

**THE COMMUNIQUE**

**August 2018**

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	2736.61	1.47%	5.13%	6.89%
Dow Jones Industrials	24856.74	0.66%	5.41%	3.50%
NASDAQ Composite	76586.43	2.82%	5.03%	14.27%

U.S. TREASURIES	YIELD
5-yr Treasury Note	2.84 %
10-yr Treasury Bond	2.97%
30-yr Treasury Bond	3.12%

Information as of August 8, 2018

Source: Thomson Reuter's Thomson One

**MARKET COMMENT**

**August's Bits and Pieces**

August is usually a vacation month for many, including the stock market. Not always, but often, this month finds the stock market with low volume and investors/traders checked-out of work and check-into a resort somewhere. So, I thought this would be a good month to share some random bits and pieces of information, ideas, and thoughts of mine. Hopefully, you will not be (too) bored.

The second quarter earnings, which ended June 30<sup>th</sup>, are coming in quite strong. As questioning investors we often wonder: Are we at the peak of earnings for this cycle and, if so, what does that mean for future stock market performance? But, as we have often noted, it is "impossible" to predict the future with any degree of accuracy, so our approach is always to listen to what the market is saying – and not to what we are feeling/thinking/wondering/worrying – and then make adjustments. So, looking at the data before us, the current trend is rising earnings. Until that changes, we will remain steady.

This approach has proved effective thus far as the markets have defied logic. For instance, if everyone presently dislikes America, why is the Dollar at a point of breaking out into a new up cycle? And if interest rates are going up, why did the Dow Jones Utility Index just break out into a new high? And if earnings are peaking, and a slowdown is near, why are transportation stocks breaking out into new highs? The markets always provide us with lots of questions, but the key is remember that only the market itself has the answer.

On a different topic, it's time to buckle your political seatbelt for the up-coming mid-term elections in November. There is no doubt that the political environment in America is somewhat ugly, and there seems to be plenty of angry words in tweets, interviews, and speeches by politicians, athletes, entertainers, and business leaders, so to escape some of that noise, I discovered a Bible proverb which reminds me to refocus on *action* rather than *words*. It is Proverbs 14.23, which says "in all toil there is profit, but mere talk tends only to poverty." So it is with the stock market. The focus is, and always has been, on the toil (*i.e.* results of Corporate America) and not on the mere talk (*i.e.* political rhetoric).

Lastly, warm summer nights offer a good time to step outdoors in the evening to watch the fireflies, listen to the crickets, and gaze up at the stars. I've always found the vastness of nature helps put the "words" into perspective. Enjoy the final days of summer, and the following poem.

### Moths

*Adrift in the liberating, late light  
of August, delicate, frivolous,  
they make their way to my front porch  
and flutter near the glassed-in bulb,  
translucent as a thought suddenly  
wondered aloud, illuminating the air  
that's thick with honeysuckle and dusk.  
You and I are doing our best  
at conversation, keeping it light, steering clear  
of what we'd like to say.  
You leave, and the night becomes*

*cluttered with moths, some tattered,  
their dumbly curious filaments  
startling against my cheek. How quickly,  
instinctively, I brush them away.  
Dazed, they cling to the outer darkness  
like pale reminders of ourselves.  
Others seem to want so desperately  
to get inside. Months later, I'll find  
the woolens, snug in their resting places,  
full of missing pieces.*

by Jennifer O'Grady

## PLANNING STRATEGY

Raymond James "Point of View" article. M18-2139784

### **Creating an Inheritance That Lasts Generations**

If you have wealth to transfer, you may worry about the sometimes adverse effect of sudden wealth and the squandering of assets within a generation.

There is a good reason to be concerned: 70% of family money disappears by the second generation, and 90% by the third generation, according to the Williams Group wealth consultancy. The cautionary tales of families like the Vanderbilts also feed into this worry. The result is that around 60% of parents think their children aren't prepared to receive a large inheritance, a study by U.S. Trust shows.

If you're in this position, you have a number of options to help ensure your legacy lasts.

