MARK AHO
FINANCIAL GROUP
Your Vision, Our Mission

"We're always coming across interesting facts and stories, whether it is through our market research or just in our everyday lives in the Upper Peninsula. Our Newsletter is our opportunity to share these insights with you."

Mark A. Aho, MBA, CFP®, CIMA®
President, MAFG
Financial Advisor, RJFS

Pictured left to right:
Lois Williams, Client Associate

Joe Jeeves, CFP®, Financial Advisor

Mark Aho, MBA, CFP®, CIMA®, President, MAFG, Financial Advisor

Nicole Burony-Noble, Registered Executive Assistant

Eric Froberg, AAMS, Financial Advisor

Amanda Zorza, Registered Client Associate

Dear friends,
Wow! The year 2017 was certainly a solid year for just about everyone and every market around the globe. Such a good feeling to have the wind at our backs! To that point however, in good times or bad, I like to go over the basic tenants of our planning and investment philosophy and then take a look at observations from our viewing deck.

General principles reviewed:

- In general, my experience has been that successful investing is goal-focused and planning driven. I have found most market-focused and performance-driven methods have failed.
- Another way to state the above point is to tell you that the really successful investors I have known were basing virtually all of their decisions from a well thought out plan; turning away from the overly played fads and fears of the moment. While the majority of the failing investors I have encountered were continually reacting to economic and market "news."
- Most of my clients - and I certainly include you in this general comment, are working on multi-decade and even multi-generational goals, such as their kids and grandkids educations, retirement and a worthy legacy. Current events in the

economy (good or bad) and markets are in one sense a sort of distraction. For this reason, I make no attempt to change or adjust one's investment policy from today's or tomorrow's headlines, but rather to stay on track with the carefully designed long-term well planned goals.

- This is an important point, if necessary please **read and re-read!** I don't forecast the economy or the markets. I make no attempt to time markets (See the included write up from Brian S. Westbury from First Trust "Don't Time a Correction" page 10) and I cannot, or let me rephrase, I'm convinced, can anyone else-consistently project future relative performance of specific investments based on past performance. I am a goal based planner not a market prognosticator. I believe with all my heart that my greatest value to you is our planning services and behavioral coaching in helping you to avoid overreacting to market events both negative and positive.
- The essential principles for me to help our clients reach their most important goals are fourfold. (1) The performance of a portfolio relative to a benchmark is largely irrelevant to financial success. (2) The only benchmark we should care about is the one that indicates whether you are on track to accomplish your financial goals. (3) Risk should be measured as the probability that you won't achieve your goals. (4) Investing should have the exclusive objective of minimizing that risk to the greatest extent practicable. Again, you may want to re-read this bullet point, very important principles here.
- Once we put a long-term plan in place for you and investing it in a manner which has historically seem best suited to achieve your goals, I very rarely recommend changing the portfolio structure beyond our annual rebalancing. Therefore, from our perspective if your goals have not changed, there is no need to change the portfolio structure. It seems to me, and I cannot prove this, but the more people change the structure of their portfolio, the worst their outcomes. I tend to agree with the Nobel Prize-winning behavioral economist Daniel Kahneman, when he stated, "All of us would be better investors if we just made fewer decisions."
- Going back to 1980 (38 years) the average annual intra-year decline in the S&P 500 has exceeded fourteen percent. However, not counting dividends, annual returns have been positive for 29 of these 38 years, and this index has gone from 106 at the beginning of 1980 to 2673 at year-end 2017. I believe the lessons from this data is that historically, temporary market declines have been very different from any form of permanent capital loss, and the most effective cure for the generally short term volatility is the passage of time. I cannot say with 100 percent certainty it will always work out this way. I can and do fall back though on the wisdom of the great investor and philanthropist John Templeton, who said that among the four most dangerous words in investing are "it's different this time."
- As I see it, the nature of successful investing is the practice of rationality under uncertainty. Let's face it. We never have all of the information we want, in terms of what's about to happen. We therefore invest in and for an unknowable future. Therefore we follow each and every day the principles of long-term investing which have most reliably produced long-term results over time. Most notable is a belief that optimism is the only realism which provides us the strength

to live our lives with faith in the future, patience and discipline. These will continue to be the fundamental blocks of my/our investment advice in 2018 and beyond.

