DeBoer Financial Group
Retirement and Estate Specialists

Financial *focus*

First Quarter, 2019

Message from Jeffrey DeBoer, ChFC®

We hope that you and your family had a wonderful holiday season. From our family to yours, we wish all of you the very best wishes in this new year!

In this issue of *Financial Focus,* on Page 3, you will find our Quarterly Economic Update where we review 2018 results and our 2019 outlook. On Page 2, enjoy an update from our 2018 Holiday Open House celebration that benefited two wonderful organizations.

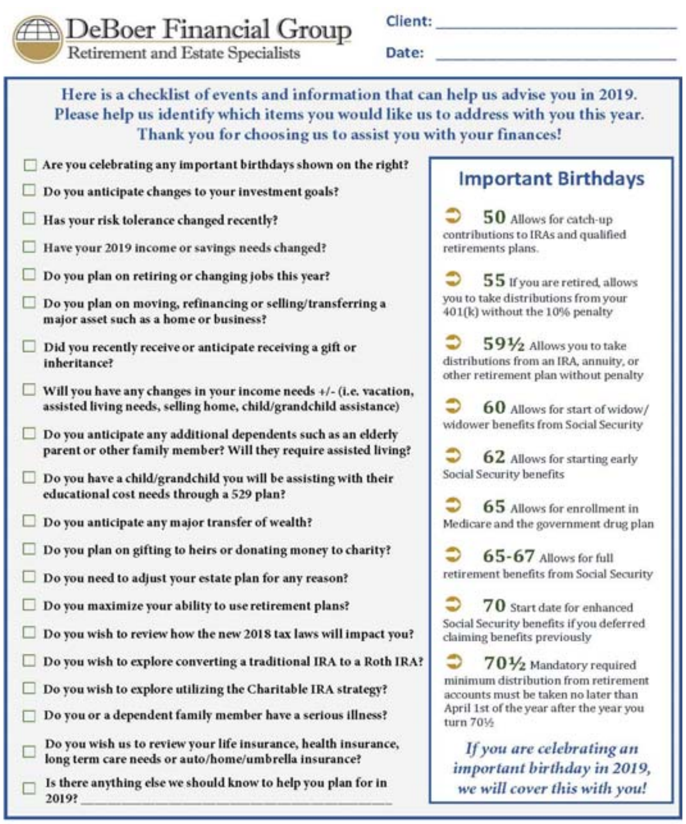
As we all know, 2018 was a challenging year in the financial world! We started the year with significant tax law changes, threw in some *"made for television"* drama back in Washington, D.C., and ended the year with a lot of volatility and downturn in the stock market.

As always, our primary goal this year is to continue our tradition of helping our clients achieve your own personal financial goals. We take pride in our ability to understand and effectively respond to our clients' needs and concerns and enjoy providing information and holistic service to our clients. One of our top objectives is to always offer our clients a "first-class" experience and to keep you well informed.

I have enclosed our *"Key Financial Data"* update for 2019. I encourage you to keep this helpful guide to reference throughout the year. If you are not a client and would like this guide, please contact our office.

I have also enclosed a checklist for 2019 that I ask you to please complete and bring with you to our next client review meeting. This will help us do the best job for you that we possibly can!

Thank you so much for giving us the opportunity to assist you with your financial goals and dreams. We look forward to a great year together!



DeBoer Financial Group
Retirement and Estate Specialists

Client: ______________________

Date: ______________________

**Here is a checklist of events and information that can help us advise you in 2019.
Please help us identify which items you would like us to address with you this year.
Thank you for choosing us to assist you with your finances!**

- ☐ Are you celebrating any important birthdays shown on the right?
- ☐ Do you anticipate changes to your investment goals?
- ☐ Has your risk tolerance changed recently?
- ☐ Have your 2019 income or savings needs changed?
- ☐ Do you plan on retiring or changing jobs this year?
- ☐ Do you plan on moving, refinancing or selling/transferring a major asset such as a home or business?
- ☐ Did you recently receive or anticipate receiving a gift or inheritance?
- ☐ Will you have any changes in your income needs +/- (i.e. vacation, assisted living needs, selling home, child/grandchild assistance)
- ☐ Do you anticipate any additional dependents such as an elderly parent or other family member? Will they require assisted living?
- ☐ Do you have a child/grandchild you will be assisting with their educational cost needs through a 529 plan?
- ☐ Do you anticipate any major transfer of wealth?
- ☐ Do you plan on gifting to heirs or donating money to charity?
- ☐ Do you need to adjust your estate plan for any reason?
- ☐ Do you maximize your ability to use retirement plans?
- ☐ Do you wish to review how the new 2018 tax laws will impact you?
- ☐ Do you wish to explore converting a traditional IRA to a Roth IRA?
- ☐ Do you wish to explore utilizing the Charitable IRA strategy?
- ☐ Do you or a dependent family member have a serious illness?
- ☐ Do you wish us to review your life insurance, health insurance, long term care needs or auto/home/umbrella insurance?
- ☐ Is there anything else we should know to help you plan for in 2019? ______________________

