TOTAL WEALTH PLANNING

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Economic & Investment Outlook – 1st Half 2018

The year 2017 was the perfect combination of strong investment returns and exceptionally low volatility. The US markets continued to grow for the ninth straight year, which is the second longest and second strongest bull market in US history. The following chart illustrates performance for the various market indices:

Index	4th Qtr.	2017	3 year*	5 year*	10 year*	Description
S&P 500 Index	6.64%	21.83%	11.41%	15.79%	8.50%	Large-Cap Stocks
Russell 1000 Growth	7.86%	30.21%	13.79%	17.33%	10.00%	Large-Cap Growth Stocks
Russell 1000 Value	5.33%	17.34%	8.59%	14.80%	5.72%	Large-Cap Value Stocks
Russell 2000 Growth	4.59%	22.17%	10.28%	15.21%	9.19%	Small-Cap Growth Stocks
Russell 2000 Value	2.05%	7.84%	9.55%	13.01%	8.17%	Small-Cap Value Stocks
MSCI – EAFE	4.27%	25.62%	8.30%	8.39%	2.42%	International Stocks
MSCI – Emerging Market	7.50%	37.75%	9.50%	4.73%	2.02%	Emerging Market Stocks
Barclay's Agg. Bond Index	0.39%	3.54%	2.24%	2.10%	4.01%	Domestic Bonds
Consumer Price Index**	-	2.20%	1.46%	1.39%	1.61%	Inflation

*Denotes returns annualized as of December 31, 2017.

**CPI updated through November 30, 2017. New results released in late January 2017.

Surprisingly, the markets were not affected by the precarious events across the world including heightened tensions with North Korea and a potential hangover from the 2016 Brexit vote. Other factors that could have caused problems were rising interest rates, a changeover within Congress and the Presidency and sweeping proposals regarding health care and tax reform. In spite of all of these events, the markets set a record for the longest streak of gains without experiencing a drop of greater than 3%. Further, the S&P 500, which typically experiences a correction of 10-15% in any given year, only had four days where it declined by 1% or more, the fewest of any calendar year since 1964.

Records are made to be broken, but at some point normalcy will be restored

As we look forward to 2018, our expectation for positive growth in the economy remains strong. Company earnings continue to be driven upward and are likely to improve further with the recent reduction in corporate tax rates. Other key gauges of economic growth include: housing starts, auto sales, consumer spending, retail sales and a very strong global manufacturing sector. These have all been positive and performing in a manner consistent with continued economic growth.

However, as we head toward the later stages of an economic cycle, investment markets typically become more sensitive to negative events, and the likelihood increases that markets will experience