## **Take Advantage of Trusts**

Trusts can help eliminate some of the guessing game of where money might end up, while allowing you to dictate how and when your assets are distributed after you die. For individuals with relatively young heirs, age provisions that dole out trust income to beneficiaries only when they've reached certain ages can also be beneficial. A common threshold for distribution is reaching age 25 or 30. Generation-skipping trusts are another helpful vehicle. In some cases, this type of trust can allow you to transfer money tax-free to your grandchildren or great-grandchildren.

## **Turn to Philanthropy**

Making charitable giving a family affair can provide opportunities to connect with younger generations and communicate values and ideals. When a philanthropic mission is shared among your family, it provides a forum for communication and sharpened decision-making in a situation where the money is going to others and there is no personal interest at stake. Donor advised funds and private foundations can be effective vehicles for this type of endeavor. Charitable remainder trusts (CRTs) can also help if you wish to give assets to charity in order to leave a smaller inheritance.

## **Open the Lines of Communication**

Many squandered inheritances can be traced back to a root cause – poor communication. In nearly 60% of boom-and-bust inheritance cases researched by the Williams Group, trust and communication breakdown among family members played the largest role. To prevent this happening in your family, consider sharing history, values and a vision for the future of the family. This can be done in person at a family gathering or through a written statement, also known as an ethical will or legacy letter. With a common purpose and shared story, your family stands a better chance of preserving assets for future generations.

## **Carefully Prepare Heirs**

The Williams Group research points to failure to properly prepare heirs as another cause of lost inheritance, affecting about 25% of the cases studied. We are happy to play a role in educating you and your family about inheritance, as well as wealth management and its important principles.

Creating a lasting legacy is neither easy nor impossible, but the difficulty lies in the details. It's an especially pressing issue as researchers estimate that over \$30 trillion will transfer to younger generations over the next several decades. Finding the tools and resources that will best benefit your family and situation can perhaps make the difference between a squandered fortune and a strong heritage that lasts generations.

*Raymond James is not affiliated with the Williams Group*

## **LIFE & LEISURE**

*Raymond James "Point of View" article. M18-2180194*

## **Redefining Your Retirement**

Although an estimated 10,000 baby boomers reach retirement age every day, how each chooses to spend their free time can be quite different. Today's retirees wish to forge new identities and seek new experiences, while redefining how they spend their time and money.

See if one or more of these new retiree profiles resonates with you. Deciding how you'll stay busy can go a long way toward helping you plan and save for your dream retirement.

### The Giver

Givers contribute time, talent and, yes, even money to support causes close to their hearts. While the typical American spends 20 minutes a day engaged in volunteer, civic or religious activities, the Giver over age 65 dedicates a half hour or more, according to the Bureau of Labor Statistics.

One retiree may use her musical talents to play the violin for hospital patients, while another works behind the scenes updating a nonprofit's website. Either way, it's all about making a meaningful difference.

**Note:** Givers may become too altruistic, spending more time and money than planned, undermining health or financial stability.

Givers represent 33% of working retirees.

### The Thinker

Thinkers have a deep desire for lifelong learning. They may retire in a college town, take classes, read for pleasure and engage in contemplative activities.

Many colleges and universities are designing courses aimed at this new senior class. Campuses can be found in areas with affordable housing, quality education, teaching opportunities, walking and biking trails, and excellent transportation, healthcare and entertainment options.

**Note:** If you've established a 529 plan for a child or grandchild, you may be able to use unneeded funds for your own continuing education. Ask your financial advisor about potentially withdrawing funds without penalties.

Cognitively active people are 2.6 times less likely to develop dementia or Alzheimer's.

### The Entrepreneur

Entrepreneurs typically start a business that's different from a past career, bringing decades of experience, success, passion and emotional intelligence to their new ventures.

Goals include a fulfilling career, increased flexibility and enjoyment in their work. Some hope their new endeavors will become self-sustaining, while allowing for work/life balance.

**Note:** A small business entails a business plan, startup costs, insurance and a financial plan. Work with a professional tax planner and financial advisor to build a successful venture.

