

## The Archvest Advantage Q3 2018 Newsletter

October, 2018

### Market Review

My grandfather would always say that “a surprise is the result of one’s poor planning.” To some, this past quarter the market had its fair share of surprises. However, looking back at the headlines over the past several months, are we really surprised?

The quarter started off with a shot overseas to our trade partners in China. Surprise! The US leveraged the use of tariffs as part of its trade negotiations. For the quarter, this resulted in a positive upswing in the US markets. The S&P 500 (as of September 30th) is now up a staggering 10.6%, while the Dow is up 8.8% and the international markets as measured by the MSCI EAFE is down 1.4% for the year. To boot, the Fed has continued with the incremental rate hikes, which has put more short-term pressure on bond prices, turning bonds negative for the year.

To no surprise, all diversified portfolios have underperformed the US market. Diversified portfolios hold various asset classes that have lagged US equities and thus are underperforming across the board. US stocks finally surpassed their January highs in early September, which has got us thinking, will the market press higher or will it finally capitulate and digress from the run up? It is evitable that we see a pullback the marketplace. In fact, as we write this quarterly update, the DOW experienced its third largest point-drop in history. However, in the context of history, it does not even rank in terms of percentage drop. Late last year, we rebalanced the portfolios to take gains off the table and added positions like structured CD’s earlier this year, in anticipation of a market pullback. We remain focused on the risk management of the allocations and may further rebalance the allocations later in the year if there is significant market movement.

### Credit Freezing

In looking back to last year’s newsletter, we are reminded of the major data breach by Equifax that exposed over 143 million Americans. Effectively, if you are an adult with credit history, your information was exposed. We outlined the steps to freeze your credit with the three credit bureaus however, the bureaus would charge you a fee for this service. Well, good news on that front. Back in May, Congress passed legislation that made credit freezes more convenient and free to the consumer. Effectively September 21st, each credit reporting bureau is required by law to freeze your credit at no cost within one business day. In addition, the bill allows for parents to freeze their child’s credit if the child is under age 16.

To take an active stand against identity theft, we would strongly encourage you to freeze your credit with each bureau. There was a very clear article recently published walking you through

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the step-by-step process of this on the Clark Howard website. You can access this article at:  
<https://clark.com/personal-finance-credit/free-credit-freezes>

You may access the three credit bureau through our website to freeze your credit at:  
<https://archvestwa.com/creditfreeze>

It will take you roughly 5 minutes to register and setup your pin on each site and freeze your credit. Be sure to save your pin in a safe place as you'll need it to put a temporary lift or thaw on the freeze, in case you are applying for credit card, a loan, or running a background check for employment.

## 2018 Tax Season Preview

The 2018 tax legislation is now in full effect. Back in February, the White House announced the implementation of the new tax law and that all would be getting a "raise" come mid-February. The raise was a function of the IRS updating the withholding tables to withhold less on your pay checks.

Surprise, it's not right... We see that the withholding tables are under withholding for high wage earners with high deductions. In August, the Government Accountability Office released a report noting that households making more than \$180,000 are likely under withholding due to the change in the withholding tables.

We have been doing our best to contact those clients we believe would be impacted by this to get ahead of the curve, plan ahead, and most importantly be prepared for what you might owe. Clients in retirement or with 1099 incomes are less impacted because they are able to withhold a percentage of income as opposed to the confusing exemptions W-2 employees have to deal with on the W-4 forms.

If we have not contacted you and you are concerned about your taxes, please contact us and either we will run a projection of your liability or we will coordinate with your tax professional to run the estimate. We are seeing a consistent pattern of under withholding for single wage earners earning more than \$160,000 and for married wage earners with combined income of more than \$250,000. Let's plan now to avoid the surprise come April.

## Closing Thoughts

If you need assistance with the process of freezing your credit or if you have any questions please give us a call. We are happy to help make sure you are taking the right steps to properly secure your identity as well as prepare for the upcoming tax season.

Remember to pay your property tax bill if you are not on an impound account tied to your loan. Property taxes are due November 1st and delinquent on December 10th. If you're 65 or older,

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you may qualify for senior exemption on certain assessments. Your bill will include notes on which assessments are eligible for senior exemption. Please contact us if you have questions or need assistance in claiming the exemption.

As always, we appreciate the confidence you have placed in us to work alongside you regarding your planning needs. Be sure to follow us on Facebook, LinkedIn and Twitter as well as our RSS feed to stay up to date on what we're reading and thinking.



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