

THE HARBOR ADVISOR

Happy New Year!

2018 brings a new year that will require our attention from the start. The new tax bill affects a great number of Americans in that their tax brackets, deductions, reporting of income and even the way they file will change. That is just the start. Many will be looking at how their businesses are legally structured and corporations are expected to review where they claim and indeed make money. Not to be outdone by the Federal government, states are getting into the act with California enacting legislation that will allow its taxpayers to deduct state and local taxes.

I haven't seen the description 'simplification' for quite some time as it relates to the new legislation.

How this may affect market prices for stocks and bonds, real estate and decisions as to where to live and invest remains to be seen. There is ample conjecture on the subject and we expect there will be reaction to the new bill in these and other areas.

We advise looking at your specific situation as each individual is different. We are available to assist with your planning in 2018 and believe this will be a good year to update your financial plan. You may be able to file a shortened return, will want to review how your income is taxed and may want to pay down some of your debt for a start.

Meanwhile, we maintain our focus on the U.S. economic outlook which is healthy according to key economic indicators. We are looking beyond the day-to-day crises, the ups and downs of the stock market and news headlines. Some themes exist and focusing on these can help identify opportunities. We have acted on opportunities we have seen and continue to look for others. In some cases we are delaying an investment thinking that prices will come down.

Focusing your attention on what affects you and how it affects you is important. We have resources to assist.



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**2018 - Harbor's
30th Anniversary!**

30 Years Ago

**The average price of gasoline was
91¢ per gallon.**



Q4 2017 Market Recap

The global economic expansion continued throughout the 4th quarter with both domestic and international equities topping off the year with strong returns. The quarter was not without its challenges, from the many natural disasters in the U.S. to geopolitical turmoil such as the nuclear threat from North Korea. Yet equity markets surged, reflecting strong economic data especially for consumer confidence, home prices and the labor market. Another major force impacting the markets was the anticipation and ultimately, the passage of tax reform. Tax reform will lower both corporate and individual tax rates, with the

expectation that economic growth will be boosted. The Federal Reserve raised rates another quarter of a percent in December, signaling increased optimism in the economy. Meanwhile, inflation remains in check below the 2% target.

The major indexes posted positive returns for the quarter. The Bloomberg Barclay's Aggregate Bond Index was up 0.39%. The S&P 500 gained 6.12%, the small-cap Russell 2000 increased 2.99% and the foreign stock MSCI EAFE increased 3.90%

"Live as if you were to die tomorrow. Learn as if you were to live forever. "

Mahatma Gandhi

Fund Focus: Green Alpha (NEXTX)

Shelton Green Alpha Fund is one of our newest additions to the portfolio. This clean tech fund has many redeeming qualities which create an attractive investment opportunity. Green Alpha (NEXTX) seeks to achieve strong investment returns through investing in the green and disruptive technologies. Their selection process starts with screens to look for green companies with sustainable business practices. This is followed by a thorough analysis into corporate finances and valuation. They only select companies they believe are strong investments with fair valuations. Currently the blended size of NEXTX investments land in the mid cap range. NEXTX carefully invests in solar and renewable energy, making up 30% of the portfolio. They hold investments in organic grocers, recyclable building materials and various technology companies. In 2017 NEXTX returned over 30% and had a strong 8.44% annualized return for the last 3 years. Stay tuned for event details for a meet and greet with the fund managers!

Cryptocurrencies (or What the Heck is Bitcoin?)

Bitcoin and cryptocurrencies have caught the eye of investors and regulators largely because values have soared. They are becoming more popular by the day. Unless you are familiar with cryptocurrencies and their networks, it can be difficult to understand how they work and how the innovative technology of blockchain is involved in the process.

