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## Fed Raises Rates Again

### FINANCIAL UPDATE - WEEK OF MARCH 20, 2017

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For the fifth time in six weeks, domestic stock indexes ended last week in positive territory. The S&P 500 gained 0.24%, the NASDAQ added 0.67%, and the Dow eked out a 0.06% increase.<sup>[1]</sup> International equities in the MSCI EAFE grew by a sizable 1.99%.<sup>[2]</sup>

Over the week, we received a series of economic updates that gave a mostly positive view of the economy's progression, including the following data for February:

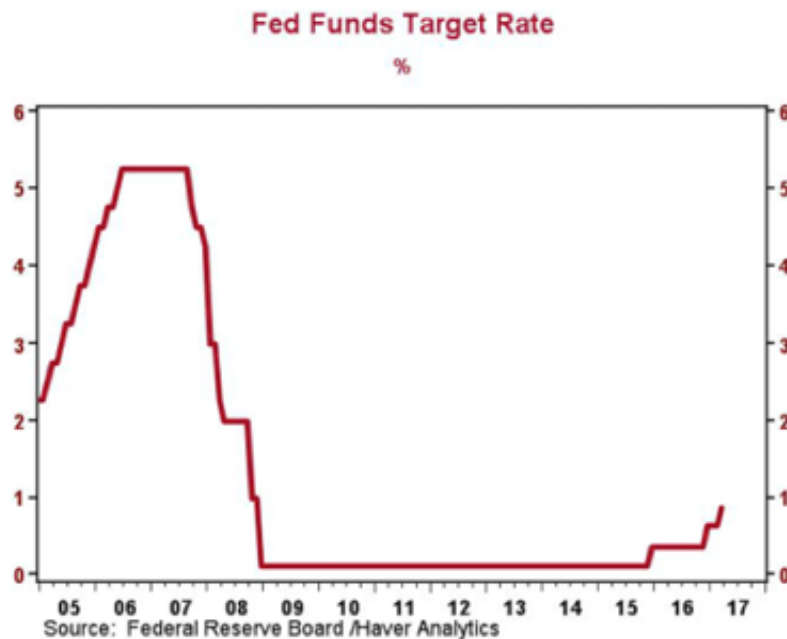
- The Producer Price Index beat expectations and rose 0.3%.<sup>[3]</sup>
- The Consumer Price Index beat expectations and rose 0.1%.<sup>[4]</sup>
- Retail Sales met expectations and rose 0.1%.<sup>[5]</sup>
- Housing Starts beat expectations to reach 1.29 million - including the highest measure for single-family home construction since 2007.<sup>[6]</sup>

In addition, the most recent data indicated that fewer people filed for unemployment benefits the week of March 11. We have now experienced 106 straight weeks of unemployment claims staying below 300,000 people, which is a healthy labor market indicator.<sup>[7]</sup>

Given this information - and the wealth of economic data released recently - the markets expected the Federal Reserve's March 15 decision to raise benchmark interest rates.<sup>[8]</sup> Last week's 0.25% increase is only the third jump since the Great Recession, and the pace of hikes is quickening.<sup>[9]</sup> The Fed has now raised rates in

December 2015, December 2016, and March 2017 and expects at least two more increases this year.<sup>[10]</sup>

Like with all economic data, understanding the context is critical. While interest rates are on the rise, they are still low, as you can see in the chart below.



### How will rising rates affect your financial life?

When the Fed raises rates, they are demonstrating a belief in the economy's strength. As with all changes to monetary policy, the outcomes can be complex and interconnected. While no one can predict the future, here are a few places where interest rates may affect your finances:

#### 1. Stocks

Stocks rose following the Fed's announcement, with the S&P 500 gaining 0.84% on Wednesday.<sup>[11]</sup> A strong economy is good for stocks; but anticipating exactly what lies ahead is impossible because so many outside forces impact equities. Right now, however, the markets are performing well and responding positively to increasing rates.<sup>[12]</sup>

#### 2. Bonds

Generally speaking, as interest rates rise, bond yields go up and their prices go down - with long-term bonds suffering the most.<sup>[13]</sup> However, those are not hard-and-fast rules for how to move forward. Your specific needs and strategies will determine the best way to move forward with bonds in a rising interest rate environment.

