GATEWAY

INVESTMENT MANAGEMENT

OF

RAYMOND JAMES®

THE COMMUNIQUE

January 2020

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	3253.05	0.69%	0.69%	0.69%
Dow Jones Industrials	28745.09	0.72%	0.72%	0.72%
NASDAQ Composite	9129.24	1.75%	1.75%	1.75%

U.S. TREASURIES	YIELD
5-yr Treasury Note	1.67%
10-yr Treasury Bond	1.88%
30-yr Treasury Bond	2.36%

Information as of January 8, 2020 Source: Thomson Reuter's Thomson One

MARKET COMMENT

Whistling Passed the Graveyard

Welcome to a new month, a new year, and a new decade. The future is filled with a brave financial market outlook ... or perhaps it is just "whistling passed the graveyard!"

As you know, 2019 ended strongly for the stock markets. Likewise, bonds were on the positive side and precious metals moved up nicely. But there are many year-end articles and reports available to fill you in the on details of last year, I prefer to focus on what the strong past trend might mean for the future, and what we could expect in 2020. The coming year could be ripe with drama from the upcoming Presidential Impeachment Trial, the Presidential debates, non-stop campaign ads, the Presidential election, Middle East geo-political tensions, and global nationalism. But aside from politics, both domestically and internationally, there are some areas that have settled down, which include less active interest rate policy from our Federal Reserve, more accommodative global Central Bankers, US/China preliminary trade agreement, continually strong U.S. employment, positive consumer confidence, and a firm housing market – all of which should provide on-going support for our economy and the financial markets. However, in the short run, the U.S. stock market does seem a bit overextended, based upon our metrics, and might be looking for a reason to start a correction. Of course, any pull back may prove temporary if our economy remains positive, and interest rates and employment remain steady.

So why might investors be "whistling pass the graveyard," and what dangers could be lurking down the road? Well, from our perspective, the near-term trend remains healthy, but real dangers to investors exist over the longer-term. For instance, the massive amount of corporate debt accumulated, which might create some financial stains on corporations in the future. We are also experiencing elevated average price-to-earnings multiples that land on the historically high range. This can cause trouble if interest rates are increased in the future due to rising inflation. We've also seen a steady decline in corporate profit margins over the past 5 years which, if not reversed, could put future downward pressure on stocks and lead us into a recession. Although corporate earnings are important, if profit margins are not expanding it can lead to corporate cost-cutting – which usually means reductions in labor. This general trend results in rising unemployment and, eventually, slowing economic conditions

If one thing is for certain for the year ahead, it will be another exciting time in the financial markets. So please "stay tuned," and we will keep you posted. In the meantime, as you are "whistling passed the graveyard," keep a keen eye out for the shadows!

PLANNING STRATEGY

Raymond James "Point of View" article. M19-2851698

12 Resolutions for 2020

Instead of hauling out those familiar New Year's resolutions about eating less and exercising more, how about focusing on your financial well-being? Here are 12 resolutions that can help ensure your financial confidence in retirement.

1. Get your balance sheet in order

You can't expect to reach a goal without knowing where you're starting from. Using December 31 as the effective date, update your personal balance sheet (assets versus liabilities, broadly speaking). If you're retired, make note of the income you receive from Social Security, pensions, retirement plan assets or other sources. Everything proceeds from this first step, so take the time to bring these numbers up to date.

2. Review your budget and spending

How closely did last year's spending match what you'd planned? Where did you go off track, and why? Were unexpected increases one-time items or ongoing costs? Where can you trim expenses?

Although some budget items are fixed, a sharp pencil can produce significant savings on other costs. 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 things like healthcare that can't be pinned down precisely.

3. Review your account titling

Account titling often occurs haphazardly, which can create problems down the line. If one partner dies and an account is titled only in their name, those assets can't be readily accessed by the survivor. The solution may be creating joint accounts, but it's not always that simple. Titling has implications across a range of estate planning issues, as well as other situations such as Medicaid eligibility and borrowing power, too. Review your account titling and discuss with your team of professionals.

4. Designate and update your beneficiaries

If you don't correctly document your beneficiary designations, who gets what may be determined by federal or state law, or by the default plan document used in your retirement accounts. When did you last update your designations? Have life changes (divorce, remarriage, births, deaths, state of residence) occurred since then?

Update your beneficiary listings on wills, life insurance, annuities, IRAs, 401(k)s, qualified plans and anything else that'd affect your heirs. If you've named a trust, have any relevant tax laws changed? Have you provided for the possibility that your primary beneficiary may die before you? Does your plan address the simultaneous death of you and your spouse? An estate attorney can help walk you through these various scenarios.

5. Evaluate your cash holdings

A certain amount of assets should be set aside in cash accounts that can be readily accessed – talk with your advisor about whether your current allocation strikes the right balance. Note that the cash portions of your brokerage and retirement accounts serve a different purpose and shouldn't be counted as emergency reserves.

Also, note where your cash reserves are located. Only banks that are members of the Federal Deposit Insurance Corp. can offer FDIC coverage, and only up to $250,000 per account holder. There are some complexities – and opportunities – within the FDIC rules, so be sure you understand them completely.

6. Revisit your asset allocation

Appreciation in one asset class or underperformance in another can leave your portfolio with a different allocation than what you originally intended. Revisit your current and ideal asset allocation at least annually and rebalance as needed (consider rebalancing with new contributions to help avoid capital gains taxes).

