GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

JULY 2017

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	2384.20	0.17%	0.17%	8.42%
Dow Jones Industrials	20940.51	0.28%	0.28%	8.33%
NASDAQ Composite	6047.61	0.59%	0.59%	14.74%

U.S. TREASURIES	YIELD
5-yr Treasury Note	1.94%
10-yr Treasury Bond	2.38%
30-yr Treasury Bond	2.93%

Information as of July 10, 2017 Source: Thomson Reuter's Thomson One

MARKET COMMENT

A Gateway Primer – Part III

As the 1935 George Gershwin song goes, it's "summer time and the livin' is easy." Accompanying the hot weather and summer vacations, lighter trading volume on the stock markets definitely confirms the summer season. July usually is the lightest trading month of the year, and provides a little more time to reflect on the first half of 2017, ponder the second half, and finish our series on "who, what, how, and why" of Gateway Investment Management (GIM).

This month we finish with "why" does GIM exist? Before I can answer this question, it may be helpful to review some economic ground rules. Fortunately, we live in a country with an economy based upon the free market system of capitalism – allowing its citizens free access to participate (or not participate) in a way that will produce the maximum benefit for their efforts. Also, America has established laws protecting both sides of the free market place, the buyers and sellers. This free and easy access to the marketplace generally provides fair prices for buyers, and reasonable profits for sellers over time. Armed with this background, the "why" of GIM's business boils down to several key principles:

- Profits + Soul
- Utility of talents, gifts and interests
- Work Mandate

Without sounding like an economic text book, the main driver for GIM's existence was originally my desire to "make money and provide for my family." This element, and its flaws, was briefly mentioned in Part I of our series. And, while most participants in the marketplace start with a purely profit or earnings-driven motive, *most* realize this cannot be the only long-term focus of a successful business. What they eventually learn – as I learned early on – is that the "soul" of a business is just as important. Without a "soul," the question of "why" is impossible to answer. Economics teaches that seeking profit and/or gain through our labor is inevitable, but profits can be attained through numerous professions and countless activities, leaving us to still answer the question "why do we do *what we do*?"

Our answer to that question is our God-given interest, gifts, and talents. At GIM, we thoroughly enjoy every facet of the investment management business. It shapes a portion of who we are as people (just ask our wives) and how we deploy the talents we have been graciously given. We enjoy sorting through the intellectual and emotional challenges presented by the markets, we relish in the opportunity to help our clients address their financial goals, and cherish the close relationship we build along the way. As corny as it sounds, our passion for research and our desire to serve our clients – *in addition to* our desire to earn a living and support our families – represent the main reasons why GIM exist today. So, when we ramble on about the markets/economy/financial planning … that just us doing what we truly enjoy.

The last item, the "work mandate," does not come from any economic text book, but from the Bible. As I had mentioned in Part I, this book has been a long-term source of guidance for our business. As it states in the book of Genesis, "by the sweat of your face you shall eat bread." So I think we are made to work, provide for ourselves, our families, and are, as humans, most satisfied when we are doing something productive and creative.

I hope you have found our "primer" on GIM helpful and insightful. We really do enjoy our work (most of the time), and especially appreciate and value the trust and confidence you've extended to us. As always, your comments are welcomed and if you would like to us to discuss a certain topic, please let us know.

PLANNING STRATEGY

Raymond James "Point of View" article. M17-013092

Famous Estate Blunders & How to Avoid Them

There's a calm comfort that comes with estate planning: a sense that your family will be taken care of after you pass away (hopefully at a ripe old age). Sadly, it doesn't always happen that way. Skipping regular estate plan reviews can lead to forgotten details, and these can create confusion and havoc for your family – or suck them into a time-consuming court case to iron everything out. Unfortunately, that was the case for these high-profile individuals and their loved ones.

