



Wealth Care LLC Monthly Commentary-January 2018

HAPPY NEW YEAR!

Investment Thoughts

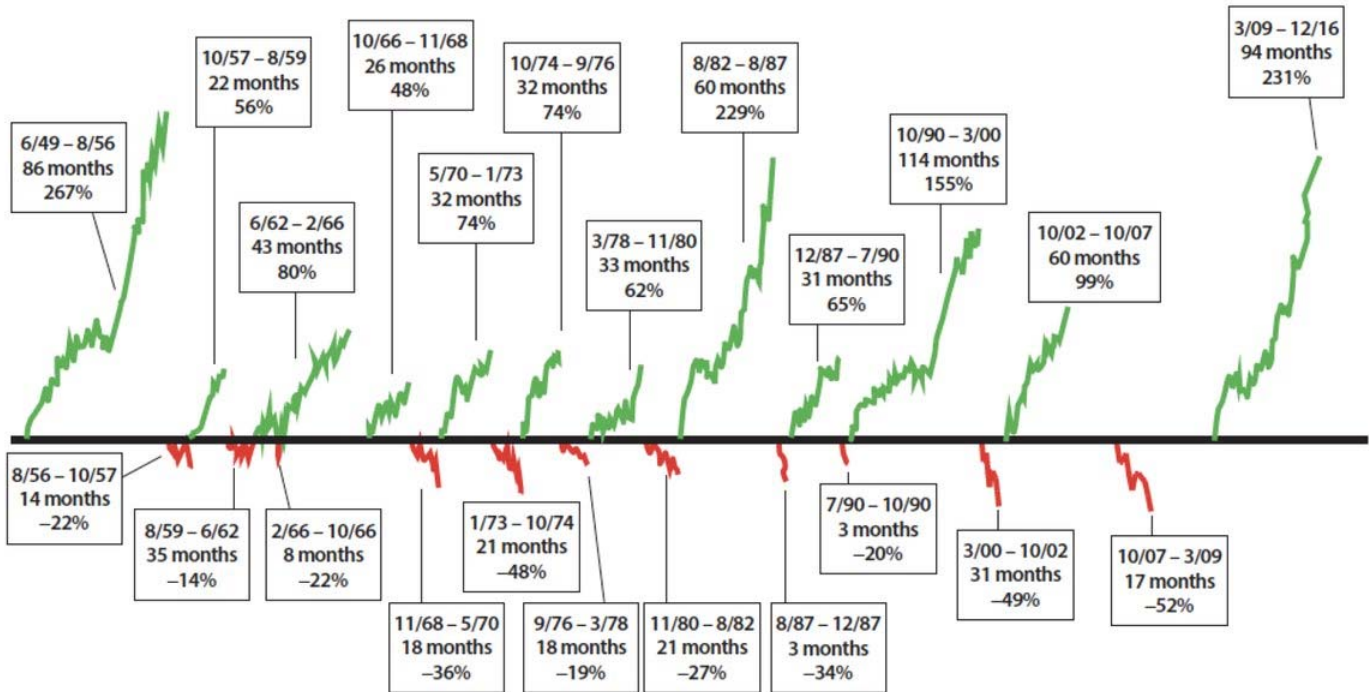
What a great year to be invested in global stocks! It is important to remember what the “pundits” were saying at the end of 2016-nobody predicted what was to come, and if anything, the prevailing sentiment was negative. Here’s a thought experiment, next time you see someone predicting stock market direction with any certainty, look up what they were saying in late 2016.

Here’s a great chart of US stock market returns since 1949. My take home on this is that the market works in cycles up and down, but mostly goes up (see also the second chart below). Note also we’ve had the two worst bear markets since the Great Depression in the last 17 years, yet stock market investments are continuing to be an excellent asset class to own over the long term.

No one knows what the returns will be in 2018. If you see someone predicting this, turn off the TV or radio, or close the article. Enjoy life and let us worry about your investments.



