Camden NATIONAL WEALTH MANAGEMENT

NEWSLETTER | SPRING 2018

In 2017, Congress passed sweeping revisions in the Tax Cuts & Jobs Act. The Act substantially changed both individual and corporate tax law, starting in 2018 and sunsetting in 2025.

Individual Income Tax. The highest effective marginal tax rate has been reduced to 37%. The reduction in the tax rate will have an impact on short-term capital gains, which are taxed at ordinary income tax rates. For long-term gains, the rates remain at 0%, 15% and 20%, but the effective individual tax brackets at which these rates apply have changed, which may further reduce the tax bill.

Estate, Gift and GST Tax. These three rates have essentially doubled to approximately $11.2 million per person or $22.4 million per couple. As a result, most taxpayers will not be affected by gift tax or estate tax. Clients are advised to review their current estate plan with their attorney. The annual exclusion gift rate has increased to $15,000 per person, the first increase in several years.

Deductions and Personal Exemptions. The standard deduction has nearly doubled to $12,000 for individuals and $24,000 per couple. The personal exemption was eliminated, and many other deductions have been reduced or eliminated.

Clients should consult with their tax professional to determine the impact of these changes.

At Camden National Wealth Management, the investment process is implemented opportunistically to navigate the current market landscape and to progress toward a client's stated financial objectives—regardless of where we might be in an economic and market cycle.

Our team applies a proprietary and dynamic investing framework, using individual securities, ETFs, and Mutual Funds. We analyze a variety of fundamental and technical research investment management tools to build our client portfolios. This research and investment process, along with our financial and estate advisory services, defines our comprehensive fiduciary approach to family wealth management.

Market Update

Our experienced **Portfolio team** is monitoring current equity market valuations.

Since the 2016 U.S. Presidential election, the continued equity market's rally was reinvigorated by expectations that tax reform and increased infrastructure spending would boost corporate profits and the economy; however, a better than expected wage growth reading in February fueled fears of accelerating inflation and triggered a February stock market sell-off.

Concerns of a potential trade war added to market volatility in early March following the announcement of U.S. tariffs on imported steel and aluminum. This has fueled economic uncertainty and concerns over perceived inflationary pressures going into the beginning of the second quarter.

The Federal Reserve's plan to gradually unwind its balance sheet following years of expansion creates meaningful market impact. We expect interest rates will continue to rise at a measured pace in 2018, following the December 2017 and March 2018 0.25% hikes, respectively, and projections communicated by the Federal Reserve Board, chaired by newly appointed Jerome Powell.

Our Equity Approach

With market valuations repeatedly reaching new highs on the back of what is now the second longest rally in the past 50 years, we continue to maintain a defensive posture with regard to sector positioning within equities while slightly reducing our equity allocation targets.

While we are maintaining an overweight stance in consumer staple and utility sectors, we have been moderating our position in light of the rising interest rate environment. We are mindful that rising interest rates will likely pressure equities that derive a healthy portion of their total return from dividend yield. Relative to the broader market, we remain less exposed to traditionally cyclical sectors, such as energy, consumer discretionary and financials, which tend to be more sensitive to market disruptions. In recent months, we have been selectively adding to industrials and technology, looking to stocks with strong fundamentals and technical characteristics relative to their peers.

Our Fixed Income Approach

Given the rising interest rate environment and expectations of continued yield curve flattening, we continue to concentrate our use of individual bonds on issues with maturities ranging from 3 to 7 years. Additionally, we are modestly increasing our bond selection further along the maturity ladder as rates normalize over time. While we look to diversify our fixed income holdings across Sovereign, Municipal, and Corporate Debt, we are emphasizing the use of U.S. Government and Agency bonds in light of narrow credit spreads.

Your Enhanced Investment Opportunities

We are enhancing our investment offerings and capabilities. This capitalizes on our top-down analysis with regard to current sector positioning and will increase exposure to additional investment styles and sectors.

For the tax-sensitive client with unique investment objectives and considerations, we have the ability to further complement our core approach with the use of Separately Managed Accounts (SMAs), providing customized exposure to additional investment mandates.

All of these investment vehicles are subject to the rigorous research and due diligence efforts of our entire team, providing us with the tools to create an investment plan that's right for your unique objectives.

Economic Growth & Inflation Indicators

	Q1 2017 (actual)	Q2 2017 (actual)	Q3 2017 (actual)	Q4 2017 (actual)	Q1 2018 (forecast)	Q2 2018 (forecast)	Q3 2018 (forecast)	Q4 2018 (forecast)
GDP, QoQ	1.2%	3.1%	3.2%	2.6%	1.5%	2.8%	2.2%	0.4%
Unemployment Rate	4.6%	4.3%	4.3%	4.1%	4.1%	4.2%	4.2%	4.3%
Participation Rate	63.0%	62.8%	63.0%	62.7%	62.7%	62.6%	62.9%	62.8%
CPI, YoY	2.4%	1.6%	2.2%	2.1%	2.2%	1.9%	1.8%	1.8%
PCE, YoY	1.8%	1.4%	1.7%	1.7%	1.8%	1.7%	1.5%	1.5%
Core PCE, YoY	1.6%	1.5%	1.4%	1.5%	1.5%	1.4%	1.3%	1.2%

Sources: Bloomberg, Stifel

Gross Domestic Product (GDP), Consumer Price Index (CPI), and Personal Consumption Expenditures (PCE) are commonly referenced headline gauges of economic growth and inflation.

Our Managing Director

Jennifer Mirabile brings more than 30 years of experience to her leadership role as Managing Director of Camden National Wealth Management. In this capacity, she oversees investment management, fiduciary, planning and administrative services, risk management and strategy for the firm.

Jennifer Lloyd Mirabile
CFP®, CSW
Managing Director

Our Team

Camden National Wealth Management provides wealth management, investment management and trust services to individual and institutional clients in Maine, New England, and throughout the United States. Our top credentialed team has an average of 25 years in the business and consists of Chartered Financial Analysts, estate planning attorneys, CTFA Trust specialists and Financial Planners.
We work together to bring a customized investment and planning approach to meet our clients' unique and individual financial needs. In December 2016, Camden National Wealth Management was launched as a new brand after Camden National Corporation (NASDAQ: CAC) completed the combination of Acadia Trust, N.A. and Camden National Bank. Acadia Trust, N.A. had been operating as a wholly-owned subsidiary of Camden National Corporation since 2001.

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