

Mark's Commentary

Dear Valued Client's and Friends,

How was the stock market in 2018? Only one word: **u-g-l-y!**

The fourth quarter proved that no matter what kind of investment strategy you used (strategic, quantitative, momentum, tactical, fundamental) everyone got clobbered. I'm sure you would agree that we have not seen this kind of sharp decline in December in recent memory – actually, it was the worst December since 1931! (It was followed by the best January since 1987!) Now, THAT'S volatility!

Remember, December is usually one of the best months in the “favorable” period in which to be invested. Not last year, it was very contrarian! And, 2018 was full of extremely high volatility: **10 big swings of 6% or more including 3 declines of 10% or more!** The usually “unfavorable” period is the second and third quarters of the year, and maybe this year they will once again follow that pattern. 2018 was a contrarian year with the second and third quarters being the “favorable” period, while the first and fourth quarters were the “unfavorable” period. *I can't remember when this last occurred.* Many managers pay some attention to this as one, or part, of the indicators they rely on, but I don't know of any that use it exclusively. It seems many managers were a little optimistic during last December.

Let's just put 2018 behind us and look forward to a much better 2019. In fact, 2019 has already recouped a good portion of the declines from last year – yea! Let's hope it continues.

Opinions are coming in for 2019 and the general consensus seems to be cautiously optimistic with the S&P 500 improving by high single-digit returns, with very little talk of immediate recession. Although there are many areas of the world (economic and political) that cause concerns, most economists, managers and advisors believe our fundamentals are still pretty sound and talk of a recession and/or huge correction are a little premature. But they do expect the high volatility to continue this year.

For those of you who are taking Required Minimum Distributions (RMD) from your IRAs, again this year it might be a good idea to wait until the fourth quarter to take your RMD, *except* if you need it sooner. If you do need it sooner, just let us know.

Also, for those of you who are over 70 ½, taking RMDs and making charitable contributions (church, organizations, etc.), it may save you income taxes if you make your contribution to the charity directly from your IRA custodian. This is called a Qualified Charitable Distribution (QCD) and can be tricky to do, since there are very strict rules to follow. Give us a call so we can explain how to do it the proper way.

Attached to this email are some of the highlights of the 2019 income tax changes. We thought this might help you and your tax preparer get a head-start for the year. Also, many of the custodian/vendors that we use are now in the process of getting the 2018 income tax information - 1099s - out to you. Be patient, as they should be out in the next week or two, if not sooner.

Please remember to contact us if there are any pertinent changes in your lives, such as: changes in emails, your family dynamics, cell phone numbers, beneficiary designations, addresses or changes in your goals or objectives. We certainly want to make sure that your plan is still current.

We will be watching all your investments closely (and researching new ones) to make sure they are still viable investments in times like these and we'll let you know if any changes are warranted. We will begin contacting you soon for your annual reviews to make sure you are still "on target" for the goals you have set forth in your retirement plans. One great year or one bad year does not *make* or *break* your financial future, but staying with your plan does increase your likelihood of success. If you would like your annual review sooner, just give us a call right away.

One of our duties is to monitor your portfolio on a regular basis and do the worrying for you so you can "hibernate" from the market and take that extra time to enjoy life.

And, again, thank you for all the friends and neighbors you have referred to us, which is the sincerest compliment you can give.

We hope you all have a very **Happy, Healthy and Prosperous New Year!**

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