S&P 500 Stock Index 1949-2016



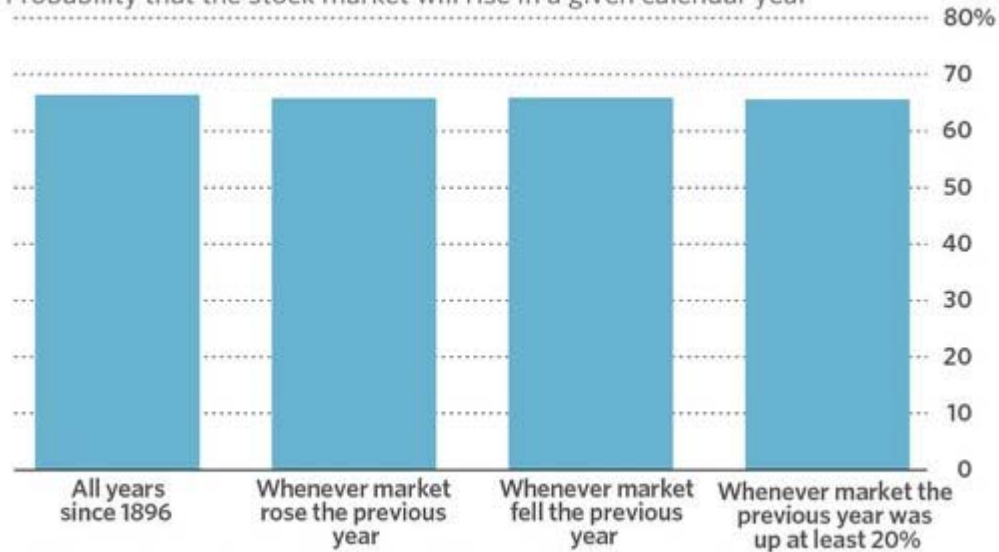


Stocks Go Up Most (But Not All) of the Time

And what stocks did in the prior year doesn't matter:

