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Dear Valued Client,

Last summer, in our Abeles Flurie 2018 Mid-Year Outlook, we “cautioned our client relationships to prepare for the normalization of portfolio volatility with generally positive but more subdued overall portfolio total returns.” However, little did we expect that our clients would have to stomach the gyrations of market movements presented by the 4th quarter and in particular, the month of December.

When the reality of those occasional and albeit vicious doses of market volatility strike, we remind our clients to pause before making rash investment decisions, keep perspective, take stock of the long term objectives, fine tune if necessary and stay patient.

Research data provided by S&P Global reminds us all that the recent market volatility is normal when viewed from a historical perspective. Coming out of 2017 with its unusually calm markets with only 19 days in which the trading day closed up or down 1% and **zero trading days that closed up or down 2%!**

2018 presented a different, more traditional view of market volatility with 63 trading days swinging at least 1% and 19 days of 2% or more. Interestingly, over the last 20 years, trading day swings of 2% or more have occurred on average 20 days per year. The “normalization of portfolio volatility” has returned.

Regarding our outlook for 2019, the current full employment statistics bode well for furthering the positive economic growth trend but the outlook trajectory is bound to ease as worker productivity and employment gains mature causing a corresponding adjustment to corporate earnings and equity (stock) market pricing. The recent volatility is a reflection of this adjustment.

Wells Fargo Investment Institute (WFII) forecasts a favorable environment for corporate earnings driven by business and household spending but at a lower pace than the last few calendar years. However, with this positive outlook as a backdrop, the 2019 yearend target for the S&P 500 is predicted to rise to the 2860-2960 range and WFII expects interest rates to trend modestly up with a target for the ten year Treasury in the 3.25-3.75% range by year end.

As markets ebb and flow unpredictably over short term windows of time, please remember the importance of your customized, long term investment planning roadmap (we reference it as the *Envision*® plan during our reviews). The *Envision* Plan serves as a tool for guiding the diversification and investment strategy for your investment portfolio. The *Envision* process allows us to identify your near and long term goals; whereupon, we can wrap your individual investment strategy around those goals. The *Envision* process serves as the guide to accomplishing your longer term retirement and financial objectives.

Shifting to some planning thoughts for 2019, here are some reminders of significance to keep in mind:

- **Employer Retirement Plans:** 2019 401(k) contribution limits were increased to \$19,000 (\$25,000 for ages 50 and over). Many 401(k) plans permit both pre-tax as well as Roth savings privileges. Tax plan accordingly and check with your tax advisor, the Tax Cuts and Jobs Act of 2017 meaningfully affected tax rates and deductions and your 401(k) plan remains your premier retirement savings and tax deduction tool.
- **IRA's:** 2019 IRA limits were increased as well to \$6000 (\$7000 for ages 50 and over). You may fund an IRA for the 2018 tax year up until tax filing deadline of April 17, 2019. In addition, if you have earned income and are over the age of 70 ½, you continue to qualify (subject to taxable income limitations) to fund a Roth IRA.
- **Charitable Contributions:** IMPORTANT to consider NOW: If you qualify to take required minimum distributions (RMD) and you are charitably inclined (giving to religious and other nonprofit organizations) consider using all or a portion of your RMD to acknowledge your charitable gift *possibly avoiding ordinary income taxes*. Oftentimes in the past, donations to religious organizations were made over the calendar year and the donation was fully deductible. NOW, the new Federal standard deduction levels may impact this traditional charitable donation strategy. Consider funding your religious "tithe" from your RMD.
- **Planning Calculators:** If within 5 years of retirement, ask us about our Social Security calculator (helps you make the decision about when to begin taking your SS benefit) and retirement income dashboard (a model which helps visualize your sources of retirement income).
- One benefit of the market difficulties of the 4th quarter 2018, interest rates declined a bit as investors sold stocks and bought bonds. It is never too late to consider **refinancing** your variable rate debt.
- Education savings in **529s** may now be used towards K-12, undergraduate and graduate school tuition (up to \$10,000 per year per student for K-12 tuition).
- Review life insurance coverage and policies. Investment performance (both stocks and bonds) may have meaningfully impacted the performance of permanent life insurance policies. Call us for some assistance here and we can help you conduct a **life insurance policy review**.
- Make sure your **estate plan** is up to date and coordinated with spouse and communicated to family (will, trust, powers of attorney, advance directives, beneficiaries, storage of financial information and passwords, and of course, funeral plans).

We welcome the opportunity to discuss any questions or concerns you may have related to your *Envision* Plan, investment strategy or any of the items noted above. Our team considers it a privilege to work with you and your family.

We continue to seek opportunities to grow our practice and consider introductions from our clients to be the greatest complement.

Best wishes for good health and happiness in 2019.

Sincerely,

Abeles Flurie Wealth Management Group

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