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THE HARBOR ADVISOR

Your Digital Legacy

There is never a lack of subject matter for our newsletters and blog communications. In this issue alone, we have written about well researched news, how to maintain your computer, business cycles and a personal favorite, tax fraud.

I find that technology and subjects surrounding the use of technology pop up more frequently. I should not be surprised; technology is fast moving, confusing, seemingly unlimited and did I mention confusing? Staying on top of it is important. In my mind, if you don't you can very quickly get left behind.

Currently I have the concept of digital legacy on my mind. I was recently interviewed for an article on the subject and, while I think it important, I will say the use of the word legacy seems a bit self-important. The author of the article did not ask me so I can't take credit or blame.

What is a digital legacy? Turns out that it is a concept for all of your online accounts, blogs, and social networking identities as well as digital files that will be left on line when you die or become incapacitated. Most of these cannot be left through your will or estate planning documents because you do not own them. While you may think that some of these items have no value, you may agree that your music, photos and licensed domains do. How to protect them? First, make a list of what you have and the passwords attached to them, that way your heirs or personal representative has access. Then consider adding a directive in your will and durable powers to include how you want these items treated. You may wish, for example, to request the archive of all of your emails from your various accounts. If you don't they can be deleted after a period of time. Leave instructions for your domain names, they may be valuable and should be maintained. Do you want your accounts with Twitter, LinkedIn or your blog deleted after your death? Say so.

On a more mundane level providing a list of your online payments for utilities and other financial accounts is a huge gift to your executor.



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2017 Anniversaries

25 Years Ago – On May 22, 1992 Johnny Carson hosted his final “The Tonight Show”. He began his stint as host in October of 1962.



Market Recap – 1st Quarter, 2017

The stock market rally continued into the first quarter alongside Donald Trump's inauguration. Investors bet on Mr. Trump's campaign promises of tax reform, infrastructure spending and reversals in financial regulations to give a boost to business. The administration's stance on trade policy is unclear at this point, but major changes to trade agreements now seem to be less likely, lowering the impact on big businesses. Healthcare stocks rebounded, after the failed attempt to repeal the Affordable Care Act. The Fed raised interest rates in March signaling confidence in the economy. International stocks also had a strong quarter with

European stock funds rising 7%. Emerging markets rose over 12% due to increased commodity exports and stabilization in the Chinese economy.

Stock and bond indexes had positive performance through the first quarter of the year on sentiment of a stronger world economy. The Bloomberg Barclays Aggregate Bond Index was up a modest 0.82%, while the small-cap Russell 2000 rose 2.12%, large-cap S&P 500 gained 5.53% and the foreign stock MSCI EAFE increased 6.47% during the first quarter.

Source: Our Take on the First Quarter, Jeremy Glaser, Morningstar.com, April 3, 2017.

*"A budget is telling your money where to go instead of wondering where it went."
Dave Ramsey*

Fund Focus: Goldman Sachs Emerging Market Debt (GSDIX)

Kicking off this year's fund focus, our attention will center on Goldman Sachs Emerging Market Debt fund, GSDIX. This fund invests all types of fixed income securities, including corporate and government bonds from emerging markets across the globe. Emerging markets refer to countries progressing towards advancement through means of rapid growth and industrialization. The top countries in which the fund invests include Indonesia, Mexico, and Brazil. Co-portfolio managers Samuel Finkelstein and Ricardo Penfold have managed GSDIX since the end of 2003, exhibiting a strong track record and earning the fund a four-star rating from Morningstar. GSDIX ranks in the top 20% of its emerging market bond category peers for ten-year returns and in the top 11% of the category for both three- and five-year returns. GSDIX has an expense ratio of 0.89%, which is significantly less than the category average of 1.15%. Adding a nice diversification benefit to the portfolio, the low correlation of this fund coupled with its low expense ratio and exposure to developing markets makes Goldman Sachs Emerging Market Debt fund an ideal component of our portfolio.

Cycles & Swings

Equity markets have been hitting record highs as this bull market run continues into its 8th year, the second longest since World War II. No one knows how long this cycle will last, but fear levels are generally low and there seems to be no concern of a recession—even from Fed Chairwoman, Janet Yellen.

