



Investors Quarterly

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NEW YEAR, NEW AGE!

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What's New With Our Team at American Portfolios Denver

American Portfolios Denver Welcomes Neil Egleston to Our Denver Office

Our team at American Portfolios Denver is proud to officially welcome Neil Egleston as one of the newest additions to our Denver office in Q4 2018. Mr. Egleston is a seasoned wealth management professional who brings a wide range of skills, insight, and experience to our team. Welcome aboard!

Managing Director Kris Tower Concludes Tenure as President of the Colorado Chapter of the Financial Planning Association

The start of 2019 signaled the end of Managing Director Kris Tower's tenure as President of the Colorado chapter of the Financial Planning Association. During his time as President, overall membership increased in size, fundraising increased, and the COFPA budget experienced a surplus. In most, if not all of those three instances, this was the first time these benchmarks were reached in several years.

Continued Expansion and Ongoing Commitment to Excellence

We would like to thank Shane Wissman and John Posey for their work as part of our affiliate advisor team and wish them well as they transition into an new opportunity.

With 2019 comes an exciting fresh perspective that the best days are ahead for our team with American Portfolios Denver. This past year was a rewarding, meaningful experience, and we see this new year as an even greater chance to better serve you moving forward.



How Significant Is Your Next Birthday?

Turning Another Year Older Could Mean a Big Shift In Your Investment Strategy

It's a new year, and of course, that means a new birthday is just around the corner. Whether you're excited to turn another year older or it's a begrudging task to acknowledge, your next birthday may be significant to you as an investor.

There are several key birthday benchmarks that we need to keep in mind as you age, and change your investing strategy accordingly.

Age 21:

This is the minimum age for participating in many 401(k) plans. Other investments may be available that may also fit your long-term financial goals, but for many investors, an employer-matched or employer-sponsored 401k plan is often a great first step towards investing for the future.

Age 50:

Age 50 is when certain retirement accounts allow for a catch-up contribution. If you're participating in a traditional or Roth IRA plan, the annual contribution limit increases from \$5,500 to \$6,500 at age 50. Salary deferral limits for 401k and 403b plans also increase.

Age 55:

If you participate in an HSA (Health Savings Account) at work, you are allowed a catch-up contribution starting the year you turn 55. There are also other exceptions to consider, but I highly recommend consulting with your financial advisor before making changes.

Age 59 1/2:

This is the milestone where many, if not most retirement accounts can be accessed for any reason without incurring an extra 10% tax penalty. Most qualified plans, such as 401(k)'s, 403(b)'s, and profit-sharing plans also allow for withdrawals due to hardship.

Age 60:

If you've lost a spouse, age 60 is when you become eligible to collect survivor's benefits for Social Security as long as your deceased spouse was eligible for Social Security AND you did not remarry prior to age 60.

Age 62:

The month following your 62nd birthday is the first month you become eligible to collect Social Security.

Age 65:

The month in which you turn 65 is when you become eligible for Medicare coverage.

Age 66:

If you turn 66 before Jan. 1st, 2021, age 66 is Full Retirement Age for collecting Social Security.

Age 70 1/2:

Required monthly distributions (RMD's) from qualified accounts must begin the year you turn 70 1/2. Please do not wait until that time to create a distribution strategy. We are here to answer your questions well before that time to reduce your tax liability as much as possible and create a plan that wisely factors in distribution.

2018 Market Wrap-Up and What 2019 May Hold for Investors

The year began with a tremendous amount of optimism. U.S. economic and earnings growth were poised to accelerate, we were in the midst of a synchronized global expansion, interest rates were expected to gradually turn higher but remain near historically low levels, and inflation was low.

Further, business confidence was strong. President Trump was not only rolling out the red carpet to overseas capital, he was promoting the economic benefits of the just-passed tax bill and a more favorable regulatory climate. What could possibly go wrong?

Well, a high degree of optimism breeds euphoria, which can signal a near-term market top. More importantly, when perfection or near perfection gets price into stocks, any disappointment can force a quick shift in sentiment.

Early in the year, Treasury yields turned higher, creating a round of selling that was exacerbated when financial products tied to volatility forced the quickest peak-to-trough correction in S&P 500 history—just nine trading days.

Stiffer headwinds materialized when Trump levied tariffs on steel and aluminum and chose to take on China's unfair trade practices.

As the year wore on, the U.S. economy continued to expand, but the synchronized global expansion morphed into a synchronized global slowdown (minus the U.S. for much of the year).

October lived up to its ghoulish (but undeserved) reputation after Fed Chief Jerome Powell commented (mistakenly, in the view of some) that interest rates were far from neutral. Rising trade tensions with China and communication missteps from Powell following the December Fed meeting ended any chance the major averages would extend their winning streak another year.

As we enter 2019, caution reigns. U.S. economic growth appears to be moderating, profit growth is forecast to slow, trade frictions have yet to dissipate, and late-cycle chatter and the yield curve are on the lips of investors and analysts.

Given the heightened level of uncertainty, the Fed is taking a more cautious stance, bringing into question whether two projected 2019 rate hikes will materialize.

S&P 500 earnings growth accelerated sharply in 2018, peaking at 28.4% year-over-year in Q3. A stronger U.S. economy, higher oil prices (boosting energy profits), and the cut in the corporate tax rate from 35% to 21% were the main factors.

Longer-term, earnings and earnings forecasts are the lifeblood of equities. Last year stocks failed to react. Instead, we saw a compression in P/E multiples.

Heightened uncertainty can factor into the stock market price equation shorter term. And more importantly, many investors saw the surge in earnings as a one-time, unsustainable event.

The new year is upon us and analysts are much more cautious, forecasting single-digit profit growth.

Yet, profit projections more than one or two quarters out can get murky. How will the U.S. and global economy perform?

What will happen to the U.S. dollar versus foreign currencies, and will oil prices recover? All factor into what will happen to earnings.

Given a forward multiple on the S&P 500 that fell below 15 in December, one could argue stocks are reasonably valued, even undervalued with a 10-year Treasury yield below 3%. But pricing in uncertainty is never a simple task. Therefore, it's not unusual for volatility to increase when uncertainty rises. The immediate impact: P/E ratios get a haircut.

A quick glance confirms what we already knew. That said, most of the key averages experienced modest losses last year.

Here's What We Know:

We know that stocks have a consistent, long-term upward bias. We know that stocks don't rise in a straight line. We know down years are inevitable.

We know that a well-diversified investment plan helps reduce volatility. We also know there is tremendous wisdom in connecting with a team of experienced financial professionals, like our team at American Portfolios Denver.

We are excited to step into 2019 and help you better document and track your financial goals to help you towards a brighter future.

One of the best investments you may make in 2019 is to create a written financial strategy that puts a detailed plan in place to reach towards your financial goals. If you haven't taken the time yet to meet with our team, please connect with us to start a conversation.

We take great pride in serving investors along the Front Range, throughout the Rocky Mountain region, across the Midwest, and beyond.

I wish you a great start to your 2019 and a bright, prosperous year ahead. From all of us at American Portfolios Denver, happy new year!

- Kris Tower, Managing Director



Where are you on the road towards your financial goals? Whatever your background or situation, our team is here to serve you.

Start a Conversation

Our team with American Portfolios Denver serves clients across the Rocky Mountain region and beyond through our main office and affiliated advisors. Reach out to our team to start a conversation today about your financial goals.



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