

THE COMMUNIQUE

MARCH 2017

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	2278.87	0.82%	6.45%	6.45%
Dow Jones Industrials	19864.09	0.93%	6.29%	6.29%
NASDAQ Composite	5614.79	0.78%	9.06%	9.06%

U.S. TREASURIES	YIELD
5-yr Treasury Note	2.01%
10-yr Treasury Bond	2.48 %
30-yr Treasury Bond	3.07 %

Information as of March 6, 2017

Source: Thomson Reuter's Thomson One

MARKET COMMENT

“Take a Breath!”

The stock market has been on an upward trajectory since Election Day and many have wondered “when it’s time for a breath, or a pause, or correction, or anything that rejuvenates the market for another rally up to new highs?” In the midst of waiting for this elusive breather, we are hearing the same old questions – is market is overvalued? Is it out of step with the economy’s growth? Is it ignoring the Federal Reserve talk of rising interest rates? And has the market become “infatuated” with the new President’s promises? We think the market has become a bit over extended in the short-term, but the facts seem to be pointing to an improving economy that touts strong employment, rising corporate earnings, and, yes, the potential for “big government” spending. Despite these distinctly positive indicators, the current bull market (2008-2009 bear market to current) has been the most disbelieved/disliked bull in modern history and, if history repeats, it is the retail investor (self-investing public) that will push their chips onto the table towards the top.

Nonetheless, there is strong reason to dislike this bull due to the many times our economy looked like it was on the edge of another recession. For instance, small business confidence has only recently rebounded after grinding along through the past 7 years. And the government certainly has been sticking their nose into private-sector business more and more with lots of new regulations. So, where do we go from here? Well there will be another

correction and/or bear market starting some point in the future, but our indicators are looking more positive than negative. A correction would be a big relief and allow many sidelined investors to buy at more reasonable prices. However, the market may not provide this relief and may move sideways, or for the sake of the analogy, run in place, to “catch its breath.”

What could go wrong with the economy and start a major correction or bear market? Well, the President's address to Congress the other evening was very presidential and patriotic, but it sounded like he wanted to open the Federal checkbook and spend lots of the country's unavailable money. I say unavailable because our government is already running at a deficit and will either need to borrow more or raise taxes. Of course, the President's agenda of lower taxes, large infrastructure spending, another national healthcare reform program, and large defense spending has the potential to create a booming economy – but it also has the ability to expand our debt beyond belief, thus, throwing us into a declining economy. There is strong evidence that many items on his agenda may create job growth, a strong economy, and confidence in consumers, but you only have to look down the road to Congress and Federal Reserve to find the “flies in the [economic growth] soup.”

It is highly unlikely that the President will get his total agenda through with Congress unscathed, however, he does seem to have an uncanny negotiating ability that might influence Congress towards many of his proposals. The biggest challenge to this bull market is the Federal Reserve's future action on interest rate increases. You don't have to look far into history to see that most recessions have started with the Federal Reserve's aggressive moves to increase interest rate – which are based upon employment and inflation. As former Federal Chairman William McChesney Martin said, “the Federal Reserve is in the position of the chaperone who ordered the punch bowl and removed it just as the party was really warming up.” An interesting fact, Chairman Martin was from St Louis – which explains his keen insights. The Federal Reserve, in recent years, certainly has not been our chaperone, but rather the kid spiking our punch with very low interest rates. It will be interesting to see if they remember how to be a chaperone. If anything, the next few years will be most exciting so let's “take a deep breath!”

PLANNING STRATEGY

Raymond James “Point of View” article. M17-005896

Retirement Readiness Takes Getting in Step

When Fidelity Investments asked couples how much they think they will need to save for retirement to maintain their current lifestyle, 48% had “no idea.” Forty-seven percent disagreed on the amount needed (the disagreement highest among those closest to retirement). In

some ways, that's not surprising – many couples disagree on financial and lifestyle matters long before they've stopped working. But while adjustments (hopefully) can be made and differences resolved, things can become more difficult in retirement. The picture changes: At that point you've generally stopped accumulating wealth and now have to focus more on controlling expenses and dealing with the various risks that come with retirement. Simply put, your options narrow. In addition, there's always the unexpected - from health challenges to investment losses to inflation to sudden expenses ... that list goes on too.

Although it may not sound like fun, the reality is that the time to talk about and resolve any differences you have about retirement is not once you're already there but long before. With that in mind, let's look at some of the key areas where couples need to find common ground.

