RAA
THE COMPASS
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JANUARY 2018

2018 CLIENT SEMINARS, CLIENT EVENTS, AND OPEN HOUSES

By Mark Rubey, CFP®, Vice President of Client Service

CLIENT SEMINARS

We are pleased to present the 2018 client seminar dates and locations. We will be hosting 21 client seminars throughout the nation. Annually about 800 people, including clients and their adult children, attend one or more of the seminars. We always encourage clients to invite their adult children who would like to learn more about RAA.

The client seminar presentations include a corporate update presented by a member of the RAA senior leadership team, an investment update presented by our Chief Investment Officer, Jeremy Merchant, an estate planning session presented by our Vice President of Estate Planning, Clay Caldwell, CFP®, and a financial planning session presented by one of our talented Relationship Managers. This past year, we added identity theft updates which were very well-received (it seems like everyone has a story!) so, we will continue to include them in the financial planning session in 2018.

After each seminar, we survey attendees regarding their satisfaction with the session content, presenters, and venue to solicit suggestions on how we can improve. A frequently heard suggestion was to move the seminars from a dinner event to a lunch event. We hosted two lunch seminars in 2017 with very favorable responses like, " really liked lunch meeting, please continue next year. Thank you."

2018 CLIENT SEMINAR SCHEDULE

All seminars will be lunches.

FEBRUARY 21 - Ft. Myers, FL
FEBRUARY 22 - Orlando, FL
FEBRUARY 23 - Ft. Lauderdale, FL

MARCH 14 - Scottsdale, AZ
MARCH 15 - San Jose, CA
MARCH 16 - Novato, CA
MARCH 20 - San Diego, CA
MARCH 21 - North Los Angeles, CA
MARCH 22 - Costa Mesa, CA

APRIL 4 - Hendersonville, TN
APRIL 6 - Kennesaw, GA
APRIL 10 - Plano, TX
APRIL 11 - Irving, TX

MAY 8 - Vienna, VA
MAY 15 - Danbury, CT
MAY 17 - Bedford, NH
MAY 24 - Seattle, WA

JUNE 5 - Denver, CO
JUNE 8 - Geneva, IL
JUNE 27 - Park City, UT
JUNE 29 - Olympic Valley, CA

***This does not include any "open houses."*

To RSVP, please go to RAA.com or contact your Relationship Manager at 800.321.9123.

As a result of your suggestions, ALL 2018 client seminars will be lunch seminars. Some will be held at new venues this year. Each seminar will begin at 11:30 AM with lunch, followed by presentations, and will wrap up around 2:30 PM.

We would love to see you at one of our client seminars this year. Please contact your Relationship Manager or visit www.raa.com to RSVP.

SOCIAL CLIENT EVENTS

In addition to client seminars, RAA will be hosting a series of additional social client events. These events are a great way for you to meet RAA team members and other RAA clients, for us to get to know you a little bit better, and not to mention, to have some fun!

In 2017, we hosted baseball events at the Cincinnati Reds, Atlanta Braves (at the brand-new SunTrust Park), and the Texas Rangers. 2018 promises a continuation of these same game events plus a new addition, the Seattle Mariners. We will also host a winter ski event in Park City, Utah, February 7th-9th. Be on the lookout for more information throughout the year .

OPEN HOUSES

Open Houses are a new type of event for RAA. You are invited to join us for appetizers and refreshments and to come and go as you please, as there will not be formal presentations during these events. RAA team members from every department will be available for any questions you may have about RAA, investments, tax planning, estate planning, and financial planning. You can even bring your laptop or tablet to be looked at by our IT (information technology) department to determine if there is anything that needs to be adjusted. We will send more information as these events get closer.

We look forward to seeing you in 2018 at an event near you!

ANNOUNCEMENT

We are excited to announce that based on your feedback, we will be introducing an electronic version of *The Compass* newsletter beginning next quarter.

If you would like to receive *The Compass* digitally by email, please go to **RAA.COM/PREFERENCES** to update your communication preferences.

If you prefer the print version, no further action is necessary on your part. You will continue to receive *The Compass* in the mail going forward.

