



## Newsletter 4Q 2017 and Market Summary

**FCMA's Model Portfolios seized the year with gains, net of fees, for 2017 as follows: Conservative Model +11.42%, Moderate Model +13.07%, and Aggressive Model +14.30%! The market recorded double digit earnings by yearend! Economic indicators are strong and unemployment has reached its lowest since pre-2008, at 4.1% as of December 2017 with GDP estimated at 2.6% for 2017. Note Foresight has a new Newsletter look for 2018, and we hope you enjoy it!**

**Welcome to our newest employees at Foresight**

**Stacey Gore-EMU**  
**Para Planning Manager**



**Patrick Carney-UofM**  
**Financial Analyst**



**Robert Genereaux-SHS**  
**Financial Co-op Intern**



### **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.

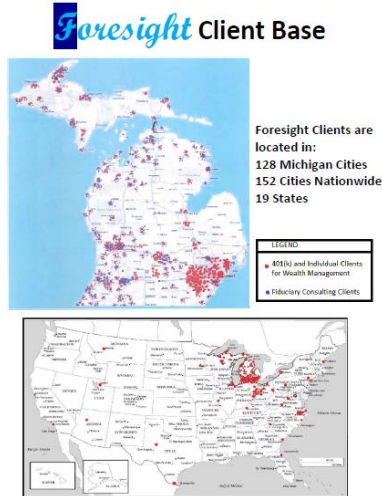
**A New White Paper by Foresight:** titled Retirement Plan Costs Beware! A Mutual Fund Share Class Study- and Why the Cheapest Fund Class May Not be the Best! This assists trustees of retirement plans and helps them to understand the complex pricing of the mutual funds. Contact us if you would like a copy emailed to you.

### **New Analytics at Foresight- Hidden Levers**

Foresight has implemented a new tool called Hidden Levers which allows us to analyze portfolios by putting them through a stress test from history and simulate how the portfolio will react in today's market. We intend to utilize this tool on all the Foresight portfolios and will review its outcomes with you in your annual review meeting.

### **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**  
Dec 31, 2017

Conservative Model	+11.42%
Moderate Model	+13.07%
Aggressive Model	+14.30%
<u>Indexes:</u>	
S&P 500 Index	+19.42%
MSCI EAFE Foreign	+21.78%
10Yr T-Bond Index	-0.05%

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



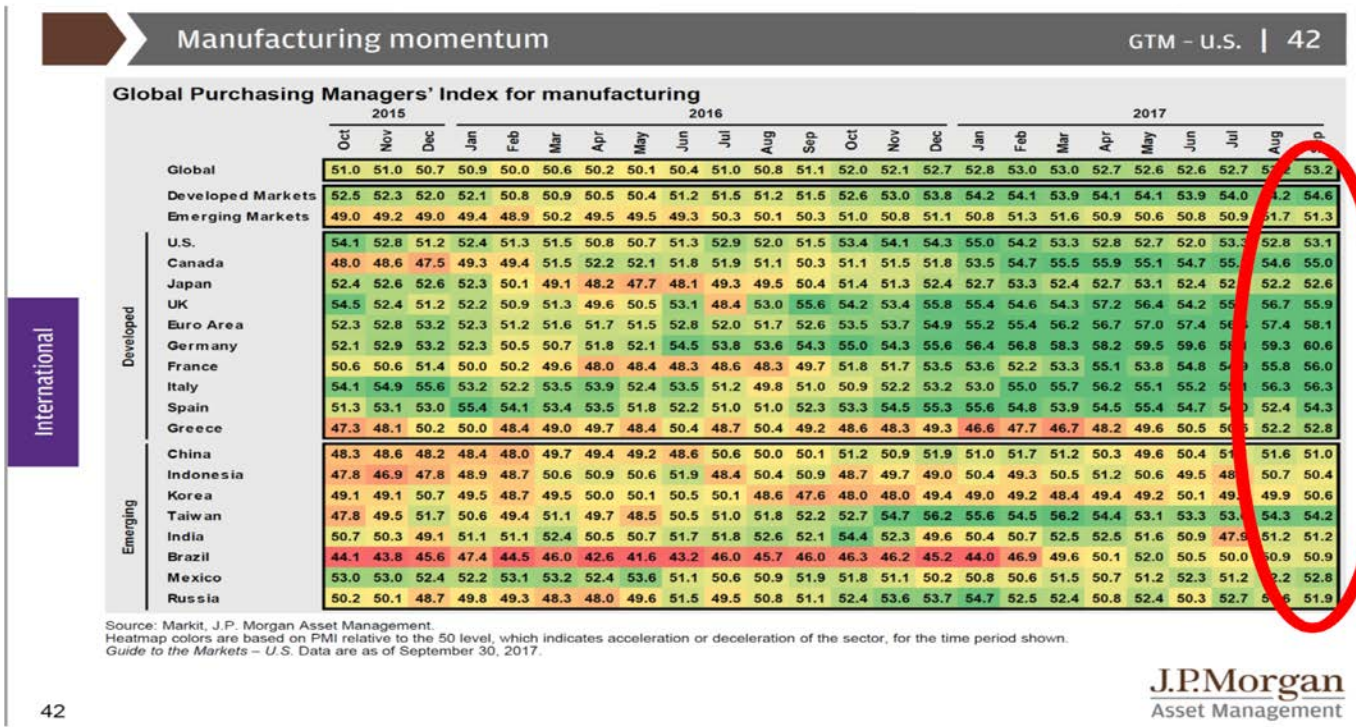
***Foresight's* Outlook and Portfolio Strategies**

