



Taxes, Trade, and Record Highs

Weekly Update – February 13, 2017

The political world has presented many topics of conversation lately. But one discussion has been relatively quiet: tax reform. Last week, however, the president announced that a “phenomenal” tax plan is forthcoming, and domestic markets responded by reaching record highs.¹ In fact, we saw positive market performance even before the announcement, as the S&P 500 and Dow posted new records two days in a row, while the NASDAQ reached record highs every day except Monday.² By Friday, the Dow was up 0.99%, the NASDAQ added 1.19%, and the S&P 500 capped its fourth consecutive week of gains to increase by 0.81%.³ On the other hand, the MSCI EAFE languished this week, posting a 0.03% loss.⁴

In today’s highly politicized market environment, we understand that you seek insight on how changes could affect your financial life. While we could focus on potential policy or tax adjustments, many of these details are still unclear. Rather than addressing speculation, we prefer to analyze and share key data that we do have details on from last week: the trade deficit.

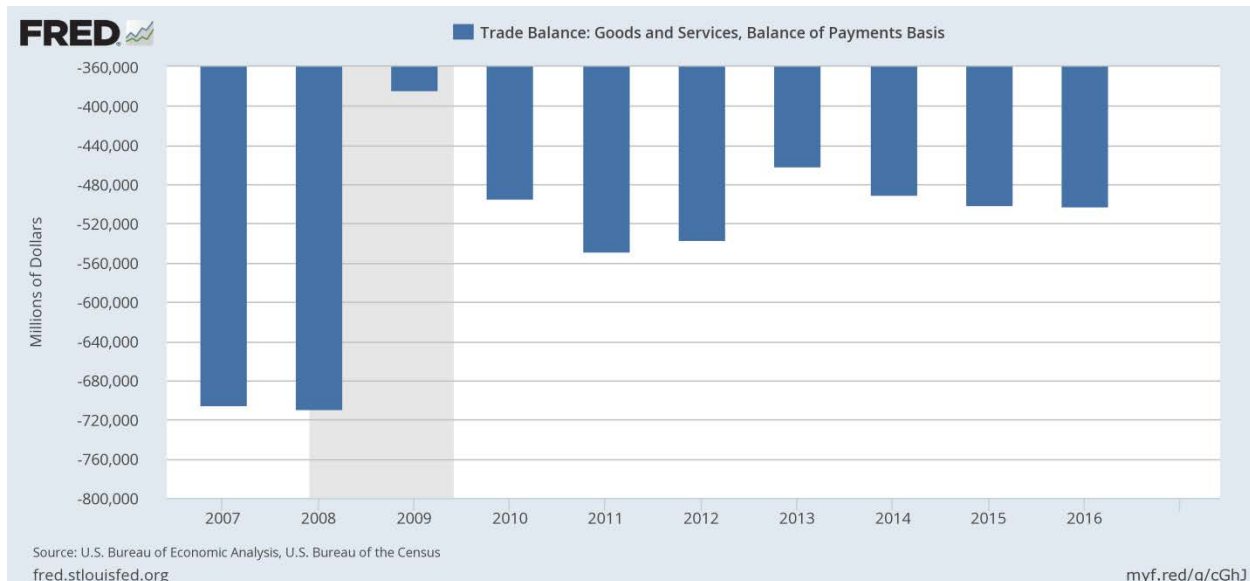
What happened? The most recent trade deficit numbers came in last week, showing that in December 2016 the following occurred:

- ☐ The trade deficit fell to \$443 billion.⁵
- ☐ Trade volume grew more than it has in over a year and half.⁶
- ☐ The trade deficit was higher than in December 2015.⁷

Why should you care? As we discussed a few weeks ago, trade is integral to our economy—and we saw a decrease in net exports slow GDP growth in the fourth quarter of 2016.⁸ Essentially, when the U.S. imports more goods than we export, the economy may not perform as well.

However, analyzing the trade deficit is not a simple “lower is better, higher is worse” circumstance. In a healthy economy, the trade deficit can increase, as Americans’ incomes grow and they buy more imported goods.⁹ Understanding what signs are positive and which are negative can help you better know where we stand.