#### 3. Revolving Debt

If you have revolving debt-credit cards, home equity line of credit, etc. - and your interest rates are variable, you will likely see a difference in your payments very soon. In fact, a 0.25% increase like we experienced last week may cost consumers an additional \$1.6 billion in credit-card finance charges in 2017 alone.<sup>[14]</sup>

#### 4. Cash

When revolving debt interest rates go up, banks may quickly adjust the interest rates they *charge*, but they often wait to increase the interest rates they *pay*.<sup>[15]</sup> Right now, the average savings account pays 0.11% interest, but some institutions offer rates up to 1.25%.<sup>[16]</sup> Finding opportunities to capture a larger return on your cash is possible.

If you have questions about why the Fed is raising rates and how their choices may affect your life, we are always here to talk. Our goal is to give you the insight you need to feel informed and in control of your financial future.

#### ECONOMIC CALENDAR

**Wednesday:** Existing Home Sales

**Thursday:** New Home Sales

**Friday:** Durable Goods Orders

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Data as of 3/17/2017	1-Week	Since 1/1/17	1-Year	5-Year	10-Year
Standard & Poor's 500	0.24%	6.23%	16.55%	13.87%	7.15%
DOW	0.06%	5.83%	19.64%	11.61%	7.27%
NASDAQ	0.67%	9.62%	23.58%	18.63%	14.87%
International	1.99%	6.83%	8.13%	2.62%	-1.42%
Data as of 3/17/2017	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.71%	0.87%	1.00%	2.03%	2.50%

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized. Sources: Yahoo! Finance, S&P Dow Jones Indices and Treasury.gov. International performance is represented by the MSCI EAFE Index. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

## The Non-financial Nook...

QUOTE OF THE WEEK



*"Chance is a word void of sense; nothing can exist without cause."*

- Voltaire



## Homemade Whipped Cream in a Jar



*Ditch your whisk for this simple, tasty recipe!*

Makes 2 cups

### Ingredients:

- 1 cup heavy cream
- 2 TBSP confectioners sugar
- 1 TSP pure vanilla extract

### Directions:

#### Step 1

1. In a 1-quart glass jar with lid, combine the ingredients
2. Secure the lid.
3. Freeze the jar for 15 minutes.

#### Step 2

1. Take the jar out of the freezer.
2. Shake the jar continuously and vigorously until you see semisoft peaks (about 3 - 4 minutes).
3. Top your favorite fruit, dessert, or coffee drink with the cream.

Recipe adapted from Saveur<sup>[17]</sup>

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## Paying the Additional Medicare Tax

For taxpayers who have income above a certain threshold, you may have to pay the Additional Medicare Tax. Here are some key details to help you identify your potential tax liabilities.

### What is the Additional Medicare Tax rate?

You will pay 0.9% on any income over a certain threshold.

### What income is subject to this tax?

Any income that you receive above your threshold amount includes:

- Wages
- Self-employment income
- Railroad retirement (RRTA) compensation

### What are the threshold income amounts?

You have to pay the Additional Medicare Tax when your income is above the following amounts:

- **Married Filing Jointly:** \$250,000
- **Married Filing Separately:** \$125,000
- **Single:** \$200,000
- **Head of Household:** \$200,000
- **Qualifying Widow(er) With Dependent Child:** \$200,000

If your income requires you to pay this tax, you will need to file [Form 8959](#). You can find more information on the [IRS website](#).

Tip courtesy of IRS.gov<sup>[18]</sup>



### Use Your Shadow to Avoid Swaying When You Swing

When you're in the middle of a round, being able to check your swing is challenging - since courses rarely feature mirrors. This is where your shadow can serve you well! With these tips you can check your swing to see if you're swaying by watching your shadow:

#### Step 1: Shadow

First, focus on using your shadow to reveal any problems in your stance and swing:

1. Stand so your shadow is in front of you and the sun is behind your back.
2. Stand at the setup.
3. Locate where you have placed your head and hips by checking your shadow, which should look like a golfer without arms.
4. Look at your shadow as you swing back to make sure your body is rotating rather than swinging back and forth. Also, check that you are holding your spine angle.