Dow 26,000, tax cuts from Washington, GDP expected to be near 3% in 2018, and foreign countries now growing, so what's the next good news? Here it is.....Warren Buffett says the Dow will hit 1 million in 100 years, Sept 20, 2017! Buffett also said in an interview with CNBC Jan 10, 2018, "The USA tax reform is major because it has made stocks worth more since corporate rates were 35% now 21% so there is a 14% increase in worth! It does seem never ending, but the consensus is the market is going even higher in 2018. 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 Mary Callahan-Erdoes of JP Morgan, Davos interview by CNBC Jan 2018, she says, "We have global unemployment at a 40-year low, do not be afraid of this market, and you are basically "shorting" the market if you are setting with cash in a bank account. You need to get it invested." The tax cut in the USA has caused \$2.7T of overseas profits to begin to repatriate back to the USA, and Apple has announced \$245B repatriating in 2018. Between the repatriation of overseas USA\$ and tax cuts both have spurred many companies to give workers cash bonuses, and it is estimated between extra bonuses and tax cuts the typical USA family will likely see about \$5,000 in savings beginning in 2018. This will boost economic growth and optimism. According to President Trump, from Davos Jan 26, 2018, "America is open again for business!"

On another note the bond market, according to Alex Dryden of JP Morgan, "Is like a patient stuck in the ER room". They are on meds and the Federal Reserve keeps checking in on them hoping they are getting better, but interest rates are too low and the Federal balance sheet is too big. So, the USA needs to keep raising interest rates and wean ourselves off the monetary medicine by buying back Federal bonds and tightening the

money supply so long interest rates can increase, which is just beginning to happen! Jay Powell, the new Federal Reserve Chairman, will take office in Feb 2018 and intends to raise short interest rates 3-4 times in 2018, continue to buy back bonds, retire bonds, and foreign investors will begin selling USA bonds in lieu of buying foreign bonds paying higher interest rates. All this will help to raise short and long-term interest rates which the USA needs to do. If this all goes to plan then our next “mild” recession is way off into the future, 6-8 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.

Foreign countries, developed and emerging, are now all growing! This is the first time this has occurred in 10 years. Note on the right side of the chart all countries are over 50 for the score.



Foresight has increased the holdings in foreign investments and will continue this overweight for 2018.

Our economy, in the USA, is propelled by people not the government. Therefore, the health of our economy is being fueled by the companies and people running them. There are many analysts that believe we could be heading into the longest bull market in history! Time will tell, but there are some key factors supporting this theory. Given the USA is growing at a slower rate of +2%, the millennial population is the largest workforce at 86 million, unemployment is at 4.1% with mild wage inflation, interest rates are just beginning

to rise, and inflation is nil. All these are supporting indicators that our bull market could continue for quite some time.

Foresight continues to monitor the geo-political situations and continues to be optimistic. We have moved all our portfolios into their normal risk allocations and maintained the increased foreign holdings for 2018. The mutual fund portfolios will increase weightings in foreign holdings, healthcare, industrials, and materials. 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. 2018 consensus earnings are forecasted higher than 2017, which means stock prices are likely to increase decently and the market is showing no signs of a recession. If the market has a 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.

**Expect a Raise in Social Security for 2018!** There will be a 2% increase in Social Security payments for retirees and other recipients for 2018. This is the largest benefit increase since 2012.

