FINANCIAL SYNERGIES®
ASSET MANAGEMENT

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INSIDE THIS ISSUE

Money Janitor

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We have all heard that money can't buy happiness. But, what is it that money can do? Specifically, what is that magic net worth number that would be enough to let you exhale, but not so much that it created its own set of problems? How much do you need to be happy? I don't pretend to know the answer to these questions, but over the years, I have pointed clients in the direction of their own answers. There have also been some studies that have attempted to provide some guidance, too.

According to a study of the super-rich, there are three types of wealth. Robert Kenny, formerly with the Boston Center on Wealth and Philanthropy, concluded from his study that the three types are:

1. Those who are still in the hunt and focusing on making more money;

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2. The post-liquidity crowd who have sold a business and are adjusting to a new life and;

3. Those who have inherited from their parents, grandparents or great grandparents.

"For the first group, for better or worse, happiness is often tied to the act of making money. For the latter two, achieving a sense of well-being is more complicated." For group 2 and 3 above, my experience over the last 35 years has been that there usually comes a time when they realize they are not going to spend what they have accumulated by the time they die. This realization typically causes these two groups to ask what they want to do with this money and, by extension, what to do with themselves.

My recommendation is to think of money as something that can create a result that is important to you rather than non-stop accumulation of bigger and bigger numbers on a page. This can be harder than you might expect. Buying things works initially because there is a certain euphoria associated with buying new things. For people that have come from a life of scarcity, buying what they always wanted is very fulfilling… for a time. But what frequently happens is they end up spending more and more time taking care of those things and, as advisor Robert Frank has said, "becoming a janitor to the stuff."

So, here is my advice for the New Year and beyond:

- Go buy stuff, just don't become caretaker to all your stuff.
- Find a passion that you can put your money behind and make that passion happen, either in this life or after.
- Don't waste a minute of time worrying how much wealth someone else has. There will always be someone with more money than you and someone else with more money than them.

Mark Twain said of money, "Where I was brought up we never talked about money because there was never enough to furnish a conversation." Whether you had the same childhood experience as Mr. Twain or not, matters little. What matters is where you are right now. Life is finite-no one has set aside enough money to buy themselves out of the human condition.

What is the magic amount of money to make you happy? Maybe you already have it. Exhale.

Financial Synergies Online Tools

We wanted to remind you that we have a variety of online tools available to you. If you are interesting in using any of the below, give us a call and we will get you setup!

- **Financial Synergies Client Portal** provides performance information, account information, and E-Delivery of Statements and Newsletters.
- **Wealth360** is a place where you can go to look at your total financial picture, review your financial plan, and store important documents.
- **Financial Synergies Website** (www.finsyn.com) has a wealth of information including our policies, methodologies, educational videos, newsletter archive, and our blog which is published weekly.
- **Weekly Newsletter** which allows you to read our original content and important and relevant articles from other major publications, such as the *Wall Street Journal*

Biff Tannen and 2018 Market Predictions

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It's a brand new year, and that means champagne, Auld Lang Syne, weight loss resolutions, and lots of predictions. I Googled "2018 predictions," and I got 78,900,000 results in 0.49 seconds.

I'm always fascinated by the confidence implied by the predictions I read at this time of year. MarketWatch columnist Jeff Reeves offers 18 predictions for 2018, including a 9% increase in the S&P 500, a rebound for big oil, and a short-term "crash" in Bitcoin. Gallup News posted their predictions with polling results. Although 79% of Americans believe 2018 will be a "troubled year with much international discord," 52% expect a year of economic prosperity.

CNN's Crystal Ball proved entertaining. When asked, "What will the Dow Jones end at in 2018?" the prognosticators had quite a range of responses. Joey Jackson, a legal analyst, confidently predicts "28,000 (Enuf said)" while Jeff Yang, an opinion contributor, has a grimmer outlook. "Honestly, I'm just hoping we're all still around at the end of 2018." How's that for depressing?

