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RE: **Newsletter! February 2018**

Well they say on Wall Street, "as the first week of the year goes, so goes the month, so goes the year"….read more inside.

Here are the stats so far:

Major Stock Indexes	
Dow Jones Industrial Average	+2.00%
S&P 500 Index	+2.20%
NASDAQ Composite Index	+4.90%
Dow Jones Global Index	+1.70%
Russell 1000® Growth Index	+4.25%
Russell 1000® Value Index	+0.33%
	(As of 02/16/2018)
Major Bond Indexes	
Barclays Capital U.S. Government/Credit	-2.25%
Barclays Capital Aggregate Bond	-2.13%
Barclays Capital U.S. Corp Bond	-2.50%
Barclays Capital U.S. Corp Bond Intermediate	-1.53%
	(As of 02/16/2018)
Lipper Fund Indexes	
Large-Cap Growth	+5.41%
Large-Cap Value	+1.19%
Small-Cap Growth	+3.90%
Small-Cap Value	-1.11%
International	+1.76%
	(As of 02/16/2018)

Source: The Wall Street Journal and Barron's

*Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

First, I want to say thank you.

Thank you for sticking with us as we transitioned away from our prior broker-dealer, Raymond James, to become an independent fee-only Advisory Firm. Change is never easy, and we have been running on all cylinders the last two years. Our move to TD Ameritrade was in the works for well over 3 years; as I was at a crossroads; either stay with Raymond James who was more interested in sales or become completely independent. I chose independence.

Let me explain why I made that decision. I probably told you this, but I want to go through it one more time. We decided to move because of the changes we were seeing at Raymond James. New products that we would never use. New hoops to jump through and reports that were hampering our time and pushing us away from our most important work, servicing you. We still have reports to do, and regulators to satisfy, but the volume has declined a bit.

Investment management is not a “doing” type of business, but more of a “thinking” type of business. We run a very simple practice. No fancy products (they usually don’t work), no pushing products for commissions.

To stay away from the new products that we did not want to “sell” you, I made the decision to get away from the “wall street” bias that I saw happening at Raymond James. After 20 years and multiple buyouts, the culture was changing.

So how does this help you? Our goal, our intent, is to be better at managing your investments. With more time saved from all the extra reporting, we can focus better on you. We’ve always looked for ways to improve what we do, and our transition to TD is helping in that endeavor.

Why TD Ameritrade? We looked at Fidelity, Charles Schwab, TD Ameritrade, and a few smaller custodians. My heart would have liked a small custodian, just like Raymond James 23 years ago, but I wanted to be sure I felt our new home would be a safe place for your money. TD Ameritrade seemed to have the best capitalization (cash in the bank). I think we made the right choice. Additionally, we wanted a custodian that would have similar products and costs so that the transition would appear almost seemless.

So after 21 years at RJ, we made a huge change! But really, we didn’t change at all. We didn’t change how we think. So, with the transition now behind us, know that we have been reviewing your accounts and looking to improve wherever we can. We have even initiated some new software over the last three months that will improve how we present information to you. More on that later…..

Thank you again, and we will continue to strive to do our best for all of you.

Investments:

As we step into the new year, the market looks like it may continue its march upward. There is an old saying on Wall Street; “As the first week of the year goes, so goes the month, so goes the year." Of course, the mild correction in early February threw a wrench into it, but with new tax rates and an overall "good" outlook for the economy, these should help the market move forward.

Speaking of the "market," we have been in the "growth" camp for some time, although some of our "value" funds have done exceptionally well in this growth era.

As we are more "value" oriented, performance for most portfolios was less than the S&P 500 over the last couple of years, especially for well diversified accounts. "Value" has been out of favor, but don't be too worried, most of you have some growth in your accounts. Growth is fun when it's moving, but since we try to protect on the downside, that leads us to favor "value" style investments.

So what is a "value" style investment? Value investment managers try to buy stocks at a discount to current value, believing that they will appreciate at some time in the future, usually over the next 3 to 5 years. By buying at what they believe to be a discount, they feel that they are taking less risk and protecting capital. Warren Buffett says he likes to buy stocks when they are "on sale."

Growth managers are different. They don't think much about protecting capital. They tend to buy "at any price" believing that the price of the stocks they purchase will continue to go up and they hope to get out at the right time. I like to call them "gunslingers," what I mean by that, is that you are either good, or you're dead! When growth falls out of favor they can take some really hard losses. Think about the technology market back in 2000….

I think our current situation is like the late 1990's, where growth was in favor and no one wanted value stocks. Then suddenly, growth stocks pulled back and the value stocks shined.

Consider this: from January 1, 2000 through December 31, 2010, the S&P 500 returned +0.41%. That's not even one half of one percent. So, anyone holding the index during that time was not having much fun-over those10 years!

Also, consider the fact that the S&P 500 average from December 31, 1969 through Dec 31, 2017 was 10.54%, which included the 2000 through 2010 drought. These are pretty typical numbers for stock market investments over long periods of time. The S&P 500 index fell in and out of favor over those 48 years. Both "value" and "growth" styles also fell in and out of favor over that time as well.

Bonds have had a tough year so far. They dipped a little in January, and then pulled back this month about 2% as interest rates went up. (see the first page) It will probably be a challenging year for fixed income, but that is why we rely on our bond mutual fund managers. Their job is to make decisions to get us through the ups and downs of the interest rate cycle. More importantly, the bonds they manage provide income and give us some cushion when the stock market stumbles. We still recommend holding onto fixed income investments, even though they will be challenging, we need to keep that balance in our accounts and keep our eyes looking further ahead.

