



PLANNING ISSUES

Dear Valued Clients,

The Holiday Season has come and gone and we have begun to settle into 2018. Whether your resolutions are financial or personal in nature, we hope you are reaching the goals you have set for yourself this year. With February passing at what feels like a heightened speed, tax season is officially upon us. Tax documents are in the process of being distributed, but should you or your accountant need anything from us, or any changes to be made, please do not hesitate to get in contact. We are always here for you and happy to assist where we can.

The IRS has increased retirement plan contributions for 2018. The salary deferral limits for 401(k) and 403(b) plans are \$18,500, with an additional \$6,000 for catch-up if you reach the age of 50 this year. For those of you not eligible for company sponsored retirement plans, you can still contribute to an IRA. This year's limit remains \$5,500 with an additional \$1,000 for catch-up. In addition to these changes, the new tax bill brought forth a number of material changes besides moving the income brackets – some of these we have mentioned in our previous correspondence at the beginning of the year, including limiting the deduction on State and Local Taxes, changes to child credits, medical expense deduction threshold, and more. If you prepare your own taxes and would like a referral to a tax preparer we know and trust, we would be happy to provide that to you – it may be worth working with someone now considering the aforementioned changes.

Economic Update

The last few weeks have been quite the roller coaster, seeing extreme volatility grip the markets that we have not seen for quite a number of years. Much of this recent correction's weight comes from the sharp run-up of stock prices during the first few weeks of January (and really since mid 2016), as well as the markets pricing in higher inflation and interest rates. Back in August of last year, the amount of rate hikes that were estimated to go through were significantly less than what we are seeing now from the Federal Reserve's commentary. Inflation, wage growth, GDP, and most all other metrics are increasing at a very good pace.

We have to remember that corrections like these are healthy for the markets, and that it is nothing that is stemming from underlying fractures or issues within the economy. In fact, projections for corporate earnings in 2018 are higher than 2017's. Even if those projections do not hold true to what the actual earnings are, we are still poised to see great growth from companies and in turn, positive returns in most asset classes.

Volatility is not likely to drop back to single digits for some time now, and we expect things to chop around for a while as we wait for continuing good news to come from earnings reports and economic data. Looking forward to 2019, should interest rates and inflation continue the trend upward, we may see more pressure on stocks and possibly enter into a mini-recession, which we also have to remember is part of the natural economic cycle.

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Market Data for 2018 (Year to Date)

S&P 500 (Large Cap)	2.41%
Russell 2000 (Small Cap)	0.21%
Total Bond Market Index	-2.23%
Foreign Equity Index	0.52%
Emerging Markets Index	3.15%

Interest Rates (As of February 16, 2018)

30 Year Bond Yield	3.18%
10 Year Bond Yield	2.91%
5 Year Bond Yield	2.65%
2 Year Bond Yield	2.14%
6 Month "T" Bill	1.81%
3 Month "T" Bill	1.58%

Data Received from Morningstar

In Calvert Wealth news, we've seen some changes of our own in the New Year. Taylor left us at the end of January to pursue a career in venture capital and moved to Colorado to further flourish his relationship with his girlfriend. Nicholas Boyd, a graduate of American University, has come to fill the void and is settling in well into his position. Nick comes to us from Annapolis, and originally hails from the New York area. Please be sure to welcome him whenever the chance allows.

Additional happy news is the growth of Jenni's family, and by extension our own, expected this year. The Chorbajians are expecting a little boy in June and we could not be more excited.