



## Newsletter 4Q 2018 and Market Summary

FCMA's Model Mutual Fund Portfolios have risen nicely over the summer and are handling the volatility of the market with YTD results, net of fees, for Sept 30, 2018 as follows: Conservative Model +4.53%, Moderate Model +6.58%, and Aggressive Model +7.35%! Economic indicators are still strong and unemployment has maintained its lowest since pre-2008, now at only 3.7% as of September 30, 2018 with GDP estimated to +3% for 2018.

### Welcome to our newest employees at Foresight

Tamara Castillo  
Office Manager  
Para Planning



Cody McCullough  
High School Intern



Cody Minix – Walsh  
College Intern



Audree Preble – EMU  
College Intern



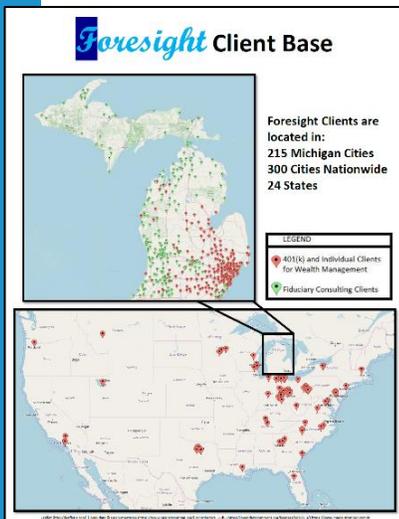
**2019 New Savings Limits Announced:** The US Government has announced several savings limit increases for 2019. 401(k) savings limit raises to \$19,000, and if age 50+ rises to \$25,000. IRAs increased to \$6,000 and 50+ \$7,000. HSAs savings raise to \$3,500 for Individual and \$7,000 for a family in 2019, both up from 2018 (\$3,450 Individual and \$6,900 for family). See our website [www.fcmadvisors.net](http://www.fcmadvisors.net) for more details on the savings limits for 2018-19.

**New “Fiduciary Vetted” Annuities are now Available at Foresight:** The NAPFA organization (National Association of Personal Financial 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%.

**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.

**Foresight's 10<sup>th</sup> Anniversary and Client Appreciation:** Was enjoyed by all! The golfing simulation venue was a lot of fun. Thank you to all who attended our event we appreciated your support.

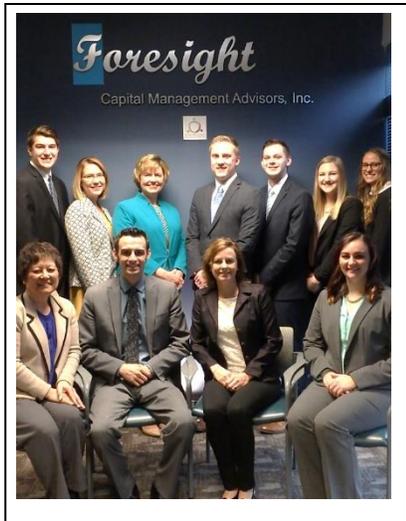




FCMA Model Returns  
 Sept 30, 2018

Conservative Model	+ 4.53%
Moderate Model	+ 6.58%
Aggressive Model	+ 7.35%
<u>Indexes:</u>	
S&P 500 Index	+ 10.56%
MSCI EAFE Foreign	- .98%
10Yr T-Bond Index	- 2.74%

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



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

The 3Q had decent earnings and revenues reported which drove the market higher over the summer and into fall. Most recently, however, the uncertainty caused from rising interest rates, continued trade war issues, upcoming elections, and the growing shortage of workers has caused a correction in the market during October 2018. This is surprising to have a third correction in 2018 since the 3Q earnings have been strong and about 77% of companies have met or beat their 2018 earnings estimates. The market is having a difficult time sorting out the positives from the negatives, however we believe this is likely to pass and the market will begin to turnaround and pull upward to a positive yearend for 2018. The Cleveland Federal Reserve President, Loretta Mester, spoke on CNBC 10/26/2018 and she was quick to state: Wages are rising, there are no inflationary pressures, unemployment is the lowest since the early 60's, GDP is good but expected to have slower growth in 2019, trade and tariff policy is causing some uncertainty, conditions are still accommodative, and over all the economy is still strong! She was quite positive. Dr. Kelly from JP Morgan, in his 4Q18 Guide to the Market Calls, had a very good analogy for how portfolios should be constructed now. He said we need to Make Hay and Fix the Roof at the same time!

