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CANBY FINANCIAL RETIREMENT REPORT

Michael Flaherty
Relationship Manager

Planning News

Investment diversification is a well known strategy for building a portfolio. Successful retirement investors who build large nest eggs may be surprised by their future tax liabilities when they take distributions. You may now be able to make salary deferral contributions into a ***"Roth"*** bucket. This allows for ***tax diversification*** of withdrawals from your retirement portfolio. You will pay higher tax this year, but the tax break in retirement may be worth it.

Your Account

In today's world, each of us is more responsible for securing our own future. It is always beneficial to save more by increasing the amount we contribute from each paycheck. We also need to make an informed decision about how our retirement account is invested. Many plans are set up with a ***Qualified Default Investment Alternative*** *(QDIA)*, which should be an appropriate investment strategy for the long-term. You should consider increasing your contributions and ask if your plan has a QDIA option.

Financial Guidance for Every Stage of Life

INVESTMENT COMMENTARY

"And the beat goes on…"

US Stock Market indexes continued to march to record highs in the 2nd quarter of 2017. Bond values held steady or showed small gains as long-term interest rates for mortgages, Treasuries and corporate bonds remained near historically low levels. And over the past 12 months, Foreign Stocks have joined the party, with broad averages for Developed and Emerging Market countries outperforming US Stocks.

The recent period of steadily rising US stock markets has occurred with remarkably low price volatility. The CBOE Volatility Index (VIX), known as the "fear index", has been near lows last seen in 1993. While we worry about investors being overly complacent, there are some fundamental factors supporting the market's momentum. Many economists have a favorable outlook for global economic growth. 2017 could see the first synchronized expansion since the 2008 mortgage crisis with GDP growth improving in Europe, the US and many Emerging Market countries. Over the long-term, stock prices follow corporate earnings and earnings are expected to increase by more than 10% for all of 2017.

Showing confidence in the US economy, the Federal Reserve Bank has raised the Fed Funds rate 3 times since December 2016 to a target rate of 1-1.25% as of June 15. Fed Chairwoman Janet Yellen has recently indicated that further rate increases will be gradual, with the Fed Funds target rate not much higher than the current rate and lower than the target before the 2008 mortgage crisis. Perhaps more importantly, the Federal Reserve Bank has stated it will start to reduce its balance sheet later this year. We will watch closely to see how the Bond Market reacts and if long-term interest rates start to increase.

Outside the US, central banks are signaling that they are planning to follow the US Federal Reserve Bank's lead. As economic growth improves, short-term interest rates in Europe have started to rise. Foreign stock market fundamentals look more attractive than US stocks', with lower P/E ratios and higher dividend payouts on average. We believe the typical US investor is underweight Foreign and Emerging Market investments and the flow of funds toward those asset classes is likely to increase, potentially boosting the performance of non-US assets.

Many investors continue to focus on the political situation in Washington, DC. The controversies reported daily by the news media create the opportunity for positive surprises.

As always, we want to stress that many market risks exist and you should not become complacent in managing your retirement assets.

PLEASE GIVE US A CALL IF YOU HAVE ANY QUESTIONS ABOUT THE INVESTMENT OPTIONS IN YOUR RETIREMENT

CANBY Financial Advisors

161 Worcester Road, Suite 408—Framingham, MA 01701—Phone 508-598-1082

Email: mflaherty@canbyfinancial.com — www.canbyfinancial.com.