Past is not prologue

Probability that the stock market will rise in a given calendar year



Data: Reflects Dow Industrials' calendar-year performance since 1897

Source: www.HulbertRatings.com

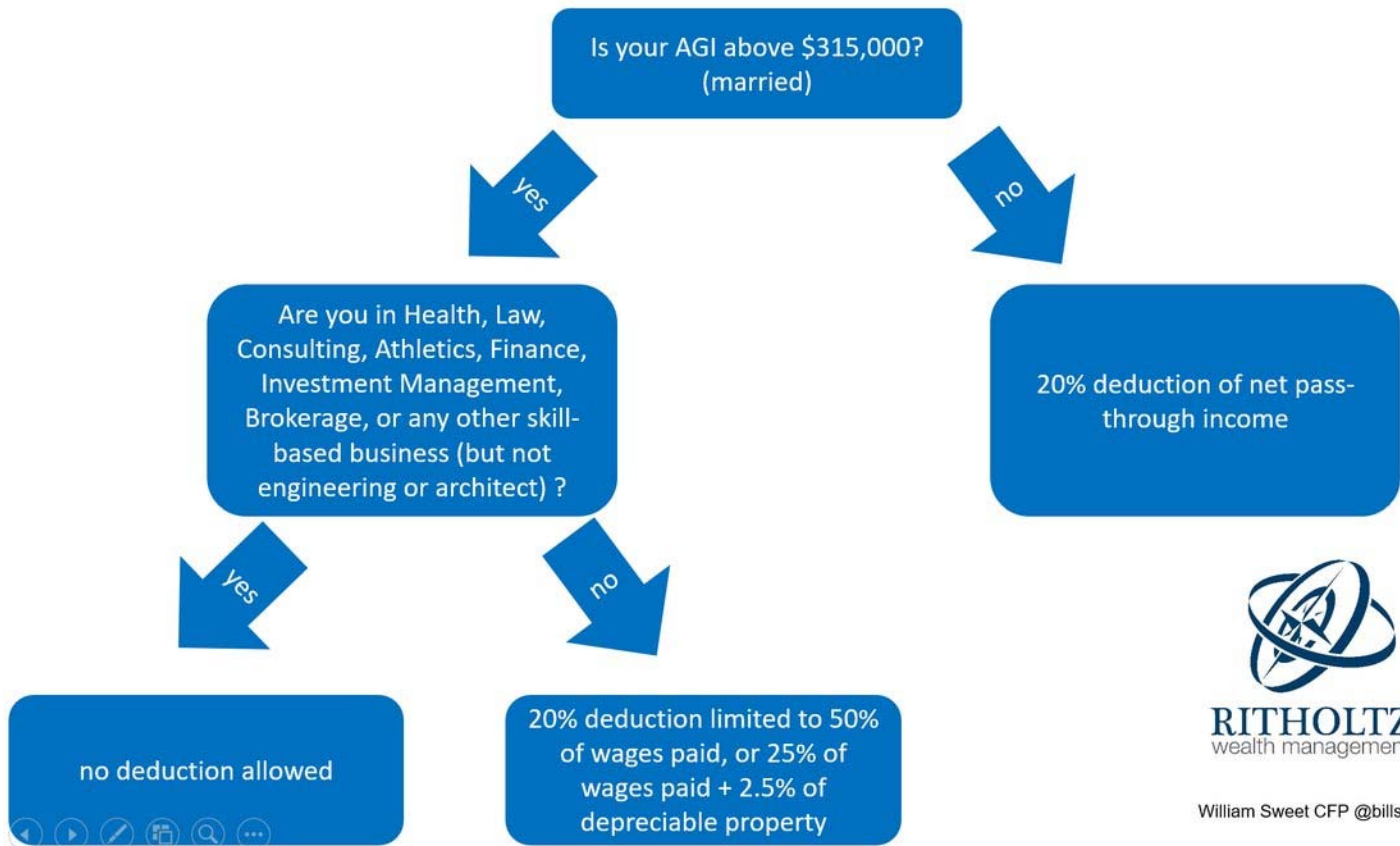
Privacy Notice and Firm Brochure

Just a reminder that you can always find our privacy policy and firm brochure on our web site.



Pass Through Taxation in the New Tax Law

I liked this graphic. It points out that most of us will not be allowed to use the low corporate rates. We'll keep you informed as more interpretations of the law come out.



