

THE HARBOR ADVISOR

Big hair, oversized shoulder pads and an awesome Ferrari

Last quarter we shared a bit about the evolution of cell phones since Harbor's initial incorporation in 1988. Here are some other interesting "then versus now" comparisons:

Shoulder pads and hair: Were definitely bigger.

Inflation: It has averaged 2.55% per year. Prices are 112.7% higher now than in 1988.*

Interest Rates: The rate in 1988 for a home mortgage was 10.46% versus 4.62% in 2018.

Average home price: It was \$138,300 versus \$286,546 today.

Stock Market: The S&P in 1988 was 269.10 versus 2,778.55 in July of 2018.

- 914.73% increase
- 8.03% annualized
- Total return with dividends reinvested 1,819.52%
- Adjusted for inflation total return 376.49%
- Annualized 5.34%
- Total with Dividends 801.36%

Popular Movies: Rainman, Beetlejuice, A Fish Called Wanda, and The Last Emperor which won 9 Academy Awards

Football: The Redskins won Super Bowl XXII

Music: Guns N' Roses had a big hit with "Sweet Child O'Mine".

Supreme Court: Anthony Kennedy is appointed to the Supreme Court of the United States in 1988 and retires in 2018.

Computers: The computer at the right had one megabyte of memory and cost \$2,599. Two extra megabytes could be purchased for \$799.

The 1988 **Ferrari F40** is still awesome however you can leave the big hair and shoulder pads in 1988. It is a good thing that some things change and some don't. Enjoy your summer!

July 10, 2018

*Bureau of Labor Statistics

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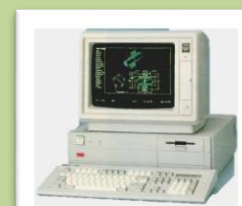
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Harbor's 30th Anniversary





Second Quarter 2018 Market Recap

Geopolitical tensions dominated the news during the second quarter. Threats of tariffs became a reality, as the US imposed aluminum and steel tariffs on the EU, Canada and Mexico in May. The Trump administration believes this tactic will benefit US interests in renegotiating trade agreements. Additional US tariffs are being considered, which is causing global uncertainty as other nations retaliate with their own sets of tariffs. After record returns in the first quarter, global markets retrenched during Q2. Emerging Markets were particularly hard hit, losing approximately 10%, in response to the stronger US dollar and talk of increased protectionist measures. Domestic equities,

particularly small cap stocks, were the safe haven for investors as US equities continued their march upward. The Fed raised the Federal Funds rate to 2.0%. The rate increase reflects a healthy economy but it has put pressure in the fixed income category particularly in the global fixed income markets.

The Bloomberg Barclay's Aggregate Bond Index was down 0.16%, the S&P 500 increased by 2.93%, the Russell 2000 was up 7.43% and the MSCI EAFE was down 2.34%.

Ref: JP Morgan Market Insights, Weekly Market Recap, July 2, 2018.

"You don't learn to walk by following rules. You learn by doing and falling over." Richard Branson

Fund Focus: Invesco Cleantech ETF (PZD)

Invesco Cleantech ETF (PZD) is one of the latest additions to Harbor's portfolio. This fund focuses its investments on clean technology companies that use new technology to harness renewable energy and reduce process waste. The majority of the companies PZD tracks are medium cap growth companies that are working to perfect their emerging technology and bring it mainstream. One such company, Cree, has developed ultra-efficient LED light bulbs, which use 83% less energy than traditional bulbs and have a lifespan of 22 years! PZD earned 4 out of 5 stars in Morningstar's sustainability rating, putting it in the 20th-30th percentile range among competing sustainable investment options. Along with being a socially responsible portfolio, PZD does so without sacrificing returns. At the time of this writing (6/30), PZD has a YTD return of -0.05% and a 12 month return of 10.31%, compared to the iShares Global Clean Energy ETF YTD return of -6.22% and 12 month of 2.94%. It's easy to see how these innovative companies make great investment options with their tremendous upside potential and their sustainable business focus.