Current Observations:

- **A year of global growth.** The most noteworthy item to me was that for the first time this century, all of the major economic basins of the world were growing simultaneously. The rates of growth were different, however they were all positive. In past years Europe or Japan or the emerging markets dealt with significant headwinds while the growth here at home was somewhat sluggish and just plodding along. This past year's synchronization of global growth seems to me to be widely underappreciated.
- **The U.S. accelerates – and feels better about it.** Steady hiring has driven the unemployment rate down to 4.1% for two months at this writing, putting the economy on track for a potential third straight quarter of 3% growth. This is a breakout of sorts from the slow growth state we had been in. The consumer appears to feel much better about things than before the Great Recession, and it appears retails sales are started to show an improvement. Household net worth is approaching $100 trillion, and consumer balance sheets remain healthy. Business investment is finally starting to accelerate.
- **The Federal Reserve begins normalizing.** As many of you know, I have stated that the Federal Reserve needs to start to unwind its bloated balance sheet and to let interest rates follow their normal course in an expanding economy. This began in 2017, so far without any ill effect. In my opinion this economy is not expanding because of the Fed but in spite of it.
- **A genuinely great year for equities – with muted volatility.** With a total return on the S&P 500 index of 19.42% and the deepest intra-year decline of only three percent (versus the average stated above since 1980 of 14%), our philosophy of staying the well planned course was well rewarded in 2017, with a rare but appreciated small amount of downward volatility. As we stated above, we are long-term equity investors and we know you cannot time markets. We remain very positive about 2018, however we do not expect the same type of returns. Also, the low amount of volatility will most likely not be repeated.
- **Hysteria about valuations remains overdone.** Valuation is not a tool to time the markets. We try to tune this out. At this time we don't necessary buy the idea that equities are overvalued. If we compare the yields of equities to competing fixed income yields, equity valuations appear to us pretty reasonable. This view is shared on more than one occasion this past year by Warren Buffet. We're happy to walk you through our math supporting our conclusion.

Speaking for myself and our entire team, we are very appreciative of our relationship with each of you. Our singular goal is to help each one of you reach your goals and objectives. We can do this with well thought out planning and then following the details of our plan and process through the principles as stated above.

God Bless you, Mark

"Life is not about achieving the goals, life is about who you become in pursuit of those goals."
-Tony Robbins

The Numbers

For a full analysis of the Quarter, please go to our web site at www.markahofinancialgroup.com. Then click on Resources> Education> Investment Strategy Quarterly. Below is a brief snapshot from the report:

Capital Markets Snapshot

Index		2017 YTD	2016	Last 10 years
Dow Jones Industrial Average		25.08%	13.42%	4.89%
S&P 500 Index		19.42%	9.54%	5.14%
NASDAQ Composite Index		28.24%	7.50%	9.17%
Russell 1000G	Large Cap Growth	30.21%	7.08%	9.08%
Russell 1000V	Large Cap Value	13.66%	17.34%	5.92%
Russell 2000G	Small Cap Growth	22.17%	11.32%	8.47%
Russell 2000V	Small Cap Value	7.84%	31.74%	7.14%
MSCI EAFE	Developing International	25.62%	1.51%	1.82%
MSCI EM	Emerging Markets	37.75%	11.60%	1.65%
DJ US Select REIT	U.S. Real Estate	3.76%	6.68%	5.31%
Barclays US Intermediate Govt/Credit		2.10%	2.08%	2.95%
Citigroup World Government Bond Index		7.49%	1.60%	3.63%

Russell 1000 Growth Index – Measures the performance of the 1,000 largest companies in the Russell 3000 Index, with higher price-to-book ratios and higher forecasted growth values. Russell 1000 Value Index – Measures the performance of the 1,000 largest companies in the Russell 3000. Index with lower price-to-book ratios and lower forecasted growth values. Russell 2000 Growth Index –Measures the performance of the 2,000 smallest companies in the Russell 3000. Index with higher price-to-book ratios and higher forecasted growth values Russell 2000 Value Index – Measures the performance of the 2,000 smallest companies in the Russell 3000. Index with lower price-to-book ratios and lower forecasted growth values. MSCI Emerging Markets Index – A market capitalization weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Dow Jones U.S. Select REIT Index intends to measure the performance of publicly traded REITs and REIT-like securities. Barclays Capital U.S. Intermediate Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year and less than ten years. The Citigroup WGBI G7 x U.S. (USD) is an unmanaged market value weighted index comprised of debt issued by countries in the group of 7 (Canada, France, Germany, Italy, Japan, United Kingdom, United States) excluding the United States. The MSCI EAFE is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The ***Dow Jones Industrial Average*** *(DJIA), commonly known as "The Dow", is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. The* ***NASDAQ*** *composite is an unmanaged index of securities traded on the NASDAQ system. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.*

Making Sense of Medicare Myths

Take the time to learn the facts behind these common Medicare misconceptions.