**New White Paper :** a new white paper on **Retirement Plan Costs Beware! A Mutual Fund Share Class Study and Why the Cheapest Fund Class May Not be the Best!** This assists trustees of retirement plans and helps them to understand the complex pricing of the mutual funds. Contact us if you would like a copy emailed to you.

**Foresight in the News!** Our firm was ranked nationally as a RIA firm for 2017 in the Financial Advisor Magazine,



July 2017.

**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 HSA will allow you to save in 2017 up to \$3,400 for single and \$6,750 for a family; if +55 then \$4,350 for single and \$7,750 for a family. **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. 2017 HDHP=minimum deductible for single \$1,300 and family \$2,600 and out of pocket maximum for single \$6,550 and family is \$13,100. 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. Beginning in Nov 2016 all of our quarterly information will be sent to the Web Portal. 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](http://Journeyrps.com) or [Noblepension.com](http://Noblepension.com) if a retirement participant. For individual clients at TD Ameritrade access [Advisorclient.com](http://Advisorclient.com) for Schwab Institutional Clients access [Schwaballiance.com](http://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.



## Market Update

(all values as of 12.29.2017)

### Stock Indices:

Dow Jones	24,719
S&P 500	2,673
Nasdaq	6,903

### Bond Sector Yields:

2 Yr Treasury	1.89%
10 Yr Treasury	2.40%
10 Yr Municipal	2.01%
High Yield	5.78%

### YTD Market Returns:

Dow Jones	25.08%
S&P 500	19.42%
Nasdaq	28.24%
MSCI-EAFE	21.78%
MSCI-Europe	22.13%
MSCI-Pacific	21.57%
MSCI-Emg Mkt	34.35%

US Agg Bond	3.54%
US Corp Bond	6.42%
US Gov't Bond	4.00%

### Commodity Prices:

Gold	1,305
Silver	16.98
Oil (WTI)	60.10

### Currencies:

Dollar / Euro	1.19
Dollar / Pound	1.34
Yen / Dollar	112.91
Dollar / Canadian	0.79

## Macro Overview

The rally in stocks that began following the election in 2016 propelled through 2017 as optimism and expectations that growth oriented policies and tax cuts would materialize. Political turmoil was not a deterrent for the markets, as major U.S. equity indices finished the year at near record levels.

The Tax Cut & Jobs Act was signed into law by the President on December 22<sup>nd</sup>, setting the stage for new tax codes and rules effective January 1, 2018. Following the passage of the new tax law legislation, small businesses and larger corporations prepare for optimal methods of spending capital and expanding in 2018.

Congress passed a short-term funding plan to avert a government shutdown between December 22<sup>nd</sup> to January 19<sup>th</sup>. Since federal funding gaps are common, Congress institutes a continuing resolution or CR to provide interim funds in order to maintain government operations.

Strengthening economic conditions throughout the international markets helped buoy global stocks and mildly boost inflationary pressures, which can be beneficial for certain equities. Economic stimulus efforts by central banks were reigned in during 2017, as developed and emerging market economies exceeded growth expectations.

The Federal Reserve raised rates as expected with the objective of curtailing inflationary pressures. The December rate hike was the third of the year, pushing shorter-term rates higher, which are more sensitive to Fed rate increases. Overall, rates remained fairly stable in 2017, as inflation and economic growth were tepid. The 10-year Treasury yield ended 2017 at 2.40%, down from 2.45% at the beginning of the year.

## Confusion

surrounding prepayment of property taxes was a nationwide problem the last week of the year as homeowners rushed to prepay 2018 property tax bills without being certain if a deduction could

be taken in 2017. In a statement, the IRS did specify that taxpayers could deduct prepaid 2018 state and local property taxes on 2017 returns only if the taxes were assessed before 2018.