Consider, too, whether you're comfortable with your portfolio's current level of risk. Risk tolerance isn't static – it changes based on your net worth, age, income needs, financial goals and other considerations.

7. Evaluate your retirement income sources

Most retirees have several income sources, such as Social Security, pensions, retirement portfolios, rental properties, notes receivable, inheritances, etc. Think about how secure each source is. Can you count on that inheritance? Would rental property vacancies interrupt your cash flow? Are the notes receivable backed by collateral? If too much of your retirement income is from less-than-solid sources, it may be time to reposition your assets.

8. Review your Social Security statement

If you're not yet retired, go online and establish an account with the Social Security Administration – the SSA doesn't mail out individual statements of accrued benefits 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. If appropriate, revisit your spousal plan and revise as needed.

9. Review the tax efficiency of your charitable giving

Think strategically about your contributions – for example, consider donating low-basis stocks rather than cash, or learn about establishing a donor advised fund to take an upfront deduction for contributions made over the next several years. Give, but do so with an eye toward reducing your tax liability.

10. Check whether your retirement plan is on track

What changes are needed given your current lifestyle and the market environment? Don't fixate solely on your retirement assets' value – instead, drill down into what types of assets you hold, what your expected cash flow will be, what your contingency plans are, what rate of return you're assuming, what inflation rate you're assuming and how long you're planning for. Retirement plans have many moving parts that must be monitored on an ongoing basis.

11. Make the indicated changes

You should now have a good idea of your cash flow situation, what your retirement income picture looks like and where other challenges lie. Do you need to adjust your IRA contributions, other account contributions or tax withholding? If you're due for a raise, could you channel the extra money into a retirement account? Are you taking full advantage of your employer's retirement plan options, particularly any contribution match? Go after any problems areas – or opportunities – systematically and promptly.

12. Schedule a regular review with your advisor

Your advisor can help offer specialized tools, impartiality and experience earned by dealing with many market cycles and client situations. Communicate openly, telling him or her not only what's happening in your life today but what might happen in the future. Advisors can't help you manage what they don't know, so err on the side of over-communicating. Establish a regular meeting schedule to review your portfolio and retirement plans.

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LIFE & LEISURE

Raymond James "Point of View" article. M19-2793080

Lesser-Known Season Tips for Maintaining a Shipshape Home

The seasons not only bring new foliage, but also new home maintenance tasks. From the first winter frost to spring cleaning musts, here are some lesser-known ways to upkeep your property all year long. These ideas come with a cost, of course, so make sure to either budget for seasonal maintenance (experts recommend setting aside about 1% of your home's value) or pad your emergency fund. After all, your home is one of the most important investments you'll make.

Winter

There's nothing like watching the first snow of the season while cozied up at home, sitting by a crackling fire with a cup of hot cocoa. But, as a homeowner, you must learn to expect some of those small inconveniences that come with the winter wonderland outside your door. Anticipating minor issues like heating costs, freezing, and yard maintenance can get your home ready before the first frost:

- Switch ceiling fans to rotate clockwise to redistribute warm air and cut heating costs by 10%.
- Install a chimney balloon to prevent air leakage and cold drafts from entering your home.
- Drain your sprinkler system to prevent freezing and leaks. Expect to pay $75 to $150.
- If leaving town, pour nontoxic antifreeze into toilet bowls and tanks to prevent them from freezing.
- To maintain curb appeal, prune in late winter ahead of spring growth.

Spring

You've probably heard the phrase "April showers bring May flowers," – but did you know this time of year can also bring other obstacles like flooding and termites? See the tips below to keep your home as fresh as the spring blooms:

- Waterproof steps and concrete structures to prepare for summer rain.
- Love your trees? Have an arborist inspect them for signs of illness.
- Avoid pricey repairs by cleaning the coils behind or beneath your fridge.
- Termites love spring. Look for wings, uneven paint and other warning signs on any woodwork.
- Clean your washer's filters, often found near the base, inside the washing drum or at the hot and cold inlet hoses.

Summer

Sweet summertime typically brings us vacations and fun in the sun. Unfortunately, summer isn't always all fun and games as scorching temps and potential flooding bring on a few household chores. Check these items off your list so you can enjoy time with your loved ones without worry:

- Clean exterior window weep holes (bottom of sliding windows) to stop water from creeping in.
- Test your sump pump before flooding happens. Pour five gallons of water into it and see if the pump turns on.
- A ¼ cup of distilled vinegar can rid your AC's drain line of microorganisms. Specialized chlorine tabs in the ductwork help, too.
- Add extensions to downspouts so rainwater runs at least three feet away from your home's foundation.

Fall

As the leaves change and temperatures drop, there are a few administrative items you'll want to take care of around your home:

- Drain and flush your water heater to remove sediment buildup. And set it below 120°F to avoid scalding.
- Check your insulation for critters seeking warmth as temperatures drop.
- Grease garage door springs before winter to ward off corrosion and metal fatigue.
  As the seasons change, ensure an easier transition in your home by anticipating some of the pitfalls that come with each time of year.

Sources: nytimes.com; wikihow.com; familyhandyman.com; homesteady.com; homeguides.sfgate.com; aplusairconditioning.com; angieslist.com; blog.rismedia.com; kiplinger.com; houzz.com; rd.com; covenantgaragedoors.com; realestate.usnews.com; houselogic.com; energyvanguard.com; businessinsider.com; squareoneinsurance.com

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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