Bitcoin originally made headlines because it was used as an anonymous way to transfer funds digitally on the black market. Cryptocurrencies have since gained more above-board traction, often used to transfer money internationally. Cryptocurrencies are considered the second generation of digital money, since most money transactions today are already digital. Think of the use of debit and credit cards, for example. Cryptocurrencies are controlled by a decentralized network of computers all around the world and are not subject to governmental oversight - so far. There are several different cryptocurrencies, but the largest by market cap are Bitcoin, Ethereum, Ripple, and Litecoin.

While advocates promote cryptocurrencies as the wave of the future, there are some downsides to consider before investing. First, pricing can be extremely volatile. Take the case of Bitcoin: In mid-December 2017, the price had soared to \$19,000 per unit. Soon after, on December 22, the price dropped 30% but then popped back up 15% the following Tuesday. Second, currently cryptocurrency is not very liquid or practical for day-to-day needs, such as for buying groceries. Third, many consider the anonymity of ownership a positive, yet should you make a mistake entering a transaction on-line or a theft occurs, there is no protection, such as FDIC to cover your losses.

Blockchain – an interesting component of Bitcoin: Cryptocurrencies use Blockchain technology to function. Blockchain creates a permanent record of each transaction. Whenever a new transaction occurs within the network, other users verify the transaction, or the "block" and add it to the blockchain, the ledger of all transactions that have ever taken place within the network. This technology has two notable features. First, every user in the network has access to the ledger so blockchain is managed by the network, not any one central authority. Second, no one user is able to make a change to the ledger without verification, which prevents anyone from recording false transactions. Although currently used mostly with cryptocurrencies, blockchain technology has far wider potential for applications such as transferring property rights, stocks and currencies more efficiently than going through an intermediary and doing so securely and at a lower cost.

Sources:

Nytimes.com, "What is BitCoin, and How Does It Work?", Nathaniel Popper, Oct 1, 2017.
WikiTribune.com, "Why Digital Money Is Here to Stay", Miguel A Torres, Jan 4th, 2018.

Tax Bill 2017

If you found, in your email inbox, at the tail end of 2017, a hurried email from your accountant with a few unfamiliar requests you were not alone. As Congress dithered over last minute changes to the 2017 Tax Reform bill, taxpayers and their accountants tried to last-minute-squeeze deductions into 2017 that are going away in 2018. It is a complicated tax reform package. The highlights:

- A reduction in the corporate tax rate from 35% to 21%.
- The top individual rate is reduced from 39.6% to 37%.
- All tax brackets have been reduced with the highest savings both percentage and actual going to the top earners. All individual tax cuts are due to expire in 2025.
- The standard deduction has been increased and some tax payers may not need to itemize allowing for a more simplified filing process.
- There is a real estate interest deduction cap at \$750,000, any mortgage amounts above this level will not be deductible for new mortgages. Existing mortgages are grandfathered in and will not be affected.
- HELOC (home equity line of credit) loans interest will no longer be deductible for existing and future debt.
- Alternative Minimum Tax (AMT) is in place for the new bill for individuals and has been removed for corporations.
- There is a \$10,000 cap on the deductibility of real estate taxes, and state and local taxes.

As each tax situation is different it is important to contact your accountant for specific advice on your circumstances. Variables include how income is earned as well as previous and current deductions. We will communicate planning opportunities as more is known about the final bill.



Let Google Run Your Errands

As a busy working mom, I'm always looking for ways to save time. Thanks to Google Express, "running errands" now consists of a few minutes tapping on my phone. Google Express has partnered with an impressive roster of stores including Whole Foods, Target, Costco, Home Depot and Toys R Us. There are also a number of niche stores like Moosejaw, Guitar Center, Pier One and Sur La Table.

I like that I can search for a product and it gives me a list of stores to choose from, allowing me to find the brand I want with the best price. Or I can simply visit a specific store. It is also super easy to compare delivery dates.

Unlike Amazon Prime, which costs \$99 for a yearly membership to get free two-day shipping, Google Express requires no membership fee. Delivery fees vary by store, but most offer free delivery on orders above their store minimum - usually \$25 to \$35.

