IN THIS ISSUE

Commerce Concepts

Market Updates, Asset Allocation, and Investment Education for Plan Participants and Individuals

Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act legislation has been passed by Congress and signed into law. The Act makes extensive changes that affect both individuals and businesses. Some key provisions of the Act are discussed below. Most provisions are effective for 2018. Many individual tax provisions sunset and revert to pre-existing law after 2025; the corporate tax rates provision is made permanent. Comparisons below are generally for 2018.

Individual income tax rates
Pre-existing law: There were seven regular income tax brackets: 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%.

New law: There are seven tax brackets: 10%, 12%, 22%, 24%, 32%, 35%, and 37%. These provisions sunset and revert to pre-existing law after 2025.

Standard deduction, itemized deductions, and personal exemptions
Pre-existing law: In general, personal (and dependency) exemptions were available for you, your spouse, and your dependents. Personal exemptions were phased out for those with higher adjusted gross incomes. You could generally choose to take the standard deduction or to itemize deductions. Additional standard deduction amounts were available if you were blind or age 65 or older. Itemized deductions included deductions for medical expenses, state and local taxes, home mortgage interest, investment interest, charitable gifts, casualty and theft losses, job expenses, and other miscellaneous deductions. There was an overall limitation on itemized deductions based on the amount of your adjusted gross income.

New law: The standard deduction is significantly increased, and the additional standard deduction amounts for those over age 65 or blind are still available. The personal and dependency exemptions are no longer available. Many itemized deductions are eliminated or restricted. The overall limitation on itemized deductions based on the amount of your adjusted gross income is eliminated.

- The 10% of AGI floor for the deduction of medical expenses is reduced to 7.5% in 2017 and 2018 (for regular tax and alternative minimum tax).
- The deduction for state and local taxes is limited to $10,000. An individual cannot prepay 2018 income taxes in 2017 in order to avoid the dollar limitation in 2018.
- The deduction for mortgage interest is still available, but the benefit is reduced for some individuals, and interest on home equity loans is no longer deductible.
- The charitable deduction is still available, but modified.
- The deduction for personal casualty losses is eliminated unless the loss is incurred in a federally declared disaster.

These provisions sunset and revert to pre-existing law after 2025.

Kiddie tax
Instead of taxing most unearned income of children at their parents' tax rates (as under pre-existing law), the Act taxes children's unearned income using the trust and estate income tax brackets. This provision sunsets and reverts to pre-existing law after 2025.

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WIN A $25 GIFT CARD
to your choice of Starbucks or Amazon.com!
(See page 2 for more details)

Congratulations to our most recent winner:

Debbie E.
of Southwest Bible Church

Visit
thecommco.com/quiz
for the answer to last issue's question.

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Retirement & Investment Services

Indexes are unmanaged and cannot be invested in directly. Past results are not predictive of future results. Individual results will vary. The trailing returns shown include dividends.

Source:
Raymond James Financial Services

To be entered into a drawing to win a

$25 Gift Card,

email free@thecommco.com with the answer to this question:

Under the new law, what is the maximum child tax credit?

Market Update

Through December 31, 2017 — Trailing Returns

		3 mos	12 mos	5 yrs	10 yrs
Blue Chip US Stocks	Dow Jones Industrial Average	10.96%	28.11%	16.37%	9.28%
Large Company US Stocks	S&P 500	6.64%	21.83%	15.79%	8.50%
Small Company US Stocks	Russell 2000	3.34%	14.65%	14.12%	8.71%
Non-US Stocks	MSCI EAFE (Gross Div)	4.27%	25.62%	8.39%	2.42%
US Bonds	Barclay's Capital US Aggregate	0.39%	3.54%	2.10%	4.00%
Cash Alternatives	FSTE 3 Month US Treasury Bill	0.28%	0.84%	0.24%	0.35%

Economic Outlook

Gross Domestic Product: 1Q18 projects around 2.5% growth, following between 2.5-3.0% in 4Q17.

Employment: Job growth has remained strong, but the pace should decline as the job market continues to tighten.

Consumers: Job and wage growth remain moderately supportive. Fourth quarter improvement partly reflects a rebound from the third quarter's hurricane effects.

Prices: Core inflation has continued to trend below the Fed's 2% target, partly reflecting a "one-off" plunge in wireless telecom services. Wage pressures are moderate.

Housing/Construction: Job growth has been supportive. Monthly figures are often erratic and supply constraints remain, but the underlying trends are relatively strong.

Interest Rates: The Fed remains in tightening mode, and is expected to continue gradually raising short-term rates, but personnel changes add uncertainty. Balance sheet reduction has begun and should not be disruptive for the markets.

Manufacturing: Sentiment surveys remain strong and orders have been improving. Factory output is rebounding from a soft third quarter. An improving global outlook has supported export growth.

Equities enjoy a strong 2017

- December brought to a close one of the best years for global equity markets in nearly a decade. The S&P 500 set repeated records and gained a whopping 21.83% for the year, only to be outperformed slightly by international developed markets and emerging markets. Overall, large caps outperformed small, and growth outperformed value.

- Conditions support a positive outlook for 2018, with improving global economies and corporate earnings, as well as stable inflation levels and interest rates. The equity markets remain bullish, with any early year weakness representing the first real buying opportunity since before the 2016 U.S. presidential election.

