VOLUME 24, ISSUE 2, 2ND QUARTER 2018

IN THIS ISSUE

Economic Outlook 2
Strategic Asset Allocation Models 3
Don't Let Debt Be... (continued from page 1) 4

Commerce Concepts

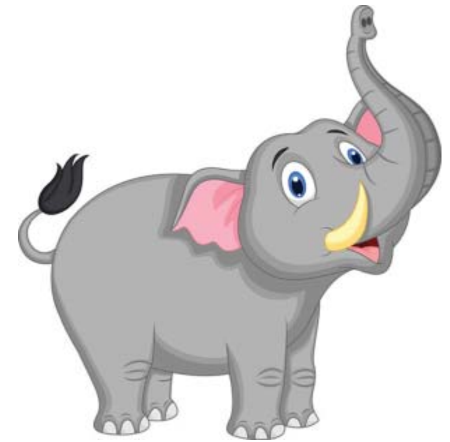
Market Updates, Asset Allocation, and Investment Education for Plan Participants and Individuals

Don't Let Debt be the Elephant in Your Relationship

Financial stress and disagreements have long been cited as leading causes of tension in relationships. Wealth is a highly personal matter touching all facets of our lives, so it's not hard to understand why differences could hurt a relationship. Establishing an open line of communication when it comes to managing money is important, not only for your financial well-being, but for your relationship, too.

The Airing of (Financial) Grievances

Especially with a spouse or partner, being open with each other about your financial histories and debt, including past mistakes, is crucial to your combined long-term success and a comfortable retirement. Not doing so could lead to a variety of complications down the road including bad credit, trouble getting a loan, or a less-than-ideal retirement. It's also worth noting that most of us have different ideas of what is normal or acceptable in terms of how we manage our finances and debt, or have different outlooks on what the future should hold. For example, while one partner may be comfortable renting an apartment for several years, another may be eager to become a homeowner. If one of you is carrying a lot of credit card or other debt, it could be more difficult to get a loan for such a purchase.



That being said, don't forget: not all debt is necessarily "bad" debt. While credit card debt typically comes with a high interest rate and should be paid off as soon as possible, other loans including student, car, or home, may have lower interest rates. They can even improve your credit score as long as you make regular payments. In those cases, rather than trying to pay them off as soon as possible, it may make sense to take more time to ensure you're able to keep investing and reaping returns. Taking a coordinated approach to your finances relies on having an accurate understanding of what your entire financial picture looks like – debt and all.

Better Together

The good thing about having a partner who is on the same page financially is that you benefit from a support system and accountability partner. Just as many people have a gym buddy to help encourage them to stick with an exercise regimen, having someone who understands your financial goals (and weaknesses) can help you stay on your path toward a bright financial future.

When done strategically, borrowing can help you address needs like purchasing a home without derailing long-term goals, such as a comfortable retirement. The key is to consider how the loan will work within your overall financial picture, taking into account each factor including the interest rate, duration, and regular payment amounts.

For example, while you may be itching to pay off a low-interest loan you have on your home, doing so could mean using investments that are likely to appreciate over time if left untouched. Given that returns on investments may be higher than the interest

continued on page 4...

WIN A $25 GIFT CARD

to your choice of Regal Cinemas or Amazon.com!
(See page 2 for more details)

Congratulations to our most recent winner:

Albert H.
of Pinnacle Exhibits, Inc.

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

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:

Are interest rates expected to increase, decrease, or stay the same between now and the end of 2018?

Market Update

Through March 31, 2018		Trailing Returns			
		3 mos	12 mos	5 yrs	10 yrs
Blue Chip US Stocks	Dow Jones Industrial Average	-1.96%	19.39%	13.32%	9.86%
Large Company US Stocks	S&P 500	-0.76%	13.99%	13.31%	9.49%
Small Company US Stocks	Russell 2000	-0.08%	11.79%	11.47%	9.84%
Non-US Stocks	MSCI EAFE (Gross Div)	-1.41%	15.32%	6.98%	3.23%
US Bonds	Barclay's Capital US Aggregate	-1.46%	1.20%	1.82%	3.63%
Cash Alternatives	FSTE 3 Month US Treasury Bill	0.35%	1.07%	0.31%	0.31%

Economic Outlook

Gross Domestic Product: 2Q18 projects 2.5-3.0% growth, following about 2.0-2.5% in 1Q18.

