

THE COMMUNIQUE

December 2018

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	2759.14	1.75%	-5.30%	3.22%
Dow Jones Industrials	25517.84	1.63%	-3.50%	3.30%
NASDAQ Composite	7330.54	1.46%	-8.90%	6.19%

U.S. TREASURIES	YIELD
5-yr Treasury Note	2.83%
10-yr Treasury Bond	3.00%
30-yr Treasury Bond	3.30%

Information as of November 29, 2018

Source: Thomson Reuter's Thomson One

MARKET COMMENT

Christmas Bells

This will be our final newsletter of the year – and what an interesting year it has been. We experienced a solid economy with robust employment, strong corporate earnings, high consumer confidence, and moderate inflation growth. Yet, with all these positives, the stock market has found itself on the “naughty list” a handful of times. We have painfully lived through two strong corrections – one in February (with a retest in April) and the other in October (with a retest in November). And, after all that, we are now slowly clawing our way out. As mentioned last month, some sectors of the stock market remain in a bear market, with losses over 20% this year. So, as we have been asking ourselves, are these 2018 corrections the bearer of bad tidings – potentially bring further declines into the New Year – or are they just the pause needed to restart the bull market advance? We would like to believe it is the latter, but our crystal ball was delayed by UPS during the Black Friday rush, so we will rely on the markets to advise where we are going into 2019 instead. And while the season of good cheer may help lift the markets in December and, perhaps, into January, the next few months will likely be telling of what 2019 may bring. We have to remember, the current stock market activity is a leading indicator and usually communicates what the economy will experience 6-9 months into the future.

Of course, the new year (or even the next month) won't be without its challenges. Investors are on high alert for insights stemming from trade talks at the G-20 meeting in Buenos Aires starting November 30th, the Federal Reserve future interest rate hikes, consumers' buying behavior during the Christmas season, the impending political changes in Congress, and the pulse of investor sentiment. Staying abreast of

these developments should keep our elves quite busy and, hopefully, eating the reindeers' carrots will improve their "market eyes!"

As we conclude our reflection on the past year, perhaps the market has made you a bit nervous or anxious (volatility certainly makes every investor on edge). Perhaps the political scene seems so ugly that you continually ask yourself, "Whatever happened to civility?" If so, I would like to leave you with a famous poem penned during a very difficult Christmas by Henry Wadsworth Longfellow. His poem was inspired by the great grief he experienced at the tragic loss of his wife, his son's severe battle wounds during the Civil War, and the general pall that hung over the country during this tragic event in our history. But, amid the grief, he found comfort in this wonderful season and its special meaning.

Christmas Bells

I hear the bells on Christmas Day
Their old, familiar carols play,
And wild and sweet
The words repeat
Of peace on earth, good-will to men!
And thought how, as the day had come,
The belfries of all Christendom
Had rolled along
The unbroken song
Of peace on earth, good-will to men!
Till ringing, singing on its way,
The world revolved from night to day,
A voice, a chime,
A chant sublime
Of peace on earth, good-will to men!
Then from each black, accursed mouth
The cannon thundered in the South,
And with the sound

The carols drowned
Of peace on earth, good-will to men!
It was as if an earthquake rent
The hearth-stones of a continent,
And made forlorn
The households born
Of peace on earth, good-will to men!
And in despair I bowed my head;
"There is no peace on earth," I said;
For hate is strong,
And mocks the song
Of Peace on earth, good-will to men!
Then pealed the bells more loud and deep:
"God is not dead, nor doth He sleep;
The Wrong shall fail,
The Right prevail,
With peace on earth, good-will to men."

Finally, as we come upon year's end and the holiday season, we would like to thank you for your trust and confidence in us. It is deeply appreciated and never taken for granted. We extend a very warm holiday wish with many blessings to you and your family.

PLANNING STRATEGY

Raymond James "Point of View" article. M18-2255617

Decoding the New Tax Code

Last December, accountants and taxpayers everywhere got a chance to unwrap the comprehensive and at times, overwhelming, new tax bill. A lot was packed inside, including changes to several itemized deductions as well as some tax credits, and almost all of the individual income tax changes expire at the end of 2025. We also got a higher standard deduction; however, for some taxpayers, the resulting benefit may be partially or totally offset by the repeal of the personal exemption.

Take a look at what did and didn't make the cut, then ask your advisor and accountant if you'll be able to itemize.

