April 2019

As 2018 came to a dismal end, we entered 2019 with a bit more optimism. At the close of the 1st quarter of 2019, the stock market has bounced back, not too far from all-time highs. All three of the major US market benchmarks have gained more than 10%. International and Emerging Market stocks have rebounded as well.

The sell off at the end of the year seemed to take everything down with it. There was almost a sense of indiscriminate selling, as fear around the Federal Reserve raising rates, a growing trade war with China, and an economy that was showing signs of slowing, all came together for a sharp pull back at the end of the year. What changed as we entered 2019?

The Federal Reserve seemed to sooth the market with a clear message that it isn't on a set schedule to raise rates. The message that it would analyze data carefully and that it is essentially in "no rush" to raise rates, seemed to calm the jittery stock market. Maybe a more restrictive monetary policy could be further away than markets had feared during the last few months of 2018?

Trade negotiations with China appeared to be getting closer to an agreement as the US pushed back the March 1st deadline to increase tariffs. However, it's important to note that even if a deal with China is reached, the Trump administration is still fighting a trade war with other countries.

Now, as we hold onto the latter stages of a historically long expansion and growth is moderating, it's a time where we look for signals of an impending recession – yet it's important to note that even in these latter stages, being invested in the stock market can still be rewarding. If history is any guide, the **"Presidential 3rd year anomaly"** shows a stock market that is positive 91.3% of the time, with an average 21.6% gain for those positive years (source- **Global Financial Data**).

Enclosed you will find a piece titled **"Stock Market Contractions and Expansions"** from 1973-2018. This gives a little bit of perspective on the significant expansion since the 2008/2009 financial crisis. Aside from some signs of slowing in the economy, the **GDP** finished 2018 at a solid 2.9%. The forecast for 2019 puts the **GDP** full year growth in the neighborhood of 2.5%, still a fairly healthy number. Keep in mind, the 2016 full year **GDP** came in at 1.6% and 2017 **GDP** was 2.2%.

In order to position yourself for what could be more volatility in the future, please continue to consider re-balancing some of the equity growth that has taken place in your accounts and shifting a bit to the fixed income side of the portfolio. Think back to December, 2018 and the sharp selloff. It's not a matter of **if** that will happen again but rather **when** that happens again! Please don't hesitate to reach out to us to review your specific allocations and if a re-balance makes sense for you.

I also wanted to include a closer look at withdrawal rates, as it's an issue that comes up quite frequently. Sustainable withdrawal rates can vary greatly, based on how the account is invested. An account more heavily invested in stocks can often sustain a higher withdrawal rate than can an account more heavily in weighted in bonds.

According to a recent study conducted by the **MIT AgeLab**, 49% of today's 65 year olds will live to be 95! With that in mind, we thought that the enclosed chart titled **"Withdrawal Rate You Can Sustain May Be Lower Than You Think"** from 1926-2018, would be a helpful tool to those trying to figure out how much money they will need in retirement and how long it will last.

We encourage you to contact us should you want to examine your particular withdrawal strategy more closely.

In closing, I want to thank all of you for your overwhelming support for the **PMC Kids' Bike Ride**, coming up in June. Your generosity will be sure to make this year's event even more special to the kids. I'll be sure to let you know about the great success that we know we'll have on the June 2nd ride!

Sincerely,

Bryan Bastoni, CFP
CERTIFIED FINANCIAL PLANNER, TM