GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

February 2019

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	2706.53	0.09%	7.97%	7.97%
Dow Jones Industrials	25063.89	0.10%	7.44%	7.44%
NASDAQ Composite	7330.54	0.26%	9.47%	9.47%

U.S. TREASURIES	YIELD
5-yr Treasury Note	2.68%
10-yr Treasury Bond	2.50%
30-yr Treasury Bond	3.02%

Information as of February 1, 2019 Source: Thomson Reuter's Thomson One

MARKET COMMENT

Don't Fight the Fed

The title of this month's *Market Comment* is a phrase that was popularized by Mary Zweig, an astute money manager in the 1980s and 1990s, and has been seared into the minds of money managers ever since it was coined (ourselves included). In light of the Federal Reserve's recent comments, and lack of action regarding future interest rate increases, this popular saying come to the front of my mind. The quip simply means that if the Fed is being accommodative (lower rates), or holding interest rates stagnant, we may well see continued economic and stock market advances into the future. This is especially true given the attractive level of interest rates currently, which could support growth in housing, auto, and consumer spending into the future.

On the contrary, if the Fed remains too passive for too long, they may create future bubbles in various asset classes, and be required to pull the rug out from underneath the economy to reign in inflation. But that is down the road, and a concern for future, so in the meantime it's probably wise to remember: *don't fight the Fed*. At present, it seems the stock market likes the recent Fed action, which could prolong the current 10-year economic expansion.

Another positive support for the economy (and markets) would be a trade settlement with China. There are certainly strong political incentives for the current administration to resolve this issue sooner rather than later, given the Democratic change in Congress and the Presidential election cycle that is quickly approaching. All the while, China's economy appears to be slowing, so they too may want to resolve the trade dispute in a timely manner. As always, the drama will continue to create ebbs and flows in the stock market.

Considering the recent "Fed talk" of taking a wait-and-see approach to interest rates, the potential resolution of our trade dispute with China, and the current strong U.S. employment numbers, this rather long economic cycle may just continue to chug along into the future.

As always, thank you for your continued trust and confidence. Please let us hear from you. Your comments are always welcomed.

PLANNING STRATEGY

Raymond James "Point of View" article. M19-2394426

Double-Check Before Filing Your IRS Return

It's tax time. And as you work with your tax preparer to maximize your refund, or at least minimize what you owe, keep in mind that one of the most important things taxpayers can do to limit errors is to double-check the information they input into software or a printed form.

It may seem like common sense, but going back over the information you enter may be the most important part of your tax filing duties. It's easy to put a figure on the wrong line – in fact, one of the most common errors is not putting in the right Social Security numbers for you, your spouse and your dependents. An error like that can cause a significant delay in the processing of your return or, even worse, could trigger an audit.

So make an effort to recheck what you've entered before moving to the next line or screen. While you're going back over your return for wrong entries and typos, take the time to look up numbers such as cost basis for investments sold and real estate tax paid, rather than estimating. And double-check your math, too, because simple miscalculations can commonly lead to errors as well.

Here are a few other tax filing tips:

- If you looked for a new job last year, add up the cost of creating resumes, employment agency fees and travel expenses for interviews for jobs in your current line of work. These expenses may be tax deductible should you itemize, although many taxpayers will likely take the new standard deduction instead.
- Reduce your taxable income by making contributions (right up until the April filing deadline) to tax-advantaged accounts like a health savings account, traditional IRA or SEP IRA if you have self-employment income.
- Review the income limitations for breaks such as deductible IRA contributions, which rise annually. Depending on how your tax situation has changed, you might be eligible now even if you weren't before.

- If you work out of your home, rather than laboriously itemizing for your home office deduction, consider using the simplified option of calculating $5 for every square foot of your home you use as your office, up to 300 square feet for a maximum deduction of $1,500.
- File your taxes electronically. It's the safest, easiest and fastest way to file your taxes, and you will get your refund quicker if you request direct deposit.

Be aware that the IRS never contacts taxpayers by email. If you receive an email appearing to come from the IRS about your returns, beware. It is likely a phishing attempt to get you to share sensitive information about yourself. If you receive an email like this, forward it to phishing@irs.gov.

It's always wise to seek the help of a professional. If you don't already have a tax advisor, consider working with one this year to see if together you can uncover new ways to turn your tax return in your favor.

Withdrawals from tax-deferred accounts may be subject to income taxes, and prior to age 59½ a 10% federal penalty tax may apply. Raymond James does not offer tax advice. Please consult your tax advisor for questions regarding your tax situation.

