JOHANSON FINANCIAL ADVISORS

Happy New Year, Now What?

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Data through Societe Generale showed 2015 to be one of the most frustrating years for asset allocation since, wow, 1937. In most years, Investors are able to find returns in some asset category. When stocks are off, bonds might perform well. If both are down, then cash or commodities have been king. 2015 was an interesting exception to the norm as every asset category was flat.

Recalling the last terrible year in the stock market in 2008, long-term bonds were up 22%. In 2015, not one major asset category had a good year. For that reason asset allocation was a little challenging.

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The Dow Jones Industrial Average and S&P 500 were both flat for 2015. The 30-year Treasury returned -2%, the 3-month Treasury returned 0.11%, and the CRB Commodity Index fell more than 23%. All of this just goes to show how difficult it is to pick the perfect investment every year.

Forecasts for 2016

We are 6 ½ years into the current economic expansion. This longevity record has been bested by only three of the 11 previous expansions since World War II: in the 1960's, 80's, and 90's. In some minds, we are due for a retraction or recession.

Historically bull markets do not end with age but they peter out with recessions. We do not see a recession in the immediate future. This plow horse economy should still plot along. The unemployment rate is below 5%. Labor markets have tightened, so consumer wages should rise which would boost spending. With consumer confidence increasing and spending 70% of our economy, that is really good news for 2016.

One other caveat is the windfall from energy prices as they head lower. Oil company profits may drop, but households saving money at that gas pump will do nothing but help the consumer.

We will certainly see some volatility in 2016. China is the second largest economy in the world and they may slow as they evolve. We have seen global retraction before. We recall Russia and Japan almost collapsing in the 90's while the vibrant U.S. economy still grew.

It is a stretch to think we are going to solve the issues in the Middle East any time soon. The intricacies of the religious and political history are difficult to unwind. This area in the world continues to be very unstable.

Disruptions and dislocations are part of the process of investing. We would look at any set-backs as good buying opportunities to pick up quality blue-chip high dividend paying stocks for the future. With volatility in 2016, we still see markets trending higher. U.S. stock returns for 2016 may trend toward the historical averages as we continue to heal from the panic of 2008.

International stocks and commodities may give investors an added boost as both seem like contrarian plays. We have always looked to last year's losers to find value.

As Advisors, we always stress the importance of being comfortable with your portfolio. Our main endeavor is to build your portfolio commensurate with your goals and needs while not taking on undue risk. Your portfolio mixture (stocks, bonds, alternatives, cash) needs to be tailor made for you.

Do not become paralyzed with an over exuberant media and their predictions. 2016 is going to be a politically charged year. The talking-heads love to excite, titillate, and make us hang onto their every word. They all have a prediction.

We have found that they are like August humidity in the South – consistently and astonishingly dismal. No man knows the economic future. There are too many variables for any one person to predict the future economic environment consistently. When one gets a forecast correct, or close to it, that performance quality is not repeated in subsequent years.

As the future is so difficult to foresee, we always adhere to a couple of critical factors whereby we can control a few variables:

1) We believe broad diversification is fundamental to the concept of risk-management; it is incorporated into our definition of prudent investing. Fortunately, a well-diversified portfolio captures most of the potential upside available with much lower volatility. On the other hand, a well-diversified portfolio will always include some poor performers. Although that is hard to stomach at times - we do it anyway.

2) Maintain low fees inside all investment portfolios. We love low costs.

3) Rebalance each year to maintain the integrity of the asset allocation. This forces us to buy low and sell high in most cases.

2016 is going to be the best year of our lives. Love, laughter, and finding peace of mind should be great goals for us all. Let's spend a little less and save a little more. Whether you are eating the finest cut of steak or opening up a can of Pork and Beans - enjoy the moment just the same.

New announcements from JFA in 2016

In years past, we have used Johanson Financial Advisors, Inc as a single entity that has included both Investment and Tax services. For the upcoming tax season and beyond, we set up a new sister Corporation for our tax business that we are naming **Montage Tax, a professional corporation**. Montage Tax, will include the services of certified public accountants and enrolled agents. We are excited for this combination and expect that you will continue to receive excellent client service.

We will also be rolling out **MyMontage**, a client portal and an interactive wealth management tool to help our clients manage their finances more efficiently with the following benefits:

- Personal client website with 24 hour access to all of your financial information
- Account aggregation with budgeting features
- Online vault for storing important financial documents
- Mobile account web access

We look forward to speaking with you this year to introduce these exciting new services.

Happy New Year – 2016!