VOLUME 24, ISSUE 3, 3RD QUARTER 2018

IN THIS ISSUE

Excerpts From Gleanings 2

Strategic Asset Allocation Models 3

Setting and Targeting... (continued from page 1) 4

Commerce Concepts

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

Setting and Targeting Investment Goals

Setting investment goals means defining your dreams for the future. When you're setting goals, it's best to be as specific as possible. For instance, you know you want to retire – but when, and with what kind of lifestyle? You know you want to send your child to college, but to an Ivy League school or community college, and what portion of the cost will you plan to cover for them? Writing down and prioritizing your financial goals is an important first step toward developing an investment plan.

What is your time horizon?

Your time horizon is the number of years you have to invest toward a specific goal. Each goal you set will have a different time horizon. For example, some goals will be long term (e.g., you have more than 15 years to plan), some will be short term (e.g., you have fewer than five years to plan), and some will be in the middle. Establishing time horizons will help you determine how aggressively you will need to invest to meet each goal.

How much will you need to invest?

Start by determining how much you'll need to set aside monthly or annually to meet each goal. Choose a realistic amount that takes into account your other financial obligations, so that you can easily stick with your plan. From there, always be on the lookout for opportunities to increase the amount you're investing, such as boosting your contributions by a small percentage each year, or by dedicating at least a portion of every raise, bonus, cash gift, or tax refund you receive to your investment objectives.

Which investments should you choose?

Regardless of your financial goals, you'll need to decide how to best allocate your investment dollars. One important consideration is your tolerance for risk. All investments involve some risk, but some involve more than others. How well can you handle market ups and downs? Are you willing to accept a higher degree of risk in exchange for the opportunity to earn a higher rate of return?

Whether you're investing for retirement, college, or another financial goal, your overall objective is to maximize returns without taking on more risk than you can bear. A financial professional can help you construct a diversified investment portfolio that takes these factors into account.

Investing for retirement

Retirement may seem a long way off, but it's never too early to start planning. For example, let's say that your goal is to retire at age 65. At age 20 you begin contributing $3,000 per year to a tax-deferred 401(k) account. If your investment earns 6% per year, compounded annually, you'll have approximately $679,000 in your account when you retire.

But what would happen if you put off planning instead? Let's say that at 20 you aren't thinking about retirement, so you wait until you're 35 to begin investing. Assuming you contribute the same amount to your 401(k) and earn the same rate of return, you would end up with approximately $254,400. If you were to wait until age 45 to begin, you would end up with only about $120,000 by age 65.

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:

Emily K.
of Lensbaby, 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. See page four for index definitions.

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:

True or False? Four years is considered a "short" time horizon for financial goal planning.

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. © 2018 Raymond James Financial Services, Inc., member FINRA/SIPC. Securities offered through Raymond James Financial Services Advisors, Inc.

Market Update

Through June 30, 2018		Trailing Returns			
		3 mos	12 mos	5 yrs	10 yrs
Blue Chip US Stocks	Dow Jones Industrial Average	1.26%	16.31%	12.96%	10.78%
Large Company US Stocks	S&P 500	3.43%	14.37%	13.42%	10.17%
Small Company US Stocks	Russell 2000	7.75%	17.57%	12.46%	10.60%
Non-US Stocks	MSCI EAFE (Gross Div)	-0.97%	7.37%	6.93%	3.33%
US Bonds	Barclay's Capital US Aggregate	-0.16%	-0.40%	2.27%	3.72%
Cash Alternatives	FSTE 3 Month US Treasury Bill	0.44%	1.33%	0.39%	0.31%

Excerpts from Gleanings* June 29, 2018

Published by Raymond James and Associates: Jeffrey D. Saut, Chief Investment Strategist, Scott J. Brown, Ph.D., Andrew Adams, CFA, CMT

Trade Policy

Increased tariffs against U.S. imports:

1. Do little to "save" U.S. jobs
2. Raise input costs
3. Are an indirect tax on U.S. consumers and businesses
4. Invite retaliatory tariffs against U.S. exports
5. Could lead to a broader trade war
6. Disrupt supply chains
7. Create greater uncertainty for global investment

Trade quotas have the same drawbacks, but don't generate tax revenue.

Note that the corporate tax cuts also benefit foreign firms doing business in the U.S.

China in Trouble

Chinese markets have been a clear loser of the trade war so far. The Shanghai Composite Index is in a steady downtrend and is not yet showing signs of forming some sort of bottom. Until such signs are seen, Chinese investments are likely to remain under pressure.

