

# Pacific Financial



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S t r a t e g i e s . I n c .

Happy New Year to you all!

We hope that everyone has enjoyed the Holiday season and is ready to start 2018 strong!

We would like to start by saying that we have an optimistic outlook going forward into 2018. The world economy is booming and the fundamentals are solid. We expect to see continued growth through the year. In fact, according to World Bank Press Release, "2018 is on track to be the first year since the financial crisis that the global economy will be operating at or near full capacity." (PRESS RELEASE NO: 2018/082/DEC) Onward and upward!

Now, for some housekeeping matters. Please refer to the attached article about your Charles Schwab 1099s. They are set to be completed and ready for download in February. However, please note that there may be corrected 1099s that will be released beginning February 27th. We suggest you hold off on your taxes until after the release of those corrected 1099s, as to avoid needing to re-file your taxes.

If anyone needs assistance accessing any of your year end tax documents or reports, please feel free to email or call our office. Both Geoffrey and Anna will be available to help you locate them, or send them to you if you need.

Finally, we would like to make a shout out to all of those in Southern California that may have been affected by the fires and/or the mudslides. You are all in our thoughts and prayers and should you need anything at all, please do not hesitate to contact our office. We are always here for you all, you are our family.

God Bless.

-The PACFS Team

## **Brian S. Wesbury, Chief Economist, First Trust Portfolios**

“The stock market is on a tear.

The S&P500 is already up over 4% in 2018. It's not a bubble or a sugar high. Our capitalized profits model says the broad US stock market is, and was, undervalued.

We never believed the "sugar high" theory that QE was driving stocks. So, slowly unwinding QE and slowly raising the federal funds rate, as the Fed did in 2017, was never a worry. But, now a truly positive fundamental has changed – the Trump Tax Cut, particularly the long-awaited cut in business tax rates. With it in place, we think our forecast for 3,100 on the S&P 500 by year-end is not only in reach, but could be eclipsed.

Before you consider us overly optimistic, we did not expect the stock market to surge like it has so early in the year. In fact, we would not have been surprised if the market experienced a correction after the tax cut. There's an old saying; "buy on rumor, sell on fact." So, with tax cuts approaching, optimism could build, but once they became law, the market would be left hanging for better news.

We would never forecast a correction, because we're not traders. We're investors.

Anyone lucky enough to pick the beginning of a bear market never knows exactly when to get back in. In 2016, it happened twice and we know many investors are still bandaging up their wounds from being whipsawed.

The market got off to a terrible start in 2016, one of the worst in years. The pouting pundits were talking recession and bear market, only to experience a head-snapping rebound. Then, during the Brexit vote, the stock market fell 5% in two days – which was seen as another indicator of recession. But, it turned out to be a great buying opportunity, like every sell-off since March 2009.

The better strategy for most investors is ***don't sell***. Some sort of correction is inevitable but no one knows for sure when it will happen and few have the discipline to take advantage of the situation.

This is particularly true when risks to the economy remain low and the stock market is undervalued, which is exactly how we see the world today.

Earnings are strong (even with charge-offs related to tax reform), and according to Factset, since the tax law passed analysts have lifted 2018 profit estimates more rapidly than at any time in the past decade. Even the political opponents of the tax cuts are saying it will likely lift economic growth for at least the next couple of years.

Continuing unemployment claims are the lowest since 1973, payrolls are still growing at

a robust pace, and wages are growing faster for workers at the lower end of the income spectrum than the top. Auto sales are trending down, but home building has much further to grow to keep up with population growth and the inevitable need to scrap older homes. Consumer debts remain very low relative to assets, while financial obligations are less than average relative to incomes.

In addition, monetary policy isn't remotely tight and there is evidence that the velocity of money is picking up. Banks are in solid financial shape, and deregulation is going to increase their willingness to take more lending risk. The fiscal policy pendulum has swung and the U.S. is not about to embark on a series of new Great Society-style social programs. In fact, some fiscal discipline on the entitlement side of the fiscal ledger may finally be imposed.

Bottom line: This is not a recipe for recession.

It's true, rising protectionism remains a possibility, but we think there's going to be much more smoke than fire on this issue, and that deals will be cut to keep the good parts of NAFTA in place.

Put it all together, and we think the stock market, is set for much higher highs in 2018. If you're brave enough to attempt trading the inevitable ups and downs of markets, more power to you, but as hedge fund performance shows, even the so-called pros have a hard time doing this.

Stay bullish!"

## Schedule for Receiving 2017 Tax Preparation Forms

Schwab will begin mailing the 2017 1099 Composite and Year-End Summary tax forms in **early February**. Please consider that given the sizable volumes of these production runs, it may take several days for you to receive the paper tax forms. The securities in your accounts will determine when the 1099s are produced. Below are the dates for both of our production runs as well as details around the securities that impact the production of your 1099s.

### Production Details

Form 1099s are scheduled for two production dates, depending on the types of investments your clients hold.

#### February 1st to February 15th production run

Accounts for which we have all necessary tax information including:

- Stocks
  - Options and Cash Deposit Interest
- 1099s in the first run will be available on Schwaballiance.com starting February 1st.

\*Note: Investors who made sales in December or who bought to cover short positions in December will receive Form 1099 in mid-February.

#### February 15th to February 28th production run

Accounts that contain at least one investment for which the issuer can't provide information in time for the earlier mailing. Examples include:

- ETFs and Mutual Funds
  - Fixed Income
  - REITs, UITs, WHFITs
  - Dividends for suspect Securities US and Foreign stocks that have been reclassified in the past
- 1099s in the second run will be available on Schwaballiance.com starting on February 15th.

(You will receive information regarding the mailing dates in your December statements delivered in early January.)

### Corrected Form 1099s

If you need corrected 1099s, they will be sent beginning on **February 27th**.

There are two reasons an investor may receive a corrected Form 1099:

1. One or more issuers of the securities held by the investor may not have provided the investor's tax information before Schwab mailed Form 1099.

2. Certain income (e.g., dividends, capital gains) on securities an investor holds may need to be reallocated by the issuer after the IRS Form 1099 mailing deadline.

If we receive updated information from issuers of securities held after the original Form 1099 has been mailed, Schwab is required to send a corrected tax form. Please be aware that the issuers of your securities may reclassify income anytime after we've mailed your original Form 1099. Investors may receive more than one Corrected 1099.

### **Electronic Notification**

Clients who have elected to receive printed form 1099s will be notified via email when their form 1099s have mailed. They will also be provided a link to the Statements & Reports tab where they will be able to access their tax forms. (Clients who receive electronic delivery of their form 1099s will continue to receive an email as soon as their forms are available online.)

### **Faster Access to Tax Downloads**

Clients who receive their 1099 on schwaballiance.com February 1st will no longer have to wait to download their 1099 into TurboTax or H&R Block. Schwab will now allow access to these tax software providers the same week you receive your 1099.

Clients can now download their 1099 data as a .csv file. Select the Export function from their Statements & Reports/Tax Forms page next to your 2016 1099 Composite.

Please remember that Schwab does not provide tax advice. We recommend that you consult a tax advisor about the possibility of receiving a corrected Form 1099 so they can avoid having to redo their taxes or submitting an amended tax return.