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Please enjoy our 2018 1st quarter newsletter, including:

April 17, 2018

- Information regarding the new tax law
- Tips to limit junk mail
- Market commentary
- "Phillips Financial in the Community" highlighting a Phillips Associate and his or her community involvement. This issue we focus on Reed Miller and his work with the YMCA

Tax Planning Strategies in Light of the New Tax Law

If you used an accountant to prepare your 2017 taxes, he or she may have provided you with an analysis of your projected 2018 tax liability – which may be a decrease thanks to the Tax Cuts and Jobs Act of 2017. (If you are employed that decreased liability may be already factored into your paycheck. Noticed a slight salary increase in February or March? You may be already receiving the tax reduction.)

The new lower individual tax brackets and most other components for individuals should stay in place until December 31, 2025. After that, some provisions are scheduled to expire unless Congress takes action. So if you can live without the tax break now, some planning strategies may be attractive to you.

Actions to consider:

1. If you are retired with a large IRA balance, convert some of your IRA to a Roth IRA. You will pay taxes on the amount you convert, but that amount (and any resultant growth) will not be taxed again if you follow all the conversion rules. If individual tax rates go back up, you have protected some of your retirement savings from taxation at that higher level.
2. If you are retired or over age 59 ½, withdraw money from your IRA to take care of other financial matters; e.g. pay off debt, or simply shore up your after-tax savings accounts for emergencies or larger needs in the future (replacing a car for example).
3. If you are still working, elect the Roth IRA option in your 401(k), if available. The contributions will be after-tax dollars rather than pre-tax dollars. While this will increase your tax liability (i.e. reduce the tax savings in your paycheck) any growth that occurs in the Roth account can be withdrawn tax free, if you follow all the rules. So again, paying more taxes now at a lower rate, may give you tax free money later, when rates may be higher again.
4. If you have after-tax accounts with positions that have large unrealized gains, realize some of those gains now and pay the tax on them with the tax savings you are enjoying on the rest of your income. These gains could be used to enhance your financial situation in other ways, such as:
    a. Paying off a Home Equity Line of Credit balance, especially if the interest is no longer tax deductible under the new tax code (check with your accountant to determine if the interest is still deductible in your particular situation).
    b. Paying down a mortgage or paying off other debts.
    c. Realigning your portfolio if it has become over-weighted in certain asset classes.

We highly recommend careful analysis in conjunction with your accountant and financial planner to best assess your specific financial situation. To stay under required thresholds, the "recommended" amounts for withdrawal or conversion may be fairly small, but if you put those small amounts to use and reevaluate each year, they may add up over the next several years.

Steps to Limit Junk Mail

Junk mail is a nuisance, we can all agree. It also can be a danger to your financial and personal information -- for example, inadvertently opening something that compromises your personal information, or being "tricked" into providing credit card or other financial information. Here are some suggestions to limit the amount of spam and junk mail you receive.

For your physical mailbox:

Opt out of receiving junk "snail" mail by contacting the following:

- Data & Marketing Association www.dmachoice.thedma.org (multiple categories of direct mail like credit card offers, magazine offers, catalogs)
- Opt Out Prescreen www.optoutprescreen.com (pre-approved credit card offers and insurance offers)
- Valpak www.valpak.com/coupons/show/mailinglistsuppression (coupon packets)
- Yellow Pages www.yellowpagesoptout.com (phone books)
- Publishers Clearing House https://pch.custhelp.com/app/ask_mailing (contest forms)

For your email inbox:

- Never open spam messages.
- Avoid clicking on links in emails -- only click on links from people you know and trust.
- Never respond to messages saying you won a contest, offering you money, or requesting your password.

A Review of First Quarter 2018

U.S. and world equity markets began 2018 with continued strong performance in January. Positive results were fueled by continued signs of an improving global economy, strong corporate earnings growth, and in the U.S. favorable market reaction to tax reform legislation signed into law late in 2017.