- 2017 saw three increases in the federal funds rate, bringing the rate to its current 1.50%. The core fixed income market took the increases in stride and posted a positive return for the year. The 2018 outlook for fixed income is uncertain. Economic and political factors are likely to play key roles in the coming months.

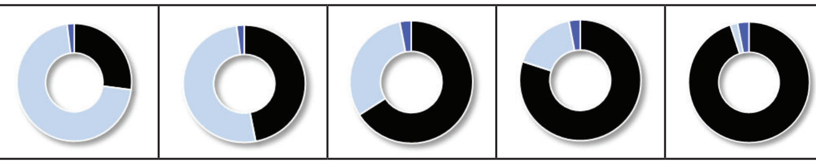
Asset allocation models can be viewed online anytime at ***thecommco.com***

The investment profile is hypothetical, and the asset allocations are presented only as examples and are not intended as investment advice. Asset allocation and diversification do not assure a profit or protect against loss. Investing involves risk and investors may incur a profit or a loss, including the loss of all principal. International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility. Investing in small- and mid-cap stocks generally involves greater risks, and therefore may not be appropriate for every investor. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. High-yield bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio. Commodities and currencies are generally considered speculative because of the significant potential for investment loss. They are volatile investments and should only form a small part of a diversified portfolio. Real estate investments can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.

Strategic Asset Allocation Models

As of January 2018

Equities
Fixed Income
Cash Alternatives



	Conservative	Moderate	Balanced	Growth	Aggressive
Equity	**27%**	**47%**	**66%**	**80%**	**95%**
Equity allocation comprises:					
U.S. Large Cap	18%	27%	33%	40%	47%
U.S. Mid Cap	2%	5%	7%	8%	10%
U.S. Small Cap	1%	3%	4%	6%	6%
Non-US Developed Market	6%	12%	16%	20%	25%
Non-US Emerging Market	0%	0%	4%	4%	5%
Publicly-Traded Global Real Estate	0%	0%	2%	2%	2%
Fixed Income	**71%**	**51%**	**31%**	**17%**	**2%**
Fixed income allocation comprises:					
Investment Grade Long Maturity	0%	0%	0%	0%	0%
Investment Grade Intermediate Maturity	56%	46%	27%	17%	0%
Investment Grade Short Maturity	5%	0%	0%	0%	0%
Non-Investment Grade (High Yield)	4%	5%	4%	0%	2%
Global (non-U.S) Bond	0%	0%	0%	0%	0%
Multi-Sector Bond	6%	0%	0%	0%	0%
Cash & Cash Alternatives	**2%**	**2%**	**3%**	**3%**	**3%**
Totals	**100%**	**100%**	**100%**	**100%**	**100%**

These asset allocation targets are based on our changing views of the risk and return in the various asset classes, looking out over three or more years. The models assume fully allocated portfolios and do not take into account outside assets, additional cash reserves held independent of these models, or any actual investor's unique circumstances. Investors should consult their financial advisor to decide how these models might assist in the development of their individual portfolios.

The information contained in this report does not purport to be a complete description of the markets or developments referred to in this material. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. You should discuss any tax or legal matters with the appropriate professional. Expressions of opinion are as of this date and are subject to change without notice. Commerce Concepts is a quarterly publication produced by the team at The Commerce Company. The opinions, commentary and topics are those of the professionals of The Commerce Company and not of Raymond James Financial Services, Inc. or Raymond James & Associates. Registration does not imply endorsement. If you have any questions call Jed Schlanger, Branch Manager, at (503) 203-8585.

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Child tax credit
Pre-existing law: The maximum child tax credit was $1,000. The child tax credit was phased out if modified adjusted gross income exceeded certain amounts. If the credit exceeded the tax liability, the child tax credit was refundable up to 15% of the amount of earned income in excess of $3,000 (the earned income threshold).

New law: The maximum child tax credit is increased to $2,000. A nonrefundable credit of $500 is available for qualifying dependents other than qualifying children. The maximum refundable amount of the credit is $1,400, indexed for inflation. The amount at which the credit begins to phase out is increased, and the earned income threshold is lowered to $2,500. The changes to the credit sunset and revert to pre-existing law after 2025.

Alternative minimum tax (AMT)
Under the Act, the alternative minimum tax exemptions and exemption phaseout thresholds are increased. The AMT changes sunset and revert to pre-existing law after 2025.

Corporate tax rates
Under the Act, corporate income is taxed at a 21% rate. The corporate alternative minimum tax is repealed.

Retirement plans
Under the Act, the contribution levels for retirement plans remain the same. However, the Act repeals the special rule permitting a recharacterization to unwind a Roth conversion.

Estate, gift, and generation-skipping transfer tax
The Act doubles the gift and estate tax basic exclusion amount and the generation-skipping transfer tax exemption to about $11,200,000 in 2018. This provision sunsets and reverts to pre-existing law after 2025.

Health insurance individual mandate
The Act eliminates the requirement that individuals must be covered by a health care plan that provides at least minimum essential coverage or pay a penalty tax (the individual shared responsibility payment) for failure to maintain the coverage. The provision is effective for months beginning after December 31, 2018.