the financial planner

GOLDMAN LANCASTER, INC.
REGISTERED INVESTMENT ADVISOR

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THE MARKETS

Nothing lasts forever. During 2018's first quarter, the something that validated this axiom was the end of a period of extremely low stock market volatility which persisted throughout 2017. Volatility's return ended another something, too; the end of streak of quarterly gains for the US stock market dating back to the third quarter of 2015.

Things started off well enough. In keeping with the narrative of improving global growth, steady employment gains and broad new tax cuts, the stock market advanced nearly 7% in the first three weeks of the year, as investors poured record amounts into equity vehicles. But at the end of January, sellers appeared in abrupt fashion, bringing about the first 10% correction for the S&P 500 in nearly two years, and no less than seven days of -2% or worse for the S&P 500 over an ensuing ten week period - all of which was a jolt to investors, who had understandingly become accustomed to the absence of volatility, after seeing nary a whiff for over a year.

All in all, for the S&P 500 index the first quarter was a somewhat wild ride to nowhere, as the index ended the quarter down, but by just .76%.

Growth equities outperformed their value counterparts for the fifth straight quarter, on strength in the technology and consumer discretionary sectors. Cyclical sectors generally performed better than the defensives, as the consumer staples, real estate, telecommunications, and utilities sectors all underperformed the broad equities index. Small caps outpaced large caps, helped by the new tax law. Emerging market (EM) equities, supported by strong economic growth and relatively low valuations, outperformed both developed international and U.S. equities. The MSCI EM Index returned 1.2% during the quarter, while the MSCI EAFE Index lost 1.6%.

Interest rates rose sharply in Q1, leading to losses for almost all segments of fixed income, and providing a catalyst for the shift back to normal levels of volatility. At shorter maturi-

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WHAT'S NEW?

We recently filed our annual amendment to Form ADV 1 with the Securities and Exchange Commission, and updated our ADV 2 disclosure brochure. If you'd like a copy of our brochure, or a copy of our privacy policy, please call or write us at our address information shown below. We'll be happy to send one right out to you!

INTEREST RATE UPDATE

From Barron's 4/28/2018	Now	1 Yr Ago
Prime Rate	4.75%	4.00%
T-Bill Rate - 13 week yield	1.86%	0.83%
1 Year CD - National Avg.	0.55%	0.34%
Fannie Mae 30 Yr. Fixed Conventional Mortgage	4.19%	3.57%

Financial Markets Scoreboard

Index Returns *(Through 3/31/2018)*	***1st Quarter***	***Last 12 Months***
Dow Jones Industrials	***-1.96%***	***+19.39%***
Standard & Poors 500	***-0.76%***	***+13.99%***
M.S. EAFE (Developed Markets Foreign Stocks)	***-1.41%***	***+15.32%***
M.S. EM Free (Emerging Markets Stocks)	***+1.47%***	***+25.37%***
Barclay's Capital U.S. Aggregate Bond	***-1.46%***	***+1.20%***
Barclay's Capital US Corporate High Yield Bond	***-0.86%***	***+3.78%***

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THE PERSPECTIVE PAGE
THE NEW TAX LAW PART 2

Last issue, we illustrated the positive effect that the new tax law is having on workers' take-home pay. This time, we thought it would be worthwhile to list a summary of important changes resulting from the new Act. In the list below, we provide our general thoughts on how the new tax law may affect the majority of individuals. Your individual situation may be impacted differently.