Delivery dates vary by store and location, but many offer next day or 2-3 day shipping (I had to wait a week for my Bed, Bath & Beyond order however). A number of stores also allow you to link up your loyalty memberships.

There are a few things that Google Express lacks, such as not being able to order fresh groceries such as milk or eggs. Looks like I will still have to trek to the store for those items. But overall it will sure save time when I need to stock up on diapers and paper towels....or if I ever need to order a last minute ukulele from Guitar Center.

Living Well & Smart

Are You a Podcast Person?

Podcasts audiences are huge and growing rapidly. In the US, 67 million people above the age of 12 listen to podcasts at least monthly. The topics are endless – news, business, comedy, education, health, hobbies, politics, sports, technology, spirituality and more.

Podcasts are the perfect mix of education and entertainment. They have the distinct advantage of being something you can do while doing other things – walking the dog, cooking dinner, at the gym, and of course while driving.

We asked the Harbor staff to tell us about the podcasts they are listening to. Here are some favorites:

Ted Radio Hour by Guy Raz – A journey through fascinating ideas: astonishing inventions, fresh approaches to old problems, new ways to think and create. Based on talks given by riveting speakers on the world-renowned TED stage, each show is centered on a common theme.

Wait Wait, Don't Tell Me – A fast paced, fresh and funny look at current affairs.

How I Built This – Innovators, entrepreneurs, and idealists share stories behind the movements they built. Each episode is a narrative journey marked by triumphs, failures, serendipity and insight.

Serial – Investigative journalism narrating a nonfiction story over multiple episodes. Serial ranked number one on iTunes even before its debut and remained there for several weeks. Season three's release date is planned in early 2018.

Modern Love – Features the popular New York Times column, with readings by notable personalities and updates from the essayists themselves.

Fresh Air from NPR – Features intimate conversations with today's biggest luminaries.

"When you talk, you are only repeating what you already know. But if you listen, you may learn something NEW." - Dalai Lama

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Harbor Happenings

Harbor Hosts Two Seasonal Events!

In November and December, Harbor hosted two seasonal events: a flower arranging class at Plum Sage Flowers in Denver and, Harbor's Seventh Annual Wreath-Making Event at Sturtz and Copeland Florist in Boulder. They were fun nights of laughter, learning and shared creativity!

Second Saturday Divorce Workshop for Women

Megan Miller, CFP® CDFA® (Certified Divorce Financial Analyst), along with other professionals, hosts a divorce workshop every 2nd Saturday of the month for women who are going through or contemplating divorce. Attendees walk away from the workshop feeling empowered and not alone. Second Saturday workshops offer non-biased financial, emotional and legal advice from qualified local professionals, providing women with the knowledge, support and resources that they need to cope with the divorce process and move forward with confidence. The next two workshops will be held on Saturday, January 13 and March 10.

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 available on our website. Please notify us if you would like a hard copy sent to you by mail.

2018 Office Closures

Our office is closed on the following New York Stock Exchange holidays **in 2018**: February 19, President's Day; May 28, Memorial Day; July 4, Independence Day; September 3, Labor Day; November 22, Thanksgiving Day; November 23, half day; December 25, Christmas.

Securities offered through Schwab Institutional. Member FINRA & SIPC

Get the year off to an organized start!

- Review your 401k deferral and W2 exemptions with your HR department.
- Begin gathering documents for your 2017 tax return and getting them to your accountant.
- Take a few minutes to update (or begin working on) your Personal Financial Organizer. Contact Harbor if you'd like us to provide one.
- Begin budgeting and tracking expenses. Sign on to Mint.com or download a copy of Quicken for your personal finances.
- Begin saving by setting up an automatic deposit to a savings or brokerage account.
- Check your credit reports at www.annualcreditreport.com.
- Develop and write out some annual personal goals (you don't have to call them resolutions if you don't want to).
- Clean out your personal files.