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

Consumers: Real wage growth has been lackluster, but reduced tax withholding boosted take-home pay in February.

Prices: Core inflation has continued to trend below the Fed's 2% target, partly reflecting the March 2017 "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 year-over-year trends are relatively strong.

Interest Rates: The Fed remains in tightening mode and is expected to continue gradually raising short-term rates. Balance sheet reduction should not be disruptive for the markets.

Manufacturing: Sentiment remains strong. Figures are often choppy at the start of the year, but the underlying trends in orders and production appear to be moderate.

March's Market Noise Continues

- The market volatility that began in early February has persisted throughout March and April. However, a healthy backdrop for the U.S. equity markets exists amid all the recent market noise – and U.S. economic conditions remain quite healthy.

- In a recent Federal Open Market Committee (FOMC) press release, the Fed highlighted strengthening of their economic outlook. Growth in the remainder of the year is expected to be relatively strong, with an unclear impact from fiscal stimulus such as corporate tax cuts and increased spending.

- Having raised short-term interest rates again on March 21, Fed officials are split in their expectations of whether there will be two or three more hikes this year. The Fed expects inflation to drift gradually higher, while the unemployment rate is anticipated to fall to nearly a full percentage point below what it considers a long-term sustainable level in 2019 and 2020. However, the risks of a monetary policy error are increasing.

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 April 2018

Equities
Fixed Income
Cash Alternatives

	Conservative	Moderate	Balanced	Growth	Aggressive
Equity	**27%**	**47%**	**64%**	**78%**	**93%**
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%	0%	0%	0%
Fixed Income	**71%**	**51%**	**31%**	**20%**	**0%**
Fixed income allocation comprises:					
Investment Grade Long Maturity	0%	0%	0%	0%	0%
Investment Grade Intermediate Maturity	56%	46%	27%	15%	0%
Investment Grade Short Maturity	5%	0%	0%	0%	0%
Non-Investment Grade (High Yield)	4%	5%	4%	0%	0%
Global (non-U.S) Bond	0%	0%	0%	0%	0%
Multi-Sector Bond	6%	0%	0%	5%	0%
Cash & Cash Alternatives	**2%**	**2%**	**5%**	**2%**	**7%**
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.

Retirement & Investment Services

5440 SW Westgate Drive, Suite 110
Portland, OR 97221
thecommco.com

tel 503-203-8585
fax 503-203-8590
toll 800-203-8510

Securities offered through Raymond James Financial Services, Inc., member FINRA/SIPC
Investment advisory services offered through Raymond James Financial Services Advisors, Inc.
The Commerce Company is not a registered broker/dealer and is independent of Raymond James Financial Services.

continued from page 1...

on a loan, keeping your assets invested may give you a bigger head start on a comfortable retirement. Conversely, high-interest debt such as credit card debt should be paid off as soon as possible.

As you make your decisions, think about:

- How much debt you're willing to take on.
- Whether you prefer to sell assets or borrow.
- The anticipated rate of return on your investments.
- The anticipated cost of borrowing.
- If it makes sense to borrow in the name of a trust or business.
- What loan structure makes the most sense.
- Whether you prefer to use securities, your home, or another asset as collateral.
- The tax ramifications of a loan compared to selling investments.
- How quickly you need the money.
- How long you'll need the loan, particularly a mortgage.
- How and when you'll pay off a loan.

Call on your financial advisor for guidance as you weigh your options. He or she can help you map out a plan to strategically manage your debt while pursuing your long-term goals.

Next steps:

- Schedule regular money dates.
- Review your comprehensive financial situation, including assets and liabilities.
- Consider how your short- and long-term goals could be affected by debt.
- Weigh your goals against each of these factors.
- Consider whether debt can be a useful tool to address your needs.

Material created by Raymond James for use by its advisors. The information contained herein has been obtained from sources considered reliable, but we do not guarantee that the foregoing material is accurate or complete. Raymond James is not affiliated with any other entity listed herein. © 2017 Raymond James Financial Services, Inc., member FINRA/SIPC. Securities offered through Raymond James Financial Services Advisors, Inc.