2018 FINANCIAL CHECKLIST

By Jill Pivato, CDFA™, Client Experience Manager, Relationship Manager

Every new year, millions of Americans decide to make some changes in their lives. For many, it is to get in shape, eat better, or exercise. Nearly empty gyms become crowded in January with people trying to improve themselves.

An often-overlooked area that may need rejuvenation is your financial health. The beginning of the year is the perfect time to reevaluate your financial situation and ensure you have all of your major financial bases covered. The checklist on the next page will help simplify how to go about this process.

FINANCIAL CHECKLIST

yes no n/a

☐ ☐ ☐ **Have you scheduled an annual plan review with your Relationship Manager at RAA?** Regardless of what stage of life you are in (new hire, mid-career, or retirement), we have services and offerings to help you navigate the journey. If you have not updated your plan in the past 12 months, please contact us to schedule a meeting.

☐ ☐ ☐ **Have you reviewed your current budget?** Most people don't know where all their money goes, making it difficult to save and plan for future expenses. RAA has a great, interactive budgeting tool. Ask your Relationship Manager to send you the most recent version.

☐ ☐ ☐ **Are you prepared for the unexpected?** Do you have an emergency fund large enough to cover 3-6 months of expenses? If not, we can work with you on developing a plan to accomplish this.

☐ ☐ ☐ **Have you reviewed your estate planning documents recently?** RAA has an estate planning specialist on staff to review your documents and make recommendations. This service is available to all clients and family members.

☐ ☐ ☐ • Are your documents current?

☐ ☐ ☐ • Is all the information relevant?

☐ ☐ ☐ • Are your beneficiaries correct on all your accounts and policies? Take some time to review all your accounts and insurance policies to ensure the beneficiaries are current.

☐ ☐ ☐ • Are the documents more than 5 years old? Have any significant life events occurred? If either or both are true, it is time to update your documents.

☐ ☐ ☐ • Does RAA have a copy of your documents, specifically your Durable Power of Attorney?

☐ ☐ ☐ **Have you received and completed a LIFE Book?** Have you assembled it? We have a digital version of the LIFE Book called Everplans available for those who prefer to store documents electronically. Contact your Relationship Manager if you are not familiar with what a LIFE Book is, or would like to find out more about Everplans.

☐ ☐ ☐ **Have you updated contributions on your retirement accounts (401(k), IRA, Roth, HSA)?**

☐ ☐ ☐ • Are you participating in your employer-sponsored plan?

☐ ☐ ☐ • Do you need to adjust your contribution for 2018?

☐ ☐ ☐ • If you are 50 or older, are you taking advantage of the catch-up contribution limits?

☐ ☐ ☐ • Does your plan offer a Roth option? Does it make sense for you to take advantage of this option?

RAA is here to help you with your financial questions. We believe updating your financial plan on an annual basis is imperative to achieving your financial goals. The topics above, plus others, will be discussed during your annual plan review. Please contact your Relationship Manager to ensure your plan is up-to-date and let them know if you have any questions about your financial health.

RAA BROADENS TAX SERVICES IN 2018

By Kristi Cherry, CPA®, Tax Services Manager

RAA has expanded the services we offer our clients to include tax return preparation and tax planning, and as a result, I am very happy to join the RAA team to help you with your tax-related needs.

I joined RAA in November 2017, and bring twenty years of tax and accounting experience to the firm. Prior to RAA, I spent six years running my own CPA practice, worked at a regional CPA firm, focused on tax services with Ernst & Young, and practiced industry tax accounting for one of the largest cement/aggregates companies in the US. If you would like to learn more about my background and RAA's tax services offering, please visit RAA.com/tax-info.

As we begin the 2018 tax year, the Tax Cuts and Jobs Act of 2017 will historically change deductions, exemptions and other important numbers for all taxpayers. However, the new tax law does not change this year's retirement savings limits other than small increases for inflation.

