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The Rearview Mirror

U.S. equities started 2018 on a positive note. Bolstered by strong earnings and economic data, as well as optimism stemming from U.S. tax reform, the S&P 500 rose 5.6% for its best January since 1997. The Dow Jones Industrial Average added 5.8%, marking its tenth-straight monthly increase and best start to a year since 1989. The Nasdaq Composite advanced 7.4%, extending its own monthly winning streak to seven months. Consumer Discretionary, Health Care, and Technology were the top performing sectors in January while the income-centric Telecom and Utilities groups lagged. Energy shares also gained as West Texas Intermediate crude prices spiked 7.1% amid falling U.S. inventories. Fourth-quarter earnings season got off to a positive start, with S&P 500 earnings on pace to increase 13% from the same period last year, according to FactSet data.

The U.S. Dollar Index continued its recent slump, dipping 3.3% for the largest monthly drop in two years. Treasury yields, on the other hand, jumped to multi-year highs in January. The yield on the benchmark 10-year note finished at 2.72%, the highest level since 2014. On the short end of the curve, the yield on the two-year note climbed to 2.15%, the highest in a decade. In Central bank news, the Federal Reserve left interest rates unchanged at the conclusion of its January policy meeting, but hinted that borrowing costs would rise later in the year amid solid economic data and the potential of rising inflation. It was Janet Yellen's final meeting as Fed Chair, as Jerome Powell will preside over the next policy summit in March.

Dear Friends,

The start to the year reminded us a lot of the start to 2016. Back then, the market was down nearly 12% in the first six weeks of the year, making it the worst start to a year ever. It was a terrible way to kick off the New Year. To make light of the situation, we mentioned in our newsletter that the market should slow down because if it continued on that ugly pace, then the market would be at zero by October. The same could've been said about the start to 2018, only the opposite. With the DOW up nearly 6% for the month of January, we didn't see the market continuing on that pace and would need to take a breather.

The first week of February gave us that breather. The DOW saw a decrease from its January 31st level of just over 26,000 to close just shy of 24,000 less than one week later, shedding nearly 9%.

Traditionally, the major indexes experience a correction every eleven months, this being the first one since January of 2016 or just over two years. The recent volatility reminded us there is risk in the equity markets and it is important to feel comfortable with your investment objective. We do believe the market will finish the year on a positive note, it will just be a little bumpier ride than 2017.

Regards,

Mike AJ

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of Wells Fargo Advisors

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Having the next generation develop a solid background in business may help secure your investment as you pass it on.

Steps for Maintaining a Thriving Family Business

"In a family business, every decision and policy has to be evaluated based both on how it works for the business and also how it will affect the family dynamic – and that adds an extra dimension," says Daniel Prebish, Director of Life Event Services for Wells Fargo Advisors. Here are six steps he suggests you can take to ensure your family business is positioned to thrive and survive:

1. Put people in jobs based on ability. It's best to hire when you have a business need for a position, not because a family member needs a job, Prebish says. Then choose the candidate whose talents, not lineage, best fit the job. "The most successful family business owners are very honest about the talents of their family members," Prebish says. "The oldest child may be a better fit in a sales role rather than CEO. Or maybe a child is better off being an artist and not affiliated with the business at all." Sometimes, recruiting talent from outside the company is the best way to fill a job.

2. Clarify and define job responsibilities. Family firms tend to be more informal than other companies, and that can lead to misunderstandings about expectations. Take the time to write formal job descriptions that detail each employee's responsibilities and goals, and establish regular reviews. The older generation should also refrain from micromanaging. "Parents tend to constantly second-guess what a child is doing, and then the child never feels like he is actually contributing," says Jim McKown, High Net Worth Strategist for Wells Fargo Advisors. "You need to think, 'If they weren't a family member, how would I be handling this situation?' And that's how you should handle it."

3. Leave work at the office; leave your personal life at home. Try not to talk shop during family gatherings, especially at holidays, weddings, and other special events. And refrain from bringing personal drama into the office.

