

TIMES ARE A-CHANGIN'

In 1964, Bob Dylan sang, "The Times They Are a-Changin'" and in 1972, David Bowie sang, "Ch-ch-ch-Changes". This year may be the beginning of changes in the stock market and the way we invest for the future.

Remember 2017? It was a great year in the stock market with almost no volatility. 2018 - Not so much. Disappointing, in fact.

After a bull market rally now in its ninth year, you have to ask yourself how much farther can it go?

This unprecedented stock market rally has been driven by the fact that interest rates have hovered near zero over the last 10 years or more. Investors really had very few alternatives to the stock market.

The Fed raised interest rates again in October, contributing to an unexpected market correction. They have also promised additional increases to come.

Rising interest-rates may be a game changer. Interest on the bellwether 10 year Treasury bond is over 3% right now. Some commentators project interest to go up to 4%, maybe even 5%.

Conservative investors who may be risk averse may consider treasury bills, treasury bonds, and/or CDs for a fixed rate alternative.

Tariff fights, falling oil prices and political risks in Europe, as well as ongoing volatility in technology stocks, have impacted global markets. The constant polemics in our government between the White House and Congress have caused uncertainty here at home.

Yes, things are a-changin', but as the French writer Alphonse Karr wrote in the mid-1800s, "The more things change, the more they remain the same".

Market corrections and even recessions are a normal part of the market cycle. We know the market fluctuates up and down.

Predicting market movements in the short run is anyone's guess. A PhD in finance cannot predict any better than a random coin toss for short periods of time (void of a crystal ball).

On the other hand, a seasoned investor can become rich forecasting longer term trends. The real key to building and preserving wealth is to understand that the market does not go up all the time. And a downturn in the market is not necessarily a bad thing. Imagine that.

Always keep in mind, if you don't sell you don't lose. The successful investor goes one step further and buys on market dips. Opportunities for the long-term investor abound.

The IRS has just announced changes for 2019 in favor of the long-term investor. 401(k) contribution limits will increase to

\$19,000 for next year and the IRA limit increases to \$6,000. The additional catch-up contribution limit for individuals over age 50 remains at \$1,000.

For married couples filing jointly, where the spouse making the IRA contribution is covered by a workplace retirement plan, the phase-out range is \$103,000-\$123,000 for 2019. For married couples filing jointly, the income phase out range is \$193,000-\$203,000 for taxpayers making contributions to a Roth IRA.

Patience and managing emotions and expectations can pay enormous dividends when building wealth.

Yes, times are changing, but long-term patterns have remained the same for hundreds of years.

In his book, *Stocks for the Long Run*, Dr. Jeremy Siegel, renowned professor of finance at the Wharton School (University of Pennsylvania) provides a definitive guide to financial market returns and long term investment strategies. He has analyzed stock and bond returns from 1802; Dr. Siegel concluded, "Over the past 200 years, the compound annual real return on a diversified portfolio of common stock is nearly 7% in the US, and it has displayed a remarkable constancy over time."

Swings in investor sentiment, resulting from political or economic crisis, can throw stocks off their long-term path; but the fundamental forces producing economic growth enable equities to regain their long-term trend.

Successful investing does not have to be complicated, nor does it require your attention day-to-day, but it does require discipline. If you are looking for a proven process to meet your financial goals and ways to navigate these uncertain times, call H Financial and together we can determine if we might be of help.



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