RETIREMENT & HEALTH PLAN LIMITS

RETIREMENT PLAN LIMITS	2017	2018
401(k), 403(b) & 457(b) before-tax contributions	$18,000	$18,500
Catch-up contributions (if age 50 or older)	$6,000	$6,000
IRA Limits	$5,500	$5,500
Catch-up contributions (if age 50 or older)	$1,000	$1,000
HEALTH PLAN LIMITS	**2017**	**2018**
HSA – Annual Contribution Limits:		
Self-only coverage	$3,400	$3,450
Family coverage	$6,750	$6,900
Catch-up contributions (age 55 or older)	$1,000	$1,000

RETIREMENT ACCOUNT CONTRIBUTION LIMITS

The 2018 annual contribution limit for 401(k)s, 403(b)s, and other workplace accounts is increasing by $500 to $18,500. However, the additional catch-up contribution limit for those age 50 or over stands at $6,000.

The IRA contribution limits of $5,500, or $6,500 for those age 50 or over continue, but some of the income limits are going up. For example, taxpayers who are covered by an employer-sponsored retirement plan cannot deduct their traditional IRA contributions if their income is above certain levels. This income limit is increasing to $73,000 for single taxpayers, $121,000 for married taxpayers filing jointly, and $199,000 for taxpayers who aren't part of a workplace retirement plan but whose spouses are.

NOT EVERYONE CAN CONTRIBUTE TO A ROTH IRA

The allowable Roth IRA contribution phases out over a certain range of annual incomes and eventually hits zero for high-income taxpayers. The Roth contribution income phase-out window for 2018 is $120,000 to $135,000 for single taxpayers, and $189,000 to $199,000 for married taxpayers filing jointly. However, because of these limitations, a Roth conversion may be an option to take part in the tax advantages of a Roth IRA.

EXCLUSIONS

The new tax law increases the estate tax exemption for 2018 to $11.2 million. Therefore, only a small percentage of taxpayers will have to worry about estate taxes. In addition, the annual exemption for gift taxes is rising to $15,000, which means you can give any one person up to $15,000 worth of gifts in 2018 and not have to worry about paying taxes on it. Finally, the foreign earned income exclusion for 2018 is $104,100. The foreign earned income exclusion defines how much foreign income you can earn while living abroad without having to pay United States taxes on it.

TOP INCOME TAX RATE

The new 37 percent income tax rate will affect single individuals with an income over $426,700. The 37 percent rate kicks in for married-filing-jointly taxpayers at $480,050.

STANDARD DEDUCTION & EXEMPTIONS

The Tax Cuts and Jobs Act of 2017 has a significant effect on the 2018 standard deduction. The new standard deduction is $24,000 for married taxpayers filing jointly, $12,000 for single and married-filing-separately taxpayers, and $18,000 for heads of households. For those that are able to itemize their deductions, the limitation on itemizing 2018 deductions starts at an adjusted gross income (AGI) of $320,000 for married-filing-jointly taxpayers and $266,700 for everyone else. If your earnings (AGI) are above your threshold, any

itemized deductions you claim will be reduced. The new tax law eliminates personal exemptions for 2018. However, the child tax credit has been doubled to $2,000, with up to $1,400 being refundable. Also, the credits do not begin to phase out until an income level of $200,000 for singles and $400,000 for couples.

