



*Guiding you on the road to retirement...*



# THE HFG NEWSLETTER

FOURTH QUARTER 2018

## INVESTING IS EMOTIONALLY TOUGH AND GOES AGAINST OUR WIRING AND TIDBITS FOR LIVING YOUR BEST LIFE

**Greetings!** Whether you are reading this at the end of the year, or at the beginning of a new year, we hope your blessings continue on and that the new year brings you and you loved ones a fresh start!

Due to the most recent stock market volatility, and its downside movement, we at Harford Financial Group want to provide our clients with some perspective during this holiday season. Think of it as a flu shot that will immunize you from all of the chaos surrounding the industry. It all boils down to this... investing is tough and goes against our wiring!

Our firm constantly monitors, and researches market behavior as we continue to strive to grow as comprehensive financial planners and retirement income experts. While we understand that short-term gyrations in the market are important, we are committed to focusing on your long-term financial goals as well.

As of this writing, the markets have fallen due to a variety of concerns... the potential of rising interest rates, global trade concerns, a possible slowdown of the U.S. and international economies, and

other economic factors. We have experienced two corrections (a drop of 10% or more from a prior peak or market high) this year. On average, corrections occur every 12 to 18 months.

Understandably, these wide market movements have been unsettling to many investors because there were no corrections in 2017. With that said, there are three main financial risks we ask our clients to prepare for when investing. Those are investment risk, inflation risk, and longevity risk. The investment risk is where the “investing is tough and goes against our wiring” comes into play. Stock and bonds are volatile. They can go up (which complements our wiring) and they can go down (which goes against our wiring). The more stocks you are invested in, the more aggressive, and volatile, your portfolio can be. This can be even more unsettling during market downturns when you turn the television on and hear words such as plunge, dive, bloodbath, and rout; all words that are designed to be titillating and hit on our emotions. Remember, the financial press has advertising goals that are far more important to them than making viewers feel confident in their investment decisions!

With that said, when you factor in inflation and longevity risk (on top of the news cycle), you want to be mindful to not be too conservative by keeping your money in cash and savings to avoid that unsettling feeling during a market downturn. While keeping money in cash may provide a feeling of security, it does not factor in inflation. Remember, cash buys far less in the future than it does today.

Daniel Crosby, a psychologist who focuses on investment decision making, believes that our biological wiring as humans is counter intuitive to long-term investing success. Meaning, keeping a long-term perspective is hard, especially after a market downturn where it's easy to think this is going to go on forever. For example, we have had bouts of non-stop rain that feel like they will never end. But we all know that the rain always ends and sunny days come back. Similarly, our mind can often go to the worst-case scenario. During periods of severe market downturns, a natural question is “Can I lose everything?” This is where it is vital to remember possibility and probability.

*(GREETINGS continued on page 2)*



(GREETINGS continued from Page 1)

If one has a diversified portfolio that includes a healthy mix of stocks, bonds, and mutual funds, then the probability of losing everything is extremely low. Our advisors at HFG go to great lengths to design portfolios to be, as we say, like Goldilocks; “not too aggressive nor too conservative”.

What can we do? a) The key is to work with someone to develop a sound long-term investment plan. Our philosophy is to help you through the occasional tough times while staying focused on your long-term goals. b) Develop a reasoned and positive perspective that helps you weather the ups and downs of the investment markets. c) If you remain unsettled, our advisors are happy to look into products that offer more downside protection or move to a more conservative allocation. d) Reach out and call your investment representative. We are here to be your “financial coach”. At the end of the day, it is your money, and we will help navigate your investment decisions so you may sleep at night.

Investing is very much like climbing a mountain. There will be challenges but, in the end, the view is amazing!! Live your best life and Happy 2019! Thank you so much for being a part of our lives and letting us be a part of yours.



Adam Freeland  
President

## COMING TO TOWN

### BY BRYCE HARRISON AND PAUL SMETON

The Fall of 2018 has brought about many newsworthy events including midterm elections, uncertainty surrounding the Federal Reserve’s plan for upcoming interest rate hikes, and looming trade discussions with China. Midterm election results afforded welcome news for the markets with an implied 2-year political gridlock. Within days, however, that rally had been dissolved by forces we have seen all year; fears over inflation, potential interest rate hikes and uncertainty surrounding trade terms with China.