Tariffs & Trade Wars

Trade wars and tariffs have the potential for a massive impact on the global economy. Due to the size and scope of the potential outcomes, the trade war is naturally atop many people's minds. Tariffs are a penalty tax on imports. The importer pays the tax, which increases the price to the purchaser, which may then be passed on to the consumer. The goal is to make the imported product more expensive than the domestic product, so that it encourages domestic production and commerce. According to the Trump administration, the US is imposing tariffs on products coming into the US as a way to protect our domestic industries. It is believed that tariffs may level the playing field in global trade, putting the US in a better position to renegotiate trade deals, specifically targeting China.

Imposing tariffs carries many economic risks and often leads to a trade war between nations. A trade war occurs when other countries retaliate with tariffs of their own. Currently, countries such as Mexico have imposed tariffs on US agricultural products. These include pork, apples and bourbon. The EU is set to impose tariffs of its own in July on US denim, peanut butter, motor boats and motorcycles. China has already announced a 25% tariff on 545 US products and has threatened many more. This will pose a threat to US jobs, in addition to domestic and global commerce. As a result of the trade war, some companies are holding off on orders or expansion due to the uncertainty.

In real terms, let's use the example of the steel and aluminum tariffs. For all steel imported into the US, there is now a 25% tariff. For aluminum, it is 10%. The tariffs are disadvantageous to countries like China that depend on exporting steel to the US. However, it also hurts US manufacturers who rely on imported steel and aluminum to make their products. The higher cost to produce these products is typically passed onto the consumer. When you think about the items you use on a daily basis, steel and aluminum are high on the list, from soda cans and aluminum foil to driving your car. Global economies are more interconnected than ever before which means increasingly high stakes for what could be a dangerous game. In an ideal world, it will lead to a global conversation and hopefully new agreements to provide stability and predictability to the markets.

Kimberly Amadeo, July 5, 2018, Why Tariffs Raise Prices, thebalance.com.

Kelly Phillips, March 1, 2018, As Trump Talks Tariffs, Here's What You Need to Know, Forbes.com.

Yoko Kubota, Chao Deng and Lucy Craymer, July 5, 2018, With Tariff Deadline at Hand, Businesses Brace for the Fallout, WSJ.com.

New Tax Law Planning Opportunities

The new tax law gives everyone homework for 2018. How much homework depends on your income, where and how you earn it, if you are retired, if you owe money and whether or not you are charitable. Here is our suggested homework list:

Review your W2 withholding: The form has changed and gotten more complicated. You may or may not be able to withhold less and still pay enough tax under the new law. You can use the IRS calculator here <https://www.irs.gov/individuals/irs-withholding-calculator>.

Bunch your itemized deductions: Much has been made of this strategy as it will probably apply to more taxpayers than other strategies available in 2018. The new standard deduction is \$12,000 for single filers, \$18,000 for heads of household and \$24,000 for joint filers. There is an extra \$1,600 for single filers over the age of 65 and \$2,600 for joint filers over age 65. Since there is a cap on state and local taxes (SALT) at \$10,000 which is the same for married or single tax payers it will be difficult to get your deductions over the new higher standard deduction amount. If you have very large mortgages or substantial charitable deductions you may still get a benefit from itemizing. Planning comes in to see if you can get over the line. Bunching your charitable and property tax payments along with any medical payments you can time may do the trick. The idea is that you can then consider this every other year.

Qualified Charitable contributions (QCD): Make your charitable contributions deductible again. If you have charitable intent and don't need all of your required minimum distributions (RMDs) from your IRAs the QCD can be a great strategy under the new law. You make the contribution directly to the charity from the IRA, this will lower your Adjusted Gross Income (AGI). This is especially effective for those making modest contributions every year. Consider having your accountant run the numbers for both options.

We will continue this discussion in our next quarter. Also, we are planning two seminars covering the charitable/tax and new tax law implications. Check the next page for more details.