Important Birthdays

- **50** Allows for catch-up contributions to IRAs and qualified retirements plans.
- **55** If you are retired, allows you to take distributions from your 401(k) without the 10% penalty
- **59½** Allows you to take distributions from an IRA, annuity, or other retirement plan without penalty
- **60** Allows for start of widow/ widower benefits from Social Security
- **62** Allows for starting early Social Security benefits
- **65** Allows for enrollment in Medicare and the government drug plan
- **65-67** Allows for full retirement benefits from Social Security
- **70** Start date for enhanced Social Security benefits if you deferred claiming benefits previously
- **70½** Mandatory required minimum distribution from retirement accounts must be taken no later than April 1st of the year after the year you turn 70½

If you are celebrating an important birthday in 2019, we will cover this with you!

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2018 Holiday Open House Celebration

We loved celebrating the holiday season with so many clients and friends!! We had more than 100 clients and guests join us in early December for our Holiday Open House celebration benefiting ***A Touch of Understanding*** and the ***Aaron Rodgers NorCal Fire Recovery Fund***.

We raised **$6,000 for *A Touch of Understanding (ATOU)*** from your generous donations, sales of raffle envelopes for ten fabulous prize packages and a donation from DeBoer Financial Group. Based in Granite Bay, ***ATOU*** provides disability awareness programs, designed to educate a new generation to understand the challenges associated with disabilities, and to accept and respect all individuals. Since 1996, more than 100,000 children have experienced ***ATOU*** workshops, designed to minimize the discrimination, disrespect, bullying and misunderstanding experienced by children and adults who are perceived as different for any reason, but especially those with disabilities. At our Open House event, some of you were even able to experience first hand what it might feel like to have various types of disabilities, to help gain a little better understanding. We were so excited to be able to partner with our clients in support of this wonderful local organization. You can learn more about ***ATOU*** at ***www.TouchofUnderstanding.org***.

We also accepted donations for the ***North Valley Community Foundation Aaron Rodgers NorCal Fire Recovery Fund***. This fund will support the victims of the Paradise Camp Fire. In addition to meeting fire victims' basic needs, the fund will focus on programs for local children in the Camp Fire area and temporary housing for displaced Paradise residents as they rebuild. I am pleased to share with you that we raised **$3,003** in donations for this much needed cause. DeBoer Financial Group matched every dollar contributed, so our total contributions were **$6,006**. State Farm and Neighborhood of Good also matched every dollar, so your contributions provided **$12,012** for the fire victims.

Thank you so much for joining us to celebrate the holiday season and for your wonderful generosity! We look forward to sharing many more fun and educational events together with you in 2019!!

First Quarter Economic Update

Presented by Jeffrey W. DeBoer

Fourth Quarter Summary

After a long period of respectable returns, many investors who were invested heavily in equities (stocks) during the fourth quarter of 2018, experienced significant losses.

After a strong third quarter, the fourth quarter of 2018 was filled with a great deal of uncertainty, which is the equity market's least favorite scenario.

Interest rate hikes and trade wars caused major concerns. As a result, U.S. equity markets posted their worst October numbers since the financial crisis of 2008. Even though November saw equity markets calm down, much of this quarter's losses came during a disappointing December. In December, all three major U.S. indexes dropped at least 8.7%. The Dow Jones Industrial Average (DJIA or Dow) and S&P 500 also recorded their largest monthly loss since February, 2009.

For the fourth quarter, the S&P 500 and NASDAQ dropped 14% and 17.5%, respectively, their worst quarterly performances since the fourth quarter of 2008. The Dow recorded its worst quarter since the first quarter of 2009, falling nearly 12%.

As bad as the numbers were, they do not fully explain just how crazy and wild a ride December really was for investors. Based on the lowest levels of the S&P 500 on Christmas Eve, the index was down more than 20% from its record high on an intraday basis, briefly meeting the requirement for a bear market. The stock market would then come rising back in the next session, with the Dow finishing over 1,000 points on December 26, its largest ever point gain.