(Sources: Congress.gov, Federal Reserve, IRS, U.S. Treasury)

## Significant Tax Law Changes Effective 2018

	Prior Law		New Law
Standard Deduction	\$6,350	Single	\$12,000
	\$12,700	Married	\$24,000
Child Tax Credit	\$1,000		\$2,000
State & Local Tax Deduction Limits	No Limit		\$10,000
Mortgage Interest Deduction Limit	Up To \$1 million mortgage		Up To \$750,000 mortgage
Medical Expense Deduction	Excess of 10% of AGI		Excess of 7.5% of AGI
Corporate Tax Rate	35%		21%
Pass Through Company Tax	Personal Rate		20% deduction of income
Estate Tax Exclusion	\$5.6 million per person		\$11.2 million per person

## New Rules Benefit 529 College Savings Plans – Estate Planning

The Tax Cuts and Jobs Act includes a provision to now allow 529 Plans to be used for private elementary and high school expenses, rather than just college related expenses. The new rules are a treat for both parents and grandparents looking for a better way to pay for private educational costs. Until now, the only plan that allowed for tax-free earnings growth was a Coverdell Education Savings Account (ESA). Limitations on contributions and income has made these plans unfavorable for many families. A key notable benefit to a 529 versus a Coverdell ESA includes transferability. Funds in a 529 account may be transferred from the original beneficiary to another. Another benefit is the fact that funds in a 529 may grow perpetually, and never have to be used. Some families are using this feature as an estate planning tool, allowing unused funds in a 529 to pass along to future recipients. The new tax plan does limit the amount used for K-12 expenses to \$10,000 per year. Any current funds held in an existing Coverdell ESA account may be rolled over to a 529 plan with no tax consequences.

The accompanying chart details the new benefits to a 529 Plan versus a traditional Coverdell ESA plan:

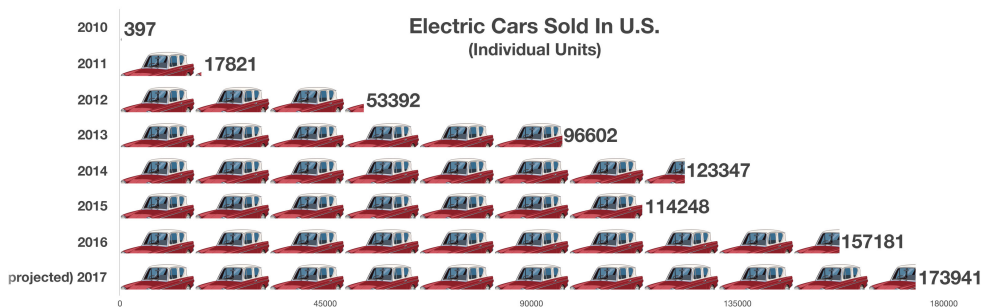
	<b>Coverdell ESA</b>	<b>529 Plan</b>
<b>Income Limits</b>	\$220,000 Married	None
<b>Contribution Limits</b>	\$2000 Per Year Per Beneficiary	None
<b>Contribution Age Limit</b>	18	None
<b>Funds Usage Limit</b>	Funds must be used by age 30	None

Named after the IRS Code it falls under, Section 529 plans have ballooned to \$282 billion in assets (as of the 3<sup>rd</sup> quarter of 2017) since their inception in 1997. Section 529 plans were initially intended to provide

parents of young children the ability to invest money for future anticipated college related expenses. These plans offer two primary benefits: assets grow tax deferred and come out tax free for qualified expenses; and, contributions made by parents and grandparents are considered a gift, thus proving a tax benefit for some contributors. (Source: IRS, [www.congress.gov/bill/115th-congress/house-bill/1](http://www.congress.gov/bill/115th-congress/house-bill/1))

## Electric Cars Grew In Popularity In 2017 – Auto Industry Overview

The adoption of electric cars worldwide has been a trend for years, with limited options from only a few manufacturers. A recent surge of new entrants into the market along with rapidly advancing electric motor and battery technology has recently provided a flurry of additional options for consumers. Government subsidies and environmental sensitivity have also helped increase the popularity of electric vehicles and propelling sales upward. There are currently over 253 million cars and trucks on U.S. highways, with



roughly 550,000 of them electric. Electric vehicles have also grown in popularity in other countries as new models and manufacturers have evolved.

China, Japan, the Netherlands and Norway are among the countries with the largest amount of electric vehicles. Estimates for 2017 electric car sales in the U.S. are expected to be about 174,000 vehicles, up from 157,000 in 2016. Numerous manufacturers and brands have introduced new models prompting competition in the industry. (Sources: InsideEVs, Dept. of Transportation)

# Foresight

Capital Management Advisors, Inc.

A BITCOIN EXCHANGE IN SOUTH KOREA WENT OUT OF BUSINESS IN DECEMBER

A Bitcoin exchange in South Korea went out of business in December after it was hacked by cyber thieves that stole roughly 20% of its clients holdings, validating that cyber currency exchanges are still extremely susceptible to losses. Unlike a bond, stock or real estate, a cryptocurrency offers no intrinsic value, such as cash flow and earnings. Instead, the value is solely based on what the next buyer is willing to pay leading to speculation, also known as the greater fool theory.