Duolingo – World Travelers' New Tool

After spending 3 months living in Spain and being fully immersed in the language I am still not 100% confident in my ability to have an in depth conversation with a native speaker. After hearing about the newest language teacher on the block Duolingo, I've been kicking myself for not having found it sooner. The free app is aimed at helping people learn new languages in an engaging and convenient way. By downloading the app to your phone or tablet you can practice practically anywhere, even if it's just for a few minutes while enjoying your morning coffee.

To use Duolingo you simply download, set goals, and practice. Super simple, which makes learning a new language seem more manageable. Modules test you on proficiency to ensure a level of understanding. These modules are very interactive and designed to keep users engaged. Participation is encouraged as you earn "streaks" for consecutive days practiced. After time has passed your progress bar will start to decline to remind you to go back to old lessons as a refresher.

Computers can usually translate between languages very well, but the minor details and subtleties are often lost through these systems. Human interpretation is the most accurate form of translation. Duolingo has built a network of volunteers to help it generate more precise, engaging, and useful sentences for users.

If you are planning an upcoming trip and haven't practiced that region's language since high school, Duolingo is a safe bet to help you brush up on your skills at little to no cost. You may not become completely fluent through the use of this app, but you might save yourself from those costly taxi rides that cabbies charge to non-native speakers!

Living Well/Living Smart

What Kind of Decision Maker Are You?

I'm currently planning a vacation to Ireland and it is taking a verrrry long time to plan. I just read an article by Tim Herrera from The New York Times and have concluded that I have a case of FOBO, Fear of Better Options. This is a real thing! Who knew?

Researchers call this "maximization", the relentless research of all possible options for fear of missing out on the very best one, leading to indecision, dissatisfaction, stress, regret, and unhappiness.

Psychologists have found that our decision-making styles generally fit into one of two categories:

Maximizers – they strive to make the best decision and can't make a decision until they've looked at every potential option.

Satisficers – they aim for an adequate solution rather than the perfect solution and can make a decision once their criteria is met.

The research has shown that satisficers tend to be happier with their choices when compared to over analytical maximizers, who, even after spending all that time and energy to make a decision, are still likely to have regrets with their choice. It's sort of a "nothing but the best" versus a "sure, that's good enough" mind-set.

So, what is your decision making style?

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Images: David Lat

Harbor Happenings

Divorce – What Now? Workshop Date

Megan Miller, CFP® CDFA® (Certified Divorce Financial Analyst), along with other professionals, are hosting divorce workshops for women going through or contemplating divorce. Divorce – What Now? Workshops were designed to help you take the next step, no matter where you are in the process of untying the knot. Please call us for more information. The next workshop is scheduled.

- July 31, 2018, 4-6pm

Welcome Reed & Justin!

Reed Crowson has joined Harbor's team as a Wealth Management Intern with an investment focus. He is currently pursuing a Bachelor's degree in Finance and Accounting at the [Leeds School of Business](#) at the University of Colorado with an expected graduation date of May 2020.

Justin Laue has joined Harbor's team as a Wealth Management Intern with a financial planning focus. He is pursuing a Bachelor's degree in Finance with the Personal Financial Planning option from the Leeds School of Business at the [University of Colorado](#) with an anticipated graduation date of May 2019.

Save the Date

Harbor's 30th Anniversary party will be held on Thursday, September 20! Mark your calendar as you won't want to miss it!

Harbor is hosting a breakfast seminar on the tax law changes and how they might affect you on September 18 at 7:30am.

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>

2018 Office Closures

Our office is closed on the following New York Stock Exchange holidays in 2018: September 3, Labor Day; November 22, Thanksgiving Day; November 23, half day; December 25, Christmas.

The majority of our growth over the past 30 years has come from referrals from clients and other professionals. We thank those of you who have referred your friends and colleagues. If you know of anyone who might be interested in our services, please ask them to give us a call at 303-939-8788.