	MONTH	QUARTER	2018
Dow	-8.7%	-11.8%	-5.6%
S&P 500	-9.2%	-14%	-6.2%
Nasdaq	-9.5%	-17.5%	-3.9%

(Source: Barron's 12/31/18)

MONEY RATES
(as posted in Barron's 12/31/2018)

	LATEST WEEK	YR AGO
Fed Funds Rate (Avg. weekly auction -c)	2.36%	1.42%
Bank Money Market -z	0.22%	0.14%
12-month Cert -z	0.88%	0.42%

c- Annualized yields, adjusted for constant maturity, reported by the Fed Reserve on a weekly average basis. z – Bankrate.com (Source: Barron's; bankrate.com)

Many market analysts felt the declines were driven by concerns of an economic slowdown and fears the Federal Reserve might be making a monetary policy mistake. In December, the Fed raised interest rates once again by 0.25%, elevating the U.S. Federal Funds rate range to 2.25% - 2.50%. The Fed has also forecasted additional rate hikes in 2019 and that was not helpful for equity markets.

The continuing concern over ongoing trade negotiations between China and the U.S. also pressured equities this quarter.

While a correction (defined as a drop of over 10%) in equity markets is not uncommon, there was one interesting characteristic of the fourth-quarter market… intraday volatility. During the fourth quarter, the Dow had a record number of sessions with intraday 500+ point swings. That is roughly 2% of the current level of the Dow.

The Dow had five consecutive sessions with 500+ point swings from December 4 to December 11. This unusually high intraday volatility attracted a lot of media attention and it seemed as if the stock market was one of the main discussion topics every night on the news. *(Source: Seeking Alpha 12/2018)*

Key Points	
1.	**The fourth quarter of 2018 finished with poor returns for equity investors.**
2.	**After a quiet 2017, volatility returned to equity markets in a historic way in 2018.**
3.	**The Federal Reserve raised the Fed Fund rate to 2.25 - 2.50% in December and could raise interest rates again in 2019.**
4.	**Key economic indicators are still reasonable.**
5.	**Many analysts suggest 2019 will have positive equity returns.**
6.	**Investors need to still be very cautious and watchful.**

A Review of 2018

After 2017 featured strong equity returns and an environment of very low volatility, 2018 tested the commitment of long-term investors. In 2018, the S&P 500 and Dow fell for the first time in three years, while the NASDAQ broke a six-year winning streak. 2018 was characterized by the return of volatility, record highs and sharp reversals. It also resulted in the first time ever the S&P 500 posted a decline after rising in the first three quarters. It was also the first time since 1978 that the Dow finished out the year negative after rising in the first three quarters.

According to Morningstar Research, results for 2018 "were even worse for those invested in markets outside the United States". The MSCI EAFE Index (an equity index which captures large and mid-cap representation across 21 Developed Markets not including the US and Canada) plunged about 14% in U.S. dollar terms. Morningstar noted that a variety of concerns hurt international markets. These included local political issues and troublesome economic data.

Many other stock markets abroad also posted deeper losses than those in the United States. For example, China's Shanghai Composite entered a bear market in June and declined nearly 25% in 2018. The Shenzhen Composite (which includes many of the country's tech firms) dropped by more than 33% for the year.

A variety of problems affected foreign stocks. Economic growth in the U.S. was much stronger than that of Europe, where the trends that finally had moved in a positive direction reversed course, with growth rates down to near zero or even dipping into negative territory in some countries. Europe's largest market, the United Kingdom, has been stressed by uncertainty over the details of its path to exit the European Union. Political difficulties in Italy and other European countries didn't help matters.

For the past decade, income vehicle returns have been significantly lower than equity returns, and cash equivalents, such as CDs and money markets, paid very little. Although they add less return, low return cash equivalents and income vehicles provided less volatility and stress.

Many investors abandoned diversification and fully allocated into potentially higher returning stocks. This strategy can be advantageous when markets rise, but dangerous when they fall. Sometimes, investors are emotionally driven to change their allocations, but doing so could add additional risk.

