HALLETT ADVISORS NEWSLETTER

Winds of Change

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In volatile markets, there are three things to remember: stay calm, stay in, and stay the course. Doing so will yield the greatest return on investment in the long-run.

2018 Year-End Checklist: Seize the Opportunity

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Are you prepared for the start of the new year? Have you fully funded your 401(k), 403(b), and/or 457(b)? How about your SIMPLE IRA or individual IRA? Have you considered funding a Roth IRA for a child or grandchild? Now is the time to take stock and ensure your financial roadmap for 2019 is laid out smoothly.

A note from Jim:

"A hundred years from now it will not matter what my bank account was, the sort of house I lived in or the kind of car I drove … but the world may be different because I was important in the life of a child." - Forest E Whitcraft

As we enter the Holiday Season, let's take a moment to reflect on those who have mentored us and then seek opportunities to give back. Our community needs a new Boys & Girls Club facility in Port Angeles. If you would like to support the Club's Building Great Futures Capital Campaign check out this video (https://tinyurl.com/BGCOP-2018) or call me to learn more about the Club's plans and all the Club does every day to take care of our most precious resource.

Winds of Change

by Jim Hallett

As we transition from Fall to Winter in the Northwest, we frequently experience wild swings in the weather. From clear, crisp and cold sunny days to wet, windy and even snowy periods. The one constant is change which can sometimes be quite dramatic.

So it is with financial markets. Although "the markets" do not have seasons like the weather, they often do experience a wide range of ups and downs. Although at times this ***volatility*** can be quite unsettling, it is actually quite normal. What has been unusual over the past few years is the market's relative calm, marked by an unusual *absence* of volatility.

Quick Tip:

Did you know there is still time to make a tax-free gift from your IRA? If you are or will be 70 and ½ this year, you can withdraw up to $100,000 from your IRA using the Qualified Charitable Distribution (QCD) provision and give those funds directly to your favorite charity or charities. If you have not yet taken your required minimum distribution, you can also use this QCD approach to satisfy the IRS Required Minimum Distribution rules. Finally, you can factor this into your financial planning for 2019. Call us for more details.

In volatile markets, there are three points to remember: Stay Calm, Stay In, and Stay the Course.

The one certainty of investing is that your portfolio will experience volatility. Further, volatility can trigger emotional responses that may cause otherwise rational investors to make irrational decisions, which in turn could lead to missed opportunities. Although easier said than done, prudent investors stay with their financial plan and follow their investment policy. Investment success is not just a matter of how well you do in up markets but also how well you weather the downside.

Stay Calm

In any given calendar year, the average drawdown (the decline from top to bottom) of the S&P 500 Index ® historically has been close to 14%. A portfolio valued at $500,000 during the year's high, could see its value drop to $430,000 at some point during this same twelve month period.

Yet, despite the intra-year volatility, the Index has tended to finish most years higher than it started. For example, since 1980 :

- The S&P 500 has delivered an average calendar year return of more than 10%, including positive returns in many of the same years with large declines
- The Index has also delivered positive returns 84% of the time, and has hit returns of more than 20% during years of volatility nearly 40% of the time

Stay In

A person who panicked during these periods of volatility and abandoned their investment plan faced the very real possibility of doing serious harm to their portfolio. Missing only the "best 10 days" during the 20 year period between January 1997 and December 2017 would cut their return by almost 50%. A $100,000 investment left in the market during this period would have grown to over $530,000. Missing just the 10 best days? The same investment would be only $267,000. If during this same 10 year period, you only missed the 30 best days; well the initial $100,000 would be worth slightly more than $109,000. Given tax and inflation during this time, this is a recipe for going broke safely.

Stay the Course

For those of you with a financial planning time horizon of more than five years, the most powerful factor is *time*. Historically speaking, your time horizon is directly correlated with the likelihood that your investment portfolio will experience positive returns. Staying the course is the most critical consideration when trying to build and preserve wealth to meet your financial planning goals.

Again, looking at the S&P 500 Index, from 1927 to 2017:

- In any one year period the Index was positive 74% of the time
- In any 10 year period, the Index was positive 95% of the time
- In any 20 year period, the Index was positive 100% of the time

As always, if you have any questions about how this may apply to your financial plan, please let us know. In the meantime, grab your gloves and umbrella and welcome the Winter weather. Soon the Winds of Change will give way to the Blossoms of Spring.

2018 Year-End Checklist: Seize the Opportunity

Article Courtesy of Lord Abbett by Brian Dobbis

Now is the time to review your retirement plans to maximize potential savings for you and your family. Before the frenzy of the holidays comes, seize the opportunity to check your retirement, education, and health savings accounts to make sure you're taking full advantage of the benefits offered.

Q: Have you fully funded your 401(k), 403(b), and/or 457(b)?

A: In 2018, you can defer maximum of $18,500 into your 401(k) or 403(b). The limit is an aggregate of all pretax and/or Roth contributions made.

Q:Have you fully funded your SIMPLE IRA?

A: In 2018, you can defer maximum of $12,500 into your SIMPLE IRA. By participating, you are eligible to receive a non-forfeiture employer contribution (3% match or 2% non-elective).

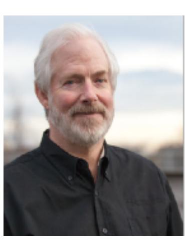
Q. Have you fully funded your individual retirement account (IRA)?

A. While it is true that you can wait until April 15, 2019 to contribute your IRA for the 2018 tax year, why not fund it now, if you are able to, and have the funds working for you on a tax-favored basis for a longer length of time?

Virtually anyone with reportable (earned) income is eligible to fund a traditional IRA up to $5,500 ($6,500 including the age 50+ catch-up) in 2018. However, everyone is not eligible to make Roth IRA contributions. Roth IRAs carry statutory maximum income levels, and investors must satisfy an annual income test. There are no maximum age restrictions on Roth contributors, although individuals older than 70½ cannot make contributions to traditional IRAs. The spousal IRA is sole exception to the income requirement; available to those couples where one spouse has no earned income. Notably, the spousal IRA only applies to those (married) couples that file a joint tax return.

Q:Have you funded a Roth IRA for a child or grandchild?

A: There is no minimum age to establish an IRA. Instead a child, regardless of age, who has reportage earned income, is eligible to fund a Roth IRA. Once established, the IRA can be funded by anyone, up to the amount earned by the minor.



James D. Hallett
MSFP, CFP®, AIFA®, ChFC, CLU, CDFA™
Web: www.HallettAdvisors.us
Email: jim@hallettadvisors.us I Phone: 360-457-6000
Address: 321 E First Street, Port Angeles, WA 98362

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