



## Trojans, Trump and Tweets by Sandy

I am a USC Trojan alumni and obsessed football fan. When my beloved Trojans won every home game and went on to play in the Rose Bowl, I had to be there. It was the highest scoring game

in Rose Bowl history with USC beating Penn State by scoring ten points in the final 1:21 left in the game. It was stressful, exhausting and it finally came to a conclusion with half the stadium exhilarated and half feeling defeated. This is the same feeling from our presidential election. I was exhausted at what transpired and was dreading each day as to what new bombshell might be revealed until the election was over. Before the election, almost every expert predicted a Clinton win and a stock market crash with a Trump win. Quite the reverse happened and, with disbelief, the stock market rallied. How will a Trump presidency impact our lives, investing and portfolios? It is time to look forward and prepare for changes from a Republican House, Senate and new president. Will we have a Chief of Tweets?

Markets like certainty but changes are coming. Several tax cuts are probable, for corporations and for individuals. One important change

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## Happy New Year from API!

### Bonds by Erin

We began the year with the Federal Reserve predicting four interest rate hikes by the end of 2016. This December the Fed finally raised rates by a quarter of a percent mirroring their first increase exactly one year ago.

The US aggregate bond market was up almost 5% by mid 2016 but ended the year flat as a result of the Fed's move. Raising interest rates can be both a positive and negative for investors. On one hand when rates go up investors can buy new bonds, CDs, etc. with higher interest payments. Conversely, values of existing issues decline when new bonds can be purchased with higher coupon payments.

That said, regardless of price movements while owning bonds, the investor still

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### Market Matters by Carol

The following chart shows the 2016 Stock market returns and the combined benchmark returns for a 60% equity/40% fixed and 50/50 portfolio allocation. The Dow had a remarkable 4<sup>th</sup> quarter run and almost reached 20,000 in 2016 and will likely reach it in 2017. Banks and energy stocks performed the best after the election with utilities and consumer staples lagging. In November, OPEC nations agreed to reduce oil output which sent crude oil prices higher. Overall, the latest US indicators are positive: consumer confidence is up, jobs are still being added and wages are increasing slightly, home sales maintained their pace even as mortgage rates climbed.

	YTD Dec. 2016
60% Equity/40% Fixed	5.5%
50% Equity/50% Fixed	4.3%
Barclays US Agg Bond	-0.2%
S&P	9.5%
DOW	13.4%
NASDAQ	7.5%
iShares (EFA)Foreign	-1.7%

### **Trojans, Trump and Tweets....**by Sandy continued...

involves the foreign earnings of large US corporations when the funds are held abroad. Trump's proposals would let companies like Apple, GE, Microsoft, Pfizer, and Google bring over 2 trillion dollars back to the US with a special tax break. This is called repatriation and it would allow these companies to pay untaxed deferred foreign income to shareholders at a 10% rate instead of the 35% current corporate rate. Companies could bring profits back to the US and pay them out as shareholder dividends. The US Treasury would get an immediate cash infusion from the tax and that could be used for infrastructure. This would be very positive for the corporations and the economy.

As much as the stock market soared when Trump was declared President, the bond market had the opposite effect, dropping 2.75%. Trump is seen as inflationary and there is an assumption interest rates will rise.

### **2017 Contribution Limits** by Carol

2017 retirement plan contributions are the same as 2016:

- \$18,000 for 401K, 403B and 457 if you are under age 50 plus an additional \$6,000 if you are over 50 or \$24,000 total.
- \$5,500 for IRA and Roth IRA contributions under age 50 plus \$1,000 catch-up age 50+ for a total of \$6,500.
- Reminder: you have until April 15, 2017 to make your 2016 contributions.
- TD Ameritrade and Schwab will send out the 2016 1099s by the end of February.

### **Portal** by Samantha

We are excited to announce that we now have a secure portal to transmit sensitive information to and from our clients. We will use this portal to send reports and documents electronically with sensitive information including full account numbers, social security numbers, etc. Each client portal is individual and you will be required to set up a log in to receive and send documents. In order to set up the portal and receive your documents, you will be sent an email with a link to your portal site. You will need to click on the link or copy and paste the web address in to your browser.

If you are interested in receiving your quarterly statements electronically through the portal please contact me at [sjg@assetplanninginc.com](mailto:sjg@assetplanninginc.com) or Melani at [melani@assetplanninginc.com](mailto:melani@assetplanninginc.com) and we would be glad to set you up on the portal.

### **API News**

We are elated to announce that Samantha passed her CERTIFIED FINANCIAL PLANNER™ exam! We would like to congratulate her on this huge accomplishment as well as acknowledge all of the hard work she put into studying for this exam. We now have four CERTIFIED FINANCIAL PLANNERS™ in the office to help with your financial planning needs.

### **Bonds continued...**by Erin

collects coupon interest payments and can expect to be paid full principal value at maturity.

There has been much speculation about the bond market for the last decade and we have experienced many sell offs in bonds followed by great rallies as investor predictions turn out to be wrong or surprise declines in the stock market cause investors to flee back into the bond market.

Our investment strategy in buying individual bonds and/or bond funds will continue and has always been to safe guard against interest rate risk by laddering and managing duration. Bonds still play an important role in portfolios providing cash flow and risk management when stock markets go south. Abandoning well thought out investment plans during times of short term market turbulence never ends well and this time is no exception.

*"The Pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty."*  
- Winston Churchill