I Got You Babe (And Babe)

Back in 1998, after Sonny Bono's untimely death in a skiing accident, we learned he never wrote a will. And a man claiming to be an illegitimate son attempted to get part of the Bono estate, as did ex-wife Cher, with whom he shared royalties on music they made together. His blended family became a public spectacle at a time of grief and uncertainty.

Avoiding the Oops: Resolve to write a will as soon as possible, and keep your beneficiaries updated. Everyone over 18 needs an estate plan that includes a comprehensive will (at the very least) and properly documents your wishes. Remember, life can be unpredictable, especially if you have a complex professional or personal life.

The Girl Without a Ring

Stieg Larsson, author of The Girl with the Dragon Tattoo, was devoted to his girlfriend of 32 years. When the Swedish author died without a will, his entire estate was divided between his father and brother in accordance with Swedish law. His beloved was left out, legally speaking.

Avoiding the Oops: Resolve to learn how estate laws affect nontraditional relationships. Learn and understand the laws that govern transfer of property in your chosen state or country, so you can protect the interests of those you love. And don't presume others will honor your wishes without a written directive. Beyond writing a will, asset titling is especially important when you're in a "nontraditional" relationship. Legally, your partner may not have the same rights a spouse would.

The Injustice of It All

Former Supreme Court Justice Warren Burger presided over his own will, penning a brief 176-word declaration. But the poorly-executed document left his family with more than $450,000 in estate taxes and court fees that could have been avoided.

Avoiding the Oops: Trust a qualified estate planning professional to help you write your will and other estate planning documents. To find one, ask for a referral or visit the American Academy of Estate Planning Attorneys or the National Network of Estate Planning Attorneys. Most of us have limited expertise when it comes to complicated tax and estate planning, and even though dedicated software can help you create the necessary documents, it's still a good idea to have an estate planning attorney review what you have.

No Laughing Matter

Dark Knight actor Heath Ledger drafted a will naming his sibling and his parents as beneficiaries. Sadly, he didn't update it after the birth of his daughter, Matilda. When he passed away unexpectedly, there was great confusion about who were the rightful heirs of his estate, and the difficulties played out publicly.

Avoiding the Oops: Resolve to review your plan any time your life changes. Remember that every life event – births, adoptions, disability, deaths, marriages, divorces, even moving – should trigger a review and update of your estate documents. If any of these events occur in the life of a beloved beneficiary, take note! That requires another look, too.

Empty Trust

Michael Jackson created a trust, but it seems the king of pop may not have fully funded it. As a result, members of his famous family fought in probate court – and in the media – before settling the estate.

Avoiding the Oops: Resolve to retitle assets in a trust's name. Work with your financial team to name your trust as the owner of the assets you want it to control. For example, changing the title on your house from "Sarah and Mark Jennings, Joint Tenants with Rights of Survivorship" to "Sarah and Mark Jennings, Trustees of the Jennings Revocable Trust dated January 4, 2014" means that the trust is now funded with your primary residence. Without this retitling, the trust is an empty shell, and you've likely wasted time and money setting it up in the first place. To find out if a trust makes sense for your family, consult knowledgeable estate planning professionals to learn more about the various types.

A Complicated Man

When he died a few years ago, actor Philip Seymour Hoffman left his entire estate to his long-term girlfriend, bypassing his three young children because he didn't want them to become entitled trust-fund babies. But their non-married status meant that she didn't qualify for the marriage exemption on inherited assets, according to Forbes. So approximately $30 million of the $35 million estate ($5.34 million is excluded because of the federal lifetime exclusion; $10.68 million for couples), which could have been passed tax-free, was fully taxable at up to a 40% rate. On top of that, New York state has its own 16% estate tax for non-spouses on any amount over its $1 million exemption. Forbes estimated that the Oscar winner's loved ones lost at least $15 million to the IRS and the state.