What can we learn from this week’s findings? The trade deficit is larger than a year ago, but the increases are less dramatic than what some headlines may imply. For instance, a MarketWatch article shared that “U.S. trade deficit hits highest level in four years.” But when you look at the changes on a graph, the difference may seem less extreme than the headline implies.¹⁰



Ultimately, while the balance between imports and exports is meaningful, the volume of trade matters greatly as well. December's increasing trade volume—both imports and exports—can show us that both U.S. and global economies are improving.¹¹

Looking ahead, changes to trade deals and corporate tax rates could have significant effects on the trade balance and volume. We will continue to evaluate this monthly metric to look for insight into our economy's fundamental strength. As always, we will work to keep you informed so you know what is happening and how we are pursuing your goals in an evolving world.

ECONOMIC CALENDAR:

Tuesday: Producer Price Index

Wednesday: Consumer Price Index, Retail Sales, Industrial Production, Housing Market Index

Thursday: Housing Starts

Friday: E-Commerce Retail Sales

Data as of 2/10/2017	1-Week	Since 1/1/17	1-Year	5-Year	10-Year
Standard & Poor's 500	0.81%	3.45%	25.07%	14.50%	6.11%
DOW	0.99%	2.56%	27.36%	11.67%	6.11%
NASDAQ	1.19%	6.52%	33.86%	19.49%	13.31%
U.S. Corporate Bond Index	0.00%	0.16%	4.43%	3.80%	6.70%
International	-0.03%	3.40%	15.14%	2.69%	-1.97%
Data as of 2/10/2017	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.

Treasury Yields (CMT)	0.50%	0.62%	0.81%	1.94%	2.47%
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Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized. Sources: Yahoo! Finance, S&P Dow Jones Indices and Treasury.gov. International performance is represented by the MSCI EAFE Index. Corporate bond performance is represented by the SPUSCIG. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.



"Knowing is not enough; we must apply. Being willing is not enough; we must do."
– Leonardo da Vinci



Golden-Crusted Brussels Sprouts



A tasty side dish that's easy to make.

Serves 4

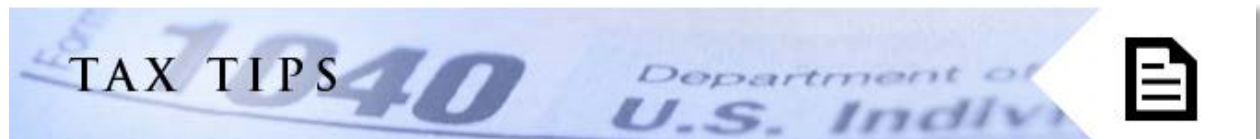
Ingredients:

- 24 small Brussels sprouts
- 2 – 3 tablespoons of extra-virgin olive oil
- Sea salt, finely ground
- Black pepper, freshly ground
- ¼ cup of your favorite grated cheese

Directions:

1. Cut off the end of each sprout, slice in half lengthwise, and trim any ragged or brown outer leaves.
2. Rub each half with olive oil.
3. Pour 1 tablespoon of oil in a large skillet and heat on medium.
4. Place a single layer of Brussels sprouts in the pan cut side down.
5. Sprinkle the sprouts with salt and cover.
6. Cook for approximately five minutes, until the cut sides are just beginning to brown and the sprouts are tender all the way through.
7. Remove the cover and turn up the heat.
8. Allow the cut sides to turn a deep, caramelized color, and then toss the whole pan a few times to brown the round sides.
9. Remove from heat and sprinkle with salt and pepper to taste.
10. Add grated cheese. Parmesan, Gruyere, and Gouda all work well.
11. Serve immediately.

