



## Newsletter 2Q 2018 and Market Summary

FCMA's Model Mutual Fund Portfolios are handling the volatility by staying ahead of the market with results, net of fees, for 2018 as follows: Conservative Model +.94%, Moderate Model +2.46%, and Aggressive Model +2.79%! The market is just YTD +1.67% through June 30, 2018. Economic indicators are still strong and unemployment has maintained its lowest since pre-2008, at 4% as of June 30, 2018 with GDP estimated to near 3% for 2018. Please check out our upcoming FinTech conference and if interested register at Saline Community Education or attend via GoToMeeting, but registration is necessary for either attendance.

### Welcome to our newest employees at Foresight

Kathy Hendrickson  
*Para Planning*



Cody McCullough  
*High School Intern*



Megan Scott – CMU  
*College Intern*



Audree Preble – EMU  
*College Intern*



### Congratulations!

*To Patrick Carney on passing the  
Accredited Investment Fiduciary  
Exam AIF<sup>®</sup>*

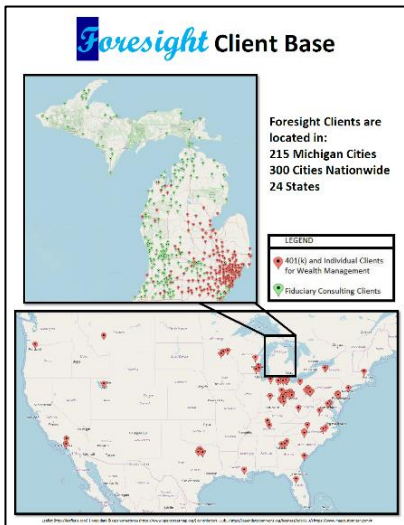


**Attend Foresight's 2018 FinTech Upcoming Conference!** Interested in learning about the latest innovations in FinTech (Financial Technologies)? This conference includes algorithmic trading concepts, robo advising, cryptocurrencies, blockchain technology investing, and tools to help keep investment portfolios healthy, Please join us on Wednesday August 1, 2018 at 7:00 pm. You can register at Saline Community Education Center at [salineonline.org](http://salineonline.org) or call 734-401-4020 and the cost is \$20 per person or \$30 per couple, or contact us at [Consultant@fcmadvisors.net](mailto:Consultant@fcmadvisors.net) if interested in attending via GoToMeeting for one of the conference evenings. Call 877-429-4690 if you have any questions.

**New "Fiduciary Vetted" Annuities are now Available at Foresight:** The NAPFA organization (National Association of Fee Only Advisors) has worked to create a series of annuities that fee-only registered investment firms, which Foresight is, can continuously rebalance the annuity holdings quarterly in no-load mutual funds. Additionally, these annuities can be used over joint lives of the spouses and any remainder funds can be inherited by the estate heirs. Annuities are not for all investors, but if you are interested in learning more please contact Foresight because some of these annuities pay up to 6.5%.

**2018 New Savings Limits Announced:** The US Government has announced several savings limit increases for 2018. 401(k) savings limit raises to \$18,500, and if age 50+ rises to \$24,500. IRAs remain the same at \$5,550 and 50+ \$6,500. HSAs savings raise to \$3,450 for Individual and \$6,900 for a family in 2018, both up from 2017 (\$3,400 Individual and \$6,750 for family). Also, Social Security to raise 2% in 2018, the largest raise since 2012. See our website [www.fcmadvisors.net](http://www.fcmadvisors.net) for more details on the savings limits for 2018.

**HSAs at Foresight:** We now offer Health Savings Accounts which can be invested in our Model Portfolio strategies of Aggressive, Moderate, and Conservative. The HSA savings is a triple win for the consumer because you get to save in the HSA and get a tax deduction, then it grows tax deferred, and when you use the HSA for medical expenses it is tax free! There are also optional debit cards with our HSA program. Please call if you are interested in further details 734-429-4680.