Make Hay



and

Fix the Roof



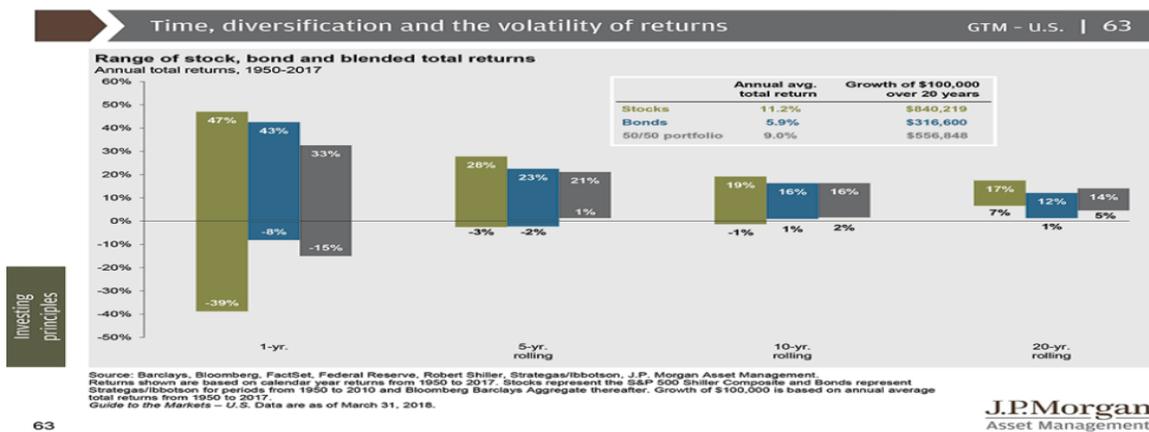
This means you do need to stay invested in stocks “to make hay” and reduce the volatility with a blended portfolio of bonds by “fixing the roof” which can adjust with rising interest rates. Economist believe the economy is strong and the next recession is still about 2-5 years off and during the next few years expect more volatility in the market. It is a good time to reassess your risk level and make sure you are able to tolerate and sustain the market pullbacks.

Jay Powell, the Federal Reserve Chairman, has raised rates three times in 2018 up to 2.25% and intends to raise short interest rates 2 more times into 2019. With the recent volatility these next interest rate increases will need to be carefully implemented. We all need to prepare for a rougher climb upward. The markets biggest challenge is a growing shortage of workers. There will continue to be increased volatility, but it is believed the recession is



another 2-5 years into the future. The next couple of recessions are likely to be mild recessions. A mild recession is defined as the market dropping -20% and staying down for about 10 months. Then it would begin to heal and climb back upward. According to Dr. David Kelly, of JP Morgan July 9, 2018, he states that 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 off into the future, 2-5 years. Recently this recovery was declared the longest bull market in history, because it has continued for 10 years in a row with no recession! Foresight has been careful to “fix the roof” by buying high rated bonds, with high yields, near par, and to keep the majority of fixed income in floating and convertible interest-bearing bonds. We recently reduced the growth mutual funds in the portfolio and have begun to rebalance into value equity holdings. 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. However, the blended portfolio is positive after just 5 years! Diversification is key to weathering volatility!

Foresight continues to monitor the geo-political situations and continues to be positive on the market. We have reduced the risk in the portfolios by moving them towards their normal risk allocations. The sectors we have added to are financials, utilities, value equities, healthcare, and consumer staples. We have reduced the foreign holdings for 2018, due to the continued weakness in the foreign investments thus far. We have taken action to make them more defensive this quarter which is “fixing the roof”. We continue to monitor the stock portfolios weekly and have stop losses on most double digit gains within the stock portfolios. Several of these stop losses have activated in October. Foresight will repurchase the stock holdings when we see the market recovering from the recent pullback. We believe the economy is healthy and it should recover quickly. Please contact us if you have any questions about your portfolios.

## **Foresight Planning Ideas:**

**IRS Contribution Limits increase for 2019: 401(k) and 403(b) savings limits for 2019 are \$19,000 deferral max and for 50+ \$25,000 deferral, and IRA limits \$6,000 and if age 50+ \$7,000.**

**Estates Risk that Needs To Be Addressed:** Many of you have wills and trusts, however there is a very important list of your Passwords and Logins that need to be added to your documents. More and more elderly are leaving without this documented and loved ones have a big mess to resolve! Even though the trust is in place if you do not have a list of what the estate has because everything is electronic statement and passwords are needed to locate the statements then it is very hard for a trustee to move forward. My recommendation is to make a very accurate list, and update this yearly, of all your passwords, user-ids, and logins to everything, even your cell phone password attached to your trust documents. At least this way your loved ones have a starting point. It would be a shame to leave something behind in the cyber electronic world because there was no password to unlock the assets.

**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 2019 to \$3,500 for single and \$7,000 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.

**Foresight's 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 \$6k in a Non-deductible IRA, and \$7k 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.