After almost a decade of strong equity returns, 2018 was a confusing and difficult year for investors. After the sour year-end close, it's easy to forget that the Dow recorded 15 new highs in 2018, (ahead of the annual average of 11 new highs per year since inception). While the Dow reached more new highs in 2017 (71 in total, more than any year in history), there have been 53 calendar years when the DJIA notched at least 1 new high and 70 when none were recorded. For most investors, 2018 fully tested their commitment and patience. *(Source: Seeking Alpha 12/2018)*

2019 Outlook

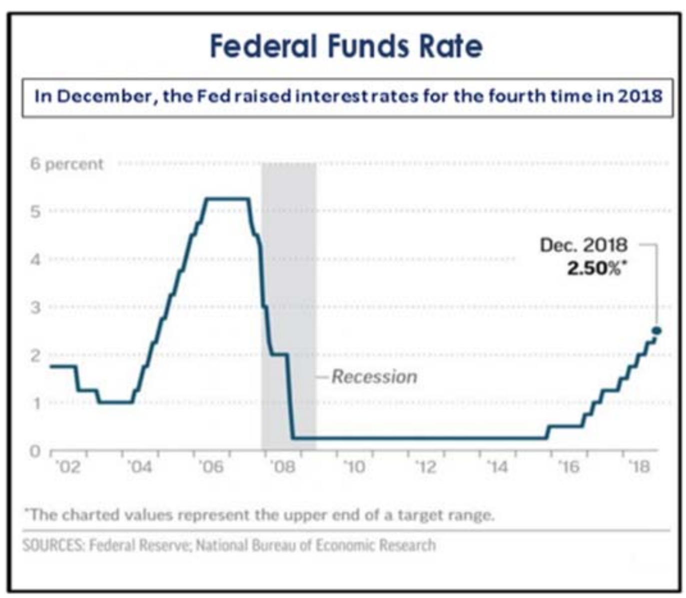
Forbes, in a 2019 Outlook asked, "What do stocks do after a down year?" They felt 2018's decline might not be the best forecast and shared, "Let's pull out all the down years from 1926 through 2017, of which there were 24. The average return in the year following a down year was 10%, the same as the overall average. Uncertainty about the future course of stocks is large, so investors should fall back on a few fundamental principles. Diversification of investments reduces risk." *(Source: Forbes 1/5/2019)*

Barron's 2019 Outlook reported that, investors will be happy to bid good riddance to 2018, a stressful year marked by two stock market corrections, rising interest rates, an ugly trade battle, and growing fears that a bear market lies just around the corner. All ten market strategists that Barron's consulted in late December had 2019 targets for the S&P 500 index finishing the year higher. *(Source: Barron's 12/14/2018)*

Seeking Alpha notes that, "Forecasting how 2019 will play out may be pure guesswork under the current circumstances." They also add that, "as we begin the year, there is a shut-down of important U.S. government services and a new political landscape" (a Democratic Congress). They also report that although the Federal Reserve has raised rates and the global trade war is far from being resolved, current economic indicators are not pointing to an immediate recession. They cite that, on the employment front, we now have a tightening labor market with unemployment down to 3.7%. They share that, *The Index of Leading Economic Indicators* (which consists of ten forward-looking variables such as; unemployment claims, manufacturing shipments and orders, housing starts, interest rate spreads, M2 money supply, the S&P 500, and consumer sentiment) is still in expansion territory as of January 1, 2019.

Interest Rates are Still Critical

Three years ago, the Fed moved away from the near-zero rate that had been in place since the days of the global financial crisis. In December, the Fed raised interest rates for the fourth time in 2018 to move the target range for its benchmark fund to a range of 2.25% to 2.5%.



As of the December session, Fed officials forecasted two more hikes in 2019, down from three rate raises previously projected, due to a potential economic slowdown sometime in the horizon.

While investors wanted certainty about rate hikes ending, the Fed included in its statement that further "gradual" rate hikes would be appropriate. Charlie Ripley, senior investment strategist for Allianz Investment Management said that, "while this was a dovish hike from the stance that the Fed was in before, this is somewhat not as dovish as many participants probably wanted." He also added that, "It would have been a difficult move for the Fed to completely remove some of the 2019 hike expectations, but I think they're making the message clear that they're going to remain more data dependent as we go into 2019." The Fed's official meeting notes described economic growth as "rising at a strong rate" and therefore the door is still open for further rate hikes. *(Source: CNBC)*

Besides potential rate hikes, further trade wars with China can keep markets quite volatile in 2019. Trade wars and signs China's economy is slowing have added to the global uncertainty. Interest rates, trade wars, and worldwide growth rates should all be on an investor's watch list for 2019.

What Should an Investor Consider?

While numerous analysts remain optimistic, investors should not expect a straight line uptrend. Corrections and bear markets will always be a part of the investment sequence. Although the old Wall Street joke can remind us that 10 out of 9 analysts can correctly predict the next recession, predicting exactly when equity markets will start back upward is near impossible.