The economy remains strong with unemployment rates at all-time lows and corporate earnings growth still over 10%. However, due to the strong economy, the Federal Reserve has steadily raised short-term interest rates. The Federal Reserve has several competing mandates: to maximize employment, tame inflation and moderate long-term interest rates. It is a tenuous balancing act between the three. As the economy grows stronger. The Federal Reserve must raise interest rates to combat inflation. Think of the Federal Reserve like your thermostat at home; the thermostat’s job is to keep the temperature in your home at a comfortable level. With temperatures dropping this time of year, your thermostat must signal the heat to work even harder. It is the same thing with the economy. As the economy grows and “heats up”, the Federal Reserve must raise interest rates to keep growth in check and “cool things off”. They are searching for a sustainable amount of growth. However, if the Fed raises interest rates too quickly, it could send the economy into recession. This last point has been the concern of the markets recently. It is an area we are closely researching and monitoring.

In the first week of December, the “Trade Truce” was announced between the United States and China. There was a run-up in the markets following the announcement of a moratorium on tariffs. However, officials are having trouble explaining what exactly was accomplished. The Chinese trade delegation was suspiciously silent about the details of this agreement, suggesting optimism may have been misplaced.

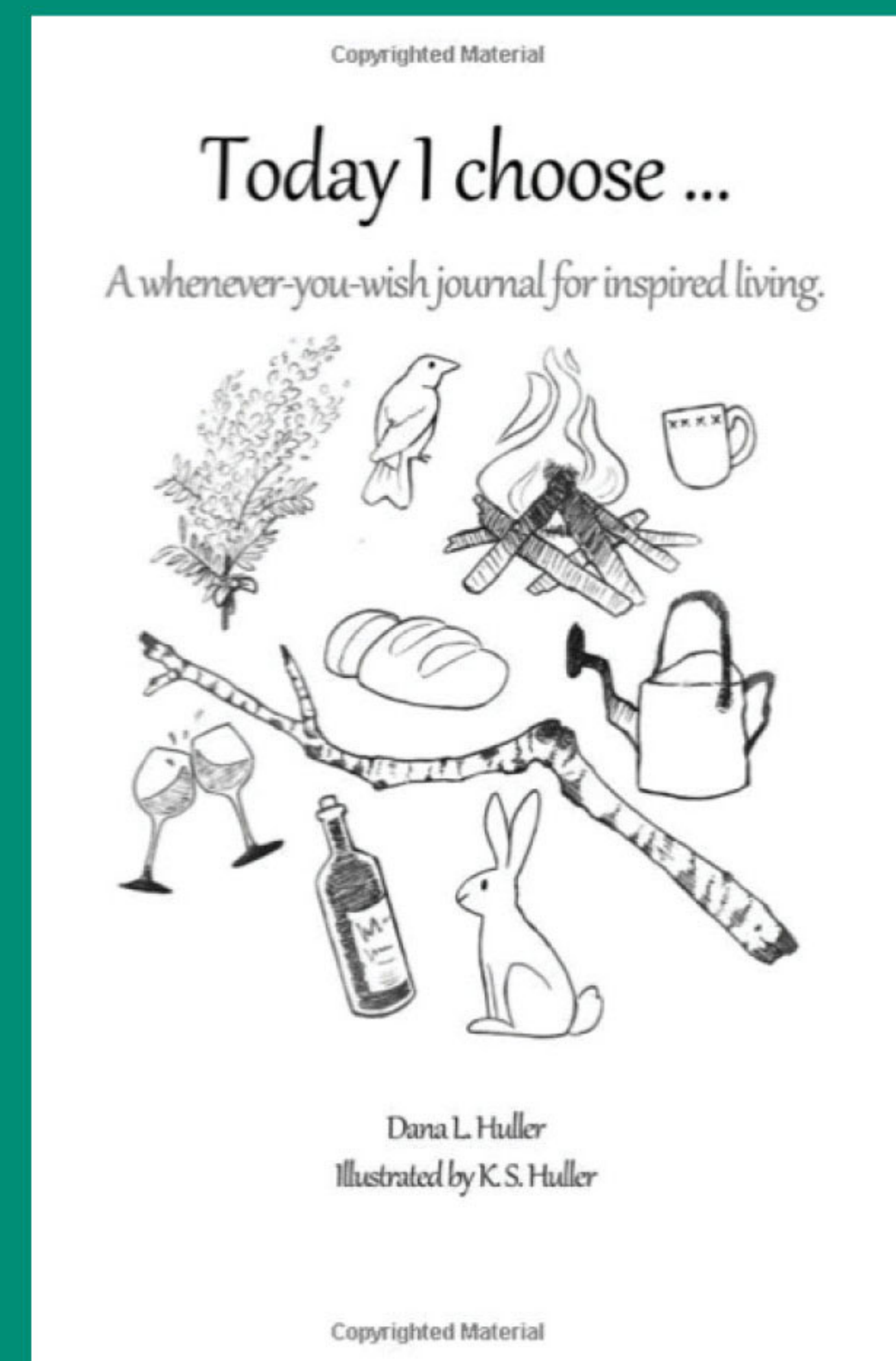
These events have been used over the past few months as reasons for increased volatility in the markets. However, keep in mind that on average a 10% market correction occurs once every 12 to 18 months. 2017 was a historical year with virtually no volatility, making the sell offs this year seem even more unusual and significant. We do not see a recession in the immediate term as the economy is still expected to grow in the 2% range through next year, with unemployment remaining under 4%, and corporate earnings growth is still strong.

