Dear Clients, Family and Friends:

We hope that everyone is having a great start to the year and we are looking forward to working with each of you over the coming months during your annual reviews and service related items.

This note will detail some market insight from our advisor team as we navigate recent uptakes in market volatility.

Remember, our firm always aims to avoid reactionary action to short-term swings in the economy. We seek to remain focused on long-term planning and how any shift may impact your personal objectives.

We believe that this philosophy will help our clients to better understand the fundamentals of these market cycles, what drives market volatility and how to translate this knowledge into sound decision making for your future.

Our team firmly believes that the best way to counteract volatility is through consistent engagement with our clients and with a continued focus on the improvement of our educational efforts.

Recently, Andy shared a quote with our team that has become a central theme for our client service efforts this year:

"Destiny is not a matter of chance; it is a matter of choice. It is not a thing to be waited for; it is a thing to be achieved." –William Jennings Bryan

We share this with you because without your continued engagement, these efforts would not realize their value. Your engagement is critical in the ongoing success of your Investment and Retirement Planning efforts.

We have enjoyed receiving your feedback on these articles and ask that you keep sharing your thoughts with our team.

Market Update:

For the first time since 2009, we saw an economic report that showed household income up, wages rising and a strong jobs report. Then, within days of that information being released, we saw the Dow Jones Industrial lose 1,000 points in one day. Since that time, there has been considerable volatility in the markets. Most investors became fearful as the reports of greater losses on the horizon began to materialize. However, for the most part, what we have seen is a stabilization in the markets. In fact, there are a lot of positives in the global markets and within the United States economy that should give rise to optimism.

Advisor Interviews:

To help put things in perspective, below find our advisor team's thoughts on the status of the economy:

Andrew J. Costanzo, Jr.

What did you see as the main drivers for the recent volatility in the markets?

Low unemployment and increased wages puts pressure on the Federal Reserve to increase interest rates to abate inflation. The initial market sell-off was exacerbated by algorithm trading.

What are you most looking forward to this year?

The synchronicity of the world's global growth has been a result of monetary policy where the Federal Reserve has maintained low interest rates globally. Now, the United States is implementing fiscal policy, such as tax reform, which should stimulate capital investments and infrastructure spending.

What should we take note of and learn more about?

Due to global growth, we need to make sure that our portfolios have international diversification. Additionally, our bond portfolios need to be well-diversified due to the increase in interest rates by the Federal Reserve.

What lessons have your grandchildren taught you that have helped you in your daily interactions with your clients?

Every interaction is special. Be totally present in every moment and look for the good in all.

Brian D. Dick

What are you watching closely in the stock markets this year?

Many analysts, prior to the tax legislation being passed, were concerned about the value of corporations within the United States being maxed out. Since the tax legislation has passed, we are seeing a number of companies bring large sums of money back into the United States economy (Apple, Cisco Systems and a few auto manufacturers) and immediately putting that to work towards building out light manufacturing facilities. I will be paying close attention to both the United States and global economies as they begin to synchronize through this movement of capital. I will also keep a close eye on whether or not companies will be able to keep up with the lofty expectations set by analysts.

How do you expect the bond markets to unfold this year?

With federal debt now over $20 trillion, it would be surprising to see long-term bond yields rise considerably. In addition, unemployment rates will likely fall below 4%. We expect inflation to move slightly higher. In response to these conditions, we expect that the Federal Reserve will continue to raise short-term interest rates, which will ultimately cause long-term interest rates to go up.

How does your passion for baseball help what you do every day?

I loved playing the game of baseball and now I have had the opportunity to coach both of my sons. As a coach, I have found that emphasizing hard work, consistency and improving each day far outweighs emphasizing a win-first strategy. Seeing personal improvement in the players' attitudes and skillsets is an extremely rewarding process that I have really come to appreciate.

Matthew A. Costanzo

What industry do you think we should watch closely?

The manufacturing, financial/banking and healthcare industries are all on my radar. Tax legislation initially seems to be changing the landscape of manufacturing, and companies seem to be intent on bringing light manufacturing back to the United States. It will take years to realize those investments, but had the reform not passed, the dwindling ability for the United States to execute light manufacturing would have continued to be a major concern, so this could offset some analyst projections that the United States market has peaked in terms of value.

Healthcare and financial/banking industries face significant headwinds and challenges. Both industries face complex issues to deregulate and bring back a competitive landscape while maintaining and improving service. Does that sound nearly impossible to anyone else? Evidently, these markets have continued to lag behind the others and I expect that to continue well into 2018.

How will the new Department of Labor legislation impact the stock markets?

The financial/banking sectors have adopted phase 1 of the Department of Labor legislation as of June 9, 2017 and phase 2 was delayed for further investigation due to the President's memorandum for expanded study. I believe that if phase 1 is done correctly, it will have a positive impact on the industry. We are already seeing this through some of the new tools we have implemented to help with our planning process. However, I believe significant hurdles related to phase 2 remain, and they could drastically impact how our industry delivers services.

What type of leadership is most important in the financial services industry?

In the past, I may have said transformational leadership, but now I am firm in my advocacy for servant leadership. A life of service is one of great prosperity. Our industry is in desperate need of people who want to serve humbly in all ways and help families get back to the core of what made our economy unique.

As a follow-up to this personal note, we have enclosed three whitepapers to support our educational series. They will be important in understanding the volatility in the markets.

- American Funds – Keys to Prevailing Through Stock Market Declines
- Monthly Vantage Point – February 2018 Recap
- Sightline – Markets Rebound After First Correct in Two Years

We look forward to discussing these whitepapers and your pertinent questions in more detail during your annual reviews.

If you have any questions regarding your Investment and Retirement Planning efforts, please contact us or click on the following link to schedule a review using our new online scheduling system: Schedule Review Today.

It has been, and continues to be, an absolute honor and privilege to serve as your Investment and Retirement Planning advisors.

Again, we wish you and your families abundant good health, peace and prosperity in 2018.

Thank you,

The Costanzo Financial Group (CFG) Advisor Team