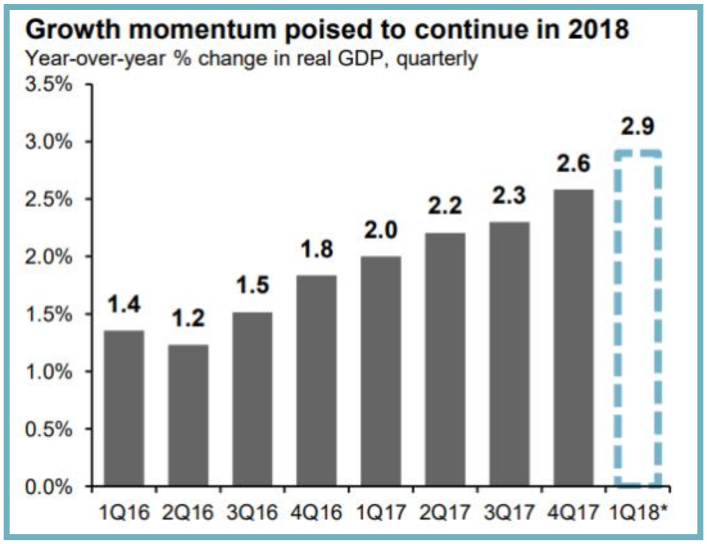
Many of the provisions below expire in 2026, reverting back to previous law at that time. The act also includes new and complex provisions allowing for the deduction of a portion of income generated by *some* "pass-through" businesses, i.e. sole proprietorships, partnerships, Sub-S Corps and LLC's. The law's complexity is both ironic and unsurprising, since legislators and political leaders have long touted but not delivered on the concept of "tax simplification." The new law is anything, but!

- Tax rates are lower (good)
- Tax brackets are more favorable (good)
- Tax bracket breakpoints will increase more slowly in the future due to a change in the inflation measure utilized (bad)
- The standard deduction is increased (good)
- The exclusion for employer-provided moving expenses, and the deduction for unreimbursed moving expenses are both eliminated (bad)
- For divorce agreements finalized after 2018, alimony will no longer be deductible for the payer or taxable to the recipient (a little bad)
- Personal and dependency deductions are eliminated (bad)
- Elimination of deductions for "Miscellaneous Itemized Deductions", a heretofore long list of items ranging from any number of work related expenses to tax preparation and investment fees (bad)
- Elimination of the deduction for business entertainment (bad)
- For the next two years the income floor on deductible medical expenses drops from 10% to 7.5% (good)
- The deduction for state, local and real estate tax, previously unlimited, is capped at $10,000 (bad)
- The deduction for interest on home acquisition indebtedness is reduced somewhat. For home purchases after 12/15/17, the maximum amount of indebtedness for which the interest is fully deductible is $750,000 versus $1,000,000 previously (bad)
- Maximum charitable deduction increases from 50% of income to 60% of income (good)
- The child credit is higher and phases out at higher income levels (good)
- Up to $10,000 per year may be withdrawn from 529 college savings accounts to pay for private elementary and secondary school, versus zero before (good)
- Casualty losses are, for the most part, no longer deductible (bad)
- The Alternative Minimum Tax will impact far fewer taxpayers (good)
- The Estate Tax exemption doubles, to over $11 million (good if it matters to you!)

Markets *(Continued from page 1)*

ties, a deluge of new Treasury supply – in large part a result of a ballooning Federal budget deficit - pressed rates higher, as did increasing expectations for Federal Reserve interest rate hikes. Meanwhile, rising growth and inflation expectations pushed longer-maturity yields higher. To wit, between December 12th and February 12th, the yield on the 10-year US Treasury bond rose from a low of 2.39% to a high of 2.91%. This is a big move over eight weeks!

There is a legitimate question of the interplay between interest rates and stock market valuations. Since stocks are a claim on future cash flows, interest rates and inflation assumptions are significant factors in assessing the value of those claims in the out years. The quick and dramatic move up in the ten-year yield was likely a factor in the volatility we saw during the quarter, as investors became more concerned about an overly aggressive Fed. Later in the quarter, protectionist U.S. trade policy and escalating trade tensions with China added to the backdrop of worries.



** Estimated; Source: JP Morgan Investment Management*

The U.S. economy appears to have decelerated a bit in the first quarter, as consumer spending slowed, impacted by weather and a general seasonal weakness that has depressed first quarter GDP in recent years. But as the chart on this page indicates, on a trailing 12-month basis, the rate of economic growth has been steadily increasing since the third quarter of 2016. And while the global economy appears to have come off the boil, trade statistics remain strong despite rising trade tensions between the US and China. Still, the outlook for consumer spending remains constructive, with steady job gains, moderately rising wages, and still-high consumer confidence readings. The manufacturing sector remains quite strong, with the Institute for Supply Management (ISM) Manufacturing Index near expansion highs. And home ownership rates are on the rise.