The important thing is to not get distracted by what may happen to the markets in the short-term. Worry more about who is Coming to Town in the next few weeks. We remain focused on your long-term success with the ultimate goal of living your best life.



## CLIENT SPOTLIGHT: ANDREW ARMETTA

Andy has been an avid drummer for most of his life, and has played in bands across Maryland since the 1960's (Expressway, Apricot Brandy, Kotton, Exit, and Lucifer to name just a few!) Through the years, Andy has mastered various percussion styles ranging from Rock and Roll to Soul. As the drummer for "Expressway", Andy had the opportunity to open for popular recording bands such as Badfinger, The Edgar Winter Group, Wishbone Ash, Stories, and many more. His impressive musical career has recently landed Andy a spot in the Maryland Entertainers Hall of Fame where he was officially inducted in November! Still playing, Andy is a member of a Harford County based band, "Chubby Hoo Hoo". Congratulations Andy!

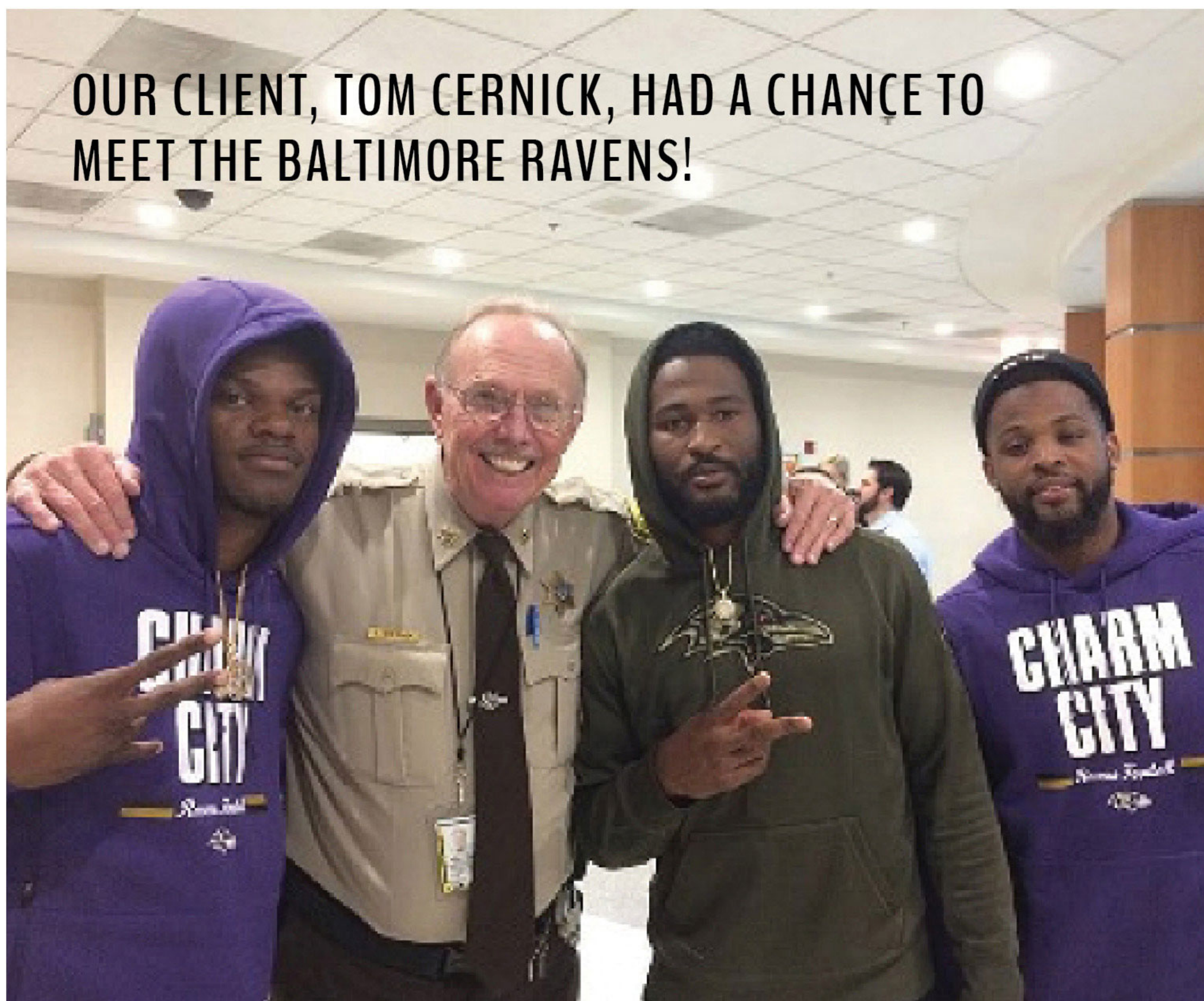


## DANA HULLER

Among many things, Dana values the importance of living your best life and self-care. These values shine through in her recently published book, "Today I Choose... a whenever-you-wish journal for inspiring living", which provides readers with pages upon pages of inspirational pictures, quotations, exercises, and beautiful illustrations by her daughter, Kellie S. Huller. Each page not only offers the reader a chance to reflect, but also to view the world in various perspectives. This book is a true testament to not only Dana's talent, but to her character as well.

Copies of Dana's book can be purchased on Amazon!

## OUR CLIENT, TOM CERNICK, HAD A CHANCE TO MEET THE BALTIMORE RAVENS!







## LEROY AND ANN STOLL

To say Leroy and Anna Stoll have been enjoying their retirement years would be an understatement! Both have become active members in their retirement home communities and they are loving every minute of it. Whether it be writing for their community newspaper, volunteering as a first-grade reading buddy, or running the cameras for their community's cable channel, Leroy and Anna are always on the go and looking for the next opportunity to get involved in a worthy, and fulfilling cause. And if that weren't impressive enough, they have just celebrated their fiftieth wedding anniversary! Congratulations to the newlyweds!

## UPCOMING EVENTS



New and exciting seminars and events are  
in the works for 2019! Keep an eye out  
for an updated list coming soon!

Disclosures:

- Clients included within the newsletter were selected based on recent life events.
- Diversification and asset allocation strategies do not assure profit or protect against loss.
- it is not known whether the listed clients approve or disapprove of Adam Freeland /Melissa Mullan or the advisory services provided.



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