RITHOLTZ
wealth management

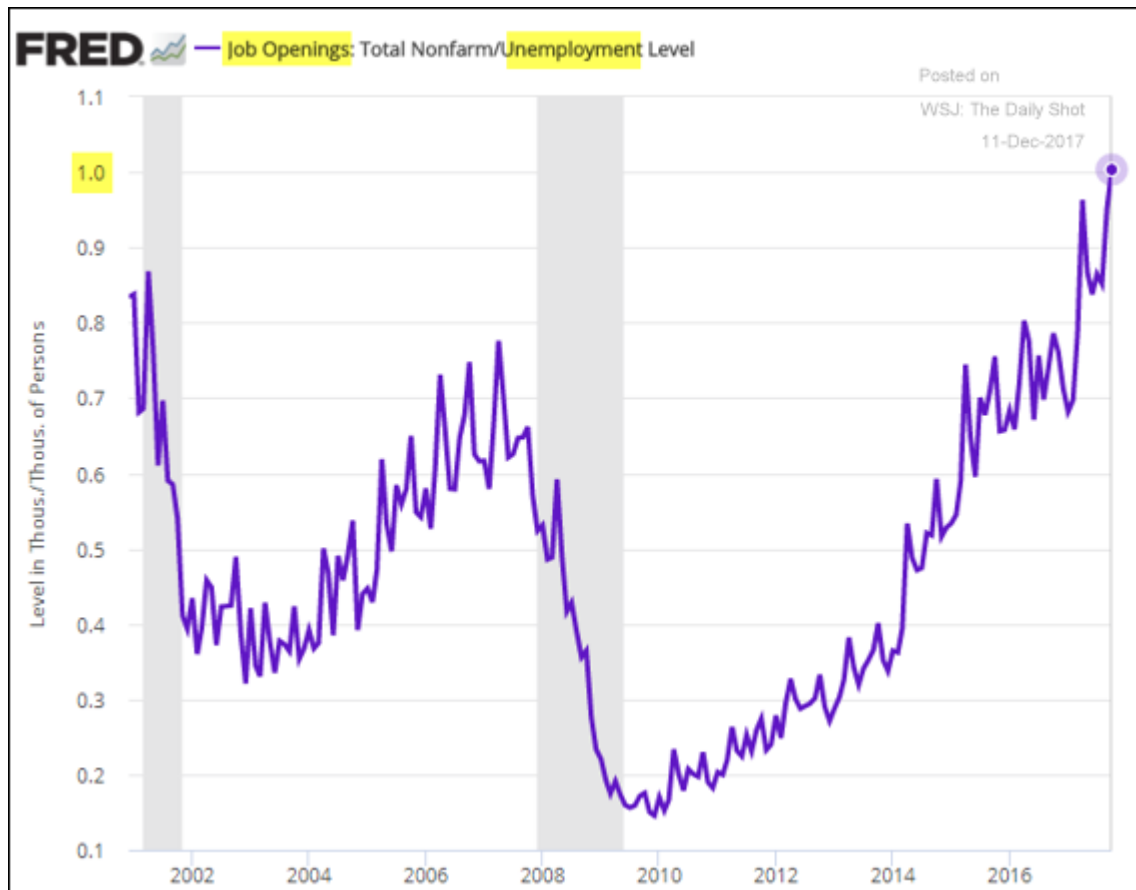
William Sweet CFP @billsweet



Is Inflation Coming?

Typically, we start to see wage inflation when employers begin having trouble finding workers.

The latest reports show that we now have one job opening for every unemployed American. This ratio is at the highest level in decades. See the chart below:



On the other hand, this note in the WSJ notes the deflationary impact of price checking with online shopping:



In a nod to the growing practice, Ms. Yellen said in September that increased competition created by online retailers “may have reduced price margins and restrained the ability of firms to raise prices in response to rising demand.” She said in October that online shopping “could be helping to hold down inflation in a persistent way in many countries.”

Rachel’s Corner:

Until now, 529 Plan assets could only be used tax-free for qualified higher education related expenses. The new tax law changes that. Going forward, you will be able to take tax-free withdrawals of 529 Plan assets to pay for K-12 schooling costs. We typically recommend that money that is earmarked for near-term expenses (five years or less) should be kept in liquid, short-term investments and not exposed to the volatility of the stock market. That being said, using 529 Plans for lower education makes the most sense for parents or grandparents who are able to front load a 529 Plan with a substantial amount of money early on in the beneficiary child's life, or years before the funds would be used for schooling costs. It would also be helpful to take withdrawals when the markets are doing well.

Random Notes

SHRINKING – Detroit was the 5th largest city in the United States in 1950 with 1.9 million people. Detroit is currently the 23rd largest city in the United States with 673,000 people (source: Census Bureau).

GROWING – Phoenix was the 99th largest city in the United States in 1950 with 107,000 people. Phoenix is currently the 5th largest city in the United States with 1.6 million people (source: Census Bureau).

Technology Changes

If you think that Apple, Facebook, Amazon and Netflix are “forever”, take a look at this Forbes cover from only ten years ago. Seen a Nokia cell phone lately??



“Good judgement is usually the result of experience. And experience is frequently the result of bad judgement” -anon



The two most
important days in your
life are the day you are
born, and the day you
find out why.

Mark Twain

Steven Podnos MD, CFP® for Wealth Care LLC 1-1-2018