4. Groom the next generation. Invest in education and experiences for young family members, sending them to industry conferences and getting them training to develop a skill the business can use. McKown recommends encouraging them to work elsewhere before joining the family firm.to establish themselves as employees and giving them an opportunity to mature and make mistakes outside the business. Having the next generation develop a solid background in business may help secure your investment as you pass it on.

5. Outline your succession plan. Passing a family business on to the next generation can be tricky, and that's why it's important to have a strong succession plan. "It should start with how you define success: Is it keeping the business as a family entity over many generations, or are you comfortable selling it to another firm with more resources that could build it into something better?" Prebish says. You will also need to consider how to pass along ownership in a tax-efficient manner, how company founders will be taken care of in retirement, how to replace the current talent and adapt it for a changing market, and how the business may be a part of your personal retirement plan.

6. Know when to seek outside help. Many business owners consult with outside estate and financial planning experts to help with succession planning. But a disinterested third party can also help resolve disputes and look at the business rationally because there is no emotional attachment, McKown says.

This article was written for Wells Fargo Advisors and provided by Mike Harris, CFP®, Senior Vice President-Investments and A.J. Lakovich, Financial Advisor in Fresno, CA at 559-437-2244

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The Finances of Remarrying

If you're about to walk down the aisle a second time and thinking about the finances of remarrying, you may want to consider the following steps to get your new life off on the right financial footing:

Put all of your financial cards on the table. While the process may seem a little awkward, it's important to share a full accounting of your assets and liabilities. Partners should share with each other documents such as tax returns, pay stubs, and bank and investment account statements. Discuss any financial obligations you have to your ex-spouse, children, or to your extended family. You each may want to run a credit report and share it with the other so you both know what you are getting into financially before you walk down the aisle.

2. Consider a prenup. It may seem unromantic, but remarrying couples should consider whether a prenuptial agreement would be appropriate. Prenups don't just spell out how assets should be split if the marriage fails; they also come into play if one of you dies. A prenup is especially advisable if you are bringing a lot of wealth or assets into the marriage or if you have children from a previous marriage you want to protect.

3. Discuss your financial goals and philosophies. Are you a spender or a saver? Do you want to be able to support your aging parents as they get older? At what age do you hope to retire? Do you want to have children together? These are among the critical questions that play into the finances of remarrying. Before you tie the knot a second time, it's important to examine what money issues caused stress in your first marriage and what steps can you take to avoid them in the future.

4. Decide who will pay for what. Discuss whether you are going to pool your assets and have a joint account, keep your assets totally separate, or have separate accounts as well as a joint account to which you both contribute. There's no right or wrong method, as long as you both are comfortable with it. Keep in mind that if you decide to keep your premarital property separate, it's important not to co-mingle it with property that you acquire during your marriage. Be careful, for example, about how you handle dividends on equities that you owned before the marriage. In some states, earnings on separate property earned during the marriage are considered marital property. While the stock itself can stay in your original account, the dividends are technically being accrued by both of you and should be segregated in a separate account.

5. Change your account beneficiaries. Many people forget to change their beneficiary designations after they divorce. In most states, that means your divorced spouse will inherit your IRA if he or she is still named as your beneficiary. Now that you're remarrying, take the time to update the beneficiaries of your retirement plans, annuities contracts, investment accounts, and insurance policies. If you want specific benefits to go to your children rather than your new spouse, you may need to get a spousal waiver.

6. See your financial advisor. Harris Wealth Management Group can help the two of you work through the finances of remarriage and help to create a financial plan together.

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In some states, earnings on separate property earned during the marriage are considered marital property.

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Term of the Month:

"Strategic Investing"

A "buy and hold" asset allocation approach based on setting and adhering to target allocations (or investment mixes). As variable investment returns skew a portfolio's allocation percentages, periodic rebalancing returns the portfolio back to its target allocations.

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A referral from you is a tremendous compliment and a huge responsibility that we do not take lightly.

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