



ON THE FINANCIAL HORIZON

THE VAUGHN MCLAUGHLIN TEAM

Quarterly Newsletter for Friends & Clients

FIRST QUARTER 2019

Our mission...

To build a partnership that will help our clients meet their financial goals and enjoy a more secure future. Our goal is your 100% satisfaction with the advice and service you receive.

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FROM JIM'S DESK: *January 23, 2019*

We can now say that 2018 is in the books and that we had two months, January 2018 and August/September 2018 where we hit all-time new highs ever on most of the indexes. We then saw the markets follow up with two bona fide corrections that wiped out those highs and left us with a down year on S&P, Dow and NASDAQ about 5-6% on all three. This with robust earnings, revenues, rising dividends, mergers and acquisitions, stock buybacks and companies plowing money into their companies. All metrics of free cash flow were positive all year, unemployment lowest in decades and generally strong overall economics.

So with the good fundamentals, why the corrections? Many explanations are offered but consensus is that it is geo-political uncertainties. The market does not like uncertainties. The good news is that most geo-political uncertainties have relatively short life spans and fundamentals end up carrying the day in the long term. I am sure most of you know the uncertainties I am referring to: tariff spat, rising interest rates, government stalemates, Brexit, etc. You may argue that some of these are not short lived, but relatively speaking, they are. Anybody remember Greece and how it might be the beginning of the end for the European Union?

One geo-political event will be replaced by something else, and in turn effect sentiment in the short-term. Invariably, fundamentals win out. Now it appears that overall growth may be slowing some but nothing that signals recession to us - which can lead to longer corrections or even a bear market. There are always pundits coming out indicating that if growth is slowing a recession is more probable. But more probable from where we are now does not translate to more likely. We believe, short of a black swan event, 2019 will be an okay year and we are still in that secular (long-term) bull market. Yes we would be adding at this juncture and yes, international still looks most attractive (in spite of China slowing – they will be back).

So really, the message is stay the course, add a little if you can. That is our story and we are sticking to it! Please feel free to call or come in and discuss/debate these thoughts. Discussion is a very useful tool!!!

FROM TRACY'S DESK: *Cash solutions at Raymond James*

Now that we are finally entering 2019, many of us are quite happy to be rid of 2018 and looking forward to a fresh start. The challenging markets, headlines from around the globe and the ever changing needs of our families can cause some serious uncertainty. Jim, Amy and I are always at the ready to talk about market conditions, and the risks associated with each individual portfolio. Part of the planning process is to use cash and cash alternatives effectively, as well as lending options to assist us throughout all market cycles.

Recent market volatility can cause one to reconsider spending plans. What we hope clients are doing is spending less time watching the news and more time giving serious consideration to the dreams and needs they want to realize this upcoming year. They may have goals like going on an exotic vacation, finally buying a boat they've been eyeing or paying for their children's or grandchildren's college tuition. Regardless of what they hope to achieve, the question remains: How are they planning to pay for it?

Of course cash and CDs are the most often thought of place for immediate needs. Did you know that by using our Capital Access account, you can have access to up to 10 times the FDIC insurance coverage standard limit through the Raymond James Bank Deposit Program? Large deposits and CD purchases can easily be managed in this account.

Are you worried about having to liquidate certain assets to fund some upcoming goals? Possibly a Securities Based Line of Credit (SBL) can be useful. This is a flexible alternative to traditional financing, which allows funds to remain invested while relying on the borrowing power of one or more brokerage accounts to establish a loan.

If one is focusing on a real estate purchase, we can introduce them to a Raymond James Bank mortgage consultant that will help find the right mortgage solution for them. By discussing the best ways to pursue those goals, we can set aside cash, and other assets to achieve your goals, while ensuring you stay on track with their long-term financial strategy. Wishing you a rewarding 2019.

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COMMUNITY SPOTLIGHT: Q&A with Adam A. Czaya, Esq.



Position: Associate Attorney-at-Law. **Years in Position:** 7

Family: Wife- Jessica Czaya (also an attorney here at the Keith Taylor Law Group, P.A.). We have two children- a boy and a girl.

How long have you lived in Citrus County? What do you like most about Citrus County? I have lived in Citrus County since graduating from law school in 2011. What I love most about Citrus County is having access to the most amazing springs and being able to view the manatees that congregate in them.

Hobbies/Interests: My main passion is travel, but I also love reading, cooking, landscape photography, and hiking.