By February the string of nine consecutive quarterly gains in the S&P 500 Index appeared to be coming to an end. After finishing up by 5.7% in January, total return for the index decreased by 3.7% in February, followed by another 2.5% in March, resulting in a negative return of 0.8% for the quarter. Most other equity indexes also finished the quarter in negative territory -- with the notable exception of the MSCI Emerging Markets Index which was up 1.4%. Domestically and for Developed International Markets, investor worries about rising interest rates, mounting inflation pressures, and escalating trade and tariff tensions between the U.S. and other countries, all contributed to the losses during the first quarter. In spite of concern about trade and tariffs, modest returns for Emerging Markets during the quarter were driven by steady economic growth in China and other developing countries, higher oil prices, and a weaker dollar.

On the fixed income side, interest rates climbed on higher inflation expectations. The yield on the benchmark 10-year Treasury note -- often seen as a barometer of investor's sentiment about the economy -- ended the quarter at 2.74%, an increase from 2.41% at year end. As interest rates increase the returns on fixed income investments will be negatively impacted. Total return as measured by the Bloomberg Barclays US Aggregate Bond Index was -1.5% for the quarter, and reflects its first negative quarterly return since the fourth quarter of 2016.

Interest rate increases negatively impacted REIT (Real Estate Investment Trust) performance for the quarter while the inflation trends underlying interest rate concerns, and rising oil prices, contributed to positive performance for Commodities during the first quarter.

Clearly investment returns during the first quarter were disappointing across nearly all asset classes.

As always, it is important to temper our reaction to a single quarter, or even one-year returns, with recognition that investing is for the long term. When looking at returns over 5-year and 10-year horizons in particular, we see the benefits of both patience and diversification. We remind you to take a long-term view, avoid rash actions, and talk with your advisor throughout the year. His or her job is to help you stay on track in working toward achieving your financial goals.

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Index	% Last Quarter Return 1/01/18 – 3/31/18	% Year-to-Date Return 1/01/18 – 3/31/18	% Cumulative 1 Year Avg. 4/01/17 – 3/31/18	% Cumulative 3 Year Avg. 4/01/15 – 3/31/18	% Cumulative 5 Year Avg. 4/01/13 – 3/31/18	% Cumulative 10 Year Avg. 4/01/08 – 3/31/18
Bloomberg Barclays US Aggregate Bond Index	-1.46	-1.46	1.20	1.20	1.82	3.63
S&P 500 Index	-0.76	-0.76	13.99	**10.78**	13.31	9.49
S&P 500 Value Index	-3.57	-3.57	7.69	8.40	10.87	7.42
S&P Mid Cap 400 Index	-0.77	-0.77	10.97	8.96	11.97	10.90
S&P Small Cap Index	0.57	0.57	12.68	10.76	**13.56**	**11.35**
S&P Small Cap 600 Value Index	-1.32	-1.32	10.50	10.01	12.69	10.58
MSCI EAFE Index	-1.53	-1.53	14.80	5.55	6.50	2.74
MSCI Emerging Markets Index	1.42	1.42	**24.93**	8.81	4.99	3.02
Wilshire REIT Index	**-7.48**	**-7.48**	**-3.64**	0.97	6.13	6.22
S&P GSCI Commodities Index	**2.19**	**2.19**	13.83	**-4.15**	**-11.88**	**-10.82**

Source: Standard & Poor's, Bloomberg, Morgan Stanley Capital International, Wilshire Associates, Fidelity Investments, BlackRock, Inc.
Green = best performing asset class
Red = worst performing asset class

Index returns are for illustrative purposes only, and do not reflect any management fees, transaction costs or expenses. The performance of an unmanaged index is not indicative of the performance of any particular investment. It is not possible to invest directly in any index. Past performance is no guarantee of future results.