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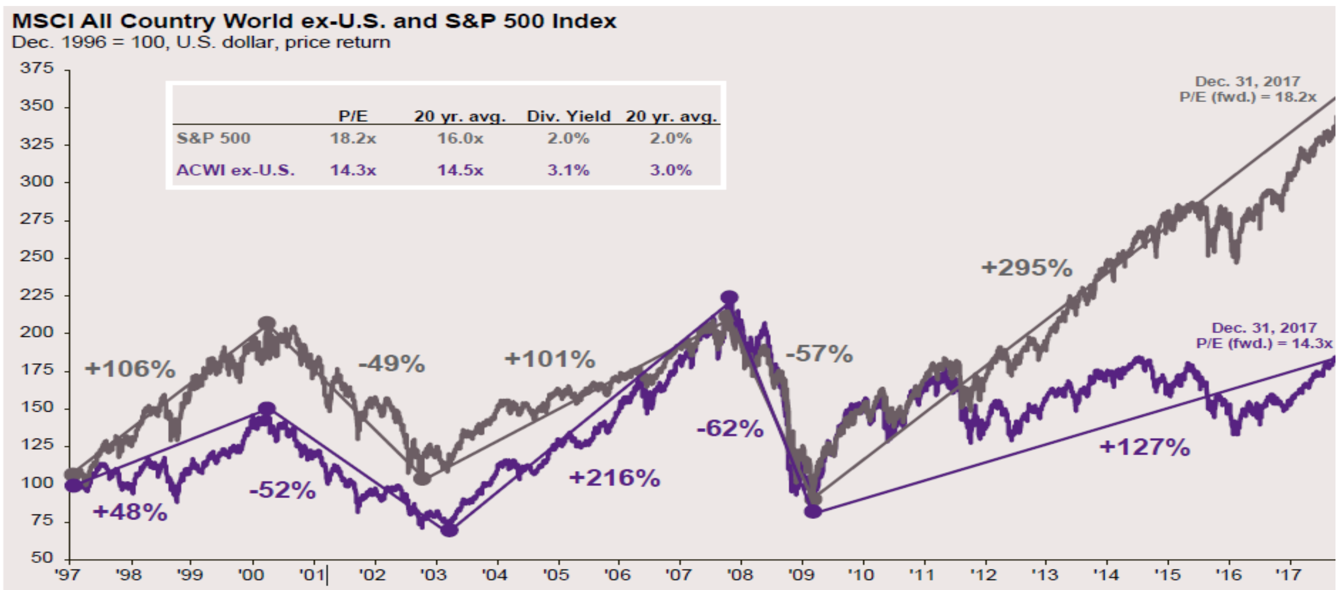
short term volatility. Market corrections could last for a period of a few weeks to a few months, but with the overriding strength in the economy, 2018 should be another positive year. In order to be prepared for potential higher volatility, our investment policy as we start the year will be to maintain a 5% overweight to bonds with a corresponding underweight to US equities. This policy will not only help to further minimize volatility of our clients' portfolios, but will also provide proceeds for investment when opportunities arise.

International markets now seem ready to experience an extended period of stronger returns compared to US markets

The chart below illustrates the returns for international markets (ACWI – Ex US) versus the domestic markets (S&P 500) for the last twenty years. Please note the significant difference in returns since the recovery began in 2009:



Source: MSCI, Standard & Poor's, FactSet, J.P. Morgan Asset Management.

Even though the performance overseas were strong last year, these markets overall have still not regained the losses that were experienced during the 2008 financial crisis. Valuations of stock prices overseas are also relatively low compared to domestic counterparts. Furthermore, there appears to be less investment risk than in recent years, particular in Europe, now that the monetary policies implemented in these countries seem to finally be taking hold. Because interest rates remain low and other forms of economic stimulus programs remain plentiful, these additional tailwinds could lead to multi-year outperformance in these markets. For these reasons, we do <u>not</u> plan to underweight our allocation to international equities.

Prudent Portfolio Management Integrated with Comprehensive Financial Planning Provides the Best Long Term Results

As our clients are aware, we advocate a proven Nobel Prize winning approach for managing investment portfolios. By maintaining consistent exposure to a diversified array of 15-20 individual asset classes, our approach will allow client investment portfolios to have every opportunity for growth. By making tactical shifts, over and above periodic rebalancing and profit taking opportunities, we seek to add value, especially during periods of elevated volatility.

At Total Wealth Planning, our team of financial planning and investment management professionals works closely to ensure that opportunities are not overlooked for adding value to your financial situation. In our opinion, wealth building and preservation must include not only investment management, but also financial planning activities such as: cash management, estate and philanthropic advice, tax planning, risk management, college funding, and retirement planning.

Our Firm Has Been Recognized Nationally and We Continue to Grow from Referrals of Satisfied Clients

Our efforts at Total Wealth Planning are best utilized when we focus on providing the highest level of service to our clients. As we continue to grow, we are able to offer additional resources and enhance the value of these services. We have the capacity for accepting new clients and appreciate when we are referred to others.

We are interested in introducing our company to your colleagues, family or friends. We offer at no charge, an introductory consultation to determine if and how we might be able to assist them with our comprehensive wealth management services.

We look forward to serving you in the new year and welcome discussions with you concerning our current *Economic & Investment Outlook* for 2018. Please feel free to contact us at any time by telephone at 513-984-6696 or via our website at www.twpteam.com

Happy New Year!

Total Wealth Planning Investment Policy Committee

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