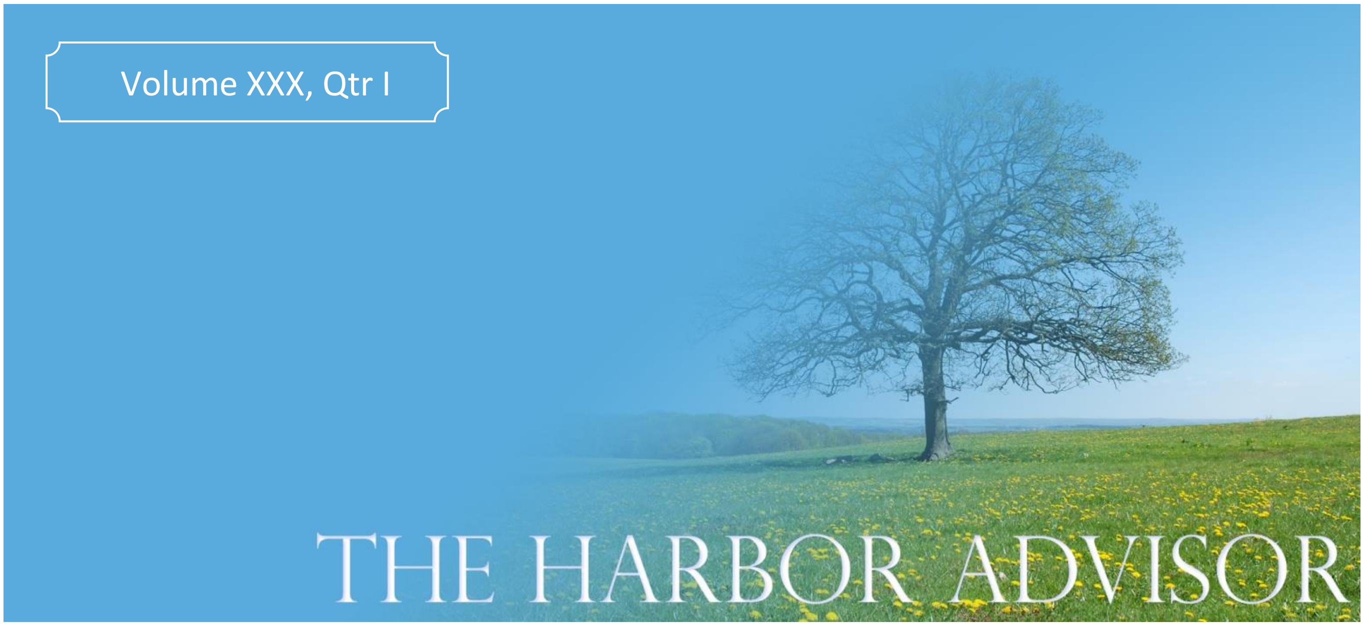

What a Difference a Few Days Can Make

In recent months a few days have made the difference between 1,000 point valuation fluctuations in the domestic stock market, the U.S. government in full swing then in a shutdown, trade talks alternating between stalling, then back on, and natural disasters going from notable to deadly. While our world is undoubtedly moving at a faster pace our focus does not have to continue to track minute to minute updates nor do we want to make decisions based on such a short timeframe.

We can partially blame the news cycle for encouraging us; we all know that a news source makes its living on reporting something, anything in fact. They jump on sensational, fast moving stories in an effort to report something, anything first. Gone are the slow news days. I can't recall when I last noticed and commented on a human interest story on page one of a newspaper which used to prompt the comment that it must have been a slow news day.

Another culprit is our reliance on our mobile devices. I have alerts from three major newspapers, two markets' commentary, several apps that gather news personalized for me, need I go on? On the plus side I feel connected, informed and up to date. On the negative it is hard not to feel overwhelmed and sometimes one feels the need to react. Fourth quarter 2018 once again showed us that reacting by selling into the downturn would have been a mistake as prices rebounded so quickly in January that one would have been left out of a 7.8% gain in January and 3.2% in February.

We at Harbor are practicing taking a longer term view and while this does not come naturally when dealing with publically traded market assets, it suits financial planning beautifully. We have made progress at extending our time frame for reporting and discussing market returns from monthly and quarterly to annually to achieve a better perspective. We shifted some of the previous short term market focus to planning items such as appropriate cash and liquid assets in preparation for retirement and other life events, social security maximization, checklists for regular financial maintenance in casualty insurance reviews, estate planning and medical directives among others. We see increasing complexity in the financial planning process and items to cover to ensure a complete view. We believe more of our focus belongs there and will continue our efforts to track, call your attention to and offer solutions to increasingly complex questions. Please reach out to us any time to review your planning objectives so we can share our latest ideas.