CNBC reported on January 1, that some strategists are saying if the stock market's two worst fears are resolved in 2019, that it could be a good year for stocks. While strategists see volatility continuing in 2019, they felt that the biggest worries for investors are still trade wars and the Fed's interest rate movements. While many analysts remain optimistic, investors should prepare for continued volatility and not a straight-line uptrend.

Although many analysts are positive about 2019, we actually have more concerns, given some of the recent economic trends and indicators we follow closely. In November, we adjusted our clients portfolios to the "Minimum" equity allocation, based on your particular risk tolerance. The goal is to reduce risk as much as possible in times of high volatility.

Knowledge is Power

While the nightly news and financial tabloids like to use harsh and scary language to attract viewers, oftentimes their quick views of equity market performance include media magnification, which is the act of making something look larger or more important than it really is.

Currently, equity markets are volatile and have experienced a correction (some are even in bear market territory), but not a crash.

It is often said that an emotional investor can make decisions that might not work out best. An informed and knowledgeable investor can often be less emotional. Differentiating a correction (with a frequency on average of once a year) from a bear market (with a frequency on average of once every three years) can help investors when making decisions. *(Source: NASDAQ)*

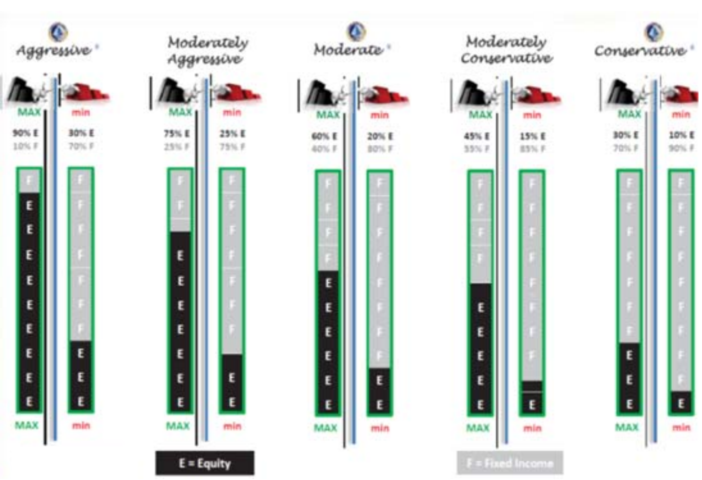
What Should Investors Do?

Completely avoiding market risk may not be appropriate for most investors and today's traditional fixed rates might not help you achieve your desired goals. Most investors attempt to build a plan that includes risk awareness. Often, this can lead to safer but lower returns. Traditionally, bonds have been a nice hedge against market risk, but with interest rates projected to rise, investors must be extremely cautious.

Caution in 2019 is still our primary recommendation for investors. Investors need to be prepared. Market volatility has caused concern, but panic is not a plan. Market downturns happen and so do recoveries. This is the ideal time to ensure that you fully review and understand your time horizons, goals and risk tolerances. Looking at your entire picture can be a helpful exercise in determining your strategy.

Our role as your advisor is to guide you through good times and through bad times. During times like this, when it is apparent that market risks are increasing and volatility is higher, we want to do everything we can to properly manage your own portfolio risk to help you meet your own personal objectives over the longer term.

In November, we reduced risk for our clients to the "Minimum" equity allocation and we are maintaining this allocation this quarter.



Our goal is to understand your needs and then create a plan to address those needs. We continually monitor your portfolio. While we cannot control financial markets or interest rates, we keep a watchful eye on them. No one can predict the future with complete accuracy, so we keep the lines of communication open with you.

Our primary objective is to take the emotions out of investing. We can discuss your specific situation at your next review meeting or you can call to schedule an appointment. As always, we appreciate the opportunity to assist you with your financial matters.

Note: Presented by Jeffrey W. DeBoer, ChFC®. The views stated in this letter are not necessarily the opinion of Commonwealth Financial Network, Inc., and should not be construed, directly or indirectly, as an offer to buy or sell any securities mentioned herein. Investors should be aware that there are risks inherent in all investments, such as fluctuation in investment principal. With any investment vehicle, past performance is not a guarantee of future results. Material discussed herewith is meant for general illustration and/or informational purposes only; please note that individual situations can vary. Therefore, the information should be relied upon when coordinated with individual professional advice.

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Sources: Barron's, Forbes, CNBC, Seeking Alpha, Morningstar, CNBC.com, NASDAQ, Market Watch; Academy of Preferred Financial Advisors, Inc. ©2019

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