



CLEAR PERSPECTIVES
FINANCIAL PLANNING, LLC



QUARTERLY UPDATE

January 2018

Happy New Year! We hope you enjoyed the holiday season and are meeting 2018 with renewed energy. The flurry of changes brought on by the new tax bill have certainly given the year a fresh face already, and we continue to study all the ways it will affect our clients. We have also included the new 2018 tax summary card for your quick reference throughout the year. If you have any questions about the new tax law or your financial plan, please call or email us anytime.

– Carol Hoffman & Tim Grout

Market Overview

United States: 2017 was defined by a near-perfect combination of steady global growth, low inflation, and accommodative monetary policies. Most notably, this all happened alongside very low price volatility, with the S&P 500 Index experiencing no calendar month of negative returns in 2017. Growth in developed markets like the U.S. and Europe should continue in 2018 but

may decelerate from the current pace. Recession risk likely remains low, bolstered by easy financial conditions and projected increases in federal spending. Labor markets have continued to improve, and the U.S. is at full employment in economic terms. U.S. policy could break positively or negatively in 2018, as possible infrastructure legislation would boost the economy while a breakdown in debt ceiling negotiations before the midterm elections may threaten it.

Interest rates: We expect the Federal Reserve to deliver three rate hikes in 2018, a logical response to tight labor markets and gradual inflation. Current bond prices don't reflect this expectation, however, so expect to see bond prices dip (and yields rise) with each rate increase. As interest rates rise you will see more certificates of deposit in your portfolio in lieu of bonds to improve stability and returns.

International: Global growth is expected to continue in 2018 as the recovery is in full swing and inflation stays low. Corporate earnings have been high across the globe due to strong operations. China will tighten its aggressive use of debt in pursuit of more sustainable long-term growth, but many hope 2017 created enough global momentum to absorb this risk. Italian elections, Brexit developments, and North Korea all represent geopolitical risk to investors.

Index Returns	Q4	YTD
S&P 500	6.1%	19.4%
Russell 2000	3.0%	13.1%
MSCI World	5.5%	22.4%
U.S. Aggregate Bond	0.4%	3.5%

Morningstar index returns through December 31, 2017



When will I get my tax forms?

You can expect to have access to form 1099 by **Friday, February 9** or earlier. Log in to your TD Ameritrade Institutional (TDAI) account to access the forms online. Please allow 5-7 days after that for mail delivery. TDA cautions us that these dates may be subject to change; we will keep you informed if they do. Let us know if you need us to renew your access to TDAI.

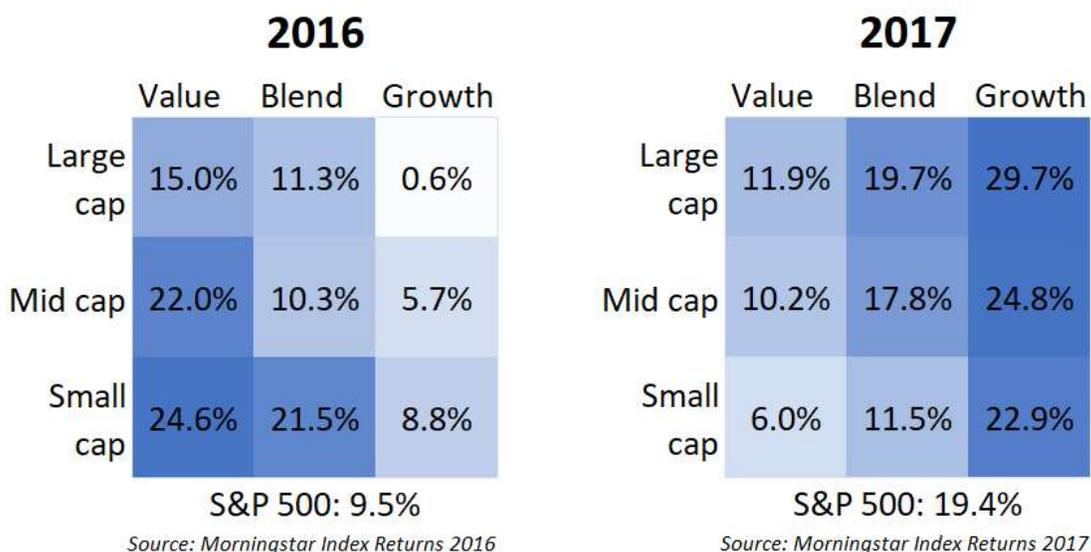
Download 1099 information to your tax software: TD Ameritrade has a feature that allows you to electronically download the 1099 information from your accounts directly to TurboTax, H&R Block, and other tax preparation software. The tax software will ask for your 9-digit TD Ameritrade account number and a 'document id' number. The document id can be found on the upper right-hand corner of your 1099 form(s). The password is the last 4 digits of the primary account holder's SSN.