Personal Exemptions

Say goodbye. In the past, taxpayers were generally allowed to reduce their taxable income by \$4,050 per person, but no more.

Medical Expenses

Still deductible, once out-of-pocket medical expenses exceed 7.5% of your adjusted gross income (AGI). That threshold will increase to 10% in 2019 (except for taxpayer's age 65+ for whom the 7.5% floor will remain intact), so it may make sense to move up any known deductible medical expenses to this year.

Also, the new bill eliminates the tax penalty for not having health insurance (starting in 2019).

Large Charitable Donations

Still deductible, and the limit for cash contributions has been raised to 60% of adjusted gross income. Remember that this only helps if all your itemized deductions exceed the new, higher standard deduction.

Mortgage Interest Payments

Still deductible, but only on loans up to \$750,000 that were opened after Dec. 15, 2017. Prior loans are capped at \$1 million.

Interest on Home Equity Loans and Lines of Credit

Still deductible, but the loan must be used to "buy, build or substantially improve" the home that secured the loan. Otherwise, no.

State and Local Taxes (SALT)

Still deductible, but capped at \$10,000 for most individuals. In the past, it was generally unlimited.

Credit for Dependents

Still applies, and the Child Tax Credit has been doubled to \$2,000. In addition, the new law allows for a \$500 credit for other types of dependents.

Casualty and Theft Losses

Still deductible, but only if the casualty loss was due to a federally declared disaster. The deduction for theft losses has been **repealed**.

Unreimbursed Job-Related Moving Expenses

Say goodbye until at least 2026, barring any changes. These expenses are no longer deductible unless you are an active duty military family.

Alimony

Say goodbye. No longer deductible by the payer spouse or taxable to the payee spouse for agreements inked after 2018. You may want to include a provision that the divorce agreement must be renegotiated if the tax law changes again.

Sources: *forbes.com; nytimes.com; turbotax.com; Raymond James research*

Please note, changes in tax laws or regulations may occur at any time and could substantially impact your situation. While familiar with the tax provisions of the issues presented herein, Raymond James financial advisors are not qualified to render advice on tax or legal matters. You should discuss any tax or legal matters with the appropriate professional.

LIFE & LEISURE

Raymond James "Point of View" article. M18-2324872

Don't Let Thieves Ruin Your Holiday Season

Another holiday season is here, bringing new ways for cyber-thieves to attempt to steal your money or your identity. The FBI and other experts offer ways you can guard yourself against identity theft by following safe practices when shopping online.

- **Have up-to-date virus protection** on your computer that also scans for malware.
- **Before you enter credit card information** at a retailer's website, check to make sure that the website is secure. A secure website normally has "https" in its URL and a lock icon next to the URL address.
- **Consider designating a credit card account** – or purchasing a reloadable prepaid card – exclusively for online or holiday shopping, and leave the rest of your credit cards at home. That way, if a thief does get your credit card or credit card number, the loss will be minimized. Avoid using your debit card, which may not offer the same kind of theft/loss protection.
- **Ask your credit card issuer if it offers "virtual credit cards,"** or single-use card numbers, that can be used at an online store. Virtual credit cards generate a random account number in place of your actual credit card number. You can configure the expiration date and the maximum amount allowed for a virtual credit card. Once used, the card typically is tied to the merchant where it was used and cannot be used elsewhere.
- **Create a good password.** The National Privacy Rights Clearinghouse offers tips on creating a hacker-proof password.
- If you buy something at an auction site or via an online classified ad, **keep your personal information secure** by paying with a third-party service like Google checkout or PayPal.
- **Purchase gift cards directly from retailers or merchants.** Gift cards from auction sites or classified ads could be fraudulent or stolen.
- **Never follow a link in an email unless you know and trust the sender.** Instead of using the link, enter the web address of the retailer, bank or credit card issuer yourself.

- **Only open email attachments if you know the sender**, and scan them for viruses if you can. Attachments can contain viruses.
- **Be wary of anyone soliciting donations by phone**, especially if they claim there is an emergency or deadline for donations. If you are suspicious, ask them to mail you a donation form, or hang up and call the charity directly.
- **Do not give personal information to anyone who calls you** claiming to be your bank or financial institution. Hang up and call the bank directly.

There's always a lot to be done during the holidays. By exercising some care and common sense, you can ensure that you're not spending valuable time dealing with identity theft.

Quote of the Month: "The way to become rich is to put all of your eggs into one basket and then watch that basket." Andrew Carnegie

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