

February 15, 2018

Dear Fellow Investors,

A friend and I were talking and I mentioned the stock market had increased substantially. She was aware and so happy about the benefit to her retirement plan, but she was worried the market had gone up so much in such a short time.

Most investors know the stock market values move up and down with investor sentiment. It is natural my friend would be concerned about “down” when we have had so much “up”. What does the future hold for all of us who invest? My suggestion to her was to try not to predict which way our investments will go. Perhaps a better way to look at this dilemma is embrace both “ups” and “downs” as two parts of a process. By taking this point of view, the investor is looking at long-term growth in economies all over the world.

My friend is a sharp woman who listened to my opinion, but seemed bored by the idea of investing without jumping in and out of the market. She seemed sure investing at a low and selling at the high point would be more exciting and make more money. Of course, I agreed this strategy would be more exciting, but gambling on the short term seems very different than building wealth for the future.

Investors are by definition working with their own money, so the method they use is their own decision. My objective is to inform and educate, so when a decision is made it is done with all the information the investor needs.

Now my friend is thinking about what she will do with the rapid increase in her wealth. I hope you are thinking about this as well. Last January, I told you I felt optimistic and I still have that positive feeling about the stock market. This is not a prediction of what is to come, it is just my opinion. Let’s talk soon about your plans to ensure your investments are appropriate.

Kindest Regards,

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Enclosures

THE WOODSHED

News and Commentary
From
Woods Financial and Insurance Services

January 31, 2018

Stocks Rise As Investors Look Into the Future Bond Values Drop

According to Yahoo Finance, the **Dow Jones 30 Industrial Average** increased by 17.96% for the year ending December 31, 2017. Bond values, as reported by **Yahoo Finance for the Barclays Aggregate 10 Year Bond Index**, decreased about 1.0% over the same period.

The Stock Market Continues To Please Investors, but Long-Term Trends Are More Important

The stock market continued its gains through 2017 and into 2018. The meteoric rise in stocks is making some investors wonder how far this market could go before it sells-off. All markets move down after a run up; that is known. What is not known is when the up will turn to a down. My recommendation is to look to optimism vs. pessimism as an indicator. Unfortunately, short-term sell-offs are not predictable, so my suggestion only relates to long-term trends. Gambling that the market will go up on the short term is filled with uncertainty and not recommended.

Unemployment - Participation – Substantially Improved

Unemployment, as measured by the Bureau of Labor Statistics (BLS) U-6 report and U-3 was 7.9 percent and 4.1 for December 31, 2017. One year ago, the unemployment rates were substantially worse at 9.5 and 4.8. This improvement is also seen in the December Participation Rate, which has declined slightly to 62.7% from 62.8% one year ago

Stock Market Success Breeds Worries Instead of Excitement

Human Logic or Lack Thereof

2017's stock market results thrilled investors as it increased by 25.08% as reported by Yahoo Finance. There was more excitement when the same market added 5.79% in January, a happy welcome to 2018. You might suspect that all this excitement might cause more optimism, but the opposite seems to be the result. I have heard people say, "Shouldn't I sell some of my investments to take some money off the table?" Well this perspective is perfectly understandable. Perhaps humans naturally feel whatever is "good" will be taken away, so "burying the bone" is in our nature. My point of view is we are not trying to gamble with our hard earned savings. Instead, we are trying to participate in the profit of businesses. Since the sole purpose of any business is to serve society's needs, their success simply means society is getting what it wants, and that is good, right? For some of us the magic of the stock market is hard to understand and more like gambling. The stock market is unpredictable on the short run, but it does represent our progress as humans. Perhaps from this perspective we, as investors, can see real substance to our investments. So, the question of investing in the stock market has to do with optimism versus

pessimism. If a person feels society is heading for a cliff, investing would seem inappropriate. On the other hand, if you feel optimistic, investing is logical. I have never met a person that is one way or the other. Instead it seems like all of us feel both from time to time, and this is why I mix different asset types, like stocks and bonds, to reflect your current point of view. This is why I recommend we meet regularly to adjust your investments so they continue to represent your perspective.

How Many People Use The Stock Market?

In the fourth quarter of 2017 there were several news articles regarding the stock market rise and how only half of the population was benefiting. The implication was clear the stock market was only a rich person's game and the poor need not apply. Reading these articles really made me scratch my head. Of the 500+ clients I advise, most would not consider themselves "fat cats" and all are investing in the stock market.

According to a 2015 report from the Investment Company Institute and Department of Labor, 54 million workers have placed about 25 trillion dollars into corporate retirement plans. In my opinion, most of these plans allow investments in the stock market. Likewise, the plan participants can also opt out of stock market investments if they choose. So, news articles based on the 2015 data state only half of those employed use the stock market, a point hard to argue for or against. The survey company used to report this data surveyed 1000 households to make this conclusion.

The important point to get from all of this is no one is excluded from investing in the stock market. I strongly believe people need to understand more about investing and the use of stocks in their portfolio. There are tens of thousands of investments available to everyone; each one has positive and negative aspects. So, selecting the investment which will suit you is a challenge. 35 years of experience helps me sort out investment companies and find the professionals uniquely qualified to invest your money.