

THE HARBOR ADVISOR

Having a Plan in Place – Priceless!

The last few months have been trying enough to shake up any sentient being. We have had concerns about slowing growth throughout the world, markets that dropped more than 1,000 points in two days and then increased 1,086 in one day, slower growth in China, the Brexit deal mired in confusion and retail disruption and innovation. We have a U.S. government in shutdown mode, immigration disputes and natural disasters that have wiped out entire communities all of which add to a general feeling of unease even for the most stalwart.

Throughout all of this I think it is a good idea to compartmentalize. A drop in stock values is not the same as people losing their loved ones, pets, homes and entire communities. We all know this - a reminder is in order.

Focus on everything that is working; this can be segments of your portfolio. How is your real estate holding up? Most have tremendous gains in this segment of the investment world. Focus on what you can change. Making changes to your portfolio in the midst of a downturn is not wise as markets move too quickly. You can focus on your health, family, friendships, community and volunteering; this will make a difference. Again we know this, we just need a reminder.

And the biggest asset in times like these is to have a well thought out plan and refer to it in times of unease and even crisis. The plan should include your assets - what return do you need in order to reach your goals? Have you been saving what you need to make the plan a reality? If yes, then you can relax knowing that even though you might want more, you are getting what you need.

Your plan should include digital safety and protection strategies, adequate cash reserves and insurance, adequate spending to maintain your health and for small luxuries that just feel good. All of these items add to a feeling of comfort and well-being.

And if all else fails we recommend a martini or brisk walk around a park - tried and true strategies through generations of market ups and downs, economic woes, natural disasters, trade wars and government shutdowns.



January 2, 2019

Contents

Main Articles

Have a Plan in Place	1
Q4 2018 Market Recap	2
Harbor's 30 th Anniversary Party	3
Harbor Happenings	4

Individual Highlights

Opening Remarks	1
Stock Market vs. the Economy	2
Fund Focus - Yacktman	2
Living Well & Smart	3
Market Closures	4

**New Year,
New Name!**

**We have a new name! Harbor
Wealth Management – more
details in the days to come.**



Q4 2018 Market Recap

It was a hard quarter for equity markets as major equity indexes gave up their gains – and more - for the year. In the past, this level of volatility was caused by shake ups in cyclical sectors such as real estate and financials. The sell-off in equities this time around occurred regardless of strong economic fundamentals. Employment and wage numbers were up and retail sales during the holidays were the best they have been in years. The Federal Reserve increased interest rates for the 4th time this year, signaling optimism for the state of the U.S. economy. Yet equity markets reacted negatively to this as concerns of an economic slowdown began to increase.

There were many other factors at play contributing to momentum, such as the uncertainty surrounding the on-going trade war with China, concern that the global economy is slowing, upheaval with members of the Trump administration, and most recently, the partial shutdown of the U.S. government. At year-end, the government was still partially shut down and the trade war remained unresolved.

Major equity indexes were negative for the quarter. The S&P 500 was down at -13.97%, the Russell 2000 was -20.51%, the MSCI EAFE was -12.86%. The Bloomberg Barclays Aggregate Bond index was up 1.64%.

Be at war with your vices, at peace with your neighbors, and let every new year find you a better man." Benjamin Franklin

Fund Focus: Yacktman Fund (YACKX)

Yacktman has been an anchor position in the large cap value category of our portfolios for over 10 years. It remains a stand-out fund due to its successful track record throughout many market cycles. The management team adheres to a disciplined investment approach. It seeks long-term capital appreciation and current income through investing in high quality companies with attractive valuations.

The managers do not attempt to forecast market direction. Their focus is on risk-adjusted returns over the long-term. They are not averse to holding cash if valuations are not compelling. While extra cash may be a drag on performance relative to its benchmark during some bull market periods, it allows the Yacktman team to purchase companies quickly when their process deems companies to be undervalued. Returns are impressive with a 2018 return of 2.69% and a 3-year annualized return of 10.52%. Yacktman is a prime example of why we continue to utilize active management. Their long-term after fee return handily beats the passive index associated with the strategy.

https://amgfunds.com/products/yacktman_fund_yackx.html

What is the stock market and what is the economy?

Most of us know that the stock market is not directly related to the economy, but exactly how it's different and why that matters is a more complex question. Lately there has been a disconnect between stock market movements and economic readings. News relating to the Fed increasing interest rates because it believes the economy is strong and growing causes a market decline. Why does this seemingly good news produce negative results? It all has to do with the initial reason anyone invests in a company, or group of companies in the first place. When we buy a share of a company on the stock exchange, we are investing our money into the future success of that company. The idea is that the company will be able to grow and make your investment larger so that when you go to sell it you receive a higher price for the share you purchased. In our example with the Fed raising interest rates, investors become fearful that higher borrowing costs will make it more difficult for those companies to produce a return on your investment so they sell. Secondly, markets are based on supply and demand. As investors rush to the exits to issue sell market orders, computer algorithms kick in and market prices will drop quickly in order to find buyers. This is why the markets have a tendency to react to economic news. The economic news is calling buyers and sellers who are trying to profit from the future to action.

