SYMPHONY
FINANCIAL SERVICES, INC.

Market Commentary
January 8, 2018

Dear Investors:

Whoosh! Bang! Flash! Fizz! Whistle!

U.S. stock markets delivered their own version of fireworks to celebrate the New Year. During the first week of 2018, the Dow Jones Industrial Average hit a new all-time high, moving above 25,000 for the first time ever. The NASDAQ Composite and Standard & Poor's 500 Indices also rose to new highs.

2018 is off to an impressive start, but let's pause for a moment and take a look back at 2017. It was a memorable year for global markets, but there are other reasons it was interesting, too. Here are the highlights of a few of *The Economist's* most popular articles during the year:

- ***The world's most valuable resource is no longer oil, but data* (May 6). One-half of the most valuable companies in the world are American technology firms. Some, including *The Economist,* are concerned about tech companies' market power and dominance of consumer data.**

- *The world's most dangerous cities* (March 31). Despite a declining murder rate, San Salvador remained the world's most dangerous city, as measured by homicides per 100,000 during 2016 (the latest figure available). Acapulco ranked second. Several cities in the United States made the list including St. Louis, Baltimore, Detroit, and New Orleans.

- *Governments may be big backers of the blockchain* (June 1). Blockchain may seem complicated and difficult to understand, but it may become a part of everyday life. "…a blockchain expert at the Massachusetts Institute of Technology argues that governments will drive its adoption – an ironic twist for something that began as a libertarian counter model to centralized authority. Backers say it can be used for land registries, identity-management systems, health-care records, and even elections."

- *The death of the internal combustion engine* (August 12). Rapidly changing battery technology and electric motors, in tandem with self-driving systems and ride sharing, may mark the beginning of the end for the internal combustion engine. It's a change that is likely to disrupt markets and industries. The silver lining may prove to be less traffic and improved air quality.

- *How to keep cool without costing the earth* (February 11). Scientists at the University of Colorado in Boulder have "…invented a film that can cool buildings without the use of refrigerants and, remarkably, without drawing any power to do so. Better yet, this film can be made using standard roll-to-roll manufacturing methods at a cost of around 50 cents a square meter."

There is a theme that appears to run through many of these articles. They explore new ways of doing things, such as cooling buildings and transporting people. The articles discuss the growing value of consumer data, which many people provide to companies for free, as well as technologies that may allow people to protect and monetize their data in the future (blockchain).

These new developments may be part of a process called creative destruction, which is a process of innovation that includes the introduction of new products and services that may eclipse existing ones. You don't have to look far to find examples. Just think about the evolution of movie rentals, photography, or phones during the past couple decades.

Creative destruction was introduced in 1942 in Joseph Schumpeter's book, *Capitalism, Socialism and Democracy*. He believed it was the essential fact about capitalism. More recently, MIT Professor Ricardo Caballero wrote, "Over the long run, the process of creative destruction accounts for over 50 percent of productivity growth."

It seems, as Schumpeter suggested, we live in a gale of creative destruction.

Data as of 1/5/17	**1-Week**	**Y-T-D**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Standard & Poor's 500 (Domestic Stocks)	2.6%	2.6%	20.9%	10.7%	13.4%	6.8%
Dow Jones Global ex-U.S.	2.8	2.8	25.4	7.8	5.0	0.4
10-year Treasury Note (Yield Only)	2.5	NA	2.4	2.0	1.9	3.8
Gold (per ounce)	1.6	1.6	11.9	3.2	-4.4	4.4
Bloomberg Commodity Index	-0.3	-0.3	0.5	-5.4	-8.6	-7.3
DJ Equity All REIT Total Return Index	-2.1	-2.1	4.2	5.4	9.0	8.3

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

DID YOU FORGET YOUR 401(K) ACCOUNT?

Leaving one job and starting another is often exciting. As a new hire, you may be inundated with meeting new co-workers, figuring out the coffee situation, understanding expectations, demonstrating your value, and completing form after form.

Often, people who are starting new jobs forget about the workplace retirement plan accounts they've left behind with a previous employer. If you're one of them, it's a good idea to give that account some thought. Generally, there are four ways to manage workplace retirement savings. You can:

1. **Leave the money in the former employer's plan.** If you leave the money behind, any growth will continue to be tax-deferred or tax-free, depending on whether you made Traditional or Roth plan contributions. However, if the plan has a minimum balance requirement, accounts with less than $5,000 may be transferred to an IRA and accounts with less than $1,000 may be cashed out, creating a tax consequence.
2. **Roll the money into your new employer's retirement plan.** It may be helpful to have all of your qualified retirement savings in one place. If your new employer's plan accepts rollovers without too long a wait, this may be an option. Many people fail to take this option because completing the paperwork and coordinating the process can be challenging.
3. **Roll plan assets into an IRA.** Former plan participants may choose to rollover their 401(k) plan savings to a Traditional or Roth IRA. Typically, they can move Traditional plan assets to Traditional IRAs, Roth plan assets to Roth IRAs, or Traditional plan assets to Roth IRAs. If they choose the latter, there will be tax consequences. It's important to understand IRA assets are typically only protected in the case of bankruptcy, while 401(k) plan assets are protected from all creditors, in general.
4. **Take a cash distribution.** You also can choose to have the savings you've accumulated distributed as cash. While this gives you immediate access to the money, Traditional contributions and Roth earnings are taxable, and 20 percent may be withheld for tax purposes. Also, participants typically owe a 10 percent penalty tax, if they are younger than age 59½. Roth contributions may be exempted if certain criteria are met.*

If you are changing jobs, or you've left retirement savings behind with a former employer, and would like to discuss how to manage those assets, please give us a call. 401(k) plan savings are an important part of many retirement plans. Both qualified retirement plans and IRAs typically involve fees, expenses, and services that should be compared when considering a qualified plan rollover.

* Generally, Roth IRA contributions are exempt after the account is at least five years old and the account owner is age 59½.

Weekly Focus – Think About It

"I offered a definition of bubble that I thought represents the term's best use: A situation in which news of price increases spurs investor enthusiasm which spreads by psychological contagion from person to person, in the process amplifying stories that might justify the price increase and bringing in a larger and larger class of investors, who, despite doubts about the real value of the investment, are drawn to it partly through envy of others' successes and partly through a gambler's excitement."

–Robert Shiller, American Nobel Laureate and Professor of Economics [14]

Best regards,

SYMPHONY FINANCIAL SERVICES, INC.

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
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