April 12, 2019

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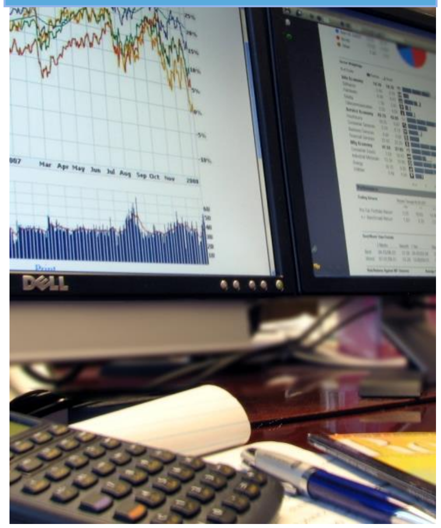
Individual Highlights

This Month in History

In April of 1860 the first Pony Express rider departed from Missouri on a ride to California.



Market Recap – 1st Quarter, 2019

During the first quarter, most markets rebounded nicely from their fourth quarter losses. This market volatility was attributed to many factors, one being a slowing economy. The economic slowdown was impacted further by the government shutdown, unresolved trade agreements and severe weather across the U.S. This slowdown caused investors to pause, even in light of positive fundamentals such as strong labor numbers and low inflation. Internationally, a dip in the global Purchasing Managers' Index (PMI) pointed to a further slowdown in manufacturing activity, although services remain strong.

Because of the slowdown and sensitivity of financial markets, the Federal Reserve changed its plan to steadily increase interest rates, deciding instead to forego rate increases for the time being. Markets reacted positively to this news and rallied with optimism surrounding the possibility of a trade deal with China.

Major indexes were positive for the quarter. The S&P 500 was up 13.07%, the Russell 2000 was +14.18%, the MSCI EAFE was +9.04%. The Bloomberg Barclays Aggregate Bond index was also up 2.94%.

"I've learned that you shouldn't go through life with a catcher's mitt on both hands; you need to be able to throw something back." Maya Angelou

Fund Focus: Opp. Intl. Small-Mid (OSMYX)

International equities are an important component of our portfolios providing opportunities for investors to take advantage of global economic growth and increasing consumption. Our portfolios have allocations to both large cap and small-mid cap international funds. By including smaller companies, portfolios gain exposure to faster growing companies as well as companies that operate in less typical market segments.

Oppenheimer International Small-Mid Company provides exposure to small and mid cap stocks largely in the UK, Japanese and European markets. The managers use a bottom-up approach, meaning that their stock selection is based on company analysis, not necessarily regions in the world. It's managers seek to enhance alpha over the long term, choosing high quality businesses with a growth tilt. Emphasis is on selecting companies that are expected to benefit from developing trends, with current overweights to health care, information technology, consumer discretionary and consumer staples.

Currently Morningstar gives OSMYX 5 stars across the overall 3, 5 and 10 year rating for the foreign small/mid category at the end of 2018.

The Federal Deficit

Long Term Effects on Individuals and the Economy

Last year's federal deficit of $779 billion was the highest that had been recorded since 2012. This figure is a 42% increase from the same time the year prior; this increase does not look to be slowing any time soon. By the end of 2019, it is projected that the deficit will reach $900 billion. One factor contributing to this increase is the Tax Cuts and Jobs Act enacted last year in which among other things corporate taxes decreased from 35% to 21%.

One of the hopes with these tax cuts was that the economy would experience growth through increased capital investment but this has not occurred to the extent that had been anticipated. Instead, there has been a decrease in revenue collected by the federal government while spending has been increasing. It is estimated that federal income will decrease by $1.5 trillion in the next decade due to these tax cuts.

So the country's deficit is growing, but why should the average citizen care? To start, with increased deficits come increased interest rates as the federal government attempts to gain revenue. Increased interest rates mean a higher cost of living. Loans become more expensive so buying things like a house, a car, or sending your kids off to college has a greater impact on your wallet. Aside from these long-term staggered expenses, normal day to day activities like grocery shopping and filling your car with gas create a larger negative impact on some budgets due to increased credit card rates.

On a national level, it is difficult to come up with solutions to pay down the deficit that everyone is pleased with. How can you and your family prepare so that you are not feeling the expense a couple of years from now? First of all, it is important to stay informed. Keeping an eye on the policies being enacted along with which federal budgets are being cut can give you a leg up in the matter. For instance, if you know now that the government will cut its budget for financial aid for higher education, you can create a plan to ensure adequate funding is available when your child heads off to college in ten years. This goes to the second recommendation: Save! By saving and investing now you can have a cushion later on for when your dollar may not go as far.

HSAs – Not Just a Handy Savings Account!

