GATEWAY
INVESTMENT MANAGEMENT
OF
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THE COMMUNIQUE

June 2019

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	2803.27	1.86%	-1.10%	11.82%
Dow Jones Industrials	25332.18	2.08%	-2.30%	8.59%
NASDAQ Composite	7527.12	0.99%	-2.62%	13.44%

U.S. TREASURIES	YIELD
5-yr Treasury Note	1.89%
10-yr Treasury Bond	2.12%
30-yr Treasury Bond	2.60%

Information as of June 4, 2019 Source: Thomson Reuter's Thomson One

MARKET COMMENT

Market Consolidation

Market consolidation is the process of marking time, where the stock market goes up and down within a specific trading range, ultimately leaving buyers and sellers evenly matched. The buyers buy when the market drops to a certain, and usually consistent, level, and the sellers sell when the market rises to a certain level. Many times during this process, the market will churn waiting for news, such as rising or falling corporate earnings, Federal Reserve interest rate changes, or economic data indicating an expansion or recession.

At the moment, it would seem that we are in a fairly long period of consolidation. As an example, look at chart of the S&P 500 provided below. The market has not definitively broken out above the highs that were establish in September 2018, but has moved in a steady range between 2600-2950 (with the exception of the major blowout in December of last year). Also, other major stock market indexes have failed to register new highs since January 2018! These indices include the New York Stock Exchange composite, Transportation index, and Russel 2000 small cap index. We have also included their charts for review below. As a stock market investor, the failure of these indices to confirm the highs made by S&P 500 in September 2018 and April 2019 certainly raises concerns - a healthy market should consist of broad participation across all indices. Moreover, the yield curve has officially inverted, which can be a precursor to an economic recession. At the moment it's difficult to gauge if these concerns are temporal, and merely a by-product of the consolidation period, or if they are the precursor to challenging times ahead – only time will tell. But we are watching closely for signs of a breakout – in one direction or the other.

With these concerns in mind, the market wants lower interest rates to protect against a slowing economy, trade barriers with China, and the always-present Washington D.C. turmoil. When compared to other developed countries' interest rates, the U.S. is the highest paying, so the Federal Reserve does has room to be accommodative, yet stay competitive in the global debt market. If that were to occur, and the Federal Reserve lowered interest rates, it could be the "shot in the arm" the U.S. markets need to move out of our present consolidation period and into new highs. Again, only time will tell.

As always, we thank you for your continued trust and confidence. If you have any questions or comments please let us know.

PLANNING STRATEGY

Raymond James "Point of View" article.

Saving for K-12 Education with a 529 Plan

In late December 2017, the President signed new federal tax legislation that changed how 529 accounts can be used. Though individual states may have variations in how they treat these adjustments, one of the most impactful changes is that families can now pay tuition for **primary and secondary education** using the funds in a 529 plan.

Paying for Primary & Secondary School

Families can now use 529 plans to save and pay for tuition at private, public and religious elementary and secondary schools. The expansion of the "qualified higher education expenses" language means that families can contribute up to $10,000 (per year, per beneficiary) in connection with enrollment or attendance at these primary and secondary schools.

With the average annual cost of private school tuition at $10,671, according to [Private School Review](), that $10,000 annual withdrawal could make a clear impact on your family's education expenditures.

529 plans were originally established to help families pay for qualified higher education expenses by offering tax-deferred investment growth and tax-free withdrawals. Tax-free withdrawals for post-secondary education costs still remain unlimited, as long as they don't exceed the amount of post-secondary qualified expenses incurred for the beneficiary.

Variations by State and Plan

At this time, residents of 21 states are eligible for an income tax deduction or credit for 529 plan contributions used to pay for college or K-12 tuition, subject to variation depending on where you live and how much you contribute. And not all states are on the same page – in some states, 529 plan distributions used for K-12 expenses may still be taxable at the state level. Please consult with your tax advisor to best determine how each state may be treating the expenses associated with K-12 education.

Source:Savingforcollege.com
Earnings in 529 plans are not subject to federal tax and in most cases state tax, as long as you use withdrawals for eligible college expenses, such as tuition and room and board. However, if you withdraw money from a 529 plan and do not use it on an eligible college expense, you generally will be subject to income tax and an additional 10% federal tax penalty on earnings. As with other investments, there are generally fees and expenses associated with participation in a 529 plan. There is also a risk that these plans may lose money or not perform well enough to cover college costs as anticipated. Most states offer their own 529 programs, which may provide advantages and benefits exclusively for their residents. Investors should consider, before investing, whether the investor's or the designated beneficiary's home state offers any tax or other benefits that are only available for investment in such state's 529 college savings plan. Such benefits include financial aid, scholarship funds, and protection from creditors. The tax implications can vary significantly from state to state.

LIFE & LEISURE

Raymond James "Point of View" article.

Reaching out with Tech – In Retirement, Too

Many of us look forward to the freedoms that come with getting older. No more 9 to 5, fewer expectations and responsibilities. But we may not realize that once the door closes on our work lives, we may struggle to find a new social circle to replace our old friends and co-workers. And relationships factor in to our happiness in retirement. A paper submitted for the 2018 Academic Research Colloquium for Financial Planning & Related Disciplines found that leisure spending, health status, and spousal and friend relationships have the greatest impact on creating satisfaction in retirement.

We're at risk of more than just being dissatisfied if we become disconnected. Loneliness was linked to an increased likelihood of mortality in research conducted by Brigham Young University. While there are many causes, e.g., lifestyle shifts, loss of friends or loved ones, there's hope in the form of new technology.

Connected Cures

Social media apps, for example, enable you to connect with old friends and make new ones. With Facebook, you can rekindle friendships from your school days. Video chats like FaceTime or Skype help you stay in touch with long-distance relatives. And online forums keep you involved in your community. You can hone your gardening hobby or carry on philosophical discussions in online forums like SENIORSonly Club or finding relevant Facebook Groups. It may help you grow your social circle with those who have similar interests and views.

Connect Offline, Too

While technology can bridge the gap between face-to-face interactions, it shouldn't be the only way you communicate. Reach out often to set up lunch dates or attend the theater with friends. You may also enjoy volunteering, say at a local hospital or animal shelter. And physical activities like walking in the park, bocce ball, fitness classes, golf or shuffleboard can help you stay active and healthy.

Technology Do's and Don'ts

- Do consider attending free technology training through organizations like AARP or a local library.
- Do connect with people you know in real life.
- Don't reveal overly personal or financial information in your profiles. Protect your privacy.
- Don't believe everything online. If it's too good to be true, it probably is.
- Do join online groups to meet others with similar interests.
- Don't stay home all the time. Walking your neighborhood, visiting local cafes and places of worship might open up your circle.
- Don't forget to think before you post. You shouldn't share or say anything you wouldn't in person.
- Do meet online acquaintances in a public place, like a coffee shop or diner.

Emotional and physical preparedness are just as important as financial preparedness when it comes to retirement. Don't overlook them.

Sources: ahsw.org.uk; ncbi.nlm.nih.gov; techenhancedlife.com; k4connect.com

Quote of the Month: "Patience and perseverance have a magical effect before which difficulties disappear and obstacles vanish." – John Quincy Adams

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