Nearly 3 out of 5 working retirees consider a different line of work.

### The Explorer

The Explorer dedicates up to a quarter of their financial resources on travel. These globetrotters invest in experiences and indulge their wanderlust while they have the health, energy and resources.

Good saving habits help Explorers immerse themselves among other cultures, foods and languages.

**Note:** Plan for ongoing travel expenses, desired location, frequency and duration, as well as inflation and foreign exchange rates. Health-related issues may become a limitation in later years.

There are just as many Explorers over age 75 as there are among younger groups.

### The Part-Timer

The Part-Timer, like the Entrepreneur, seeks a career change, but may not wish to commit to a full-time position. Some favor mini-retirements – periods of work followed by intermissions for relaxation. Think consulting and contracting, for example.

**Note:** Returning to work, even part time, can incur expenses such as new work attire, transportation and dining out. Evaluate the impact of additional income on your current tax bracket, Social Security benefits, healthcare coverage, and potential contributions to retirement plans.

There are more than 7.1 million Part-Timers age 55 or older.

### The Foodie

Foodies prefer quality dining and enjoying the experience of the meal. They typically spend about an hour and 20 minutes when dining, relishing how food and drink increases their quality of life. They enjoy experimenting with new creations, introducing new flavors or bringing friends and family together.

Since the Foodie spends time shopping for and preparing meals, other expenses are typically lower.

**Note:** Food connoisseurs need to factor in healthcare costs and inflation, as well as utilities and transportation.

Foodies spend, on average, 28% of their income on food and beverage.

### The Athlete

The Athlete may compete in triathlons or play tennis into their 80s and beyond. They stay in top form and enjoy training and competition.

As the Athlete eventually slows down, or faces sudden illness or injury, healthcare costs can account for a significant share of retirement income, including Medicare expenses, prescriptions or long-term care needs.

**Note:** It's important to budget for proper equipment and training. Select an appropriate Medicare or healthcare policy and account for expenses that aren't covered. Be sure to factor in inflation and long-term care or assisted living.

Approximately a third of Americans over 65 are considered physically active.

### Next Steps

- Decide what type or types of retirement styles you'd like to pursue
- Further explore the necessary steps to achieving your goals
- Talk to your financial advisor about the best strategy for turning your retirement dream into reality

Sources: *Journal of Financial Planning: "How retirees spend their time"*; Bureau of Labor Statistics; Robert S. Wilson, Ph.D., Rush Alzheimer's Disease Center; *Work in Retirement: Myths and Motivation*; J.P. Morgan "Cost of Waiting" study; President's Council on Fitness, Sports & Nutrition

*Earnings in 529 plans are not subject to federal tax, and in most cases, state tax, so long as you use withdrawals for eligible education expenses, such as tuition and room and board. However, if you withdraw money from a 529 plan and do not use it on an eligible education expense, you generally will be subject to income tax and an additional 10% federal tax penalty on earnings. Investors should consider before investing, whether the investor's or the designated beneficiary's home state offers state tax or other benefits only available for investments in such state's 529 savings plan. Such benefits include financial aid, scholarship funds, and protection from creditors. 529 plans offered outside their resident state may not provide the same tax benefits as those offered within their state.*

**Quote of the Month:** "All wealth is the product of labor" – John Locke

For questions or additional information please contact:

Raymond James & Associates

9900 Clayton Road, Saint Louis, Missouri 63124



Jim Pohlman, CFP®  
Senior Vice President, Investments  
[James.Pohlman@raymondjames.com](mailto:James.Pohlman@raymondjames.com)  
T 314-214-2122



Hunter Martiniere, J.D.  
Financial Advisor  
[Hunter.Martiniere@raymondjames.com](mailto:Hunter.Martiniere@raymondjames.com)  
T 314-214-2152



Vickie Bollinger  
Senior Registered Sales Assistant  
[vickie.bollinger@raymondjames.com](mailto:vickie.bollinger@raymondjames.com)  
T 314-214-2175

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