Most people think of their Health Savings Accounts (HSA) as just a handy, tax deductible savings account to pull funds out of to pay medical bills. But is there a better way to use your HSA? If you have the means to pay your medical bills out of pocket (or the good fortune to be healthy and not have many or any medical bills) the rules for HSAs allow flexibility on when you use your funds. Even though there is a limit on how much you can contribute each year there is no set amount that you are required to withdraw each year. HSA funds may be saved and invested for the long term for use during retirement and more. Here are some ideas:

- You have carefully saved your receipts for qualified health care expenses for every year you have had an HSA but have never withdrawn any funds from the HSA account. Now you need extra funds for a down payment on a house, a new car or a remodel project. Use the receipts and re-pay yourself from your HSA. Check with your accountant for reporting requirements before using this strategy!
- A recent Morningstar report estimated that 52% of people turning age 65 will need some kind of long-term care services. HSA funds may be used to pay for all or part of your long-term care premiums. There are allowable limits on the amount, based on your age, set by the IRS.
- If your spouse is the named beneficiary on your HSA account he or she will get the same tax benefits, the account will continue to grow tax-free after your death and the funds will be available for your spouse's medical needs. If you name your child or anyone besides your spouse as the beneficiary, the funds will be considered taxable income in the year they are received.
- You have a large, unexpected medical expense that you do not have the cash to cover out of pocket. Once in your lifetime, the IRS will allow an IRA to HSA transfer. While accessing your retirement funds is never a great idea, it may be preferable to credit card interest.
- After age 65, you are allowed to withdraw and use HSA funds for anything without penalties. However, if the funds are not used for qualified medical expenses, they will be taxable when they are withdrawn.

Don't Make a Hacker's Job Easier

With the proliferation of online access, weak passwords are the ultimate prize for hackers. Sophisticated software and extensive databases of common passwords create a virtual key ring of possibilities to crack logins. According to Live Consulting[1], a hacker can run 420 billion simple, lower case, 8 character password combinations in a minute. And if you think you are being clever by just replacing s's with $ signs and a's with @ symbols, hackers are already on to us. So how do your passwords stack up?

IT consultants agree that passwords should be at least 10-12 characters long. The longer the better. Use a mix of letters (upper and lowercase), numbers and symbols. Avoid personal information (hackers use social media too) and common words. And don't re-use passwords. Even a complex password can become compromised if it is leaked on just one website.

Consider using a pass-phrase of random words, numbers and symbols. Something that looks random, but has significance to you. Or pick a song lyric or sentence that you can remember and use the first few letters from each word. For example "My friend Sam Jones is really a very nice guy" turns into Mf$J1ravng.

IT consultants also suggest using a password manager and two factor authentication. Password managers store your passwords but are only accessible by providing a master password. The master password is never stored in the password manager's system. Adding an additional factor for logging in can increase your online security by more than 10 times[2].

1Live Consulting - Your Password is Not as Clever

2How to Create Strong Passwords

Living Well/Living Smart

Do Your Financial Documents Spark Joy?

Thanks to Marie Kondo's decluttering philosophy, I am not able to look at anything without thinking "But *does it* spark joy?" Although financial documents and records may not spark joy, here are some tips to determine what should be kept. First and foremost, if you haven't already opted to go paperless, consider it and lessen those piles of receipts, bills, paystubs and statements.

Tax Documents – Keep tax related records for at least 7 years, including all backup for items you claim as deductions, including cancelled checks and receipts.

Property Records – Keep documents related to the purchase of your home and substantial improvement records for at least 6 years after you sell the home.

Loans – Keep documents related to mortgages and other types of loans like student loans or auto loans until paid off. It is wise to keep payoff documents indefinitely.

Bank Records – This one may depend on your situation. It's a good idea to keep check copies related to taxes, business expenses, home improvements and mortgage payments.

Paycheck Stubs – Keep until you verify paystubs match up with the annual W2 from employer.

Credit Card Receipts and Statements Keep until you verify receipts against the monthly statement. Keep receipts used for a tax deduction for at least 7 years.

Brokerage Statements – It's a good idea to keep quarterly brokerage statements until you receive the annual summary to make sure they match up. It's also wise to keep records of purchases and sales of securities in case you need to prove capital gains and losses at tax time.

Bills – In most cases, you only need to keep until you confirm payment.

Join Us for Our Cybersecurity Event on April 25th!

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HARBOR
WEALTH MANAGEMENT

Images: Lars Sundström, Fleur Suijten

Harbor Happenings

Upcoming Harbor Informational Events

On April 25th at 4PM, Harbor will host a presentation on Cybersecurity with an expert from Live Consulting. Please call 303.939.8788 to RSVP or for more information!

Divorce – What Now? Workshop Date

Megan Miller, CFP® CDFA® (Certified Divorce Financial Analyst) and 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.

- Saturday, May 4th 8AM to 12PM

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.

Harbor on Facebook

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

2019 Office Closures

Our office is closed on the following New York Stock Exchange holidays in 2019: May 27, Memorial Day; July 4, Independence Day; September 2, Labor Day; November 28, Thanksgiving Day; November 29, half day; December 24 half day, Christmas Eve; December 25, Christmas.