GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

February 2020

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	3297.59	2.23%	2.07%	2.07%
Dow Jones Industrials	28807.63	1.95%	0.94%	0.94%
NASDAQ Composite	9467.97	3.46%	5.52%	5.52%

U.S. TREASURIES	YIELD
5-yr Treasury Note	1.42%
10-yr Treasury Bond	1.60%
30-yr Treasury Bond	2.08%

Information as of February 4, 2020   Source: Thomson Reuter's Thomson One

MARKET COMMENT

Derailing the Stock Market

We all are familiar with occasional news report showing the derailing of train cars somewhere along the east coast – usually a very messy and destructive scene. Likewise, major stock market declines, or "bear markets," create similar carnage across the market landscape when they occur.

The current stock market, however, seems to be in a pattern of providing fairly contained 3% corrections (*i.e.* pull backs), and then advancing forward. So, if you are looking for strong pullback to enter the stock market or add new positions to your portfolio, those opportunities just aren't happening at the moment. We seem to be living in a "*perfect*" world where bad things get fixed quickly. For example:

Impeachment – Acquittal
Coronavirus – Chinese Government Stimulus Intervention
Interest Rates – Federal Reserve cuts rates 3 times and the market goes up
Muted Economic Growth – Lowest unemployment and inflation in decades

Since the Great Recession of 2008-2009, the financial markets and the economy have clawed their way over the metaphorical "wall of worry" year after year. We know some day the markets will have another derailment, but at the present, all lights seem to be green and it's full speed ahead.

Supporting the recent bout of market gains, and the lack of any major downside moves, is the apparent value that the market has placed on President Trump's pro-business agenda. This has taken the form of tax cuts and deregulation, which the market views as a tailwind for the economy. Some readers may remember from the 1980's term, "Teflon President," referring to President Reagan's ability to deflect any controversial issue, which never seemed to stick to him. It seems President Trump is wearing a similar suit of armor. Love him or hate him, he has the uncanny ability to fall in a pile of manure and not even mess up his pompadour.

Taking all of these items into consideration, it seems that we are destined for another positive year in the stock market, with history showing a high probability that election years end with higher asset values. Couple this positive historical bias with low interest rates, a strong economy, and the Federal Reserve on hold, and we can only assume that the train continues down the track – as along we don't hit a stalled car ahead (just ask Casey Jones if you happen to see him!).

PLANNING STRATEGY

Raymond James "Point of View" article. M20-2910366

Six SECURE Act Takeaways

Passed in December, the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 has wide-reaching impacts on retirement savings and estate planning for many Americans.

Review some of the new law's key components below. Your advisor can help provide more detail and recommend adjustments to your retirement and estate plans, if warranted.

1. It removed the provisions for inherited "stretch" IRAs.

Previously, non-spousal beneficiaries of retirement accounts such as 401(k)s and IRAs could typically spread – or "stretch" – distributions over their life expectancy. The new law now requires most beneficiaries to take distributions from the inherited retirement account over a 10-year period, rather than over their life expectancy.

The new rule affects beneficiaries of account owners that pass in 2020 and beyond. Beneficiaries of account owners who passed away in 2019 and earlier are grandfathered under the old rules and may continue to stretch distributions over their life expectancy. Other exceptions to the new rule include spousal beneficiaries, beneficiaries who are chronically ill or disabled, and beneficiaries not more than 10 years younger than the original account owner. Minor child beneficiaries of the decedent may use the stretch until they reach the age of majority and will then follow the 10-year rule.

If you have named a trust (known as a "pass-through trust" or "conduit trust") as a beneficiary of your retirement accounts, speak with your estate attorney to review the new law's details. These trusts often have language that allows trust beneficiaries to receive only required minimum distributions (RMDs);

since now there are no RMDs until the 10th year, the trust's current language may only permit one distribution in the final year, potentially creating a substantial tax liability.

2. It increased the age at which RMDs must be taken.

Previously, most individuals were required to take RMDs from their traditional IRA and 401(k) accounts starting in the year they turn 70½. The new law delays this required beginning date to age 72.

Individuals who turn 70½ in 2020 and beyond (born on or after July 1, 1949) may delay taking RMDs until age 72 and may still wait until April 1 in the year after turning 72 to take their first distribution. If you turned 70½ in 2019, you're required to satisfy your RMD for that year and will have to continue taking RMDs each year.

3. It removed the age limitation for contributing to an IRA.

Previously, you couldn't contribute to a traditional IRA after age 70½. The new law has removed that age limit. This is particularly significant for those who continue to work later in life, and it aligns with contribution rules currently in place for 401(k)s and Roth IRAs.

4. It added penalty-free distributions for the birth or adoption of a child.

Now, $5,000 per parent may be distributed from a retirement plan without the 10% penalty in the event of a qualified birth or adoption. The distribution would need to occur within one year of the child's birth or the adoption's finalization.

5. It changed the "kiddie tax" provisions.

The 2017 tax law changed how unearned income for some children was taxed, using the rates for estates and trusts rather than the parent's marginal rate. Now, this change has been reversed, and unearned income for some children in 2020 and beyond will once again be taxed at the parent's marginal rate. Furthermore, parents have the option of applying the new kiddie tax rules for 2018 and 2019.

6. It added to the list of qualified expenses for 529 plans.

The list of qualified expenses for 529 plan distributions has been expanded – notably, distributions for apprenticeship programs and "qualified education loan repayments" are now allowed. Up to $10,000 may be distributed to pay both principal and interest for qualified education loans for the plan beneficiary, and an additional $10,000 may be used to repay loans for each of the plan beneficiary's siblings.

The content provided herein is based on Raymond James' interpretation of the SECURE Act and is not intended to be legal advice or provide a tax opinion. This document is a summary only and not meant to represent all provisions within the SECURE Act.

LIFE & LEISURE

Raymond James "Point of View" article. M20-2896267

Are You and Your Partner on the Same Retirement Page?

Many couples don't agree on when, where or how they're going to spend their golden years.

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, when you’ve generally stopped accumulating wealth and have to focus more on controlling expenses and dealing with unexpected events.

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 wants – or can physically continue – to work.

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 will cost. You need to arrive at that expense estimate long before retirement, while you still have time to make any needed changes to reach that financial target.

Your current lifestyle

How much you spend and save now 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

"Expect the unexpected" applies all the way along the journey toward retirement, 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 downturn 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.

Raymond James is not affiliated with Fidelity Investments.

Quote of the Month: "Defeat may serve as well as victory to shake the soul and let the glory out." Edwin Markham

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