FCMA Model Returns  
June 30, 2018

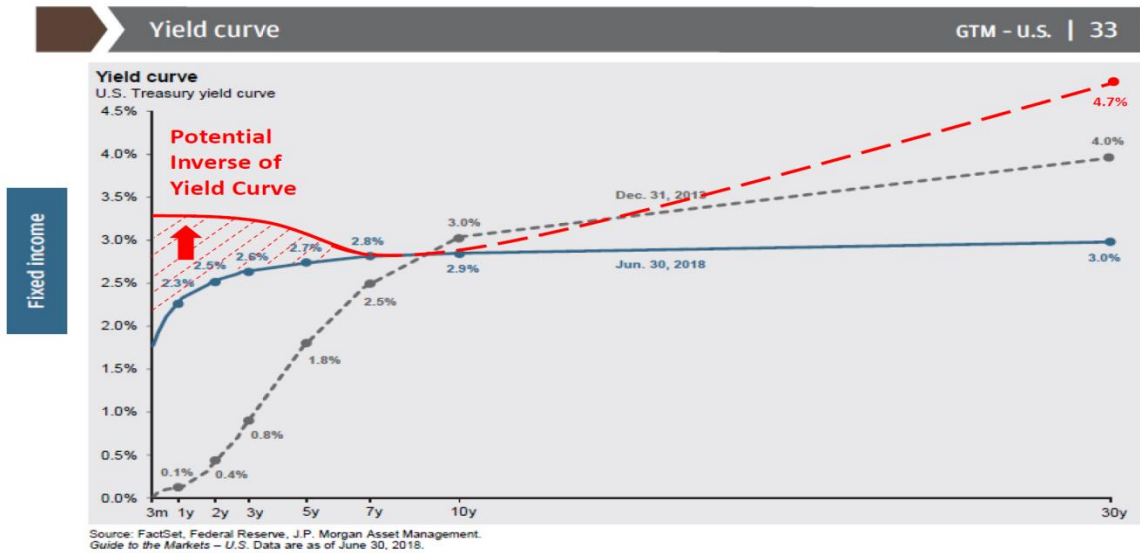
Conservative Model	+ .94%
Moderate Model	+ 2.46%
Aggressive Model	+ 2.79%
<b>Indexes:</b>	
S&P 500 Index	+ 1.67%
MSCI EAFE Foreign	- 4.49%
10Yr T-Bond Index	+ .45%

Future performance is not guaranteed; above returns are 2pt actual averages for indexes



### Foresight's Outlook and Portfolio Strategies

The 2Q has continued volatility from trade war discussions and international meeting blunders, however the market has begun to cooperate despite it all! The 1Q and now the 2Q earnings are very strong and about 80% of companies have met or beat their 2018 earnings estimates. The market is reacting positively to financial successes of companies and not the noise of Washington, thank goodness! The Federal Reserve continues to raise interest rates and now the CD/Mmkt rates are at 2%. We believe the Feds will continue to raise rates into 2019 and the bond yield curve is likely to invert on the short end. Economist believe the economy is so strong that the next recession is still about 2-5 years off and inversion of the yield curve would not kick us into a recession for quite a while (maybe 2 years past inversion). Inversion actually helps an economy grow by borrowing long (10 yr) and lending short at higher rates.