Business cycles are defined by expansions and contractions usually over a long period of time. Economists identify 4 phases of a business cycle:

- **Expansion:** The economy is growing, as measured by GDP; unemployment is low and the stock market is in a bull market.
- **Peak:** The highpoint of a business cycle, and the point after which contraction begins.
- **Contraction:** Economic growth slows. Unemployment increases, industrial production and retail sales fall.
- **Trough:** This is the bottom point of the business cycle and from which expansion follows.

These cycles tend to take a toll on investor psychology. Emotions may cause an investor to buy more stocks when markets are at their peaks. As values drop, fear and worry take over causing investors to sell. This is the road map for buying high and selling low. Economists at the National Bureau of Economic Research (NBER) look at economic indicators to determine which cycle the economy is in currently and in which direction it is headed. One of the leading indicators is market activity, which tends to improve before the economy is out of recession, for example. Other leading indicators include interest rates, housing starts and consumer sentiment. Lagging indicators confirm what has already happened and are useful in determining a trend for the current economic cycle. Lagging indicators include the unemployment rate, the Consumer Price Index and business spending.

Right now, the U.S. is in an expansionary period, with slow, sustainable growth. However, many investors wonder if the old adage holds true: "What goes up must come down". Not necessarily. U.S. equities have had their fits and starts, yet historically they have increased over time. For example, the S&P 500's annualized return over a 10-year period is 5.22%.

We cannot see the future, but we do know that sticking to an investment plan is critical to your portfolio's success as we ride out swings throughout these cycles.

"Happy Birthday, Bull Market! It May Be Your Last", Jen Wieczner, www.fortune.com.
"What is the Business Cycle?", Kimberly Amadeo, www.thebalance.com, March 1, 2017.

Fake News Epidemic: Part II

Last quarter we explored fake news, asking the question do we have an epidemic? Our suggestion was to gather resources and focus on news that you can rely on, eschewing fake news sources. So, what news can one count on to be well researched, fact checked, and based on a real, not a made up event?

A bit of research pointed out that factual content should be referenced by a reputable news agency, The BBC, Associated Press and United Press International are examples. I also learned that mainline news outlets stick with the tradition of trying to report the news as objectively as is possible. As a result these sources are seen to be more objective than non-mainline sources. Examples of mainline sources are The New York Times, The Washington Post, The Boston Globe, The Chicago Tribune, Los Angeles Times, ABC News, NBC News, CBS news, PBS News and NPR News.

Non- mainline news outlets often mix the news with opinions. One way they frequently exhibit bias is that they leave out pertinent facts. Examples of non-mainline news outlets, MSNBC, Fox News, Gawker and Reddit.

Even if you gather a list of reputable new sources, according to Pew Research Center the real problem may be that “Only about two-in-ten Americans (22%) trust the information they get from local news organizations a lot, whether online or offline, and 18% say the same of national organizations, slightly higher than the 14% who say this of the information they get from their friends and family. While the portion saying they have a lot of trust in each group is low, large majorities have at least some trust.”

What about the remaining 78%? We all need to have some healthy skepticism but this is a high percentage and begs the question how do you form a reasonable opinion about more complex issues such as global trade, immigration or global warming? Additional research pointed out that the BBC and the Economist are two of the more trusted news sources, I think this is interesting given both are international publications.

We have seen a need to look for as unbiased a coverage viewpoint as is possible. You can tell if the news you are getting has more than one point of view. If it doesn't keep looking. You can tell if the presenter is stating their opinion, if so take it as such. Assume even from the most trusted sources that facts may be left out. (Continued on page 4)



Time to Clean Those Digital Cobwebs!

Doing some spring cleaning? Don't forget your computer! And we're not just talking about getting those crumbs out of the keyboard. It's good to clear out the digital clutter in your system to keep things running smoothly.

First, uninstall old applications that you don't use. They take up storage space which makes your operating system work harder to find what it needs. They can be reinstalled later should you change your mind. Also, make sure you are running the latest versions of applications that you do use.

Clean up your browser by clearing browsing data and history. This will streamline your browser and has the same benefits as uninstalling unused applications. You can also remove unnecessary desktop and Start menu shortcuts.

Organize files in designated folders and delete old pictures, documents and spreadsheets that you no longer need. A host of cloud services are available to store your files on the web, giving you the option of deleting your local copies. Just be sure you are keeping the online versions and not deleting both the local and cloud based copies at the same time.