Community Involvement? I am a founding member of Nature Coast Rotaract, which does amazing charitable work here in Citrus County.

Favorite place you've travelled to? It's very hard to choose just one place. I've been fortunate to have traveled in many incredible places (New Zealand, Peru, Morocco, Iceland all come to mind), but Istanbul may be my favorite city in the world at the moment. **Place you'd still like to visit?** India, Egypt, Kenya, Nepal. Too many to completely list.

Career that interests you besides your own? Travel writer

Career accomplishment most proud of? Graduating from law school and being admitted to the Florida Bar, as well as being recently admitted to the Maine Bar.

How old were you when you became interested in your profession? I became interested in becoming a lawyer in my later college years. It seemed like a profession that best suited my skills and goals.

What do you enjoy most about your profession? I think the most rewarding thing about being a lawyer is having the opportunity to help and advocate for people when they need it the most. We have a great legal community here in Citrus County that really values resolving conflict and ensuring our client's best interests are protected. **Biggest challenge in your profession?** There are many challenges that we face as lawyers (formulating unique arguments, ever-changing case law, etc.), but every challenge brings a new opportunity to learn and progress.

What do you want to learn more about? I'd love to learn more languages. I majored in Russian at the University of Florida, but I'd also like to get better at Hindi, Italian, and Arabic.

If you had complete financial security, how would you spend your time? Traveling the world, preferably by train.

What do you strive for most in life? To learn about and experience as much of the world as possible. **What do you try to avoid?** Laziness/inactivity

How would you like to be remembered? I would like to be remembered as someone lived a purposeful life, who experienced many things, and who showed compassion for others as much as possible. **What values or philosophies would you like to pass on?** My goal is to ensure that my children grow up to value and appreciate travel, adventure, and science.

Information about your profession that community members may not be aware? I would like to stress how diligently and professionally lawyers, particularly here in Citrus County, work to ensure their clients are treated fairly and receive an equitable solution to their legal issue.

What on the horizon are you excited about? My wife Jessica and I were recently admitted to the Maine Bar, so we are both very excited to explore practicing law in that beautiful state (as well as here in Citrus County) in the future.

FROM NANCI, KRIS & SUZANNE: Important Information for Tax Season

As you prepare for tax season, here is some information that you may find beneficial. **2018 Form 1099 mailing schedule:**



- ◆ January 31 – Mailing of Form 1099-Q and Retirement Tax Packages
- ◆ February 15 – Mailing of original Form 1099s
- ◆ February 28 – Begin mailing delayed and amended Form 1099s
- ◆ March 15 – Final mailing of any remaining delayed original Form 1099s

Delayed Form 1099s: In an effort to capture delayed data on original Form 1099s, the IRS allows us to extend the mailing date until March 15, 2019, for clients who hold particular investments or who have had specific taxable events occur. Examples of delayed information:

- ◆ Income reallocation related to mutual funds, real estate investment, unit investment, grantor and royalty trusts; as well as holding company depository receipts
- ◆ Processing of Original Issue Discount and Mortgage Backed bonds
- ◆ Expected cost basis adjustments including, but not limited to, accounts holding certain types of fixed income securities and options.

Amended Form 1099s: Even after delaying your Form 1099, please be aware that adjustments to your Form 1099 are still possible. Raymond James is required by the IRS to produce an amended Form 1099 if notice of such an adjustment is received after the original Form 1099 has been produced. There is no cutoff or deadline for amended Form 1099 statements. The following are some examples of reasons for amended Form 1099s:

- ◆ Income reallocation
- ◆ Adjustments to cost basis (due to the Economic Stabilization Act of 2008)
- ◆ Changes made by mutual fund companies related to foreign withholding
- ◆ Tax-exempt payments subject to alternative minimum tax
- ◆ Any portion of distributions derived from U.S. Treasury obligations

What can you do? You should consider talking to your tax professional about whether it makes sense to file an extension with the IRS to give you additional time to file your tax return, particularly if you held any of the aforementioned securities during 2018. If you receive an amended Form 1099 after you have already filed your tax return, you should consult with your tax professional about the requirements to re-file based on your individual tax circumstances. You can find additional information at <https://raymondjames.com/wealth-management/why-a-raymond-james-advisor/client-resources/tax-reporting>. I hope you find this additional information helpful. Please call me if you have any questions or concerns about the upcoming tax season.

For a 2018 & 2019 list of tax rates & relevant figures for personal income, business, investment, retirement, education, protection, & estate planning, as well as government benefits & related taxation, please call our office and ask for a copy of "Key Numbers."

