GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

January 2018

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	2713.06	1.48%	1.48%	1.48%
Dow Jones Industrials	24922.68	0.82%	0.82%	0.82%
NASDAQ Composite	7065.53	2.35%	2.35%	2.35%

U.S. TREASURIES	YIELD
5-yr Treasury Note	2.25%
10-yr Treasury Bond	2.45%
30-yr Treasury Bond	2.78%

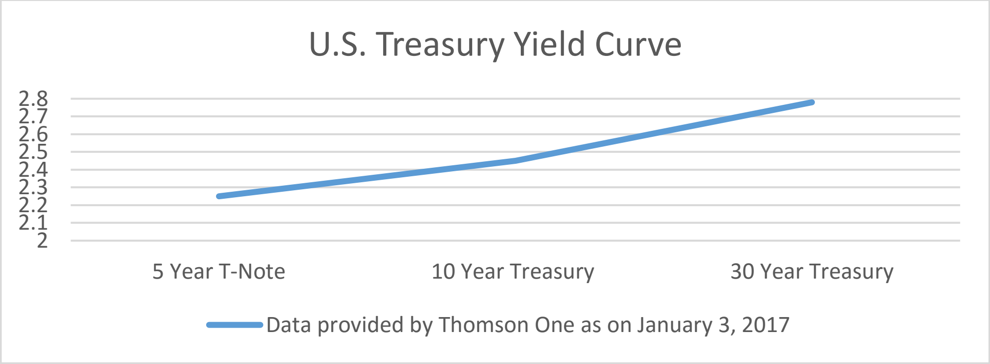
Information as of January 3, 2017 Source: Thomson Reuter's Thomson One

MARKET COMMENT

The Inexact Science

Depending on when we date the start of the current bull market in stocks, it might be the longest running bull market in history. In fact, this bull market's 9th anniversary is coming up in the spring, which has many people concerned that a significant bear market is around the corner. As always, no one can accurately predict the future, and bull markets don't die of old age, but economic short-comings can cause them to lose their charge.

As such, there are several triggers on which to keep your eyes. The first is interest rates and a chart called the "yield curve." The yield curve is a graph plotting interest rates of fixed income securities, like U.S. Treasuries, against their maturities. The current yield curve is depicted in the following chart:



The key we watch for is the "flattening" of the yield curve, meaning short term rates rise while longer-term rates remain the same or decline. If the curve "inverts" (*i.e.* short rates are higher than longer rates), this has historically been a warning sign of a coming economic recession, which usually leads to a declining stock market.

Some other triggers to look for are political unrest or affirmative military action. However, the lynchpin trigger is the Federal Reserve raising interest rates, which can cause the economy to slow and corporate earnings to decline (and, naturally, the yield curve to invert). Historical data shows that the stock market normally anticipates a declining economy 6-9 months in advance of a recession. So, will 2018 bring us the next bear market many are talking about? Or will we see corrections that pause the market for the next move up? The evidence to-date points to a continued upward market, with rising corporate earnings, strong consumer confidence, and an accommodating Federal Reserve. Corrections or pull-backs could become more frequent and more painful than in 2017, but the bull market seems to be holding its own. Nonetheless, we will keep a close watch on the yield curve, the Federal Reserve, and the stock market's intricacies. As market technician Earl Blumenthal warned many decades ago, "investing is an inexact science, preservation of capital is of upmost importance." We strongly agree.

We wish you a most joyous and blessed New Year.

PLANNING STRATEGY

Raymond James "Point of View" article. M17-065166

12 Resolutions for 2018

Instead of hauling out those familiar New Year's resolutions about eating less and exercising more, how about focusing on something that's also very good for you in the long run – and even sooner? We're talking about your financial plan – your fiscal health, if you will. The approach of 2018 is a great time to review your plan and make any necessary revisions. With that in mind, here are 12 suggested resolutions that, if followed, can help ensure that your later years will be financially secure.

1. Get your balance sheet in order

You can't realistically expect to reach a goal without knowing where you're starting from. Using 12/31/17 as the effective date, update your personal balance sheet (assets versus liabilities, broadly speaking). You should already have (or develop if you don't) an idea of what you're going to need to reach important financial goals. If you're already retired, you also need to know if the income you receive from Social Security, pensions, retirement plan assets or other sources is still going to support your current lifestyle. Either way, you've got to have a scorecard. Everything else really proceeds from this, so take the time to bring all these numbers up to date.

2. Review your budget and spending habits

How close did you come to what you had planned to spend last year? Where did you go off track, and what can you do about that? Has something fundamental changed in your life that affected your expenses, and is that a one-time item or an ongoing cost? Where can you trim expenses? Although some budget items are fixed, a sharp pencil can produce significant savings on other costs. Some businesses engage in a process called zero-based budgeting in which every anticipated expense must be justified again every year (at the personal level, this approach is sometimes called zero-sum budgeting). In other words, the $2,500 you spent last year on travel would have nothing to do with what you budget for travel this year. Instead, you start with what you realistically expect to have as income, then assign those dollars to your various expense categories, while also maintaining flexibility to account for cost areas such as healthcare that can't be pinned down precisely.

