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We hope this letter finds you doing well and looking forward to another great summer spent with family and friends.

In 2017, we saw our stock market display fairly steady growth throughout the year, wrapping up with significant gains. We have been fortunate, and there have been many positive factors that have helped. Our employment is the highest it's been in the last 18 years, and wages have been rising over the last 4 years as skilled workers become less available. In addition, interest rates are at very low levels, not seen in over 60 years. The interest rate we pay is the cost of money. The lower the rate, the more affordable it is for businesses to produce their goods, and for consumers to buy them. As companies become profitable, dividends may be paid to shareholders (like you), which can attract more investment.

Now, as we enter the 10th year of our stock market recovery, it is far more likely future returns will be more reasonable, rather than the high to double digit returns we have seen in the past. As new money invests in the U.S. stock market, buying higher priced shares, the return on the investments are likely to be lower. This has been the great challenge that your investment portfolio managers have been facing. When they sell shares at high prices, it is difficult to find good, undervalued companies to reinvest the gains. As such, our managers, which are the best we have found, are constantly looking for drops in the market, so they can purchase their targeted companies at a discount.

Due to these changing elements, we are making a couple of adjustments to our 2018 portfolios. First, we will be using some of the strong gains in the U.S. stock market rally to expand our foreign investments about 5%. Over the next 10 years, market analysts project our U.S. stock market growth to be between 3-5%, given the highly valued state it is in now. However, foreign market projected growth ranges between 6-8%, due to the price paid for those investments generally being cheaper than in our domestic markets. Thus, we find it prudent to use some of our strong gains, to diversify a little into the global market with higher projected 10 year returns. We will also be investing in more short-term fixed income investments to take advantage of the rising interest rates.

This year, we have certainly seen more volatility than in 2017, so what has been happening with our current market? A large factor is due to the global tariff posturing. A tariff is a tax imposed on a particular class of imports and exports. Tariffs can increase the prices of certain goods. As different countries impose different tariffs, it can affect consumer demand and employment, which in turn will have an effect on the profitability of certain companies. These unknown changes create greater volatility in the stock market, until the ultimate outcomes are known and can be calculated.

While it is natural to focus on our client's investment returns, it is equally important that we look at our client's debts. Our current U.S. economic prosperity may provide an opportunity to develop a plan to pay down or pay off debts, thus increasing retained monthly income. In addition to seeing your money grow, watching your debt shrink, provides great peace of mind. If this is an area you are interested in having a discussion, we can help.

Please give us a call if you wish to review your portfolio or discuss any goals that may have changed.

A blue ink signature of Richard G. Clifford, written in a cursive style.

Richard G. Clifford

A blue ink signature of Robert J. Clifford, written in a cursive style.

Robert J. Clifford

A blue ink signature of Douglas C. Johnson, written in a cursive style.

Douglas C. Johnson

A blue ink signature of Joe Van Ausdle, written in a cursive style.

Joe Van Ausdle

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