Please note, changes in tax laws or regulations may occur at any time and could substantially impact your situation. Raymond James financial advisors do not render advice on tax or legal matters. You should discuss any tax or legal matters with the appropriate professional.

AMY'S COMMUNITY CORNER: *Free teacher store*

The Citrus County Education Foundation (CCEF) opened *Supplies for Success* free teacher store on October 1st of last year, and it's been a heartwarming experience ever since. Here district teachers can shop for free school supplies they need in their classroom, instead of using part of their own paychecks. The store, located at Withlacoochee Technical College in Inverness, is open Monday through Thursday, 3:00-6:00pm and is operated by volunteers. These volunteers share the gratitude they receive from teachers collecting classroom supplies, with comments like "I can't believe it (the free store) really exists" and some even brought to tears of joy. Please consider donating school supplies, money to buy supplies, or volunteer to run the store one afternoon. All school supplies are appreciated; higher demand items include glue sticks, binders, expo markers, highlighters, construction paper, rulers, backpacks, plastic baggies, composition books, and post-it notes. Supplies can be dropped off at the store or our office in Crystal River. Monetary donations can be mailed to CCEF, Attn: Free Teacher Store, P.O. Box 2004, Inverness, FL 34450. Learn more at www.citruseducation.org. As always, thank you for your support.



Teachers, students & volunteers celebrate the opening of the free teacher store in Inverness

FROM SCOTT BROWN: *A Retrospective Look at the Financial Crisis*

Raymond James Chief Economist Scott Brown reflects on the 10-year anniversary of the Great Recession: For financial market participants, the 10-year anniversary of the financial crisis is likely to bring back a lot of bad memories. We tend to think of the financial crisis as the bursting of the housing bubble, but it was much more than that. The country had experienced a number of regional housing bubbles over the years (defined as home prices rising faster than median household income). As the bubble burst, home prices tended to fall somewhat, but then stabilized, flattening as incomes caught up. We had never seen a housing bubble on a national scale. Alan Greenspan, the chair of the Federal Reserve at the time, likened the housing market to a glass of beer – a lot of small bubbles – and downplayed the risks.

A lot of homeowners used their homes as ATMs. At its peak, the extraction of home equity was huge, totaling more than 10% of the level of personal income. That extraction funded a wide range of consumer spending, especially motor vehicle sales, but evaporated as home prices declined.

Debt's Role: As a rule, debt doesn't matter until it does. High debt levels are not a catalyst for a recession, but can make an economic downturn worse. Household debt had risen sharply ahead of the financial crisis, but so had home prices, leaving household balance sheets in generally good shape – that is, until home prices began falling.

Nonfinancial businesses debt did not appear to be much of a problem ahead of the crisis. Firms were generally positioned to be able to service their debt, if the economy experienced a moderate downturn. In contrast, financial sector debt was enormous. The ensuing deleveraging generated uncertainty and boosted counterparty risks. The global financial system seized up, as the big global banks were unwilling to trade with each other. The global financial system was saved by the Federal Reserve and other central banks, which offered to exchange illiquid securities with U.S. Treasuries.

Unintended Consequences: Small business relies on bank credit to regularly meet payrolls, fund inventories and so on. As the financial crisis quickly picked up steam, banks sharply curtailed credit to small businesses. Small- and medium-sized business accounts for a disproportionate share of job creation during an economic expansion. The tightening of bank credit made the downturn worse and limited the ability to recover.

The Policy Response: What set the Great Recession apart from other downturns was the magnitude of the decline. Real gross domestic product (GDP) fell more than 4%. The U.S. economy shed 8.8 million private-sector jobs (a 7.8% decline). The policy response needed to be massive.

Congress struggled to pass the Troubled Asset Relief Program (TARP), which was supposed to create a market for troubled assets over time. Within a week, we saw a simpler, more effective solution. The TARP funds were used to recapitalize banks – an absolutely necessary move that remains widely unpopular. The recession would have been a lot worse otherwise.

Fiscal policy is taxation and government spending. While tax cuts can provide incentives for work and investment over the long term, they are more likely to be saved than spent in a recession (but that never stops lawmakers from trying). Increased government spending may help offset the decrease in private demand, but it's not always clear when support should be withdrawn.

