

Dear Fellow Investors,

In 1987, I had been working at SIFE Trust Fund for a relatively short period of time. A year before, the U.S. Legislature had passed the Tax Reform Act of 1986, which made many significant changes to how some investments were going to be taxed starting in 1987. Anyone involved with investing during this period remembers “Black Monday”, October 19<sup>th</sup>, 1987. On this single day the market dropped about 23 percent. To put this event into modern relevance, the Dow Jones Industrial Average, aka “The Market” would have to drop about 5500 points in one day. To say I was worried would be a gross understatement. From this experience, I learned the importance of removing the crazy tax and economic regulations that tend to creep into government operation.

Much debate has occurred over the cause of “Black Monday” but I see this drop as a symptom of an important economic transition. I’ll spare you the long and perhaps boring details (call me if you want them) but in my opinion, the reforms that were imbedded in the “Tax Reform Act of 1986” were critical to our economic future here in the United States. If our country had continued the old policies, I believe our economy might not have succeeded as we did in the period that followed.

Investing now exposes us to a volatile stock market. In some ways the volatility we are experiencing is a reminder of 1987. In both cases, investors were selling stocks they no longer wanted as other investors purchased stock that represented future potential for profit. You may feel concerned as I did back in 1987. Even though the volatility is a small fraction of what occurred back then, it can still be worrisome.

While I can’t predict the future, I believe we are seeing fundamental changes that will ultimately strengthen our economy. The old governmental policies that have taken so much from our lifestyle, savings and industries appear to be moving more and more to our benefit. The United States seems to be more likely to maintain our position as the strongest world economy. My hope is these changes will eventually lead to greater prosperity for all that inhabit this great country.

Opportunity for success doesn’t come with guarantees. Forces outside the United States and even within the United States have their own agendas and are not excited by our success. These forces will try to derail these changes and our efforts at reform could fail. Investors need to assess how much of their investment should be exposed to this opportunity and the associated risk. For me, I see great opportunity for all of us and for that I’m grateful to have experienced “Black Monday”. Let’s talk about how you feel, so I can adjust your investments accordingly.

Kindest Regards,

Bruce W. Woods  
President, Woods Financial & Insurance Services  
Registered Representative, LPL Financial

# THE WOODSHED

News and Commentary  
From  
Woods Financial and Insurance Services

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## Stocks Rise And Fall As Investors Reassess Investments

According to Yahoo Finance, the **Dow Jones 30 Industrial Average** decreased by 2.45% for the year ending March 31, 2018. Bond values, as reported by **Yahoo Finance for the Barclays Aggregate 10 Year Bond Index**, also decreased about 2.39% over the same period.

### Market Volatility – Fear Of Change

You are an owner of stocks through mutual funds, so volatility can be a concern. “Stock Market” volatility is a clear indication that stocks are moving from the sellers to the new owners. Fear is a common reason to sell stocks and there is nothing that stimulates fear like changing economics. Some people assume that old economics are better than the new economics, but that is not always true.

The U.S. economy’s growth has barely grown for nearly a decade. As productivity slowed, consumption taxes increased costs to much of our populace, further robbing some quality of life. Investors, who once enjoyed average stock market returns of 7, 8 or more, found their investments growing at very low rates, if they grew at all.

So, recent changes to the tax law and onerous regulations appear to have been needed. Although the initial stock market reaction appears to be positive, investors don’t all see these changes as positive. The result is the transfer of stocks from the pessimistic to the optimistic. Of course, we all see it as market volatility, but it is also how markets form a base of stock investors who are generally optimistic.

### Unemployment And Participation

Unemployment, as measured by the Bureau of Labor Statistics (BLS) U-6 report and U-3 was 8.0 percent and 4.1 for March 31, 2018 respectively. The employment picture seems to continue its improvement; very good news.

### Tax Law Changes – The Public Understanding Tested

Reducing taxes to the individual taxpayer is generally seen as positive. Reducing taxes to a corporation is generally seen as negative. These commonly held points of view underscore how much emotion dictates public opinion and political direction. Even more surprising is the relatively small number of people who understand taxes on corporations typically pass directly to consumers. Middle Class and lower income people pay the price (tax) through the tax-inflated prices. Similar to inflation, prices of goods and services increase, putting greater strain on individual budgets. Yet some politicians continue to play on the public’s lack of understanding by promoting corporate taxation, as though the taxes stop with the corporation. As the public’s economic understanding increases, I expect politicians to abandon their promotion of these false concepts.

## **Tax Law Changes – More Information Available**

The ink on the latest tax law changes is hardly dry and we are working to understand how investors can get the most out of these new laws and the regulations that will follow. By going to our website you can access more information that details our growing accumulation of information.

## **10-Year Federal Bond Yield Increase To Near 3 Percent**

The slow increase in 10-Year Bond rates has been anticipated for years and now seems to be a real trend. Of course, decreasing bond values comes with the higher yield. Your portfolio contains bonds, so this process is something you will want to be aware of. Changes to your portfolio mix may be something you will want to consider.

## **Finding The Best Investment – Finding The Best Portfolio Manager**

Selection of the “best” investment is a central challenge to Woods Financial and Insurance Services. I’m excited about the new technology we are beginning to implement. The technology will help us find good candidate investments from a universe of thousands. We will also have better tools for analyzing your current portfolios. If you would like to know more about our new services, please give us a call. We would be pleased to analyze your portfolio.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual security. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Economic forecasts set forth may not develop as predicted. Investing involves risks including possible loss of principal. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments.