WealthPoint Advisors

January 2019

Dear Clients and Friends:

NEW WEBSITE

WealthPoint has overhauled and completely rebuilt our website. I encourage you to check it out at www.wealthpointadv.com. One area you might find valuable is our blog section, which is now easily searchable by topic category. All the posts are written by members of the WealthPoint team. We write on things we think you will find valuable, and would love to hear from you if there are topics that you would like us to write about.

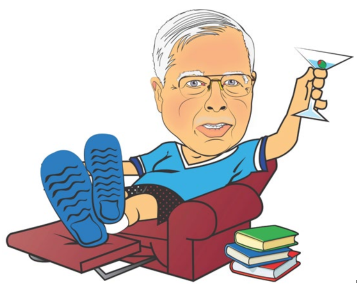
THE FOURTH QUARTER DECLINE

2018 was shaping up to be a pretty flat year until the fourth quarter came along. Q4 2018 gave us double digit losses in almost every stock category, with the S&P 500 down 13.5% and small stocks down 20%. Quarters like this have certainly happened before and make us all wonder what is in store next. While we can't predict the future, I find history to be a helpful guide during these times. There have been 15 quarters since 1970 with a decline of 10% or more in the S&P 500. Twice the subsequent quarter has been negative (2002 tech bubble and 2008 financial crisis) and the rest positive returns. The average subsequent quarter return is a positive 6.61%. Looking past one quarter, after declines of 10% or more, equity returns over the next 12 months have been positive 71% of the time in US markets and 72% of the time in non-US developed markets. Warren Buffet has said "The stock market is a device for transferring money from the impatient to the patient." I like the odds of patiently sticking to your plan. That could mean simply holding stock funds and waiting for move back upward, or if this market movement has taken you too far off your target perhaps it means adding to your stock exposure.

IMPACT OF RISING INTEREST RATES

We all know that the Federal Reserve has been raising interest rates periodically over the last 12-18 months, from near a zero Fed Funds rate to 2.25% currently. As a general rule rising interest rates can hurt existing bond prices in the short term, but in my opinion these higher rates are good in the long term for bond holders and savers. We have been in an artificially low interest rate environment since the 2008 recession and savers have been subsidizing borrowers for long enough. Speaking of borrowers, these higher rates are showing up in higher mortgage rates. This may cool the housing market down a bit, but there is still a lack of housing supply across the US and rates are still historically low, so the impact is likely minimal.

Higher interest rates also help savings account, money market, and CD rates as well, although not across the board. Some of the traditional brick-and-mortar banks have been slow to the party on paying competitive rates, and there is a significant spread from one institution to another. For example, a quick online search of saving account rates at the time of this writing in early January shows many institutions paying over 2% on savings accounts. My bank, who's name I will withhold to protect the guilty, is paying a whopping 0.03% on my savings account. And this is a "Premier" account! The bottom line is that it pays to shop around.



THOUGHTS FROM THE RECLINER by Mike Skehan

A LOOK ON THE BRIGHT SIDE

Everybody knows the world is going to hell in a hand basket, right!? Two nuts, Trump and Pelosi, are loose and running the government. It's only a matter of time before the ice melts and all the coastal cities are under water. The economy is collapsing because of the trade war and Europe is falling apart. God help us.

Well God has helped us. So far, for a brief few minutes, reflect with me how fortunate we all are to be living now. When I got out of high school in the 50's, more than half of the world lived in poverty. At that time poverty meant living on $2.00 a day. Now fewer than 10%, after adjusting for inflation, live in extreme poverty. Every day another 300,000 have access to electricity. Another 300,000 gain access to fresh water. And 600,000 are able to get online for the first time. The literacy rate, worldwide, in 1825 was 10%, in 2000 it was close to 80%. In 1935 65% of household income was spent on necessities, home, food, transportation and clothes. Now about 35% of household income covers the same. In 1900 worldwide life expectancy was 35 years, now it 70, and higher in more developed countries.

I could go on and on, but you get the point. Progress cannot be stopped. It's going on all around us but we fail to see what's happening. Why? Possibly it's because every morning people sit around a conference table in newsrooms and figure out how bad they can make things look and they pound that theme all day long. If you think our nation is having a crisis at the southern border, you're watching too much news. Now, instead of newscasters like Walter Cronkite, we have Rush Limbaugh and Sean Hannity. Watching the news is a waste of time and not a place to learn about what is really going on around us.

Bill Gates says that Steven Pinker's ENLIGHTMENT NOW is his new favorite book. When you're in the dumps, pick it up and read any chapter and you will feel better about the real world.

I wish you all a healthy and prosperous 2019. We have a great team of advisors here at WealthPoint, so if you have friends, family, or co-workers who would benefit form a second opinion on their financial plan, please let us know. We are always happy to provide them a complimentary review that they would find very beneficial.

Brent M. Walker, CFP®