



QUARTERLY UPDATE

July 2017

Happy summer! If you have vacation on the mind, be sure to check our tips for cyber security on the beach. We also have a short guide to choosing the right fuel-efficient car for your lifestyle. Markets have been peaceful so far this summer, although August-October is often the low point of the year. We wish you peace and relaxation as well!

– Carol Hoffman & Tim Grout

Market Overview

United States: Stocks continued to climb during the second quarter as investors focused on the potential for tax reform and growth. A Fed rate hike, valuation concerns, and a fluid political landscape in the U.S. didn't dent the market. Economic activity has been rising moderately so far this year, business spending has continued to expand, and the unemployment rate has declined to 4.3% as of May. Job gains have moderated.

Index Returns	Q2	YTD
S&P 500	2.6%	8.2%
Russell 2000	2.1%	4.3%
World ex USA	4.6%	10.9%
U.S. Aggregate Bond	1.5%	2.3%

Sources: Morningstar, MSCI through June 30, 2017

Gross domestic product (GDP): The U.S. economy as measured by GDP continues to expand, but more slowly than last year, at an annualized rate of 1.4% for the first quarter. (Second-quarter estimates will be released in the next few weeks.) The federal budget deficit sits at \$433 billion.

Bonds and interest rates: For the short term, we are holding higher levels of cash in lieu of bonds in your accounts. This is because the U.S. government is finally halting the bond repurchase program that was part of the post-crisis quantitative easing, which is a significant change in the bond market. The Federal Open Market Committee in June raised the target range for the federal funds rate for the second time this year, to 1.00%-1.25%. There may be a third rate increase before year-end. These factors should allow us to purchase bonds at a lower price in the future.

International: We are moving accounts slowly toward higher allocations of international stocks, now that they show a more fundamental growth trend after eight largely stagnant years. European markets showed little reaction to the beginning of Brexit negotiations in June. Japan's economic growth slowed on the heels of weaker consumer spending. China has attempted to expand its financial markets and entice more foreign capital, which may help drive its GDP.

Low Inflation and Global Expansion Continued

Asset markets continue to expand steadily across the globe. Any concerns about potential overheating are mitigated by waning oil prices and muted inflation pressures. Monetary policy in the major economies will be critical to the outlook, as a broad directional move toward reducing accommodation raises the potential to provoke greater market volatility.

	Q2 2017 TRENDS	OUTLOOK
MACRO	<ul style="list-style-type: none">• Synchronized global expansion continued<ul style="list-style-type: none">– Solid global industrial and trade activity– Signs of peaking growth rates in China– U.S. expansion a mix of mid and late cycles• Peaking inflation rates as oil prices dropped<ul style="list-style-type: none">– Core prices firm but overall inflation expectations waned• Global monetary policy still accommodative but incrementally less so<ul style="list-style-type: none">– Fed hiked again and announced balance-sheet reduction• Still elevated global political uncertainty, but European concerns ebbed<ul style="list-style-type: none">– Little legislative progress in U.S.	<ul style="list-style-type: none">• Global expansion on firm ground<ul style="list-style-type: none">– Low odds of recession in advanced economies, though business cycles are maturing– Eurozone solid activity and firming core inflation– China's upside constrained amid policy tightening• U.S. business cycle becoming more mature<ul style="list-style-type: none">– Tighter labor markets imply pressure on profit margins; potential risks in autos and credit• Move toward global policy normalization raises market risks<ul style="list-style-type: none">– Central bank balance sheets poised to stop expanding– Markets concerned about Fed policy error
MARKETS	<ul style="list-style-type: none">• Low volatility and broad rise in asset prices• Reflation trades lost further steam; U.S. dollar and bond yields continued in weakening trend	<ul style="list-style-type: none">• Smaller allocation tilts at this point in the cycle• Favor international equities and inflation-resistant assets• Policy risks could boost market volatility

Source: Fidelity Quarterly Market Update. Data as of June 30, 2017.