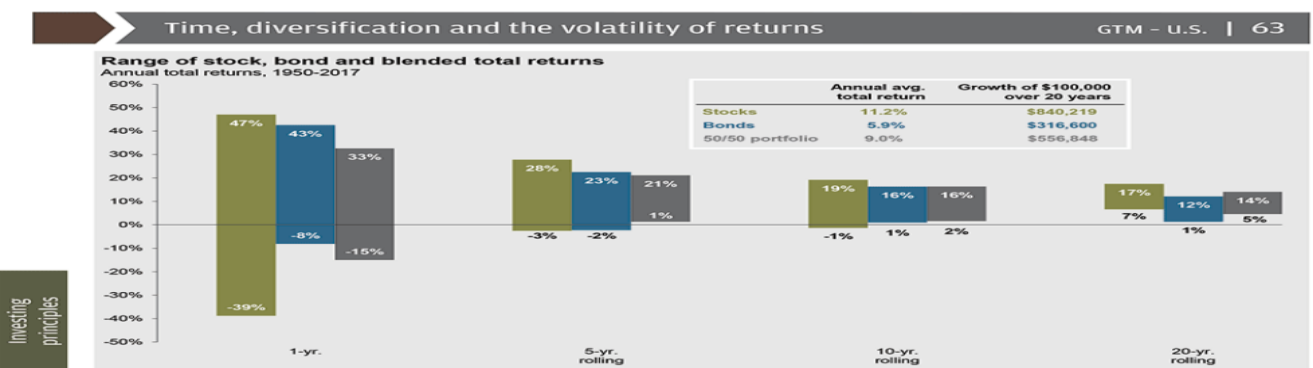


Jay Powell, the new Federal Reserve Chairman, has raised rates twice in 2018 and intends to raise short interest rates 4-5 more times into 2019. All this will help to raise short and long-term interest rates which the USA needs to do. Just get ready for a rougher climb upward. All indicators are pointing to 2018 earnings outpacing 2017. The markets biggest challenge is a shortage of workers. There will continue to be increased volatility, but it is



believed the recession is another 2-5 years into the future. Jeremy Siegel said in an interview on CNBC 2/21/2018 the new normal is PE ratios of 20 so if the forward earnings estimate of S&P 500 companies averages 150 the S&P Index should be near 3000 by yearend and the S&P is on track to accomplish this! That would mean an additional increase of about 200 points on the S&P Index. S&P 500 companies expect 2018 to have better corporate earnings and higher stock prices. Most are questioning if the growth is real and can it continue? The best news is nothing is really overheated in the global economy that could cause

the next crash so it is likely to continue moving into the next generational bull market. Generational bull market means 20+ more years of growth with mild recessions along the way. According to Dr. David Kelly of JP Morgan July 9, 2018, he states that 2018 does look decent for the market despite the recent volatility. He believes the next recession will not be in 2019 or 2020 just a slow-down then. He also points out there have been only 11 recessions since WWII averaging -25%, of which he believes the next one will be a mild recession. He points out the catalyst could be a worker shortage in the US beginning in 2019 and 2020. If this all goes to plan then our next “mild” recession is way off into the future, 2-5 years, which could make this the longest bull market in history! Whenever interest rates rise it does cause the bond market to get more volatile and lose value. Foresight has been careful to hold bonds with good yields near par, and to keep the majority of fixed income in floating and convertible interest-bearing bonds. It is key to stay diversified during any market cycle. The table below shows that the longer you are diversified by 20 years rolling the averages of the lowest returns for stock, bond, and diversified portfolios are all positive. Diversification is key to weathering volatility!



Foresight continues to monitor the geo-political situations and continues to be positive on the market. We have moved all our portfolios into their normal risk allocations and maintained the increased foreign holdings for 2018, despite the weakness in the foreign investments thus far. We intend to hold the course in our current portfolio allocations, but will take action to make them more defensive if the market does surprise us. We continue to monitor the stock portfolios weekly and have stop losses on most double digit gains within the stock portfolios. The overall belief is to be globally invested in stocks and less fixed income currently. If the market has another pullback in 2018 this will not concern us as we believe the economy is healthy and it will recover quickly. Please contact us if you have any questions about your portfolios.

## **Foresight Planning Ideas:**

***IRS Contribution Limits for 2017 and 2018: 401(k) and 403(b) savings limits for 2017 are \$18,000 deferral max and for 50+ \$24,000 deferral, and IRA limits \$5,500 and if age 50+ \$6,500. 401(k) and 403(b) savings limits are rising for 2018 to \$18,500 deferral max and for 50+ \$24,500 deferral, and IRA limits \$5,500 and if age 50+ \$6,500 for both years.***

**New Fiduciary Vetted Annuities are now available at Foresight:** The NAPFA organization has worked to create a series of annuities that Foresight, a fee only registered investment advisory firm, can continuously rebalance quarterly in no-load mutual funds. Additionally, these annuities can be used over joint lives of the spouses and any remainder funds can be inherited by the estate heirs. Annuities are not for all investors, but if you are interested in learning more please contact Foresight because some of these annuities pay 6.5%. 877-429-4680.

**When Elderly Keys are Put Away:** here's a solution! If you have elderly family members that are not able to drive, but still have places to go consider trying Go Go Grandparent. This service works with licensed and authorized transportation network companies, such as Uber and Lyft, to get your elder family member to their destination without using a smart phone. You are able to setup custom locations for your loved one to travel to such as hair dresser, doctor, grocery store, etc... When you need a ride you call 1-855-464-6872 and press the number that correlates to your locations you setup and then the ride in there in 15 minutes. So all you have to do is call and press the number for where you want to go. It offers remote relatives the ability to monitor success of delivery and return of their elder. Check out the website at <https://gogograndparent.com> to see if they offer rides in your area.