Retirement planning is complex, at best, but when you throw Medicare into the mix, it can get downright confusing. Many pre-retirees find the program hard to navigate without some guidance. Here are the facts about five common Medicare myths.

Myth One: Medicare offers free healthcare.

Fact: Not quite. The Patient Protection and Affordable Care Act, known more simply as the Affordable Care Act, allows beneficiaries an annual wellness check at no charge. Beneficiaries also are entitled to free recommended preventive screenings, such as mammograms and colonoscopies, annual wellness visits and personalized prevention plans. For most people, Medicare Part A – which covers hospital stays and services up to certain limits – does not require a premium. But that's it. You're still responsible for copays, coinsurance and deductibles.

For instance, you'll pay a $1,316 deductible in 2017 before Part A coverage kicks in for hospital stays of up to 60 days.

Just like health insurance during your working years, the other parts of Medicare also have premiums, copays, coinsurance and deductibles.

- The lowest annual premium for Medicare Part B is $109, which applies to most Social Security recipients due to the hold harmless premium, or $134 a month for beneficiaries new to Medicare this year.
- You'll pay more if you're single and earn more than $85,000 or $170,000 for a married couple filing jointly.
- High earners now face a surcharge ranging from $13.30 to $76.20 per month, depending on income, for Medicare Part D prescription drug plans.
- Many Medicare beneficiaries purchase a Medigap supplemental insurance plan to help cover out-of-pocket costs.

Myth Two: Medicare covers everything.

Fact: Not true. For example, dental, vision and hearing are not covered by Medicare. And prescription drug coverage is only offered through Part D and Medicare Advantage plans. What's more, you are responsible for the premiums, deductibles and copayments associated with the coverage you choose. However, starting in 2012, Medicare began covering more preventive services, including screening and counseling for alcohol abuse, depression and obesity. Supplemental insurance plans are available to help cover out-of-pocket costs.

Myth Three: A Medicare Advantage plan or Part D coverage will fill gaps in my coverage.

Fact: Medicare can be complicated. Medicare Advantage plans – sometimes known as Part C – offer optional coverage through private insurance companies. Many of these plans cover dental, vision, hearing and prescription drug costs, not covered by Original Medicare. However, the plans may have limited networks to keep costs down.

Part D is optional prescription drug coverage that has myriad variables, such as premiums, copays, coverage gaps and coinsurance. You can choose which prescription drug plan best fits your needs.

Myth Four: Medicare may not cover me.

Fact: One major advantage of Medicare is that you can't be rejected for coverage or be charged higher premiums because you're too sick. However, if you're a high earner, you'll pay higher premiums for Medicare Part B and Part D. In addition, the Affordable Care Act now prohibits discrimination based on a pre-existing condition.

Myth Five: I will be notified when it's time to sign up for Medicare.

Fact: No. Unless you are already receiving Social Security benefits, you must apply for Medicare. You will not receive any official notification on when or how to enroll.

If you're over 65, still working and covered by employer healthcare, you may want to delay enrollment in part B to avoid paying for coverage you don't need. Once you stop working, you must enroll within eight months – even if you're receiving COBRA or retiree health benefits from your employer – to avoid permanent late penalties. For example, if you miss the deadline, you'll pay 10% more in Part B premiums for every 12 months you delay. If you are under 65 and retired, you should enroll before your 65th birthday to avoid these penalties.

For those without employer coverage, it's a good idea to sign up when you're first eligible for Part B. If you're eligible for Part B when you turn 65, for example, you'll want to enroll during your initial enrollment period, the seven-month period that starts three months before your birth month. If you sign up in the first three months, you can avoid delays in coverage. If you sign up during your birth month or later, your start date will be delayed by one to two months.

There's also an open enrollment period from October 15 to December 7 each year for Medicare Advantage or Medicare prescription drug coverage. From January 1 to February 14 each year, seniors with Medicare Advantage plans can review their options during the Medicare Advantage Disenrollment Period. During this time, members can drop their plans, return to Original Medicare and pick up a standalone prescription drug plan. Medicare.gov recommends that you review your current coverage each fall to see if you need to make changes for the following year.

Christmas is all about babies...

At our staff Christmas party, everyone enjoyed the new additions to the family.