The greater fool theory states that the price of an item is determined by unreasonable expectations and ideals about that item. As speculation inflates prices, sellers profit as there will always be a bigger fool willing to pay a higher price.

Many believe that the price of Bitcoin in the final weeks of 2017 exemplified behavior relative to the greater fool theory. Volatility in December alone was considered irrational and speculative in nature, as the cyber currency value skyrocketed over 40% in early December, then tumbled over 30% later in the month.

(Sources: coindesk.com/price, cointelegraph.com)





## The New Tax Bill – Fiscal Policy Review

Both individual taxpayers and companies will see broad changes for deductions and tax rates. The emphasis of the tax bill, known formally as the Tax Cuts & Jobs Act, is to stimulate economic activity via new and higher paying jobs. This is why many of the changes directly benefit large and small businesses in order to encourage hiring.

Some of the tax provisions enacted by the new tax act will be temporary, while others permanent. The cost of reduced tax revenue brought about by tax cuts may only be viable for a certain period, thus producing more immediate benefits from tax cuts rather than later.

Affecting essentially every taxpayer is the increase in the standard deduction, which is meant to simplify the tax preparation process by replacing itemized deductions with a larger standard deduction.

The IRS estimates that about 95% of the businesses in the United States are pass-through entities, such as sole proprietors, S-Corps, LLCs, and partnerships. These entities are called pass-throughs because the profits generated are passed directly through the business to the owners, which are taxed at the owners' individual income tax rates. The new tax law allows for a 20% deduction of that income, thus reducing overall taxable income. According to the Tax Foundation, pass-through businesses account for over 55% of all private sector employment, representing over 65.5 million workers nationwide. (Sources: IRS, [www.congress.gov/bill/115th-congress/house-bill/1](http://www.congress.gov/bill/115th-congress/house-bill/1))

## Equity Overview – Global Stock Update

Global markets accelerated throughout 2017, marking new highs and sending broader market indices higher. The election prompted rally in domestic stocks continued on in 2017 as optimism and expectations that growth oriented policies and tax cuts would fuel earnings appreciation.

International markets excelled in 2017 as both developing and emerging stocks were boosted by expanding economies throughout Europe and Asia.

The new tax law imposes a repatriation tax on cash held overseas by U.S. corporations. A tax of 15.5% on liquid assets will affect various sectors and numerous companies that are estimated to have amassed over \$2 trillion overseas. The new rate is considerably lower than the previous rate of 35%, incentivizing companies to bring cash back to the U.S.

Of the several sectors encompassing the equity markets, technology and healthcare companies hold the most cash overseas, placing them at the forefront of bringing billions of dollars back to the U.S. at the preferable tax rate.

(Sources: Bloomberg, Reuters, [www.congress.gov/bill/115th-congress/house-bill/1](http://www.congress.gov/bill/115th-congress/house-bill/1))

### Previous

Tax Rate	Single	Married
10	0 - 9,525	0 - 19,050
15	9,525 - 38,700	19,050 - 77,400
25	38,700 - 93,700	77,400 - 156,150
28	93,700 - 195,450	156,150 - 237,950
33	195,450 - 424,950	237,950 - 424,950
35	424,950 - 426,700	424,950 - 480,050
39.6	426,700 +	480,050 +

### New

Tax Rate	Single	Married
10	0 - 9,525	0 - 19,050
12	9,525 - 38,700	19,050 - 77,400
22	38,700 - 82,500	77,400 - 165,000
24	82,500 - 157,500	165,000 - 315,000
32	157,500 - 200,000	315,000 - 400,000
35	200,000 - 500,000	400,000 - 600,000
37	500,000 +	600,000 +

\*Market Returns: All data is indicative of total return which includes capital gain/loss and reinvested dividends for noted period. Index data sources; MSCI, DJ-UBSCI, WTI, IDC, S&P. The information provided is believed to be reliable, but its accuracy or completeness is not warranted. This material is not intended as an offer or solicitation for the purchase or sale of any stock, bond, mutual fund, or any other financial instrument. The views and strategies discussed herein may not be appropriate and/or suitable for all investors. This material is meant solely for informational purposes, and is not intended to suffice as any type of accounting, legal, tax, or estate planning advice. Any and all forecasts mentioned are for illustrative purposes only and should not be interpreted as investment recommendations.