It's tax season!!

Take a look at our article below for some important deadlines to be aware of if you own an **IRA** account.

Also, I am sure a lot of you have been concerned with the recent volatility in the markets, so be sure to check out our article "Market Outlook & Volatility." We have said in previous newsletters that volatility would be coming, and here it is. However, we still believe it is nothing to be afraid of. With fundamentals of the economy staying strong, we believe that the outlook for the markets going forward continue to stay positive.

As always, we are here to help you with anything you may need. We hope that everyone enjoys the upcoming Spring Holidays!

Sincerely,
The PACFS Team

MARKET OUTLOOK AND VOLATILITY

Volatility in the markets is scary and being concerned with such volatility is a natural part of being an investor. However, it is our job as your advisors, to determine the cause of such volatility and act accordingly; as well as reassure our clients that we have an understanding of what it means.

In general, volatility itself is not a bad thing, in fact, most times it is a very important part of investing. It only becomes a concern when the volatility we see is a result of underlying fundamental economic problems. We only consider volatility a warning sign when we see economic problems that cause recessions. That is not what we see today.

We are watching for what is called the Four Pillars: Monetary Policy, Tax Policy, Spending and Regulatory Policy and Trade Policy. Any collapse or falter of one these pillars would suggest a real threat to prosperity, however, right now these pillars continue to suggest strong economic fundamentals and we remain confident that they are sound. Let's take a deeper look at the four pillars and where stand today.

Monetary Policy: We see nothing to be concerned with as far as the Fed and their decisions going forward. The Federal Reserve has forecasted economic growth with the projection of lower unemployment through 2020. Along with this, they have expectations for inflation to temporarily exceed its long-term inflation target of 2.0% in 2020. Any way you slice it, monetary policy is going to remain loose by the end of 2018, even if the Fed raises rates three or even four more times in 2018. Some factors that contribute to that assumption:

- Banking systems currently hold about $2 trillion in excess reserves and the federal funds rate is about 120 basis points below the yield on the 10-year Treasury, which we expect to rise as the Fed continues to raise rates.
- Federal funds rate is well below the trend in nominal GDP growth

Taxes: As you know, a new tax law was passed last year, and we must acknowledge that this tax cut is the most pro-growth tax cut since the early 1980s. These recent tax cuts are especially useful on the corporate side. The extra funds act as an incentive for corporations to pursue business ideas or opportunities that they may not have considered before. Some may believe that the money will be used for stock buybacks and only stock buy backs. Which we don't believe will be the case. Cutting taxes for corporations will lift the demand for labor and allow corporation to share their benefits with workers and managers.

Spending and Regulation: This pillar is the only one that is shaky. Congress can't put a lid on spending, which is not good. However, a positive aspect is that Washington has made moves to reduce red tape, which is great for growth.

Trade: Our fourth and final pillar is one to keep our eyes on. We all know that trade wars are not good for growth in the economy, and with talks of the US moving to put tariffs in place does pose a threat of trade wars, and therefor a threat for growth. We can acknowledge trade wars as a pretty big threat to this pillar, however, the likelihood of a full blown trade war is low. So we remain vigilant and aware of this pillar.

Here is the bottom line: The things to watch out for are spending and tariff threats, but the direction we are heading is positive. Taxes, regulation and monetary policy are all suggesting a future of more growth. Quarter 4 GDP was 2.7% with personal income and personal spending increasing from previous quarters. The fundamentals are still suggesting that we have no major problems ahead of us, such a recession. As always, we continue to monitor these aspects, but for now, we want to express to you that this volatility you see is not a warning sign, but rather just normal, healthy volatility and should not cause any big concerns.

PACFS Team

IRA CONTRIBUTIONS FOR 2017

It's that time of year, yet again. It's tax season! As I'm sure you all know, the deadline to file this year is **Tuesday, April 17th**, which means we get two extra days. However, what some of you might not know, is that the deadline to fund your **Traditional IRAs, Roth IRAs, and SEP IRAs** for 2017 is also **April 17th**. This means you still have time to add some extra funds to your account if you wanted. If you have filed for an extension on your taxes, then that extension also applies to you deadline to fund your IRAs (Extension deadline is October 17th, 2018)

You may be wondering what a SEP IRA is. Well, a SEP IRA, or a simplified employee pension individual retirement arrangement, is an account that is intended for self-employed individuals or small business owners. SEP IRAs differ from normal IRAs in that the SEP IRA offers high contribution limits each year, but do not allow catch-up contributions. An individual can contribute up to 25% of their gross annual salary, or 20% of your net adjusted annual self-employment income, with the maximum being $55,000 in 2018 ($54,000 for 2017). Similar to Traditional IRAs, the SEP IRA offers the ability to make tax deductible contributions and also allows you to grow your earnings tax-deferred.

If you need help calculating your contribution amount for 2017, are ready to fund your IRA for 2017, or are interested in opening up a SEP IRA, call the office and ask to speak with me. However, be sure to do it soon, because as I mentioned, **the deadline to fund your IRA for 2017 is April 17th!** (Unless you have an extension, then it is October 17th).

Happy Tax Season!

Anna-Christina Garcia