More than Money

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Thank you for allowing me to partner with you in pursuing your financial goals. I'd love you to share this newsletter with friends and family. You can learn more about our approach to investing at my website.

-John

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- Relationship tip— Make an US Resolution
- Weekly Market Commentary from LPL Research (click to be taken to article)
- LPLs 2018 Outlook— PDF version

So, what's next?

Some thoughts on investing in 2018 -

By almost any measurement, 2017 was a really nice year to be an investor in equity markets. In fact it has been the least stressful year to manage portfolios that I can personally remember.

But now that it's over, and the calendar is forcing us to move on, how should we view *and* prepare for 2018? There are a lot of factors that make me optimistic that the market may continue to grow over the coming year. And while I can't predict the final outcome, I feel somewhat comfortable saying this year might be more typical than 2017's has been.

One of the noteworthy features of 2017 was the astonishingly low volatility of the stock market. Through November of 2017, the S&P 500 had a positive gain in every month save for a -0.04% decline in March (according to Standard and Poor's). If I had to guess how 2018 will differ from 2017, I would say there is a good chance we will again see the market return to a more normal amount of volatility.

The good news? Volatility can move the market both ways. The bad news? One of those

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So, What's Next? — continued from page 1

ways is down. In fact, when we do our risk assessment for client/portfolio suitability, downside volatility is one of the primary determinants for how we approach risk. Few people ever get upset about upside volatility.

So, how much volatility is normal? According to Ned Davis research as reported by Tim Mullaney at CNBC, from the years 1900 through 2013 there have been 123 market corrections of at least 10% (roughly one per year) and 32 bear markets (corrections of 20% or more every 3.5 year). I think it is important to remember what normal means. Many of us can only remember two types of markets in the last 10-15 years – raging bull markets and painfully deep market corrections.

And while increased volatility may sound worrisome, it does not mean that over time we won't experience continued improvements in portfolio values. It does mean we may need to be more patient than last year.

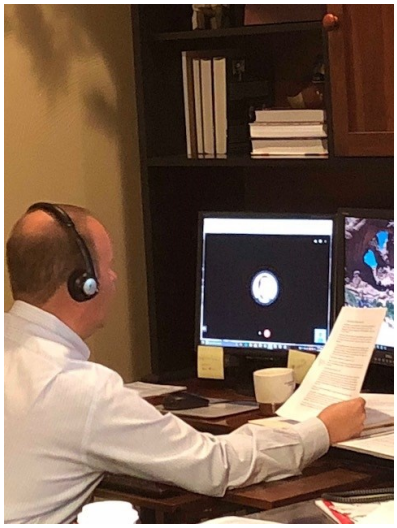
Equities are not the only thing we will be thinking about in 2018. The bond market will also be a possible contributor to portfolio volatility. With the growth in the economy, the Federal Reserve has been increasing interest rates and selling securities back to the market that it bought over the last several years to help boost the economy. The fact that the Fed is taking these actions may point to their confidence in a positive outlook for our economy.

There is a lot to look forward to in 2018. For a deeper dive into LPL's Research thoughts on 2018, we have included a link to the 2018 Outlook video HERE. We also have the text version available in the sidebar links. "Outlook" is LPL's deep dive into the themes and changes they expect to see in this coming year.

Each year brings new challenges and opportunities. Let us know what changes you see coming and how we can partner with you to help make it a great year!

Relationship Tip:

New Year's Resolutions are usually introspective. Rather than a "me" resolution, work on an "US" resolution.



John was recently featured on the Chain of Wealth podcast. Click the photo to listen!

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