As a Gen Xer, all these predictions remind me of Biff Tannen, the bully in the classic 1980s Back to the Future trilogy. For anyone who hasn't seen them, the movies chronicle the journeys of Marty McFly (played by Michal J. Fox) as he travels through time in a DeLorean time machine created by the eccentric Dr. Emmett Brown (Christopher Lloyd).

In Back to the Future Part II, the loathsome Biff Tannen acquires a sports almanac containing results of all sporting events from 1950 – 2000. He travels back in time and gives the almanac to his 1955 self, who then uses the almanac to "predict" the outcomes of sporting events for immense financial gain.

If only we had our own almanac of world events for 2018 and beyond. Making predictions about politics, economics, technology, and the markets would be a breeze. However, unless your future self shows up in a time machine, no such almanac exists for us today. So what should our investment approach be as we head into 2018? Two important themes can help guide us:

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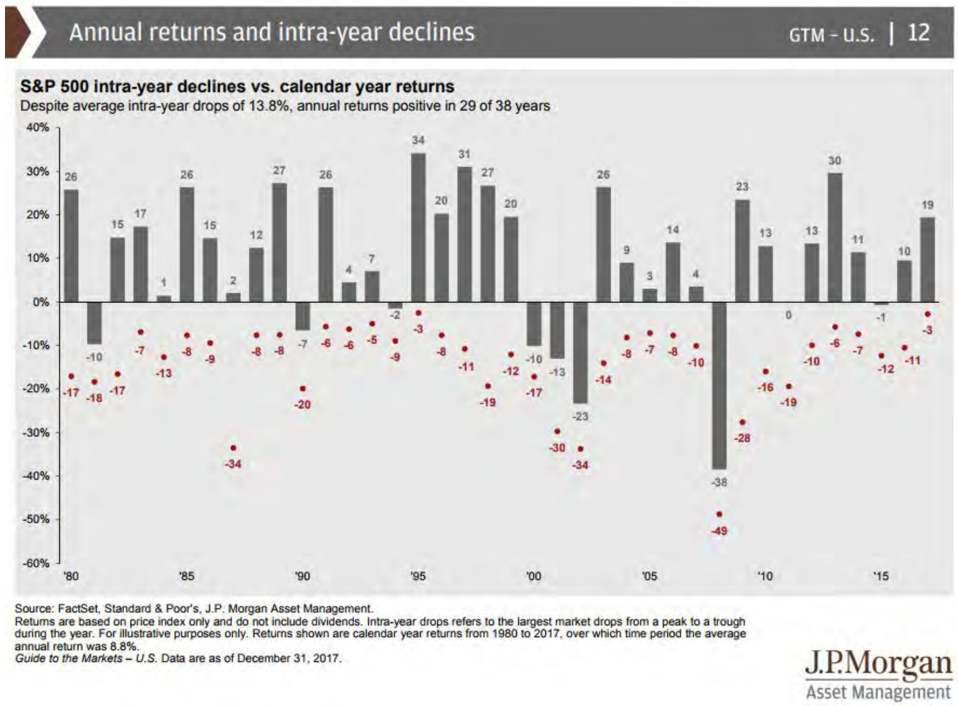
1. Acknowledge that market declines are a normal part of investing, and expect them. JPMorgan's quarterly Guide to the Markets includes a graph which shows the annual returns of the S&P 500 along with its corresponding decline that year. From 1980 through 2017, the S&P 500 has experienced positive returns in 29 of 38 years. But you'll see in the graph below that the market has experienced a decline, represented by a red dot, at some point during each and every year. You may find it interesting that the average decline within any given year is nearly 14%! Knowing that market declines are normal, we should prepare ourselves for them, both psychologically and in how we design our portfolio. Don't let downturns surprise you. While they are unpleasant, they are to be expected.