Nicole's Kitchen – Sweet Cornbread Muffins

Comfort food in the winter! I made these recently to accompany a soup in the crockpot, and they turned out great.

1 ¼ cup cornmeal
1 ¼ cup all-purpose flour
1/3 cup granulated sugar
1 teaspoon baking powder
¼ teaspoon baking soda
½ teaspoon kosher salt
2 eggs
1 cup creamed corn
½ cup sour cream
4 tablespoons salted butter, melted

Preheat oven to 400 degrees and spray standard muffin tin with nonstick spray. In a medium size mixing bowl, combine the cornmeal, flour, sugar, baking powder, baking soda and salt. Add the eggs, creamed corn, sour cream and melted butter. Stir to combine, and scrape the bowl to ensure the batter is evenly moistened.

Using a spoon, evenly distribute the batter into the muffin tin. Bake at 400 degrees until done, approximately 16 minutes. A toothpick inserted into the muffin should come out dry.

Eat with ample salted butter, and ENJOY!

Counting on Emotion: Tax Season Fraud

As tax season rolls around, it's best to be aware of fraud trends that crop up during this time. This appears to be an especially popular time for phishers to hit the unsuspecting public. Taxpayers are routinely subject to assault with spam and malware infections. The emotional triggers around filing taxes and communicating with authorities can prompt emotional responses.

Consider two emotions that are the subjects of a recent RSA report shared by Raymond James Information Security professionals. (RSA specializes in security and risk management.)

Those committing fraud in the tax season count on reactions to:

- Anxiety – being faced with the (false) accusation of a rejected/fraudulent statement and wanting to rectify the issue
- Sense of obligation – having to comply with the civil obligation to report to the taxation authorities

Campaigns extend into May and June with fake returns and rejected/fraudulent statements.

Malware attachments sent in the guise of tax statements, phishing emails from alleged tax authorities, and online tax-filing scams are among the potentially damaging exchanges. RSA says people are tricked into thinking they are "opening an online account, updating their personal information, contesting a fraudulent statement, or receiving a refund."

If you receive suspicious email, it's best to delete it. A file sent in a fake email can be what is known as a Trojan executable. Check the file extension (.pdf followed by .exe). When opened, the malware will infect the PC. Emails that appear to come from an online tax filing service can contain a malware download disguised as a .zip file.

If you believe you've been the victim of identity theft, you can report the issue to a credit reporting agency to put an initial fraud alert on your credit report. A fraud alert is free.

You must provide proof of your identity. The company you call must tell the other credit reporting companies about your alert.

Being aware of potential scams is a good first step in fighting against fraud. For more information about these and other tax scams, visit the Internal Revenue Service website at www.irs.gov.

First Trust
Monday Morning OUTLOOK
630-517-7756 • www.ftportfolios.com January 16, 2018

Don't Time a Correction

Brian S. Wesbury – *Chief Economist*
Robert Stein, CFA – Dep. Chief *Economist*
Strider Elass – *Economist*

The stock market is on a tear. The S&P 500 rose 19.4% in 2017 excluding dividends, and is already up over 4% in 2018. It's not a bubble or a sugar high. Our capitalized profits model, says the broad U.S. stock market, is, and was, undervalued.

We never believed the "sugar high" theory that QE was driving stocks. So, slowly unwinding QE and slowly raising the federal funds rate, as the Fed did in 2017, was never a worry. But, now a truly positive fundamental has changed – the Trump Tax Cut, particularly the long-awaited cut in business tax rates. With it in place, we think our forecast for 3,100 on the S&P 500 by year-end is not only in reach, but could be eclipsed.

Before you consider us overly optimistic, we did not expect the stock market to surge like it has so early in the year. In fact, we would not have been surprised if the market experienced a correction after the tax cut. There's an old saying; "buy on rumor, sell on fact." So, with tax cuts approaching, optimism could build, but once they became law, the market would be left hanging for better news.

We would never forecast a correction, because we're not traders. We're investors. Anyone lucky enough to pick the beginning of a bear market never knows exactly when to get back in. In 2016, it happened twice and we know many investors are still bandaging up their wounds from being whipsawed.

The market got off to a terrible start in 2016, one of the worst in years. The pouting pundits were talking recession and bear market, only to experience a head-snapping rebound. Then, during the Brexit vote, the stock market fell 5% in two days – which was seen as another indicator of recession. But, it turned out to be a great buying opportunity, like every sell-off since March 2009.