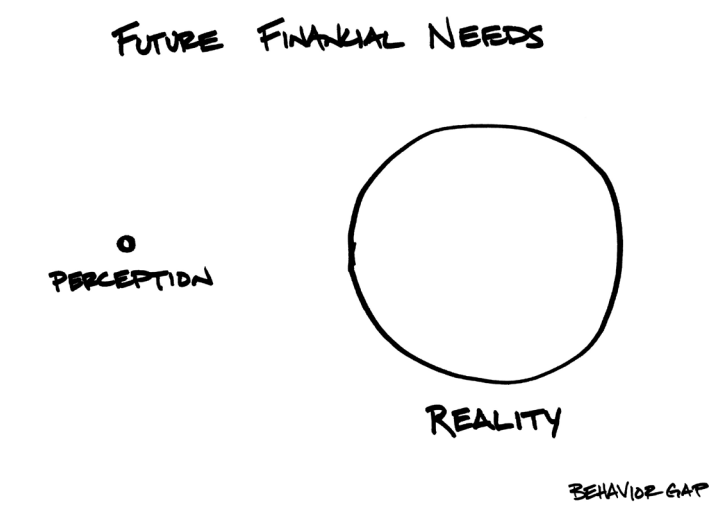
MISCELLANEOUS ITEMIZED DEDUCTIONS

Miscellaneous itemized deductions have been eliminated under the new tax law. These deductions include unreimbursed employee business expenses such as union dues, per diem offsets, airline pilot expenses, etc. Tax preparation and investment fees have also been eliminated.

HOW COULD THIS AFFECT YOU?

To find out how these and the rest of the tax law changes may impact your tax return, please contact me at kcherry@raa.com or 800.321.9123 to discuss your unique situation and identify any tax saving strategies available to you.

> **A GOOD FINANCIAL PLAN IS A ROAD MAP THAT SHOWS US EXACTLY HOW THE CHOICES WE MAKE TODAY WILL AFFECT OUR FUTURE.**
>
> - ALEXA VON TOBEL



RAA PROFILES
JILL PIVATO
CLIENT EXPERIENCE MANAGER & RM

FAMILY My Kids: Malorie (24) USAF TX, Makenzie (21) FL, Michael John (19) USAF Japan

SWEETHEART Brian, Bonus kids: Selah (11), Levi (10), Tucker (7)

PETS German Shepherd named Haddie

HOMETOWN Avon Lake, OH

WHERE YOU LIVED BEFORE YOU ARRIVED IN GEORGIA? Columbus, OH

HOW LONG HAVE YOU WORKED AT RAA? 15 years including AFS and FFM

WHAT DO YOU ENJOY DOING WHEN YOU ARE NOT WORKING? Reading, hiking, and spending time with family

CURRENT BOOK YOU ARE READING *Blink* by Malcolm Gladwell

FAVORITE BOOK *Pillars of the Earth* by Ken Follett

BEST VACATION Beach...any beach

FAVORITE MOVIE Wizard of Oz

FAVORITE SPORT / TEAM College Football – Ohio State Buckeyes, Baseball – Cleveland Indians

HOBBIES / SPECIAL INTERESTS / COLLECTIONS Boating, cooking

NOBODY KNOWS I was a drummer in high school

FAVORITE QUOTE
"Let us always meet each other with a smile, for the smile is the beginning of love."
-Mother Teresa

A WHOLE NEW VIEW

By Jeremy Merchant, SVP & Chief Investment Officer

"Trust but verify" became commonplace when President Ronald Reagan started using the catchphrase during the mid-1980s. Today we hear it all the time. I like Google's take on the catchphrase which is "Trust but verify – with data." We use the same concept at RAA.

When you log into your account, or complete an annual account review, you will note a "probability of success" statement from us. This data point was created using endless simulations, where we estimate various scenarios and calculate the probability that you will achieve your goals and objectives. Using optimistic, neutral, and worst-case scenarios, we verify with data and keep you on track to achieve your long-term plan. This simulation software is just one of the many tools our Client Service Team uses to help guide you towards success.

The Investment Team at RAA leverages technological tools to measure, monitor, and verify data as well. We not only do this in-house, but from time to time we will also use independent third parties. During the 4th quarter of 2017, our investment team worked with a Ph.D. from Blackrock's Portfolio Solution team to review our long-term strategic asset allocation targets. These targets are used to construct our portfolios and overweight/underweight asset classes as warranted by market conditions.

Using a system called Aladdin, within Blackrock, we stress tested the RAA portfolios and fine-tuned the long-term strategic asset allocation targets we will use in 2018. Aladdin is a sophisticated risk analytics system that connects the information, people, portfolios, and technology needed to manage money in real time. Aladdin analyzes over $4.73 trillion of assets daily and is the world's largest risk management platform. It is used by many of the world's largest pension endowments, companies like Google and Prudential, and by government entities in the U.S. and across Europe to offer guidance. Aladdin can look beyond the underlying mutual fund, index, or ETF to the actual positions held in real time to measure and monitor risk. It can also be used to preview proactive portfolio adjustments that might be warranted by market conditions.