The economy is the inner workings of everything that makes up a capitalistic society. At some points the economy is growing faster and is more steadily moving dollars back into the system through wages which in turn spurs spending. If the economy slows down or stalls, typically wages drop and people get laid off. This lowers the number and the rate at which people are spending money back into the companies that make up the stock market. Seems simple, right? The problem lies in the fact that when we invest into a share of a company, the shares are already priced for future income and value that company will produce. If that future income is at risk, it lowers the price one share is worth today. It is the present value of a company's earnings per share for the future that can swing wildly. It also creates a lag, sometimes a major lag between market prices and what is actually happening in the economy. The market can over or under react to information about the future of the economy. It is also the reason why market timing doesn't work. We cannot know how the market will react to future economic changes nor can we precisely predict when the economy will slow or hit a speed bump or worse, see another systemic near failure like 2008.

New Year's Planning List

The power of a plan: Have one and stick to it! If you don't have one Harbor can help in the financial arena. When life or the markets don't cooperate, it is comforting to have a well thought through strategy to keep you moving toward your goals for the future.

The satisfaction of doing something good for the earth: Reduce your use of plastic. Use less water. Leave your car at home when possible and bike or use mass transit. Learn to make, and use compost.

The pleasure of doing for others: Volunteer in your community and give financial and volunteer support to charities that are important to you.

The comfort of having your affairs in order: If your estate plans are out of date make an appointment with your attorney to review them. Even if you consider yourself young or simply young at heart, life can sometimes throw curveballs; it's best to be prepared for them.

The joy of engaging: Enjoy what your community and the people in it have to offer. Attend concerts, plays, and TED talks. Plan local hikes with others and take advantage of special events and festivals in the surrounding area.

The reassurance of embracing digital security: One of the biggest threats to our financial and personal security now comes to us through the internet. Become knowledgeable about these threats to your security and what you can do to protect yourself. Then implement the changes you need to make.

The encouragement of togetherness: The most common New Year's resolutions are to eat healthier, get more exercise and save more money. Grab a friend or family member, pick one and get started.

Starting new habits and activities is difficult but rewarding. Start small, focus on one thing at a time and enjoy your new year!



Harbor's 30th Anniversary! Party!

We had a wonderful group of clients and professional partners join us in October for our client appreciation party. This year was special since it was also Harbor's 30th anniversary. Harbor Financial Group was incorporated in Colorado on January 1, 1988. What better way to celebrate than by having a party? We appreciated the lovely comments, overall congratulations and support for our continued success voiced by many at the party.

Before our guests arrived, the staff at Harbor had a toast to celebrate both Harbor and Elyse's 30th Anniversary with Harbor.



Living Well & Smart

As 2018 came to a close, many began to think about how they would plan to make 2019 a better year. The practice of making resolutions is one that casts a lot of hope and motivation for the New Year is a chance to start again and think about how you can grow and develop into someone greater.

The team here at Harbor Financial Group was not exempt to this practice. We took this year-end as a chance to set financial goals for 2019. Financial resolutions within the office include the updating of wills, increasing retirement savings by 10%, and firming up spending budgets. As for budgets, one thing to be aware of is understanding how exactly you are spending your money. Apps such as Mint and Clarity Money do a good job of constantly tracking where your money is going to help understand where to cut spending. Other resolutions included regularly listening to personal finance podcasts and comparing casualty insurance with other options. Elyse Foster, founder of Harbor Financial Group, plans to review and decide to which charities she would like to contribute.

Along with financial resolutions, we also took a step back to recognize how we would like to grow personally. Karen Didde, Vice President of Compliance, expressed wanting to actively tend to her friendships. Office manager Denise Givens plans to read at least one book monthly. Other resolutions include meal planning to reduce dinnertime stress, making homemade salad dressings, reducing the use of single-use plastics, and reducing household clutter.

Whether you want to lose weight or increase money in your savings account, make sure these resolutions do not get lost into the abyss. Write them down! Track your goals regularly so when New Year's Eve of 2019 comes along, you are happy and proud of the work you accomplished and ready to keep up that good work for years to come.

Happy New Year!

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Cover image: Jesse Varner

Harbor Happenings

Exciting Harbor News!

We have some exciting news to start 2019! We are changing our name to Harbor Wealth Management – you will see this change gradually on our reports and other communications as we go through the year.

And because a name change isn't exciting enough, we are also launching our new website! Take a look at www.Harbor-WealthManagement.com and let us know what you think!

Harbor Hosts Two Seasonal Events!

In December, Harbor hosted its Eighth Annual Wreath-Making Event at Sturtz and Copeland Florist in Boulder. This seasonal event always fills up quickly, and is a fun night of laughter, learning and shared creativity!

Divorce – What Now? Workshop Date

Megan Miller, CFP® CDFA® (Certified Divorce Financial Analyst), along with other professionals, are hosting a divorce workshop 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.

- January 22nd, 4-6PM

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>

2019 Office Closures

Our office is closed on the following New York Stock Exchange holidays in 2019: February 18, President's Day; May 27, Memorial Day; July 4, Independence Day; September 2, Labor Day; November 28, Thanksgiving Day; November 29, half day; December 25, Christmas Day.

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 2018 tax return and get 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.

Please contact our office today if we can help with any of these items. Thank you!