Avoid this common bank account mistake for seniors

As you get older and begin recruiting family members to help manage your day-to-day finances, it may be tempting to add a relative's name to your bank account so that person can help pay the bills. That may work fine as a short-term solution, but it shouldn't be your primary long-term plan for dealing with a potential loss of financial capacity. Joint accounts can easily lead to disputes over misuse of funds, inheritance, and other issues. If you add your daughter's name to your bank account, for example, that account will go to her when you die, even if you intended to split your money evenly among your children.

Instead of relying on such ad hoc arrangements, we recommend everyone have a **durable power of attorney** for finances. With this document, you designate someone you trust, known as your agent, to manage your finances as needed. The "durable" part means it stays in effect even if you're incapacitated.

We suggest using a low-cost online service like LawDepot.com (if your finances are simple) or an experienced estate planning attorney (if your situation is more complex) to create your durable financial power of attorney. Give us at CFPF a call to receive an attorney recommendation or to discuss your estate plan.

Does a hybrid or electric vehicle make sense for you?

Many of our clients have expressed interest in fuel-efficient vehicles. If this is you, consider the following financial and practical considerations to make a well-informed choice for your family.

First, know your options: **Electric vehicles (EVs)** run solely on a rechargeable battery pack. They produce zero emissions and run quietly. **Plug-in hybrids** use the electric motor primarily and a backup gas engine to extend range. The **traditional hybrid** has a gas engine and electric motor working together to improve gas mileage. **Alternative fuel vehicles** include those powered by diesel, bio-diesel, ethanol, compressed natural gas, and hydrogen fuel cells.

Driving a green vehicle may make good financial sense. You could earn a tax credit of \$2,500-\$7,500 for your new EV or plug-in hybrid car. (See IRS Form 8936 for restrictions.) You may also find discounts on auto insurance, and savings from reduced energy costs could be significant.

In addition to finances, ask yourself these practical questions:

- How far do you drive in a day? An EV works well for typical daily commutes, but is less convenient for long trips due to the limited range of current models.
- Will you be able to charge at home (or work)? Apartment residents without daily access to a charging station may need to hold off on purchasing an all-electric vehicle.
- How long will you keep the car? Vehicle technology is evolving fast. Consider leasing your first EV or alternative fuel vehicle instead of buying it outright, so you can take advantage of future technological advances.

	Can you refuel at home?	Are public refueling stations common?	Range after filling up	Emissions
Electric vehicle	Yes (electricity)	No, but getting better	100-300 miles	Zero
Plug-in hybrid	Yes (electricity)	Yes (gas)	400-600 miles	Zero to some
Traditional hybrid	No	Yes (gas)	400-500 miles	Some
Gas vehicle	No	Yes (gas)	300-400 miles	Yes
Alternative fuel	Depends on type	Yes for diesel, no for other special fuels	300-400 miles	Depends on type

Social Security account changes in June 2017

The Social Security Administration has added two-factor authentication to your account to improve security. You will still log in with your name and password as before, and you will now also receive a code in your email or text messages to verify your identity. The change you see is minor, and it helps better protect your account from potential identity fraud.



We encourage you to log in to www.SSA.gov/MyAccount at least once per year to verify data.

Keep Safe and Travel On

Picture this: You arrive for your week of relaxation at a trendy spot with your personal computer, only to learn that thousands of computer hackers are sharing the area... and you have no idea what they might do. This is exactly what happens every summer in Las Vegas when 15,000 professional hackers meet for the *Black Hat* convention.



This may be a worst-case scenario, but vacations require their own take on security because you may be in an unfamiliar location. Here are some cyber-security tips for vacation:

- Visit only non-sensitive websites like local attractions while using your hotel's or Airbnb's wireless connection, even if the wireless has a password. This also goes for a seemingly-more-secure cabled connection.
- Use your smartphone's data hotspot to access personal sites like email and Facebook.
- Do not log into *any* financial accounts while away from home.
- Apply these same rules to the hotel's communal computer. If you must use one to print your return ticket, change your airline account password at the earliest opportunity.
- Do not insert a USB stick or thumb drive into a communal computer. Ask for files to be emailed to you instead. (USB sticks can easily pick up and transmit viruses and malware.)

For more tips, *Tom's Guide* has an excellent piece at <http://bit.ly/TripSecurity>.

Thank you for your continued support. Please contact us with any of your financial questions or needs!

Carol & Tim and your Clear Perspectives team

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