COLDSTREAM WEALTH MANAGEMENT

Fortress Newsletter

Winter 2017

Budgeting for the Holidays

Every year, millions of Americans celebrate the holidays with traditions like throwing parties and buying gifts for family and friends. Unfortunately, many also participate in another tradition that lands them in debt - spending more than they can afford.

This year, break the buy-now, worry-later habit by creating -- and sticking to -- a special holiday spending plan. It won't take long, and you'll still be able to spread cheer without completely draining your wallet.

Set Limits and Goals

Gauge how much time you have between now and the holidays and determine a realistic spending limit. Divide that amount by the number of weeks you have available and try to save that amount each week.

Next, figure out how to achieve this weekly savings goal. Can you eliminate a weekly dinner out? Take public transportation instead of paying for gasoline and parking? Once you find the money, set it aside in a savings account or in something as simple as a coffee can or envelope.

Once you understand how much you can realistically afford to save and spend, try to stay within your limits. The following pointers may help -- now and in the long term:

Resist the urge to borrow from your employer-sponsored retirement account. The less money you have in your account today, the less money it may be able to generate for the future. And if you leave your job before the loan is paid, you must repay it in full or face taxes and a 10% penalty.

If you have a big family, think about proposing a system in which each adult buys just one present for one other family member. Drawing names from a hat should do the trick -- and let everyone save money at the same time.

Consider giving experiences instead of things. Offer a home cooked meal, a trip to the art museum or arrange to babysit - these are inexpensive and thoughtful gifts.

If you won't see certain people until after the holidays, wait for the post-holiday sales to do your shopping. Prices can be much lower.

Keep your receipts for everything from greeting cards and gifts to decorations and holiday meals. In January, sit down and fi gure out how much you actually spent. This will help you set a goal for next season. Divide your goal by 12 and try to set aside that much cash each month over the next year.

You don't need to be cheap to enjoy the holidays, but spending carefully may be the best way to guarantee happy memories of debt-free celebrations.

The Investment Year in Review

Stock Performance

Popular U.S. stock indices are up 15-20% in 2017 and for the first time in nearly a decade, international stocks including emerging market stocks are besting their U.S. counterparts with returns of nearly 25% year-to-date. These are exceptional performances and the best since 2013, but given this rally in stocks, investors should expect more typical annual performance from stocks in the coming several years (e.g., 6-9%).

Bond Performance

The U.S., Europe and much of developed Asia continue to experience abnormally low interest rates. Rates have been low and falling for much of the time since the U.S. financial crisis ('08) and Greek crisis in the Eurozone ('11). Government intervention in the world bond markets forced rates lower to stimulate their respective economies, but years later when these economies are doing much better, bond yields remain persistently low. For this reason, investment performance across the various bond categories remains mixed but generally lower than is historically typical. Across the four primary bond categories, year-to-date performance ranges from 1-6%.

Conclusion

It has been a favorable year for retirement plan investors. Diversified portfolios from conservative to aggressive have all fared well in 2017. Presently, the outlook for economic growth in the U.S. and overseas remains favorable, so investor optimism and expectations are also favorable. In the backdrop of a strong U.S. economy and improving economic growth abroad, portfolios with the highest allocations to equities (stocks) performed the best in 2017. Just because stocks are out-performing this year does not mean you should change your long-term investment strategy to have a larger allocation to stocks. For many a more diversified investment approach that includes bonds and stable value instruments alongside stocks, is a way to get reasonable long-term results with a less bumpy ride. Diversification is a risk management practice that seeks to blend a wide variety of investments in a single portfolio. The motivation for this technique is that a mixture of different asset classes within a single portfolio is believed to dampen volatility and reduce overall risk. If however, you have decades until retirement and are comfortable with more volatile investment performance, a portfolio built largely of stocks might be suitable. The "Single-Solution" Portfolios offered in your Plan are good examples of this technique and offer a broad range of investment styles and risk/reward tradeoffs. The year-to-date performance and allocation weightings to stocks for each of the Single-Solution Portfolios can be found in the table below.

PORTFOLIO	YTD PERFORMANCE thru 11/30/2017	% OF PORTFOLIO ALLOCATION TO STOCKS
Capital Preservation	1.23%	0%
Capital Preservation & Income	4.25%	15%
Balanced	12.86%	56%
Growth & Income	14.55%	64%
Focused Growth	20.63%	88%