

QUARTERLY PORTFOLIO REVIEW

December 31, 2017

A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty.
Winston Churchill

Year in Review

- The S&P 500 stock index has gained an average of +10.1% per year (total return) over the last 50 years (i.e., the years 1968-2017)
- The yield on the 10-year Treasury-note ended 2017 at 2.41%, just 0.03 percentage points lower than the 2.44% it finished at as of 12/31/16. The yield on the 10-year note was 2.57% on 8/05/11, the day S&P downgraded the USA's top-rating that it had held for 70 years (source: Treasury Department).
- The average interest rate nationwide on a 30-year fixed rate mortgage was 3.99% at the end of 2017. The record low national average was 3.31% as of 11/22/12 or just over 5 years ago (source: Freddie Mac).
- The national debt of the United States was \$20.493 trillion as of Thursday 12/28/17, an increase of \$11.4 trillion (from \$9.121 trillion) since 12/28/07 or 10 years ago (source: Treasury Department).

BENCHMARK CENTRAL 2017 YEAR END

Citi World Gov't Bond Index 3-7 Yr. Hedged	1.62%
Russell 2000 (US Small Cap index)	13.14%
S&P 500 (US Large Cap index)	19.42%
Wilshire 5000 (US Total Market index)	18.65%
MSCI EAFE (International Stock index)	21.78%

TRUMP SIGNS TAX CUT & JOBS ACT

On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act. It cuts the corporate tax rate from 35 percent to 21 percent beginning in 2018. The top individual tax rate will drop to 37 percent. It cuts income tax rates, doubles the standard deduction, and eliminates personal exemptions. The corporate cuts are permanent, while the individual changes expire at the end of 2025.

Here's a summary of how the Act changes income taxes, deductions for child and elder care, and business taxes.

- The Act keeps the seven income tax brackets but lowers tax rates. Employees will see changes reflected in their withholding in February 2018 paychecks.
- It doubles the standard deduction to \$12,000 for single and \$24,000 for joint.
- It eliminates personal exemptions.
- Taxpayers can deduct up to \$10,000 in state and local taxes.
- It limits the deduction on mortgage interest to the first \$750,000 of the loan.
- The Act doubles the estate tax exemption to \$11.2 million for singles and \$22.4 million for couples.
- The Act increases the Child Tax Credit from \$1,000 to \$2,000.

QUARTERLY CLIENT WEBINAR

Date: Wednesday, January 24th, Starting time: 12:30 pm, Eastern Daylight Time

Meeting Number: 199 223 865

Website link: <https://meetings.webex.com/collabs/#/meetings/detail?uuiid=M2KJQ17E3U7P2YPW8FHCK6ET88-5MWV&rnd=264793.50467>

To join the teleconference only: US TOLL: +1-415-655-0001 Access code: 199 223 865

If you cannot join us for this important webinar, we will post a recording of the entire presentation on our website at www.afadvisors.com.