Recipe adapted from 101 Cookbooks¹²



Know the Rules for a Child Tax Credit

Having a minor in your home can save you up to \$1000 per child on your taxes. Before you take the credit this year, make sure you understand these three details:

1. Qualifications

To qualify for the Child Tax Credit, each child must meet a number of restrictions, including:

- ☐ **Age:** Your child must be under age 17 as of December 31, 2016.
- ☐ **Relationship:** The child's relationship with the taxpayer must be through family, such as a son, daughter, foster child, grandchild, niece, or nephew. See a full list [here](#).
- ☐ **Dependent:** Only children that the taxpayer claims as a dependent on their federal tax return qualify.
- ☐ **Support:** The child must have provided less than half of their own support during 2016.
- ☐ **Joint Return:** The child cannot file a joint return unless they are doing so to claim a refund.
- ☐ **Citizenship:** Only children that are a U.S. citizen, national, or resident alien qualify.
- ☐ **Residence:** Generally, the child should live the majority of their time with the taxpayer—which means more than half the year in 2016.

2. Limitations

The Child Tax Credit has income limitations. These limitations may reduce or eliminate your credit, depending on your income and filing status. So you will want to be aware of which limitations may affect you.

3. IRS E-file

The easiest way to claim a Child Tax Credit is through IRS E-file. This online filing tool is safe, simple, and accurate. You can prepare and file your taxes online for free using IRS Free File.

If you claim a Child Tax Credit, you may need to complete Schedule 8812. You may also qualify for a refund through the Additional Child Tax Credit, even if you don't owe taxes. For more information, visit [IRS.gov](https://www.irs.gov) or speak to your tax professional.

Tip courtesy of [IRS.gov](https://www.irs.gov)¹³



Perfect Your Drive in the Backyard

Unless your property is huge—or you don't mind smashing your neighbors' windows—chances are you haven't spent much time practicing your drive at home. With this exercise, you can effectively (and safely!) practice your swing.

Step 1: Grab a driver and go outside.

Look for a spot in your lawn where the grass length is similar to the rough—around the height of a tee.

Step 2: Skim the grass.

You aren't actually hitting balls here; you're practicing your swing. Set up like you're at the tee box and swing so your driver's bottom just touches the top of the grass. Don't attack the imaginary ball like you would with an iron or you could end up digging into your yard—and you certainly won't improve your drives.

Step 3: Repeat.

Keep practicing your swing, each time aiming to just skim the grass. Hitting up on the ball with this sweeping motion will help you launch long, straight drives the next time you're at the tee.

Tip courtesy of Jason Guss | [Golf Digest](https://www.golfdigest.com)¹⁴



Encourage Longevity With Lifestyle Changes

Aging is a natural part of life, but the choices you make can help increase longevity and improve your health. Here are five tips that may help extend your life and make the years more pleasant as well.

1. Spend Time With Friends

Gathering with good friends is not just enjoyable—studies show it may also help you live longer. Just make sure you connect with friends who make healthy choices, as their habits can rub off on you.

2. Take Naps

Don't think of an afternoon snooze as a guilty pleasure; consider it a lifesaver. Research shows that people who nap regularly have a 37% lower chance of dying from heart disease than people who rarely take a siesta.

3. Eat a Mediterranean Diet

Mediterranean diets can help you decrease your chance of heart disease and diabetes. To eat this way, focus on fresh produce, olive oil, fish, and whole grains.

4. Stay Active

The list of benefits you gain from regularly exercising seems to lengthen all the time. Want to stay mentally sharp, live longer, and avoid many common diseases? Aim for 2.5 hours of moderate exercise each week.

5. Practice Forgiveness

Choosing to forgive and let go of grudges can have measurable effects on your mental and physical health. If you replace chronic anger with forgiveness, you can lower your risk of stroke and heart disease while enjoying reduced anxiety and blood pressure.

Tip courtesy of WebMD¹⁵



Make Every Day a Bit Greener

Living a greener lifestyle doesn't have to mean major changes. In fact, just a few adjustments to your daily routine could have a big effect on your environmental impact and might even save you some "green" in the process!

Here are tips to consider throughout your day.