3. Review the titling of your accounts

Account titling often occurs haphazardly – an individual opens a bank or brokerage account, meets Mr. or Miss Right, they live together or get married and ... down the line there's a problem. If one partner dies and that bank or brokerage account is still titled only in the original holder's name, those assets can't be readily accessed by the survivor. The solution may be as straightforward as changing to joint accounts, but it's not always that simple. In fact, titling has implications across a wide range of estate planning issues, as well as other situations such as Medicaid eligibility and borrowing power, to mention just a few. Account titling is more than just using the right form; it can also be a tool for estate planning. Review your account titling and determine if that's still the arrangement you want.

4. Designate and update your beneficiaries

If you don't correctly document and update your beneficiary designations, who gets what may be determined not according to your wishes, but by federal or state law, or by the default plan document used in your retirement accounts. When did you last update your beneficiary designations? Has something changed in your life (divorce, remarriage, births, deaths, state of residence) that necessitates changing your beneficiaries? You should update your beneficiaries on anything that affects your heirs (wills, life insurance, annuities, IRAs, 401(k)s, qualified plans ... the list goes on). If you've designated a trust as a beneficiary, has anything changed in the tax laws regarding trusts that could affect your heirs? Have you provided for the possibility that your primary beneficiary may die before you? Have you provided for the simultaneous death of you and your spouse? You need a good estate planner to walk you through the various scenarios.

5. Evaluate your cash holdings

Everyone should have a certain amount of their assets – six or more months of living expenses is a common rule of thumb – set aside in cash accounts that can be quickly and easily accessed. The cash portions of your brokerage and/or retirement accounts serve a different purpose and shouldn't be counted as emergency reserves. Think about where your cash reserves are located. Keep in mind that only banks that are members of the Federal Deposit Insurance Corp. can offer FDIC coverage, and only up to a maximum of $250,000 per accountholder. For example, if you have CDs worth $200,000 and an IRA with $200,000 in assets in the same bank, only $250,000 of that $400,000 total is covered by the FDIC. There are some complexities – and opportunities – within the FDIC rules, so be sure you understand them completely.

6. Revisit your portfolio's asset allocation

The ups and downs of the markets will affect your asset allocation over time. Appreciation in one asset class or underperformance in another can leave your portfolio with an asset allocation and risk profile that differs from what you originally intended. It's important to revisit both your current and ideal asset allocation at least annually and rebalance as needed (Tip: Instead of selling appreciated securities, consider rebalancing with new contributions to help avoid capital gains taxes). This also gives you an opportunity to determine if you are comfortable with the current level of risk in your portfolio. Risk tolerance isn't static – it changes based on your net worth, age, income needs, financial goals and various other considerations. The most recent recession has made many investors more risk-averse. That's certainly understandable, but it may be that you need to – very carefully – take on slightly more risk to keep pace with your goals. You want to make informed decisions here. Review your holdings and your overall asset allocation with your financial advisor and make whatever adjustments are indicated.

There is no assurance that any investment strategy will be successful. Asset allocation does not guarantee a profit nor protect against loss. The process of rebalancing may result in tax consequences.

7. Evaluate your sources of retirement income

Most retirees have several sources of income such as Social Security, pension(s), retirement portfolios, rental properties, notes receivable, inheritances, etc. Every individual picture is different. Think about how secure each source is. Can you really count on that inheritance, are there likely to be vacancies in your properties that would interrupt the cash flow, are the notes receivable backed up by collateral? The point is to know which income sources are reliable and which are less certain, and how much of your total income each category represents. If too much of your retirement income is from sources you consider less than solid, it may be time to reposition your assets.

8. Review your Social Security statement

If you're not yet retired, you need to go online and establish an account with the Social Security Administration – the SSA isn't going to be sending individual statements of accrued benefits in the mail anymore. Review your statement, and be sure all your earnings over the years have been recorded. Use the SSA's online calculator to compute your benefits at various retirement ages (it's generally best to wait as long as possible to begin collecting). Revise your spousal plan if indicated – this won't apply to everyone.

9. Review the tax efficiency of your charitable giving

Think strategically about your contributions – donate low-basis stocks rather than cash, for example. Consider establishing a Donor-Advised Fund, which enables you to take an upfront deduction next year for contributions made over the next several years – and provides other benefits. Give, but do so with an eye toward reducing your tax liability.

10. Check to see if your retirement plan is on track

Many investors have delayed their retirement plans for various reasons. The important thing is to respond and determine – promptly and realistically – what changes might be needed given your current lifestyle and market environment. In evaluating the current state of your plan, don't fixate solely on a number – "We'll be fine when our retirement portfolio is worth $X" – that just isn't the way retirement works anymore, if it ever did. You need to drill down into what types of assets you have, what your cash flow situation is and is going to be, what your contingency plans are, what rate of return you're assuming, what inflation rate you're assuming, how long you're planning for, and all the other important details that go into achieving a successful retirement. The truth is that retirement has a lot of moving parts that must be monitored and managed on an ongoing basis.