Supporting equity valuations, corporate earnings are on a tear. After rising over 15% year-over-year in the final quarter of 2017, profits look to have increased over 20% year-over-year in the first quarter, buoyed by rising sales, one-time benefits of the new tax law, stock buybacks and a weaker dollar.

There are cracks in the veneer, though. A decade after the sub-prime mortgage meltdown, a few alarm bells are being sounded in the consumer space, particularly car loans. Despite the ongoing economic expansion and continued improvement in the unemployment rate, auto loan delinquencies have been on the rise for over three years, and have retraced nearly half their improvement off the worst of the great recession. Even at their lowest level during the current economic expansion, they remained markedly higher than the norms which existed prior to 2008. The size of the average new car loan has risen this decade, from under \$26,000 to over \$30,000, and the average loan length has risen from under 5 years to over 5 1/2. Credit card charge-offs have been rising modestly the last couple years, too. Also well known, the volume of student loan debt has exploded in the last decade as well. None of this bodes well for indebted consumers as interest rates rise, and particularly whenever the next recession comes along.

By nearly all measures, the risk of imminent recession remains low. But with interest rates and commodity prices firming, the peak in easy monetary policy behind us, fiscal deficits already at very high levels, unemployment already low...and disinflation gone (for now at least), we are in a spot that could fairly be described as “as good as it gets.” With stocks, real estate and credit spreads all priced close to perfection, we continue to feel that a considerable level of caution is warranted.

The Personals

My daughter Ashley moved to Cleveland, Ohio nearly three years ago, to pursue a Masters of Science degree at Case-Western Reserve University. This is a continuation of her small-world tour of the US; when her mother moved to South Carolina a decade ago, Ashley landed near Charleston, one of the few cities, outside the Southwest, in which relatives of mine reside. And although we have no other family in Cleveland today, it's the town of my mother's birth.

After successfully completing her Master's last summer, Ashley decided to stay in Cleveland and seek employment in the dental field, as she pursues her goal of dental school and a career in dentistry. A lack of industry experience added challenge to the pursuit, but before too long she landed a position as an assistant in an orthodontic practice in town, and just a couple months later found herself managing the clinical department for the practice. She loves it.

Over the last couple years, Ashley's progression to autonomous adult went something like this...three weeks in bartending school, a job as a server in a restaurant, money of her own, rejection of the living-with-roommates model, a two-bedroom apartment of her own, the job in orthodontics, and a cat of her own. My first grand cat. Xiomara. Xo, "Zo" for short.

Last month, I traveled to Cleveland for a long weekend visit. Even though it was late March, the potential for bad weather was high. We lucked out though...it was a little cold one day and a little wet another, but never altogether unpleasant. And we had a great visit. Ashley picked me up at the airport, and on the way to her apartment we stopped at a pub for some food and drink, where I had the pleasure of meeting her good friend Tam. Over the course of the next few days, we visited Ashley's work, the Rock & Roll Hall of Fame, and Quicken Loans Arena to take in a Cavs-Mavs game, up close and personal.

No surprise, Ashley made me super comfortable in her home. And, taking after her mother, my grand-cat "Xo" is the sweetest and most affectionate cat I've ever met. Of course I'm biased...she's a Goldman!

Here was the surreal thing...over the course of four days, I never drove the car or worried about directions. Ashley handled logistics, gave up her bedroom to her old man, insisted on taking me out to a wonderful dinner at her favorite restaurant downtown on Saturday night, ordered the Indian food delivery on our one night in, and of course made sure we were well equipped for our morning coffee throughout. It was the unequivocal realization of my daughter's ascension to full-on adult status. Another signpost along the river of time!

THANK YOU!

...to the following clients and colleagues for showing your confidence in me by referring your friends, family members, associates and clients to me during the last three months…

Steven Lee,
Brian Hernandez
&
Robert Zeeman

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