Avoiding the Oops: Resolve to research estate-planning strategies that align with your wishes. Remember to review and revise your estate plan any time your life changes. Also, don't let principles cloud your judgment: your professional advisors may be able to keep the IRS at bay and protect your legacy while still respecting a stance against the institution of marriage or an unwillingness to bequeath significant wealth to your children. For example, Hoffman could have provided for his minor children's future education without making them millionaires overnight. There are also several insurance policies and other types of accounts that could have offered them basic financial protection.

Papa Didn't Know Best

Like the Hoffman family, Sopranos actor James Gandolfini's family ended up owing $30 million in taxes on his $70 million estate. While he had a plan that included his wife, children (some from a previous relationship) and sisters, he neglected to implement some well-known techniques that could have minimized that tax burden. For example, he left 20% of his assets to his wife, which didn't take advantage of the unlimited marital deduction that allows tax-free transfers between spouses, in most cases. Instead, 80% of his wealth was subject to federal estate taxes and New York's 16% estate tax. While he may not have wanted his current wife to inherit all his wealth, he could have implemented different provisions to protect the financial security of individuals within his blended family, while softening the tax blow.

Avoiding the Oops*:* Resolve to take advantage of all available estate-planning techniques, and make sure your will accurately reflects your existing family structure. Don't forget to talk to professionals about estate planning techniques that take advantage of all the tax exemptions currently available.

Doing so could ease the transfer of assets and keep more of your hard-earned wealth within the family, not in Uncle Sam's coffers. For example, Gandolfini could have set up what's known as a bypass trust or credit shelter trust with his wife as the lifetime beneficiary and his children as the remainder beneficiaries. The assets in the trust would have passed free from estate tax upon his death and free of estate tax when his wife passes. That way, he could have protected his full estate tax exemption amount from federal estate taxes.

Learning from these celebrities' experiences can help you avoid estate blunders of your own. Resolve to review your documents regularly and put new ones in place when appropriate. Don't forget to take into account any changes that could impact your plan, including changes in family, personal interests, wealth and tax law. And talk to your financial and estate planning professionals – you may not recognize a change, but your advisors might.

LIFE & LEISURE

Raymond James "Point of View" article M17-033028

Nine Tips to Live Beyond 100

From the Grecian island of Ikaria where people "forget to die" to a sunny Californian community in Loma Linda, people are growing older – in "blue zones" where reaching 100 isn't that unusual. Together, these groups of centenarians offer the rest of us nine insights into living longer, better lives. And chances are we will live longer. In 2000, 16.5% of Americans were over 60. By 2025, that number will be 25% and it's growing, according to the Massachusetts Institute of Technology's AgeLab.

Only about 20% of how long we live is dictated by our genes. That means there's a lot within our control – and the nine commonalities below may lead to a longer, healthier and happier life right where you are.

1. Put Family First: For many centenarians, aging parents and grandparents live nearby and children receive plenty of attention and love.

2. Have a Sense of Purpose: Having a reason to get up is worth up to seven years of extra life expectancy.

3. Find the Right Tribe: One long-term study showed that health habits are "contagious." The world's longest-lived people are born into, or choose, social circles that support healthy behaviors.

4. Use Your Body: Set up your life to spur moderate physical activity, including house and yard work, walking and gardening.

5. Shed Stress: Use downtime to help ward off nearly every major age-related disease including Alzheimer's and cardiovascular disease.

6. Eat Slowly: Give your brain time to get the message that you're full. People in blue zones tend to eat their smallest and final meal in the late afternoon or early evening.

7. Choose a Diet with a "Plant Slant": Centenarians eat plenty of vegetables and beans. Meat – mostly pork – is eaten just five times a month.

8. Sip Some Wine: People in most blue zones enjoy one to two glasses a day.

9. Belong and Connect: All but five of the 263 centenarians studied belonged to a faith-based community and attended services regularly, adding four to 14 years of life expectancy.

Sources: New York Times Magazine, bluezones.com, University of Sassari

Quote of the Month: "Not everything that can be counted counts, and not everything that counts can be counted" – Albert Einstein

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