The better strategy for most investors is don't sell. Some sort of correction is inevitable but no one knows for sure when it will happen and few have the discipline to take advantage of the situation.

This is particularly true when risks to the economy remain low and the stock market is undervalued, which is exactly how we see the world today.

Earnings are strong (even with charge-offs related to tax reform), and according to Factset, since the tax law passed analysts have lifted 2018 profit estimates more rapidly than at any time in the past decade. Even the political opponents of the tax cuts are saying it will likely lift economic growth for at least the next couple of years.

Continuing unemployment claims are the lowest since 1973, payrolls are still growing at a robust pace, and wages are growing faster for workers at the lower end of the income spectrum than the top. Auto sales are trending down, but home building has much further to grow to keep up with population growth and the inevitable need to scrap older homes. Consumer debts remain very low relative to assets, while financial obligations are less than average relative to incomes.

In addition, monetary policy isn't remotely tight and there is evidence that the velocity of money is picking up. Banks are in solid financial shape, and deregulation is going to increase their willingness to take more lending risk. The fiscal policy pendulum has swung and the U.S. is not about to embark on a series of new Great Society-style social programs. In fact, some fiscal discipline on the entitlement side of the fiscal ledger may finally be imposed.

Bottom line: This is not a recipe for recession.

It's true, rising protectionism remains a possibility, but we think there's going to be much more smoke than fire on this issue, and that deals will be cut to keep the good parts of NAFTA in place.

Put it all together, and we think the stock market, is set for much higher highs in 2018. If you're brave enough to attempt trading the inevitable ups and downs of markets, more power to you, but as hedge fund performance shows, even the so-called pros have a hard time doing this. Stay bullish!

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
1-16 / 7:30 pm	Empire State Mfg Survey – Jan	19.0	**18.0**	17.7	19.6
1-17 / 8:15 am	Industrial Production – Dec	+0.5%	**+0.5%**		+0.2%
8:15 am	Capacity Utilization – Dec	77.4%	**77.4%**		77.1%
1-18 / 7:30 am	Initial Claims – Jan 13	250K	**251K**		261K
7:30 am	Housing Starts – Dec	1.275 Mil	**1.262 Mil**		1.297 Mil
7:30 am	Philly Fed Survey – Jan	24.8	**31.8**		27.9
1-19 / 9:00 am	U. Mich Consumer Sentiment- Jan	97.0	**97.0**		95.9

Online Access – to log on to your online access, please go to our website above. You will click on INVESTOR ACCESS, and then ENROLL IN INVESTOR ACCESS.

You will need to set up a logon and password, and then enter one of your new account numbers. You can find that on your statement, or give us a call at 906-226-0880, or toll free at 855-999-0014 and we will gladly give you that information.

SHREDDING!

Do you have documents or personal information that should be shred versus placed in the garbage? Protecting personal information and your identity are very important in today's world. We offer a free shredding bin available for your use. It is locked, and our shredding service comes once a month to shred the contents of the bin on sight. You may stop at our office at any time during business hours to place paperwork in our shredder. We welcome you to take advantage of this free and valuable service.

Let us help you help those you care about. Contact us today.

MARK AHO
FINANCIAL GROUP
Your Vision, Our Mission

205 N. Lakeshore Blvd, Ste. B., Marquette, MI 49855
906-226-0880 * Toll-Free 855-999-0014
Fax 906-226-1767
markahofinancial.com

Information developed by Broadridge, an independent third party is general in nature, is not a complete statement of all information necessary for making an investment decision, and is not a recommendation or a solicitation to buy or sell any security. Investments and strategies mentioned may not be suitable for all investors. Past performance may not be indicative of future results. Raymond James does not provide advice on tax, legal or mortgage issues. These matters should be discussed with an appropriate professional. Any opinions are those of the Mark Aho and not necessarily those of RJFS or Raymond James. Expressions of opinion are as of this date and are subject to change without notice. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Diversification and asset allocation do not ensure a profit or protect against a loss. Investing involves risk and you may incur a profit or loss regardless of strategy selected. Rebalancing a non-retirement account could be a taxable event that may increase your tax liability.

Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™, CFP® (with plaque design)and CFP® (with flame design) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements. Investment Management Consultants Association (IMCA®) is the owner of the certification marks "CIMA®," and "Certified Investment Management Analyst®." Use of CIMA® or Certified Investment Management Analyst® signifies that the user has successfully completed IMCA's initial and ongoing credentialing requirements for investment management consultants.