LIFE & LEISURE

Raymond James "Point of View" article. M19-2401742

Are You and Your Partner on the Same Retirement Page?

In 2018, Fidelity Investments asked couples how much they think they will need to save for retirement to maintain their current lifestyle. Believe it or not, 49% said they had "no idea." Over half the survey respondents – 54% – disagreed on the amount needed to retire, and 43% had differing answers when asked their planned retirement age.

In some ways, that's not surprising – many couples disagree on financial and lifestyle matters long before they've stopped working. But adjustments can become more difficult in retirement. The picture changes: At that point, you've generally stopped accumulating wealth and now have to focus more on controlling expenses and dealing with the various risks and unexpected events that come with retirement.

Ultimately, the time to talk about and resolve any differences you have about retirement is well before you need to. Let's look at some of the key areas where couples need to find common ground.

When and Where

Partners often have different time frames for their individual retirements, an issue that can be exacerbated if one is significantly older. Sometimes, differing time frames are due to policies or expectations in their respective workplaces; sometimes, it's a matter of how long each one feels they can physically continue to work. One may be eyeing the door; the other may enjoy their work and want to keep the fulfillment it brings.

Of course, the retirement nest egg is also a factor here. If you're planning to downsize or move to a location that's warmer or nearer your children, that will affect your timeline as well. There's no numerical answer (65 as a retirement age just isn't relevant in today's world) and this may be a moving target, anyway. But you both need to have a general idea on when each is going to retire.

You also need to be in agreement on where you're going to live, because a mistake on this point can be very expensive to fix. If one of you is set on a certain location, try to take a long vacation (or several) there together and discuss how you each feel about living there permanently.

Your Lifestyle in Retirement

Some people see retirement as a time to do very little; others see it as the time to do everything they couldn't do while working. While these are individual choices, they'll affect both of you as well as your joint financial planning. After all, if there's a trip to Europe in your future, there's a hefty expense in your future as well.

While you may not be able to (or want to) pin everything down precisely, partners should be in general agreement on how they're going to live in retirement and what that lifestyle is going to cost. You need to arrive at that expense estimate long before retirement, while you still have time to make any changes that might be needed to assure you reach the financial target required to fund your agreed-upon lifestyle.

Your Current Lifestyle

How much you spend and save now obviously plays a major role in determining how much you will be able to accumulate and therefore how much you can spend in retirement. A key question: What tradeoffs (working longer, saving more, delaying Social Security) are you willing to make now to increase your odds of having the retirement lifestyle you want?

Examining your current lifestyle is also a good starting point for discussing how things might change in retirement. Are there expenses that will go away? Are there new ones that will pop up? If you're planning on working part-time or perhaps turning a hobby into a little business, should you begin planning for that now?

Retirement Finances

This is a major topic, including items such as:

- Monitoring and managing expenses
- How much you can withdraw from your retirement portfolio annually
- What your income sources will be
- How long your money has to last (be sure to add a margin of safety)
- What level of risk you can jointly tolerate
- How much you plan to leave to others or to charity
- How much you're going to set aside for emergencies
- Who's going to manage the money, and what happens if he or she dies first

... and the list goes on. You don't want to spend your retirement years worrying about money, but not planning ahead might ensure that you will. Talk about these subjects now.

Unknowns

By retirement, you'll be well aware that life hands you plenty of things that weren't planned for. "Expect the unexpected" applies all the way along the journey, but perhaps even more strongly in our later years. What will your healthcare costs be, and how much of that will have to come out of your own pocket? Will you or your spouse need long-term care, and should you purchase insurance to cover that? What happens if the market suffers a severe downdraft right after you retire?

While you obviously can't plan precisely for an unknown, talking about what might happen and how you'd respond will make things easier if the unexpected does occur. Included here is the reality that one of you will likely outlive the other, so your estate planning should be done together and the day-to-day manager of your finances should be certain their counterpart can take over when needed.

Communication is vital, especially when it comes to something as important as retirement. Almost all of us will have to make some tradeoffs and adjustments (as we do throughout our relationships), and it's important to remember that the earlier you discuss and negotiate what those are going to be, the better your chances of achieving the satisfying retirement you've both worked so hard to achieve.

Quote of the Month: "Monetary conditions exert an enormous influence on stock prices. Indeed, the monetary climate - primarily the trend in interest rates and Federal Reserve policy - is the dominant factor in determining the stock market's major direction." - Martin Zweig

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