So what do we expect? I think the investment sea will change back towards the value style sometime in the future. When? We don't exactly know. But if you look at history, we have seen that the market ebbs and flows moving from one style to the next. Hopefully our turn will be next. For fixed income, our fixed income managers have abilities to work through the changing rates.

Investing involves risk and you may incur a profit or loss regardless of strategy selected.

Financial Planning:

Taxes:

Under the new tax law, rates have been lowered for most people and most corporations. This should be good for stocks since two things will happen: 1, people have a few more bucks to spend on things that corporations sell. 2, corporations could have higher earnings from lower tax rates and stocks typically move in the direction of their earnings. If earnings are up, stocks are usually up.

You may have received an email from us with a video that explained some of the new tax rules. Hopefully it answered a few questions. Taxes can be confusing and ridiculously complex. If you didn't receive the video, just let us know and we will send you a copy.

Estate Planning:

The new tax rules doubled the estate tax exemption. So now you can hand down over 10 million dollars (20 for couples) with no federal estate tax. Even though most of you may fall under the exemption, it is still a good idea to take out your trust and have it reviewed by an attorney to make sure it will work as planned under the new rules. Many times we get these trusts set up and then stick them in a drawer and forget about them. The laws are always changing so it makes sense to pull them out occasionally and have a professional look at them.

Bitcoin:

You are probably wondering why Bitcoin is not under "Investments." Enough said.

Upcoming events:

Sometime towards the spring or early summer we will be putting together an event to thank you for being a client. I don't have the details yet, as we are considering the venue, date, etc. We will keep you informed.

Personal:

Judy and I did not go on any big trips last year. We like visiting Europe and we usually try to get to the East Coast every other year or so, but we just didn't get any vacation time on the calendar. We did, however, visit Tori up in Fort Bragg Father's Day weekend, and we went to Monterey for the Weathertech IMSA auto race at Laguna Seca. We also flew to Phoenix with some friends for a NASCAR race. Of course, I spent a few weekends on the track at Buttonwillow raceway. So, I think it was a pretty good year for a car guy.

Tori is now the Sous Chef at Albion River Inn where she has been working for the last four years. She plans on working there at least until fall to have lots of Sous Chef time under her belt. As a Dad, when she does move on, I hope she finds work closer to home! Fort Bragg is 8 hours away….. She came up to visit us in December for a few days, so we really enjoyed that time together.

We picked up our new puppy, Fangio, in November, so if I may have seemed a little tired the last few months-It's her fault! I think we have amnesia regarding puppies. They are cute when you pick them up, but you lose a lot of sleep while they get "acclimated." She finally sleeps through the night!

To those of you who have referred your family, friends and business associates to our services, we personally and professionally thank you, for your referrals are the best way for our business to grow.

My family and I thank you for your confidence in us. Please call me if you have any questions or concerns.

Warmest regards,

Laurence E Menna, CFP®
Financial Advisor

**Please note that all indices are unmanaged and are not available for direct investment. An investor who purchases an investment product which attempts to mimic the performance of an index will incur expenses that would reduce returns.*

Dow Jones Industrial Average - Often referred to as the Dow, it is the best known and most widely reported indicator of the stock market's performance. The Dow tracks the price changes of 30 significant industrial stocks traded on the New York Stock Exchange.

The **S&P 500** - is an unmanaged index of 500 widely held stocks that's generally considered representative of the U.S. stock market.

The **NASDAQ -** composite is an unmanaged index of securities traded on the NASDAQ system.

The **Dow Jones Global Index℠** - is a broad yet investable measure of the global stock market. It targets 95% coverage of markets open to foreign investment. The index currently tracks 51 countries, including 25 developed markets and 26 emerging markets.

Russell 1000® Growth Index - The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics.

Russell 1000® Value Index - The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. The Russell 1000 Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.

Barclays Capital US Aggregate - Covers the US investment grade fixed rate bond market and consists of components for government and corporate, mortgage pass through, and asset-backed securities. Must be rated investment grade or higher by at least two of the following: Moody's, S&P, or Fitch, have at least 1 year left to maturity and an outstanding par value of at least $250 million. Security representation would be those that are SEC-registered, taxable, dollar denominated, non-convertible, and fixed rate.

Barclays Capital US Treasury – Intermediate (Total Return) - The index is market value weighted and measures the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than or equal to 1 year and less than 10 years and $250 million or more of outstanding face value. The index has an average maturity of approximately 4 years and is reconstructed monthly. This index reinvests dividends into the index value.

Barclays Capital US Corp Bond – The index covers all publicly issued, fixed rate, nonconvertible, investment grade corporate debt. Issues are rated at least Baa by Moody's Investor Service or BBB by Standard & Poor's.

Barclays Capital US Corp Bond Intermediate – The index covers all publicly issued, fixed rate, nonconvertible, investment grade corporate debt. Issues are rated at least Baa by Moody's Investor Service or BBB by Standard & Poor's with securities in the maturity range (from 1 up to (but not including) 10 years).

Large-Cap Growth Funds – Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) above Lipper's UDSE large-cap floor. Large-cap growth funds typically have an above-average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P 500 Index.

Large-Cap Value Funds – Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) above Lipper's UDSE large-cap floor. Large-cap value funds typically have a below-average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P 500 Index.

Small-Cap Growth Funds – Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) below Lipper's UDSE small-cap ceiling. Small-cap growth funds typically have an above-average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P SmallCap 600 Index.

Small-Cap Value Funds – Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) below Lipper's UDSE small-cap ceiling. Small-cap value funds typically have a below-average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P SmallCap 600 Index.

International Funds – Funds that invest their assets in securities with primary trading markets outside of the United States.