Multi-Front Plan: President Obama and Congress worked to create the American Recovery and Reinvestment Act of 2009 (ARRA), which cost about \$831 billion, mostly split between 2009 and 2010. Obama's economic advisors had called for a much larger package, but the smaller size was deemed more acceptable, following the unpopular bank rescue.

A third of ARRA went to tax cuts; a third as aid to the states. About 20% was infrastructure spending. The stimulus made the recession less severe, but it would still take time for a full recovery. ARRA added to the federal budget deficit (10% of GDP in 2009), but the deficit fell as the economy recovered (2.5% of GDP in 2015).

State and local governments normally provide some base level of support in a recession. Teachers, police and firefighters still get paid. However, reduced tax receipts and balanced budget requirements led to significant cutbacks, dampening overall economic improvement in the first few years of the recovery.

The Federal Reserve (Fed) cut short-term interest rates to effectively 0% and embarked on three large-scale asset purchase programs (known as quantitative easing or QE). QE helped lower long-term interest rates and shored up the stock market. However, each round was seen as less effective. Purchases of Treasuries and mortgage-backed securities ballooned the Fed's balance sheet, but that failed to ignite inflation as some critics had feared.

Congress passed the Dodd-Frank Act in 2010 to prevent the kind of excesses that contributed to the financial crisis, although lawmakers have worked to whittle away many of the requirements in recent years. Still, banks are much better capitalized than before.

Looking Forward: Nine and a half years into the current expansion, there are no signs of a recession on the immediate horizon. However, there's not much of a safety net should the economy slip and fall. The Fed lowers short-term interest rates a full five percentage points in a typical recession – we currently have about half that potential. With the economy at full employment, the federal budget deficit is surging, leaving little scope for fiscal stimulus if needed.



VAUGHN McLAUGHLIN
Team Of

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SAVE the DATE

Our next thematic coffee club will be on February 20, at the College of CF in Lecanto, Room 103. We will be joined by local CPA Johnny Cash, who will present on tax planning and key provisions of the Tax Cuts & Jobs Act. The presentation will also include a Q&A session, refreshments, and copies of *Key Numbers*- a list of 2018 and 2019 tax rates and relevant figures for personal income, business, investment, retirement, education, protection, and estate planning, as well as government benefits and related taxation. To reserve your seat, call 352.795.6155 or email amy.barbieri@raymondjames.com

February 16: *Healthy Living Show, 9:00am-2:00pm, Armory, Crystal River.*

February 18: The office and markets will be closed in observance of Washington's Birthday.

February 19: Wall Street Coffee Club, 9:30am, Juliette Falls country club, Dunnellon.

February 20: Thematic Wall Street Coffee Club (see above), 9:30am, College of CF, Lecanto.

March 2-3: *Floral City Strawberry Festival, 9:00am-5:00pm on 3/2, 9:00am-4:00pm on 3/3, Floral Park, Floral City*

March 7: Wall Street Coffee Club, 10:00am, Citrus County YMCA, Lecanto.

March 8-10: *Spring Mega Book Sale by the Friends of the Citrus County Library System, Citrus County Auditorium, Inverness.*

March 19: Wall Street Coffee Club, 9:30am, Juliette Falls country club, Dunnellon.

April 4: Wall Street Coffee Club, 10:00am, Citrus County YMCA, Lecanto.

April 6: *6th Annual Schoolhouse Hustle 5K-10K-1 Mile Walk with health expo & kid zone to benefit the Citrus County Education Foundation, 7:00-11:00am, CREST School / Lecanto complex (see www.schoolhousehustle.com for more information).*

April 16: Wall Street Coffee Club, 9:30am, Juliette Falls country club, Dunnellon.

April 10: Thematic Wall Street Coffee Club with Special Guest Expert, 9:30am, College of CF, Lecanto.


April 19: The office and markets will be closed in observance of Good Friday.

April 27: *21st Annual Superintendent's Golf Classic to benefit the Citrus County Education Foundation, 8:30am, Sugarmill Woods Golf & Country Club, Homosassa, \$55 (includes golf lunch, door prizes & contests). Sponsor opportunities also available. Call 352.726.1931 x2240 for more information.*

May 2: Wall Street Coffee Club, 9:45am, Citrus County YMCA, Lecanto.

May 11: *25th Annual Raymond James Symphony Under the Stars featuring the Florida Orchestra, 6:00pm, Raymond James Stadium, Tampa. Contact us for your complimentary tickets, while supplies last.*

Call or email us for more information on the events above, or if you would like to include your community events in our next newsletter.

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