Industrials Having Problems Too

It's a very similar case for the Industrials, which have been one of the obvious losers in the trade policy stand-off. We really want the nearby support to hold; otherwise, the odds of a more significant top increase.

**For a complete PDF copy of the June 29, 2018 issue of Gleanings, click here or email gleanings@thecommco.com.*

Upbeat End to Raucous Quarter

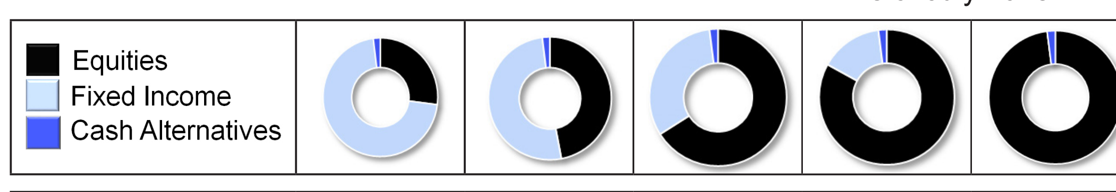
- The three major domestic equity indices ultimately ended in positive territory for the second quarter, after zigging and zagging on headline news, particularly toward the end of June. Foreign financial markets weathered an eventful month as well, as global tariffs hurt these traditionally more open economies.
- Uncertainty, in this case regarding global trade tensions, often leads to concern among investors – who have been trying to digest somewhat conflicting reports of peak earnings, tariff threats and political divisiveness, shrinking yield spreads, lower unemployment, and gradually rising inflation.
- Concerns about disruptions to world trade flows continue to build, particularly impacting emerging markets. In Europe, economic reform efforts appear to be taking a slight backseat to discussions of potential trade tariff responses and internal regional debates such as immigration.

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 July 2018



	Conservative	Moderate	Balanced	Growth	Aggressive
Equity	**27%**	**47%**	**66%**	**83%**	**98%**
Equity allocation comprises:					
U.S. Large Cap Blend	15%	17%	21%	24%	29%
U.S. Large Cap Growth	0%	4%	6%	8%	10%
U.S. Large Cap Value	0%	4%	6%	8%	9%
U.S. Mid Cap Equity	2%	5%	7%	8%	10%
U.S. Small Cap Equity	1%	3%	4%	8%	8%
Non-U.S. Developed Market Equity	9%	14%	17%	22%	26%
Non-U.S. Emerging Market Equity	0%	0%	5%	5%	6%
Fixed Income	**71%**	**51%**	**32%**	**15%**	**0%**
Fixed income allocation comprises:					
Investment Grade Intermediate Maturity	56%	42%	27%	15%	0%
Investment Grade Short Maturity	7%	5%	5%	0%	0%
Non-Investment Grade (High Yield)	3%	2%	0%	0%	0%
Multi-Sector Bond	5%	2%	0%	0%	0%
Cash & Cash Alternatives	**2%**	**2%**	**2%**	**2%**	**2%**
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.

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...

Investing for college

For many people, saving for college is an intermediate-term goal: if you start saving when your child is in elementary school, you'll have around 10 years to build your college fund. Of course, the earlier you start, the better. With a longer time horizon, you'll not only have more opportunity to take advantage of compounding, but also be more able to tolerate risk, allowing you to consider investments with greater growth potential.

Investing for a major purchase

At some point, you'll probably want to buy a home, a car, or take that expensive once-in-a-lifetime vacation. Although they're hardly impulse items, large purchases are usually not something for which you plan far in advance; one to five years is a common time frame. Because you don't have much time, you may want to choose less volatile and more easily accessible investments for these goals.

It's easy to over-emphasize short term goals. In addition to being more immediate, they tend to feel more concrete – it's easier to imagine and get excited about next year's Mediterranean cruise than your future retired self's monthly budget. Consider this common tendency when allocating your investment dollars, and make sure your financial focus reflects your true priorities.

Review and revise

Over time, you may need to update your investment strategy. Your plans may change, time horizons shift, and your income and current financial obligations may increase or decrease, affecting the amount of money available each month to save and invest.

Get in the habit of reviewing your accounts and your goals at least once a year – more frequently if the market is particularly volatile or when there have been significant changes in your life. If you need assistance, email goals@thecommco.com for help from a financial professional.

Index definitions: The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations. The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

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.