KEY THEMES AND THEIR IMPLICATIONS

Themes	Category	Rationale
Equities	Economic Growth	GDP growth and corporate earnings continue to increase
	Business Cycle	Growth looks to extend into 2018 post fiscal stimulus
	Inflation	Only slight-to-moderate inflationary pressures
Bonds	Bond Yields	Gradual and controlled increase in interest rates remains expected
	Duration	A slow rising interest rate environment is expected
	Quality	Higher quality credits are preferred due to valuations

ACTIVE ALLOCATION VIEWS

Themes	Category	Change	Negative	Neutral	Positive
Main Asset Classes	Equities	-	○○○	○	●○○
	Bonds	-	○○○	●	○○○
	Cash	-	○○○	●	○○○
Domestic Equities	Large Value	-	○○○	○	●●○
	Large Growth	▲	○○○	○	●●○
	Mid Value	-	○○○	○	●○○
	Mid Growth	-	○○○	○	●○○
	Small Value	-	○○○	○	●○○
	Small Growth	-	○○●	○	○○○
	Tactical Equity	▼	●●●	○	○○○
Foreign Equities	Developed	▲	○○○	○	●●●
	Emerging	▲	○○○	○	●●●
Fixed Income	Intermediate	-	○○○	●	○○○
	Short Term	-	○○○	●	○○○
	High Yield	-	○○●	○	○○○
	Cash	-	○○○	●	○○○

We believe the collective intelligence of Aladdin, combined with our investment process, will help improve our ability to see real-time risk-vs-rewards within the portfolios and further improve your experience at RAA. Expect to hear more on this topic throughout 2018.

Looking back at 2017, momentum and breadth considerations kept us aboard the current bull market for the entire year. Contrary to the value-seeking metrics within our stock-vs-bond valuation model, we remained neutral to slightly overweight equities for all of 2017. Looking back at 2017, results posted by the underlying portfolio strategies were certainly pleasant relative to history. While valuations play an important role in our asset allocation process, we expect that the momentum metrics of our stock-vs-bond valuation model will continue to overshadow in early 2018. As such, the portfolios will remain neutral to slightly overweight equities in the near term.

In early 2018, we will watch for implementation of tax reform. Assuming fiscal stimulus stays accommodative, we may increase our foreign equity exposure in 2018. While domestic equities are at an all-time high from a price-to-earnings, price-to-book, and price-to-cash flow viewpoint, foreign equities are not. In fact, foreign equities are reasonably priced, especially compared to domestic equities. Moreover, if our GDP continues to grow, it is reasonable to assume that demand for goods will only increase in the U.S. thus benefiting foreign economies that are generally net-exporters, especially emerging market economies. This is good timing for a diversified portfolio. After years of having foreign equities underperform domestic equities, foreign equities are now beginning to outperform. While we were neutral foreign equities in 2017, we may move to a foreign equity overweight in 2018.

Within fixed income, bonds continue to offer yields that are below average from a historical perspective. However, bonds remain an important part of a diversified portfolio, as they serve as a hedge against equity volatility – which is important when equity valuations are above average. In 2018, we will continue to move up in credit quality as credit spreads over treasuries are increasingly tight. This is especially true within high yield bonds which offer a poor risk-vs-reward profile. We also intend to maintain a shorter duration, as a winding down of the Fed's balance sheet and continued deficit spending will add extra inventory to the market. The combination of these factors should result in a gradual upward trajectory in interest rates for 2018.

The current broad global expansion is expected to continue into 2018; however, 2017 will be difficult to match. In fact, after the tax bill's effects on earnings fade, companies may find it hard to maintain the current pace of earnings growth. As a result, returns could be more subdued looking forward, even as low interest rates mean equity multiples can stay higher than in the past. Nonetheless, sustained growth combined with low volatility should support the markets in the near term. This is especially true if investors, who fear a near-term downturn, start to embrace the upbeat outlook.

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