**New Health Savings Accounts-HSAs with Foresight:** Foresight now offers HSA accounts for your Company or Individual HSA savings. An HSA with Foresight will allow you to choose the same 3 Model portfolios of risk either Conservative, Moderate, or Aggressive. If you have a High Deductible Health Plan then you can consider opening a HSA = Health Savings Account with Foresight. **The savings rates are going up in 2018 to \$3,450 for single and \$6,900 for family.** The HSA savings are not subject to Federal Tax and will grow, much like a Roth IRA, with no tax due if used for all qualifying health expenses, note cannot be used to pay health insurance premiums. If you are interested in more information on this strategic investment idea for your healthcare savings please contact us. 2018 HDHP=minimum deductible for single \$1,350 and family \$2,700 and out of pocket maximum for single \$6,650 and family is \$13,300.

**Foresight's New Web Portal Reporting:** The Web Portal is for your protection and information security. We want our communication to be timely and beneficial to you. Go to <https://cwp.morningstar.com>. If you have any access issues, please call or email us at 1-877-429-4690 or [mgallagher@fcmadvisors.net](mailto:mgallagher@fcmadvisors.net).

**Tax Information** will be put in your Web Portal for ease of access. Please be sure to check here first as this will help save you time when gathering data for your tax preparer. Go to <https://cwp.morningstar.com>. 1099's are expected to be sent to you by Mid-February.

**Did you Know?** You can give your Tax preparer access to download your tax information directly into the tax software and save them a lot of input time. This will also likely save you a lot of money in tax prep fees. It is worth asking your tax preparer how this might save you. However, be sure to change your access to your custodian accounts, UID and PW, after your taxes are completed to re-secure your investment accounts.

**Did you Know?** Foresight has written three white papers. **Low Cost Investing- The Costly Approach?** and **Target Date Funds-The Next Retirement Dilemma**, and most recently **Retirement Plan Costs Beware! A Mutual Fund Share Class Study- and Why the Cheapest Fund Class May Not be the Best!** Please email us at [consultant@fcmadvisors.net](mailto:consultant@fcmadvisors.net) if you would like a copy to read.

**Did you Know?** If you have Roth 401(k) it is wise to roll these funds to a Roth IRA before you turn 70 ½ because if the Roth funds are left inside a 401(k) they must take RMD (required minimum distributions) just like the pre-tax funds which defeats the purpose of letting the Roth grow! However, if you roll it over into a Roth IRA before 70 ½ then you do not need to take the RMD from the Roth IRA. This is a very important hint to remember!

**Did you Know?** You can take a distribution from your 401(k) or 403(b) prior to age 59 ½ without a 10% penalty; if you have separated from service no earlier than age 55. Funds must be in a 401(k) or 403(b) and cannot be in an IRA. Additionally, if you retire and wish to begin normal distributions prior to 59 ½ then a 72-T calculation can be done to allow funds to be removed from your IRA without a 10% penalty as long as you have separated from service.

**Roth IRA Ideas:** If interested in additional savings ideas consider opening a Non-deductible IRA. This will allow you to save the maximum in your 401(k) and also save an additional \$5.5k in a Non-deductible IRA, and \$6.5k if age 50+. Then convert the Non-deductible IRA to a Roth IRA! It is a way to obtain a backdoor Roth IRA funding even if you are not able to save directly into a Roth IRA. **Additionally, ask if your 401(k) allows for additional after-tax contributions. If so then you can add to the after-tax contributions and consider rolling them out to an IRA where you can do a conversion to a Roth IRA. This is another form of backdoor Roth!**

**On-line Access:** Each year we encourage everyone to test your on-line access to your account(s) at the custodian or third-party administrator for your plan. Please visit **Journeyrps.com** or **Noblepension.com** if a retirement participant. For individual clients at TD Ameritrade access **Advisorclient.com** for Schwab Institutional Clients access **Schwaballiance.com**. To access your web portal for individual accounts, go to <https://cwp.morningstar.com>. If you have any difficulty accessing your account, please email or contact us.