SARD
WEALTH MANAGEMENT GROUP, LLC

CLIENT NEWSLETTER **BY: JONATHAN SARD, CFP®**
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IMPORTANT INFORMATION

The IRS has released the 2017 Retirement Plan Contribution limits. The contribution limits for 403(b), 401(k), Simple IRA, and IRA accounts all remain the same. All catch-up contribution limits are remaining the same as well. Total contributions to a defined contribution plan increased from $53,000 to $54,000 (this also includes SEP IRAs) and the compensation limit that the IRS will consider increased from $265,000 to $270,000.

With the election now behind we will soon have more clarity about the policies that may be put into place over the coming quarters.

2016 Year in Review

2016 saw coalition forces begin to take back control in Iraq, the United Kingdom vote to leave the European Union, an unexpected win by Donald Trump, the Federal Reserve issue a December interest rate hike, the housing market gain more strength, and unemployment improve.

On December 14, the Federal Reserve announced its second quarter-point rate hike in two years and the central bank's latest dot-plot forecast showed three planned rate moves in 2017 instead of the previously projected two. Fed officials emphasized that oncoming tightening will be "gradual."

By November, monthly payroll gains were averaging 180,000 for the year. The main U-3 jobless rate was at 4.9% in October and at 4.6% in November and at its lowest level since August 2007, and the U-6 rate had not been so low since April 2008.

Both the service and factory sectors expanded during fall 2016. The Institute for Supply Management's non-manufacturing index rose to 57.2 in November from 54.8 in October. November marked the 82nd straight month of service sector growth in America.

As of November, the Consumer Price Index was up 1.7% in 12 months, with the core CPI up 2.1%. The Federal Reserve's core PCE price index was 1.8% higher year-over-year in October, but that number declined to 1.6% in November.

Mortgages grew more expensive in Q4. As the quarter ended, Freddie Mac said that the average interest rate on a 30-year conventional home loan was 4.32%. Mean interest on the 15-year FRM was 3.55%, but the housing remains strong.

The fourth-quarter performances left the big three U.S. equity indices at the following year-end settlements: Dow Jones Industrial Average, 19,762.60; NASDAQ Composite, 5,383.12; S&P 500, 2,238.83. Treasury yields moved north, especially after the election. The 10-year note's real yield rose half a percentage point during Q4; it was 0.00% on September 30.

Investors are entering the first quarter with a good deal of optimism, but also with an awareness that anything could happen. Since the election, Wall Street has been bullish on the incoming Trump administration, and that confidence may or may not continue as it begins to shape policy in Washington. At the same time, market participants are keeping a cautious eye on the Fed, the strong dollar, and the possibility of a stock bubble inflated by euphoria. Economic signals have looked better of late than they did a year ago, and the stock market appears to be on much sturdier legs than it was at the beginning of 2016, when it fell precipitously. With the earnings recession having faded away, perhaps the market will get a boost this next earnings season that will lift the Dow above 20,000. For this best-case scenario to emerge, domestic and global belief in the new president and his administration needs to be strong and sustained, and geopolitical events from overseas need to be tolerable for the bulls. It will be an interesting first quarter.

So, what should you do now? We always preach how important it is to plan. Be sure you are sitting down with us on a regular basis to discuss your entire financial situation. Each quarter we want to remind you to alert us to changes in your financial situation or investment objectives to ensure that we are aware of any situation that might require changes in the management of your accounts. Please remember to contact us to discuss how these changes impact your investment accounts!

Financial Tip of the Month

Emergency savings — how much is enough?

Figuring out how much to set aside in a rainy day fund isn't a one-size-fits-all proposition, though the rule of thumb of three to six months of living expenses is a reasonable *guideline* — and one that is widely disregarded. According to surveys, two-thirds of American households earning less than $100,000 per year do not have enough available cash to handle $10,000 in unexpected costs. Other studies note that one in four Americans has more credit card debt than emergency savings.

What's the result? A dependence on credit to get through the rough times. And when reliance on loans and credit cards hardens into a lifestyle, disciplined saving takes a back seat. Consider these questions when deciding how much to stash in your emergency fund.

- **How stable is my job?** If you're in a relatively secure position with your company or organization, you may not need to set aside as much for emergencies as someone in a highly-volatile industry that's prone to layoffs. Think government jobs versus tech start-ups. Of course, as the last recession made abundantly clear, the expectation of one career at one company is no longer common. So it makes sense to err on the side of caution.

- **What are my necessities?** Think day-to-day costs, not salary. Plan for your emergency account to contain adequate funds to cover fixed costs such as mortgage and car loan payments. Put everyday layouts for food, transportation, child care, insurance, and utilities on the list too. If you lose your job or a medical crisis looms, costs such as dining out, new clothing purchases, and cable television subscriptions may need to be reduced or eliminated.

- **Do I have other sources of income or assets?** In a true emergency, you might need to cash out a mutual fund or sell an existing asset. These non-salary sources can reduce the amount of cash you'll need to draw from your emergency fund.

If you run the numbers and still feel overwhelmed, remember that even a small amount set aside from each paycheck will accumulate over time. Make your deposits automatic, so the money is swept from your checking account to a savings account. Then forget about it until that rainy day arrives.

Please keep in mind that this tip is designed to be of help for you, but is not to be relied upon as advice. It is merely a reminder that there are many choices you have available to you, and that planning may be the only way to find the right answers for your situation. As with any financial issues, make sure you get the right information before making a decision. If you have any questions, we'll be glad to help you!

Client Quiz

Question: Can a person who is 75 years old contribute to a Roth IRA if he or she has a part-time job making $15,000 per year?

We wanted to thank those of you who have participated in our Client Introduction program. As you know, marketing for new clients takes a great deal of money, time, and energy and we would much rather spend our resources improving your financial health. We, like most businesses are looking to grow; however, for the benefit of our existing clients we are only able to take on a limited number of new clients each year. Over the years, we have learned that encouraging you to introduce us to people you know works well for all of us…we help you, and you help us. If you aren't familiar with our friends helping friends program, please call our office or be sure to ask us at your next meeting. The few minutes it takes to learn about how it works will be well worth your time and energy!

Answer: Yes, as long as the person has earned income he/she can contribute to a Roth IRA. There are no age restrictions when making a Roth contributions.

If you would like some of your friends, coworkers, relatives, business acquaintances, etc. to receive a FREE subscription to this newsletter, please call our office and we'll add them to the mailing list. We'll also send them a note with their first issue telling them that you had suggested they receive the newsletter, and to contact us if they would like to stop at any time. If you enjoy this newsletter, why not share it for FREE with people you know, with no hassle for you?