2. Focus on what you can control. Since we cannot predict the timing, duration or depth of a stock market decline, we should focus on what we can control. In investing, there are really only four things:

- **Risk**: The way we prepare for market declines is by diversifying the portfolio across lots of investments that don't act the same way at the same time. We create that allocation specifically to address the risk tolerance and risk needs of each individual client. More conservative portfolios hold more bonds. More aggressive portfolios hold more stocks. In this way, we can manage the level of risk that we take.

- **Expenses**: Keeping the internal expenses of a portfolio low is a big predictor of future success. We control these fees by using institutional mutual funds and ETFs with very low expense ratios.

- **Taxes**: For clients who have investments in taxable brokerage accounts, we minimize taxes by using ETFs and mutual funds with tax management as part of their mandate. We also take advantage of tax loss harvesting opportunities when they arise.

- **Our Behavior:** Most important of all, controlling our response to the news (including predictions for 2018) is the biggest determinant of investment success. If we allow our emotions to drive investment decisions in reaction to bad news or predictions about future market movements, our well-designed plan is for naught. As advisors, the most valuable thing we do for our clients is helping them avoid making behavioral financial mistakes.

Focus on what you can control, be prepared for inevitable pullbacks, and keep your eye on the long term. If you do those things, you won't need an almanac from the future to prosper in 2018.

2018 Financial Kickoff

WILL GOODSON, CFP® | FINANCIAL ADVISOR

Starting a new year always brings a refreshing feeling. Many of us aspire for self-improvement, whether it be with more exercise, a better diet, or trying to worry less. I've often read that for consistent, long-term success it's best to focus on specific goals. With that in mind, I've put together a short financial to-do list to help get your year off on the right foot.

January

- Review your budget and forecast for the new year: With 2017 in the books, it's a good time to go back and review your spending from last year. Was it in line with your initial projections? What was your average monthly spending? Did you have any large, unexpected expenses? Do you expect any large expenses for 2018? These are important questions to ensure you're on track with your financial plan.

- Update your contributions: The IRS limits for 401k contributions are increasing from $18,000 to $18,500 for 2018. Those over age 50 can contribute up to $24,500. If you're still working and contributing to your 401k, make sure to increase to the new maximum. If you're not already maxing it out, consider increasing your contribution by a few % points.

February

- Start gathering your tax documents: It's never a bad idea to start early with preparing your tax filing. Have your W-2, 1099s, etc. ready to pass along to your CPA. Custodians like Schwab typically send final revised 1099's by the middle-to-end of February.

- Consider consolidation: If you're receiving 1099s from multiple brokerage or savings accounts, consider consolidating them. As you probably know, we're huge advocates of simplifying your financial life!

March

- Make your 2017 IRA contributions: The deadline for making IRA contributions for the previous year is April 17th. You can make annual contributions up to $5,500 to your Traditional or Roth IRAs. Those above age 50 can contribute up to $6,500/year. Note, contributions to Roth IRAs are phased out for high income earners.

- Make your 2017 HSA contributions: If you have a high deductible health plan (HDHP) and utilize a Health Savings Account (HSA), you have until April 17th to make your 2017 contributions. Individuals can contribute up to $3,400 on a pre-tax basis and families can put away up to $6,750. There is also an additional $1,000 catch-up for those over age 50.

Best of luck getting your year off to a good start! Please don't hesitate to contact us if we can help with these or any other financial needs!

As Goes January, So Goes the Year?

MIKE MINTER, CFP®, CFS® | SHAREHOLDER, PORTFOLIO MANAGER

As investors ring in the new year, some may see the occasional headline about the "January Effect," "January Indicator," or "January Barometer."

This theory suggests that the price movement of the S&P 500 during the month of January may signal whether that index will rise or fall during the remainder of the year. In other words, if the return of the S&P 500 in January is negative, this would supposedly foreshadow a fall for the stock market for the remainder of the year, and vice versa if returns in January are positive.