11. Make the indicated changes

By now you should have a good idea of where you stand overall, what your cash flow situation is (including whether you're saving enough), what your retirement income picture looks like, and where the shortfalls or other challenges are. Do you need to adjust your contributions to your IRA or other retirement plans? Do you need to adjust your tax withholding? If you're due for a raise, how about channeling the extra money into a retirement account? Are you taking full advantage of your employer's retirement plan options, particularly any contribution match program? Regardless of whether you're years away from retirement or fairly close, the effects of compounding can be very significant – if you take advantage of them. Go after any problems areas – or opportunities – systematically and promptly.

12. Set up a regular review schedule with us.

We are here to help you with specialized tools, with impartiality, and with the experience earned by dealing with many market cycles and many different client situations. It's vital that you communicate fully with us, keeping us up to date with what's happening in your life both today, and what's likely to happen or might happen in the future. Are you going to move, change jobs, send kids to college, face the possibility of significant medical expenses? We can't help you manage what we don't know, so err on the side of over-communicating. We are happy to establish a regular schedule to get together and review your portfolio, your financial and retirement plans, and what's happening in your life.

Since we all know that many New Year's resolutions don't survive that long, add one more to make this a baker's dozen. Resolve to really follow through on these – and give yourself permission to spend a day lazing around watching movies and eating ice cream when you're done! Just one day, though.

LIFE & LEISURE

Raymond James "Point of View" article. M17-046571

The Power of Caregiving in the Palm of Your Hand

As you get older, where do you want to live? If you are like most Americans, you want to stay in your home. Known as "aging in place," this is the preferred option for nearly 9 in 10 adults over age 65, according to an AARP survey on "Livable Communities."

Of course, growing older in your own home is a nice concept, but, at some point, we'll all likely need help. Devices that make tasks easier or that can be controlled from afar can help. Here are three common concerns for caregivers, and how technology is helping address them.

"Are You Okay?"

With the addition of a home security system like ADT Pulse, it's possible to do many of the things you would do with an in-person visit — from ensuring the doors are locked and the garage is closed, to scanning the yard to be sure no one is there who shouldn't be – via an iPhone app. While checking on your loved one in-person and through phone calls is still valuable, the technology can allow for more peace of mind for times when you can't stop by or don't want to disturb him or her.

Similarly, Samsung's SmartThings ecosystem pairs with the largest network of smart home devices to – among other features – allow for the next generation of "alert" devices. For example, rather than remembering to wear a lanyard that summons help (à la the "I've fallen and I can't get up!" ads), untethered seniors can go about their business, knowing a motion sensor that hasn't detected movement over a certain period of time will alert their caregiver that they may need immediate assistance.

"Are You Comfortable?"

Beyond safety, smart home technology can be used to help ensure a loved one's comfort. For instance, thermostats can be programed and controlled to make sure the air conditioning and heat are being kept at preferred levels.

Smart technology can also prevent an elderly parent from stumbling around in the dark, which not only makes things easier, but helps prevent one of the most common causes of hospitalizations among older adults: falls. Simple motion sensors can turn on lights when someone enters a room or a hallway, and can work with most smart ecosystems, including Samsung's SmartThings. Smart lightbulbs can help, too, such as IKEA's line of Smart Lighting. The TRÅDFRI LED model bulb connects with an app of the same name, or one can opt for programmable OSRAM LED lights for equally convenient control via an app.

"How Else Can I Help?"

Many may know the Amazon Echo as the device where you can ask Alexa to play your favorite music or tell you the weather report, but new services are being added.

For example, a recently introduced upgrade allows a user to ask Alexa to reorder favorite meals via GrubHub to have delivered. In certain cities, Alexa can also reorder directly from restaurants with an Amazon partnership. In addition, the most recent device in the Echo line – the Show – has a video component, which allows for video calls. Sure, FaceTime or Skype can serve the same purpose, but being able to simply say, "Alexa, call..." can be a great option for less tech-savvy users.

does not offer any of the products or services discussed. Raymond James & Associates, Inc., member New York Stock Exchange/SIPC, and Raymond James Financial Services, Inc., member FINRA/SIPC, are subsidiaries of Raymond James Financial, Inc.

Quote of the Month: "Write it on your heart that every day is the best day in the year." – Ralph Waldo Emerson

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
T 314-214-2122

Hunter Martiniere, J.D
Financial Advisor
Hunter.Martiniere@raymondjames.com
T 314-214-2152

Vickie Bollinger
Senior Registered Sales Assistant
vickie.bollinger@raymondjames.com
T 314-214-2175

Planning - http://www.raymondjames.com/pointofview/12-resolutions-for-2018
Life & Leisure - http://www.raymondjames.com/pointofview/the-power-of-caregiving-in-the-palm-of-your-hand

Disclaimers & Disclosures