Definitions and Disclosures:

- **Bloomberg Barclays Aggregate Bond Index.** An index managed by Bloomberg to track the general performance of the domestic taxable investment grade bond market.
- **S&P 500 Index.** An index that measures the large-capitalization sector including roughly 500 leading companies representing over 80% of the largest market capitalization in the U.S. equity markets. It is a capitalization-weighted index from a range of securities chosen by Standard & Poor's for liquidity and industry group representation.
- **S&P 500 Value Index.** Contains those securities from the S&P 500 Index with lower-than-average sales and growth rates and that generally reflect lower price-to-earnings and price-to-book ratios.
- **S&P MidCap 400 Index.** An index that measures the mid-capitalization sector including roughly 400 leading companies representing about 7% of the U.S. equity market. It is a capitalization weighted index from a range of securities chosen by Standard & Poor's for liquidity and industry group representation.
- **S&P SmallCap 600 Index.** An index that measures the small-capitalization sector including roughly 600 leading companies representing about 3% of the U.S. equity market. It is a capitalization-weighted index from a range of securities chosen by Standard & Poor's for liquidity and industry group representation.
- **S&P SmallCap 600 Value Index.** Contains those securities from the S&P SmallCap 600 Index with lower-than-average sales and earnings growth rates and that generally reflect lower price-to-earnings and price-to-book ratios.
- **MSCI EAFE Index.** An index developed by Morgan Stanley Capital International Inc. as an equity benchmark for performance of publicly traded securities in developed international markets.
- **MSCI Emerging Markets Index.** An index developed by Morgan Stanley Capital international Inc. as an equity benchmark for performance of publicly traded securities in emerging markets.
- **Wilshire REIT Index.** An index developed by Wilshire Associates to track the general performance of Real Estate Investment Trusts (REITs) traded on domestic equity markets.
- **The S&P GSCI Commodities Index.** An index developed by Standard & Poor's and Goldman Sachs that is based on a production-weighted basket of principal physical commodities that reflects the level of commodities prices at a given time and is designed to be a measure of the performance over time of the market for these commodities.

Phillips Financial in the Community

Reed Miller and the YMCA of Greater Fort Wayne

Reed Miller, Financial Planner with Phillips, traces his involvement with the YMCA of Greater Fort Wayne back almost 40 years to when he first became involved serving on the board of the Y's Camp Potawotami. About 15 year ago, he joined the YMCA's Metropolitan Board which covers all the Ys in the greater Fort Wayne area. "While each Y branch has an advisory board, decision-making authority rests with the Metropolitan Board," explained Miller.

Highlights of Miller's involvement include, "the significant improvements that have been made to virtually every facility and the additions of several new facilities. Another milestone is that the Y's membership now numbers over 70,000, and our member retention rate blows away the national standard for other Ys. That, and our healthy financial situation, make the Fort Wayne Y a premier model to other Ys. We serve as a training center for Ys in parts of Ohio and Michigan and the rest of Indiana."

"The general view of the YMCA – understandably because that's the most visible aspect -- is that it's just a gym. Most people don't realize all the important community services it provides," explained Miller. "There's a big focus on programs to promote healthy kids and youth leadership. The Y handles childcare – for free – at many Fort Wayne Community schools. There's also the Youth Services Bureau that serves as an intermediary between the juvenile court system and the schools and prevents kids from having to go thru the court system. There's a 'mobile Y' that takes activities and exercising to kids in the city parks programs during the summer. Also, Renaissance Pointe stays open until 11pm on Fridays and Saturdays to provide a safe and fun place for inner-city kids and teenagers to hang out."

Beyond services for youth, the Y also partners with Parkview to provide anti-diabetes programs, cancer-survivor support, and other health-related programming. It also encourages volunteering to better our community through a coordinator who connects interested volunteers with opportunities around Fort Wayne – at the Y and with many other nonprofit groups.

The YMCA's annual campaign is going on right now. Miller explained the importance of the campaign. "Most branches can support daily operations through membership fees, but the campaign funds support youth services, scholarships to summer camp at Camp Potawotami, and the Renaissance Pointe Y, among other services. Gifts to the annual fund go 100% to programs and services, not to administrative or operating costs."