66%

How fast is an 8-day climb from 25,000 to 26,000? If the Dow Jones Industrial Average miraculously maintained that pace all year, it would return 244%!

A second record was set that began in the final days of December. The Dow Jones Industrial Average had its quickest 1,000 point gain ever!

For three consecutive years I have accurately predicted the major actions of the Federal Reserve. I wrote: "This year, I am going to try something new: accepting the Federal Reserve's forecast that it will raise rates 3 times in 2017." That is exactly what happened.

I believe that keeping an eye on the Fed this year will be even more important than it was in 2017. You can see my analysis for 2018 on the next page. [SFS](#)

*Research by SFS. Investing involves risk, including potential loss of principal. Dow and S&P 500 indexes are widely considered to represent the overall stock market. One cannot invest directly in an index. Diversification does not guarantee positive results. Past performance does not guarantee future results. The opinions and forecasts expressed are those of the author and may not actually come to pass. This information is subject to change at any time, based upon changing conditions. This is not a recommendation to purchase any type of investment.

FOMO In the Stock Market 2018

By James R. Derrick Jr., CFA®

Protecting profit is profitable.

Protecting fear is not. I keep this phrase on a sticky note below my computer to remind me that investment decisions based upon fear lead to mistakes. I have seen it during the major market meltdowns of 2000-2002 and 2008-2009. I have seen it in smaller drops, like January 2016.

There seems to be little fear of a market drop in 2018. I believe investors may now be protecting from another kind of fear and the consequences may again be surprising.

The Fear Of Missing Out (FOMO)—popular among youth today—describes investors worldwide. Stock markets have been so good people are asking, “Am I aggressive enough?”

Excitement and expectations have been rising and there has been a lot of money to be made. In just the first 10 trading days of 2018, the S&P 500 returned almost 5 percent! Worldwide averages were even higher! That is after returning over 30 percent over the last two years for U.S. large company averages. It is as though investors have accepted the massively positive moves as the new normal.

The market does not have to follow the economy perfectly. The market's performance is also determined by how reality measures up to expectations. So, the most likely thing to go wrong this year may be a failure to meet lofty expectations.

Consider the awesome year-to-date returns. If the “5 percent in 10 trading days” were to continue for the rest of the year, then we would have a return in the S&P 500 of 217 percent! It's not going to happen.

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Economic Growth

2018 U.S. GROWTH EXCEEDS 3%!

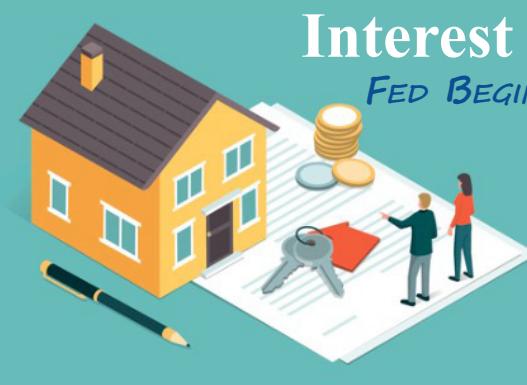
CONSENSUS ON WALL STREET IS JUST 2.5%. THIS MAY BE TRUE IN THE LONG-TERM IF PRODUCTIVITY AND POPULATION GROWTH ARE LOW. ECONOMIC AND TAX POLICY MAY BE ENOUGH TO AT LEAST TEMPORARILY PUSH US BEYOND THAT LEVEL.



Interest Rates

FED BEGINS TO HAVE AN IMPACT.

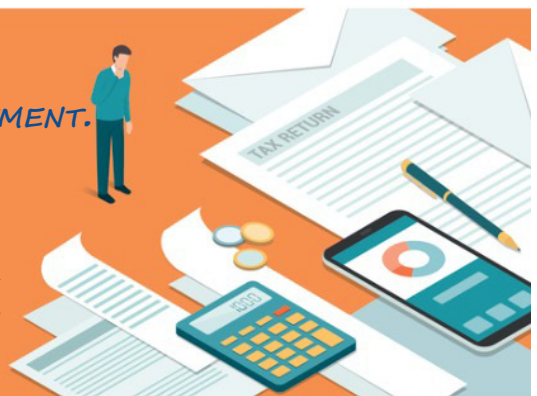
INVESTORS CURRENTLY DOUBT FED WILL MATTER. IF ITS STIMULUS MATTERED, THEN ITS END SHOULD MATTER. FED RAISES RATES 3 OR 4 TIMES (CONSENSUS CALLING FOR JUST 2 HIKES THIS YEAR).




Investments

INVESTORS WILL HAVE SOME DISAPPOINTMENT.

AS EXPECTATIONS RISE, THE MARKET MAY STRUGGLE TO SURPRISE IN A POSITIVE WAY. ADDITIONAL VOLATILITY IS COMING. STILL, WITH POSITIVE ECONOMIC GROWTH, MARKETS SHOULD FINISH WELL INTO POSITIVE TERRITORY.



The best way to prevent a mistake is by not getting caught up in the FOMO. Don't get too aggressive right when things could slow down.

While I believe a few surprises may cost those throwing caution to the wind, the market is unlikely to experience a major hiccup while the economy is still growing. That leaves us with plenty of reasons to stay invested in 2018. 

Your SFS Team

Smedley Financial Services, Inc.[®] is an independent registered investment advisory firm. We work for our clients. Our wealth managers have the flexibility to implement our financial plans, retirement plans, and income distribution plans using the strategies that work towards each client's needs and goals. We work with individuals, businesses, and family estates. We provide financial solutions for your life.

Wealth Accumulation

- Managed Accounts
- Indexed Investing
- Mutual Funds
- Exchange Traded Funds (ETFs)
- Stocks and Bonds
- Alternative Investments

Disability (Injury)

- Short-Term Disability Insurance
- Long-Term Disability Insurance

Family Protection

- Term Insurance
- Whole Life Insurance
- Universal Life Insurance
- Variable Universal Life Insurance

Elder Care

- Long-Term Care Insurance
- Hybrid LTC

Retirement

- Social Security Maximization Strategies
- Medicare Supplement
- Guaranteed Income (Annuities)
- Lifetime Income Planning

Employers and Self Employed

- Health Insurance
- 401(k) Plans



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