The Return(s) of Diversification

Big U.S. company stocks have outperformed a well-diversified portfolio for several years now, offering a challenge to investors committed to diversification. Should you still hold different sectors and international companies when S&P 500 stocks have been doing well?

The answer: Stay diversified. The market's recent domestic bias is historically unusual, and your diversified portfolio is designed to weather a variety of different conditions. The last thing you want is to chase the market. The graphs below are an excellent example of how quickly market sectors can go from hot to cold – and vice versa.

At a time of elevated U.S. equity valuations and the market's focus on earnings globally, experts see merit not just with diversification in general, but with a particular focus on international developed and emerging markets.



World stock market performance & selected headlines

2017's steady climb of the MSCI World Index below reminds us that we should view daily events with a long lens and resist making investment decisions based solely on news.



Source: DFA quarterly market review for Q4 2017.

4 Key Changes in the New Tax Bill

Personal Taxes: Most marginal income tax brackets are reduced, the standard deduction is raised to \$12k for individuals and \$24k for married couples filing jointly, and a new cap of \$10k on state and local tax deduction.

Business owners: Several key changes for businesses, including a new 20% deduction for pass-through businesses. Business owners may want to review their current business structure and determine what entity (C-Corp, S-Corp, or LLC) is most tax-efficient and best to help you accumulate retirement assets.

College savings: 529 plans may now be used to fund private elementary and secondary education for up to \$10,000 in distributions per student each year, in addition to college funding like before.

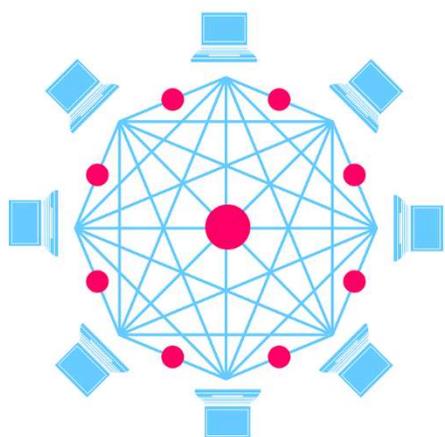
Estate strategies: The estate tax exemption is doubled to \$11.2 million.

Blockchains: The technology behind bitcoin

You may have noticed bitcoin in the news the last few weeks, as the speculative 'cryptocurrency' skyrocketed to a valuation of \$20,000 before falling below \$10,000 again. While we are not nearly ready to recommend bitcoin as part of a diversified portfolio, the technology that makes it possible may have an impact on many larger industries over the next five to ten years.

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Bitcoin is based on blockchain technology, which is an encrypted way to save transactional data across a huge distribution network such as the internet. Imagine the life of a coffee bean: each stage of its production and sale is a block of data. Every moment of the bean's life creates a new block, and each block has a unique marker based on the block that came before it. You could go back in time and try to alter a block (perhaps nefariously), but it would change the marker on every block that followed. Now imagine this bean's blockchain is saved across the internet on thousands of servers and computers – it quickly becomes nearly impossible to alter important data or a timeline of events without the world knowing about it.



This level of transparency and massive data-sharing has obvious uses in a financial context, which is why bitcoin and other cryptocurrencies became its flagship application. What may be more interesting in the coming decade is how blockchain technology will affect broader markets when used for healthcare data, insurance underwriting, supply chain systems and more. As for our well-tracked coffee bean, you may one day soon be able to see it on the shelf labeled as 'fair trade,' and be able to log onto your computer and verify the claim for yourself!

Important information regarding your accounts at TD Ameritrade

January brings a few security enhancements to your accounts at TD Ameritrade.

1. All address, phone, and email changes for your accounts must now be initiated by you. Changes can be made online at www.AdvisorClient.com. If you would like us to make these changes on your behalf, just let us know and we will prepare written instructions for your signature to effect the change.
2. Starting in early February, TD Ameritrade will send you an annual summary of any standing instructions we have on file for cash management of your accounts. Recall that your accounts are electronically linked to your personal checking account to move cash between the two – TD Ameritrade will now confirm these instructions with you annually for added security.

Please contact us with any of your financial questions or needs! Thank you for your continued support.

Carol & Tim and your Clear Perspectives team

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