In the Morning

- ☐ Switch to organic coffee to support sustainable growing standards
- ☐ Choose reusable travel cups to reduce landfill waste

At Work

- ☐ Use double-sided printing to save paper
- ☐ Put your computer in sleep mode when you're away for more than 20 minutes to decrease electricity use

Out and About

- ☐ Bring your own bags when shopping to reduce paper or plastic consumption
- ☐ Drive more slowly to lower your fuel costs

Before Bed

- ☐ Turn off the water while brushing your teeth to decrease waste
- ☐ Unplug electronics or shut off their power strips to stop phantom electricity use

Tip courtesy of Good Housekeeping¹⁶

Share the Wealth of Knowledge!

Please share this market update with family, friends or colleagues. If you would like us to add them to our list, simply click on the "Forward email" link below. We love being introduced!

If you would like to opt-out of future emails, please reply to this email with UNSUBSCRIBE in the subject line.

Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia and Southeast Asia.

The S&P U.S. Investment Grade Corporate Bond Index contains U.S.- and foreign-issued investment-grade corporate bonds denominated in U.S. dollars.

The SPUSCIG launched on April 09, 2013. All information for an index prior to its Launch Date is back-tested, based on the methodology that was in effect on the Launch Date. Back-tested performance, which is hypothetical and not actual performance, is subject to inherent limitations because it reflects application of an Index methodology and selection of index constituents in hindsight. No theoretical approach can take into account all of the factors in the markets in general and the impact of decisions that might have been made during the actual operation of an index. Actual returns may differ from, and be lower than, back-tested returns.

The S&P/Case-Shiller Home Price Indices are the leading measures of U.S. residential real estate prices, tracking changes in the value of residential real estate. The index is made up of measures of real estate prices in 20 cities and weighted to produce the index.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

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Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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¹ <http://www.cnbc.com/2017/02/10/us-markets.html>

² <http://www.reuters.com/article/us-usa-stocks-idUSKBN15P1GJ>

³

<http://finance.yahoo.com/quote/^DJI/history?period1=1486098000&period2=1486702800&interval=1d&filter=history&frequency=1d>

<http://finance.yahoo.com/quote/^IXIC/history?period1=1486098000&period2=1486702800&interval=1d&filter=history&frequency=1d>

<http://finance.yahoo.com/quote/%5EGSPC/history?period1=1486098000&period2=1486702800&interval=1d&filter=history&frequency=1d>

<http://www.reuters.com/article/us-usa-stocks-idUSKBN15P1GJ>

⁴ <https://www.msci.com/end-of-day-data-search>

⁵ <https://www.bea.gov/newsreleases/international/trade/tradnewsrelease.htm>

⁶ <http://www.ftportfolios.com/Commentary/EconomicResearch/2017/2/7/the-trade-deficit-in-goods-and-services-came-in-at-44.3-billion-in-december>

⁷ <http://www.ftportfolios.com/Commentary/EconomicResearch/2017/2/7/the-trade-deficit-in-goods-and-services-came-in-at-44.3-billion-in-december>

⁸ <https://www.bloomberg.com/news/articles/2017-01-27/u-s-economic-momentum-faces-wild-card-in-trump-s-trade-policy>

⁹ <http://www.ftportfolios.com/Commentary/EconomicResearch/2017/2/7/the-trade-deficit-in-goods-and-services-came-in-at-44.3-billion-in-december>

¹⁰ <http://www.marketwatch.com/story/us-trade-deficit-hits-highest-level-in-four-years-2017-02-07>

¹¹ <http://www.ftportfolios.com/Commentary/EconomicResearch/2017/2/7/the-trade-deficit-in-goods-and-services-came-in-at-44.3-billion-in-december>

¹² <http://www.101cookbooks.com/archives/goldencrusted-brussels-sprouts-recipe.html>

¹³ <https://www.irs.gov/uac/five-things-to-know-about-the-child-tax-credit>

¹⁴ <http://www.golfdigest.com/story/this-is-the-easiest-backyard-driver-drill-weve-ever-seen>

¹⁵ <http://www.webmd.com/healthy-aging/aging-body-care-16/slideshow-longer-life-secrets>

¹⁶ <http://www.goodhousekeeping.com/home/a18573/ways-to-go-green/>

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