5. Look for any tilt away from the target.
6. Practice a correct swing a few times.

## Step 2: Sun

Next, practice your swing facing the sun:

1. Hold your body alignment and practice swinging with your corrected position.
2. Focus on how your body feels, instead of looking at your shadow.
3. When you take a real hit, keep your attention on the back of the ball.
4. Make sure you're continuing to rotate your body through the hit, never sliding.

Tip courtesy of Golf Tips Magazine<sup>[19]</sup>



## Manage and Relieve Itchy Skin

Having itchy skin can reflect a serious medical ailment. It also can be a result of temporary factors such as seasonal weather conditions. Fortunately, with these tips, you have ways to manage and relieve itchy skin so you can find ongoing relief.

- **Avoid Scratching:** Not scratching an itch may seem impossible, but it can help you relieve the annoyance and potential pain. If not scratching is too challenging, cover the itchy area. Also, consider wearing gloves at night that help keep you from scratching in your sleep.
- **Apply Wet Compresses:** A wet bandage soaked in cool water can help provide relief. Be sure to completely cover the trouble area to further keep you from scratching.
- **Take a Bath or Shower:** Many people report that immersing in water can provide relief for hours. For bath-takers, try a lukewarm bath with baking soda or uncooked or colloidal oatmeal sprinkled in to soothe the itching sensation. If you prefer showers, either a cold or hot shower can help - choose the temperature that works for you.
- **Reduce Stress:** Experiencing stress in your life can make your itchiness worse. If you're suffering from prolonged itching spells, analyze your stress levels and take steps to reduce them.

Tip courtesy of Mayo Clinic<sup>[20]</sup>



## Understand What Those Egg Labels Mean

Choosing to adopt a green lifestyle or make green-living changes can address everything from the food you eat to the clothing you buy, and more. For those looking to buy eggs from humanely raised chickens, you have a variety of terms to navigate. In the United States, more than 90% of eggs come from caged chickens eating a corn or soy diet and have only 67-square-inches to move. They also never go outside. If you want to purchase eggs from chickens raised in more natural surroundings, follow this guide to make sure you understand what the different marketing terms mean.

- **Cage-Free:** This environment removes the cages and is a step up from the most factory-based approaches. However, the chickens still live strictly indoors in confined, group spaces with less than 1 square foot of room. They eat a corn or soy diet.
- **Free-Range:** Chickens raised in this manner need 2 square feet of room per hen. Surprisingly, they often get to spend less time outside than you might expect. Many hens still eat a corn or soy diet.
- **Pasture-Raised:** These chickens are the ones who get the most access to the outdoors, often put outside in the morning and brought back in at night. They must have at least 108 square feet of space each and are able to eat anything they find in the dirt, such as grass, bugs, and worms.

You can help your shopping efforts even further by buying eggs designated with a Certified Humane® pasture seal, which means the farmers have met strict quality standards.

Tip courtesy of Certified Humane<sup>[21]</sup>

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### ***Share the Wealth of Knowledge!***

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia and Southeast Asia.

The S&P/Case-Shiller Home Price Indices are the leading measures of U.S. residential real estate prices, tracking changes in the value of residential real estate. The index is made up of measures of real estate prices in 20 cities and weighted to produce the index.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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[1] <http://www.cnbc.com/2017/03/17/us-markets.html>

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[9] [https://www.nytimes.com/2017/03/15/business/economy/fed-interest-rates-yellen.html?\\_r=0](https://www.nytimes.com/2017/03/15/business/economy/fed-interest-rates-yellen.html?_r=0)

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[17] <http://www.saveur.com/article/recipes/whipped-cream-in-a-jar>

[18] <https://www.irs.gov/uac/what-is-the-additional-medicare-tax>

[19] <http://www.golftipsmag.com/instruction/iron-play/hit-more-greens-best-of-2014/>

[20] <http://www.mayoclinic.org/diseases-conditions/itchy-skin/manage/ptc-20262951>

[21] <http://certifiedhumane.org/article-explains-difference-pasture-raised-free-range-eggs/>



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