



THE INVESTMENT INSIGHTS

A newsletter brought to you by GGFS

Year in Review

At times momentous and tumultuous, 2017 was the year that never took a break. While major indexes like the S&P 500 rose about 20%, there was a significant performance divergence amongst the various sectors of the market. Cautious investors who believe in risk management and diversification, which includes virtually all of you – our clients, witnessed parts of their portfolios underperform. 2017 started off as a continuation of 2016, in rally mode, which accelerated in the first quarter after President Trump's inauguration. Hope and expectations of significant regulatory, healthcare and tax reform set the stage for the year-long rally. And while hindsight shows a continuous rally, there were plenty of trouble stops for investors to navigate. Rising and at times explosive tensions with North Korea, devastating natural disasters over the summer months, as well as doubts that Republicans would be able to enact meaningful legislative reform.

The most notable landmark was the hard fought passage of tax reform, which has been dubbed the "largest tax cut" in U.S. history. However, like most policy action from Washington, the Tax Cuts and Jobs Act isn't one-size-fits-all. While the reduction of the corporate tax rate from 35% to 21% seems like a boon for businesses overall, it remains to be seen what effects this law will have. On the individual front, the bill is selective in who will directly benefit. Though top line marginal rates will drop, limits on itemized deductions and state and local tax (SALT) deductions may see some households, especially those in higher tax states, pay more. Only time will tell if the \$1.5T in cuts will deliver to the bottom lines of businesses and boost the economy enough to offset the deficit.

Recently, new headlines were also dominated by another "investment", Bitcoin. With its meteoric rise in the past year, as well as many headlines pointing to 'Bitcoin millionaires' more investors are asking about the legitimacy of Bitcoin and other so called cryptocurrencies. We advise our clients to be cautious around this "crypto-craze". Regardless of the prevalent coverage and media interest, the reality of risk management is that it demands you to temper expectations by the level of risk you're willing to take on. Don't let the chance of short term fortune distract you from focusing on your long term retirement goals and the prudent investment strategies that will help you achieve them. In our view, buying Bitcoin or other cryptocurrencies is akin to going to the casino and hoping that your single bet at the roulette table pays off. It might, but the odds are certainly against you.

2018 Outlook

Going forward, we see room for the markets to run, though gains will come from different sectors and industries throughout the year. We should see volatility pickup to a normal and healthy level as a Powell-led Federal Reserve to continue its slow and steady approach to rising interest rates, unless there is a marked uptick in inflation. Generally speaking, we find



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the economic data to be favorable for investing, though having a process in place to manage risk and navigate sectors, industries, and companies remains a top priority. Our Strategic Investment Committee maintains a positive outlook as they expect current economic conditions and market trends to continue for the next few quarters.

Now is the best time to schedule a review with your advisor. Given the recent run up in equities and the change in tax policy, your investment profile or policy may need to be updated to ensure that you're appropriately positioned for the year ahead.

We at GGFS remain positive and upbeat in our outlook and wish you a happy, healthy and prosperous 2018.

Don't Forget

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