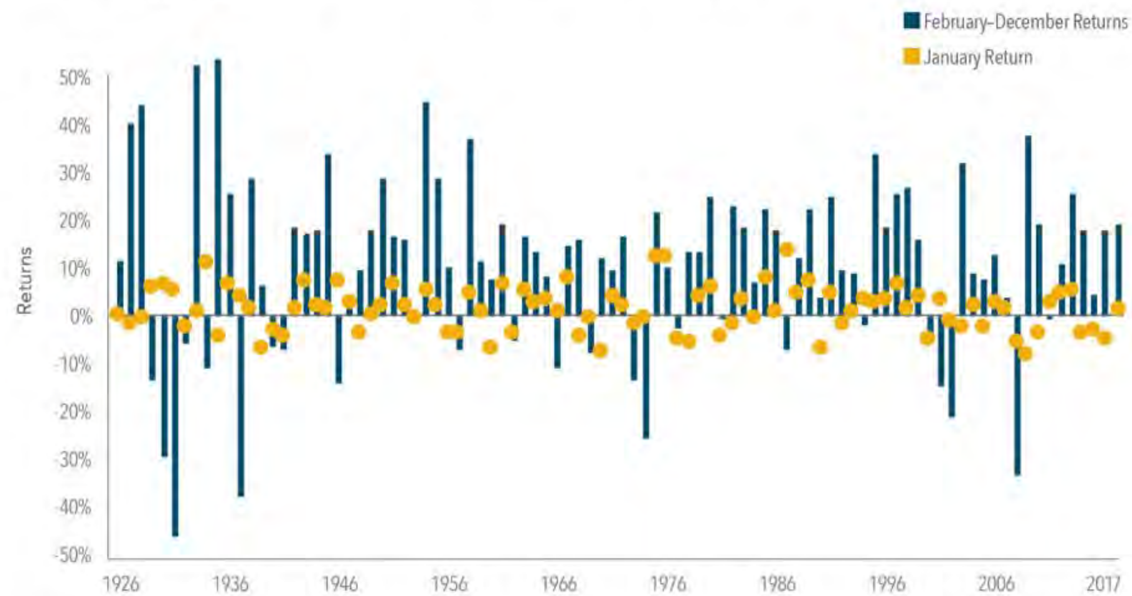
So have past Januarys' S&P 500 returns been a reliable indicator for what the rest of the year has in store? If returns in January are negative, should investors sell stocks?

Exhibit 1 shows the monthly returns of the S&P 500 Index for each January since 1926, compared to the subsequent 11-month return (i.e., the return from February through December). A negative return in January was followed by a positive 11-month return about 60% of the time, with an average return during those 11 months of around 7%.

This data suggests there may be an opportunity cost for abandoning equity markets after a disappointing January.

Take 2016, for example: The return of the S&P 500 during the first two weeks of this year was the worst on record for that period, at -7.93%. Even with positive returns toward the end of the month, the S&P 500 returned -4.96% in January 2016, the ninth-worst January return observed from 1926 to 2017. But a subsequent rebound of 18% from February to December resulted in a total calendar year return of almost 13%.

Exhibit 1. **January Return vs. Subsequent 11-Month Return of the S&P 500 Index**
1926–2017



In US dollars. S&P 500 Index data provided by Standard & Poor's Index Services Group. Past performance is not a guarantee of future results. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

An investor reacting to January's performance by selling out of stocks would have missed out on the gains experienced by investors who stuck with equities for the whole year. This is a good example of the potential negative outcomes that can result from following investment recommendations based on an "indicator."

CONCLUSION

Over the long term, the financial markets have rewarded investors. People expect a positive return on the capital they supply, and historically, the equity and bond markets have provided meaningful growth of wealth. As investors prepare for 2018 and what the year may bring, we should remember that frequent changes to an investment strategy can hurt performance. Rather than trying to beat the market based on hunches, headlines, or indicators, investors who remain disciplined can let markets work for them over time.