

Although a new year always brings changes, 2017 is particularly noteworthy. Altering policies, regulations and legislative priorities top the list for the new President and the Republican controlled House and Senate. Globally, there are upcoming elections in several major countries, including Germany, France and China. While in the United Kingdom, the new Prime Minister, Theresa May, is dealing with Brexit.

The 2016 Presidential election put Donald J. Trump in the White House as the 45th President. His surprise victory caused Wall Street to completely change their market outlook. Prior to the election, forecasts were for continued slow growth, subdued inflation, and possible interest rate increases. International markets began rallying, but were stopped in their tracks on election day, while the US market started to rally immediately fooling all of the talking heads who predicted doom and gloom if Trump were to be elected.

So, why did Trump's victory boost the US markets, while International markets took a dive? Putting politics aside, let's talk economics. The international markets were concerned with Trump's talk of trade wars and tariffs. Both would cause their products and services to be less competitive and more expensive for US consumers. As Trump moderates his trade talk, the international markets (Asia) may change their course, with growth being anticipated in that part of the world. The real uncertainty is the EU, with concerns about the upcoming elections and Brexit.

Several of the administration's new policies should provide incentives for US economic growth and job opportunities. One is the possible repatriation of corporate profits (cash) currently sitting overseas. This repatriation would be at a reduced tax rate, but these funds could circulate throughout our economy, providing corporate expansion, wage growth, and increased employment with better jobs.

The policy discussion to reduce personal income taxes and corporate tax rates (from 35% to 20%) could promote increased economic growth, as well as provide discretionary money to individuals, corporations, and our overall economy. Infrastructure spending and regulation reduction is also on the agenda. Infrastructure spending is needed and will result in job creation and overall economic growth. Reducing regulations, that are considered burdensome and expensive, should benefit both small business and large corporations.

If enacted, these policies could have economic and market benefits. The potential for increased economic growth and rising interest rates will increase over time, and inflation could again be an issue. Rates for bonds and CDs will become more attractive and money markets funds could be a better savings investment. We have a long way to go before that happens. However, assuming the new policies are put into place, our economy appears poised for growth. There remain many questions regarding deficits, government spending, and of course, politics. We don't know when, or if, the proposed agenda will be implemented. We're taking an optimistic outlook for growth over the next two years, but anticipate continued volatility in both politics and the economy. As the new agenda is implemented, we will be making appropriate changes to portfolios, and anticipate a healthy and prosperous 2017.

Now is a good time to review your 401(k) investment strategy. Remember, you should maintain a diversified and balanced portfolio, as this vehicle is intended for your retirement.

We thank you for your continued trust and confidence in having us support your 401(k) plan. Please contact us if you have any questions, or would want to get together to discuss your financial situation and objectives. I always look forward to meeting with clients.

Sincerely,



Robert C. Kleiber, CFP