Finally, it's a good idea to clean out those keyboard crumbs. Power down and unplug your computer first. Compressed air is useful for blasting away dirt from keyboards and ports. A microfiber cloth is good for wiping down the monitor screen, mouse and keyboard.

Once complete, you can mark that task off the spring cleaning list, power your computer back up and enjoy the benefits of your rejuvenated system—at least until next year.

Living Well/Living Smart

Tax Refund Fraud

New cases of tax-identity theft have decreased thanks to coordinated efforts by tax agencies and preparers. Tax refund fraud occurs when criminals use stolen personal information to file a tax return and receive their refund. Victims are most often unaware until they file their real return and it is rejected.

IRS data showed a nearly 50% drop in the number of confirmed fraudulent tax returns that made it into the agency's tax return processing systems in the past year. The number of suspicious refunds stopped by banks and returned to the IRS also dropped significantly. This progress is due in part to the Security Summit, a group of federal, state and tax-prep industry officials who exchange information on these issues and emerging schemes, allowing them to react quickly. Additionally, new safeguards focus on features to help protect the authenticity of both the taxpayer and the tax return.

There's still more work to be done as thieves are constantly finding new ways to defeat the improved systems. Below are a few helpful tips:

File early – This will give criminals less time to use your information to file a false return.

Minimize tax refunds – The average tax refund is \$3000, adjust your withholding to get a lower refund or even a small tax bill.

Passwords – Make them strong and change frequently.

Practice good cybersecurity hygiene – Resist giving out your SSN and other personal information. Shred paper records. Protect your computer from antivirus. Don't use sensitive personal information on unsecured Wi-Fi.

Act quickly if you are a victim – Follow steps posted at irs.gov or call the IRS Identity Protection Specialized Unit at 1-800-908-4490. Then wait. The IRS says it takes about 120 days to resolve.

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Images: Lars Sundström, Fleur Suijten

Harbor Happenings

Harbor Names Megan Miller as New CIO!

Megan Miller, co-owner of Harbor Financial Group, has just been named chief investment officer. She has been leading Harbor's investment committee for the last few years and earned the title of CIO in March of this year. Megan continues to be a wealth manager and is the head of Harbor operations. Congratulations, Megan!

Welcome Annika

Annika Spetnagel has joined Harbor's team as a wealth management intern. She is currently pursuing a bachelor's degree in business administration with a double major in accounting and finance from the Leeds School of Business at the University of Colorado. She plans to graduate in May 2019.

PUTTIN' ON THE LEASH

This year Harbor is co-sponsoring the Humane Society of Boulder Valley's "Puttin' on the Leash Gala", *The Silver Screen*, to be held on Saturday, April 22nd. This annual fundraiser is a fun evening and raises money for the Humane Society of Boulder Valley, which benefits the animals in their care and increases awareness of the humane society's mission. Tickets may still be purchased at the [Humane Society of Boulder Valley](http://www.humanesocietyofboulder.com) website.

Harbor Named a Best Wealth Management Blog for 2017!

We are excited to announce that our website blog was named one of the "Best Wealth Management Blogs for 2017"! You can read all about it at [Credit Donkey Best Wealth Management Blogs 2017: Top Investing Experts](http://www.creditdonkey.com/best-wealth-management-blogs-2017-top-investing-experts).

Harbor on Facebook

Visit us on Facebook! See the latest happenings at Harbor and get tips and financial information from market experts. <https://www.facebook.com/harborfin>

Privacy Policy and New ADV Available

A full copy of Harbor's updated ADV (the form used by investment advisors to register with the SEC) is now available on our website. Please notify us if you would like a hard copy sent to you by mail.

2017 Office Closures

Our office is closed on the following New York Stock Exchange holidays in 2017: April 14, half day; May 29, Memorial Day; July 4, Independence Day; September 4, Labor Day; November 23, Thanksgiving Day; November 24, half day; December 25, Christmas.

Continued from page 3 – Fake News - Ask yourself what might be missing. Avoid the news sources that aren't seen to be credible, you don't have time for them. There is so much in print, so much to listen to and to research and discuss that it becomes a time waster that we cannot afford. We need to sharpen our ability to think critically and not be swayed by the opinion of others. It is time to gather the facts and think for ourselves.