When and Where

Spouses often have different time frames for their individual retirements, an issue that can be exacerbated if one is significantly older. Sometimes this is a matter of policies or expectations in their respective workplaces; sometimes it's a matter of how much longer each one feels they can physically continue to work. One spouse may be eyeing the door; the other may enjoy their work and want to keep the fulfillment it brings. Of course, the retirement nest egg is also a factor here. If you're planning to downsize or move to a location that's warmer, or nearer your children, that will affect your timeline as well. There's no numerical answer - 65 as a retirement age just isn't relevant in today's world - and this may be a moving target anyway. But you both need to have a general idea on when each is going to retire. You also need to be in agreement on where you're going to live, because making a mistake on this point can be very expensive to fix. If one spouse is set on a certain location, try to take a long vacation (or several) there together and discuss how you each feel about living there permanently.

Your Lifestyle in Retirement

Some people see retirement as a time to do very little, others see it as the time to do all of the things they couldn't do while they were working. While these are individual choices, they will affect the other spouse and - most important - your joint financial planning. After all, if there's a trip to Europe in your future, there's a hefty expense in your future as well. While you may not be able to - or want to - pin everything down precisely, spouses should be in general agreement on how they're going to live in retirement and what that lifestyle is going to cost. In addition, you need to arrive at that expense estimate long before retirement, while you still have time to make any changes that might be needed to assure you reach the financial target required to fund your agreed-upon lifestyle.

Your Current Lifestyle

How much you spend and save now obviously plays a major role in determining how much you will be able to accumulate and therefore how much you can spend in retirement. A key question: What tradeoffs (working longer, saving more, delaying Social Security) are you willing to make now to increase your odds of having the retirement lifestyle you want? Examining your current lifestyle is also a good starting point for discussing how things might change in retirement. Are there expenses that will go away? Are there new ones that will pop up? If you're planning on working part-time or perhaps turning a hobby into a little business, should you begin planning for that now?

Retirement Finances

This is a major topic, including items such as monitoring and managing expenses; how much you can withdraw from your retirement portfolio annually; what your income sources will be; how long your money has to last (be sure to add a margin of safety on this one); what level of risk you can jointly tolerate (wives usually are more risk-averse); how much you plan to leave to others or to charity; how much you're going to set aside for emergencies; who is going to manage the money; what happens if that spouse dies first ... another list that goes on. You don't want to spend your retirement years worrying about money, but not planning ahead is a really good way to ensure that you will. Talk about these subjects now.

Unknowns

By the time you reach retirement you will be well aware that life hands you plenty of things we didn't plan for. "Expect the unexpected" applies all the way along the journey, but perhaps even more strongly in our later years. What will your healthcare costs be, and how much of that will have to come out of your own pocket? Will you or your spouse need long-term care, and should you purchase insurance to cover that? What happens if the market suffers a severe downdraft right after you retire? While you obviously can't plan precisely for an unknown, talking about what might happen and how you should respond will make things easier when and if the unexpected does occur. In this last category is the reality that one spouse is likely to outlive the other, so your estate planning should be done together and the day-to-day manager of your finances should be certain the other spouse can take over on the morning he or she has to.

Communication is vital in every relationship, and especially when it comes to something as important as retirement. An enjoyable retirement is a destination you can't reach without working and planning together, which means coming to a general understanding of what it looks like to each of you and what's required to get there. Almost all of us will have to make some tradeoffs and adjustments - as we have throughout married life - and it's important to remember that the earlier you discuss and negotiate what those are going to be, the better your chances of achieving the satisfying retirement you've both worked so hard to achieve.

LIFE & LEISURE

Raymond James "Point of View" article. M17-005896

You Are What You Think

Research shows that 90% of your happiness is determined by your mindset, meaning only 10% is affected by external factors – be that your job, finances or health. It might be hard to believe, but happiness and contentment have as much to do with how you perceive life as anything else. Whether it's aging, an approaching lifestyle change as retirement nears, or a general waning of zest for life, there's a wealth of research and ideas that suggest a more optimistic outlook is within your reach.

Stay Positive to Feel Healthier and Younger

For your parents, reaching those middle and senior ages may have meant a significant change in lifestyle – stepping back from their career and less physical activity – but current and future generations have different prospects. These days, people know more about what's needed to stay healthy and know that new hobbies, careers or athletic achievements can happen at any age. According to a recent study by researchers from Yale University and University of California, Berkeley, you are actually only as old as you think you are (hear us out). Participants who were exposed to positive ideas and associations with aging – such as words like wise and spry – were found to have a greater improvement in their physical health than participants of a similar study that involved six months of prescribed exercise! Think triathlons are a thing of your past? Think again.

The older runner that could

In 2011, Arthur Gilbert became the oldest triathlete when he completed the Burnham-on-Sea triathlon at age 90. He completed his first triathlon at age 68.

Other research suggests that in many ways, our brains actually improve with age. As we accumulate experiences, our innovation and creativity are boosted as we're able to think bigger and make important mental connections. With more life experience also comes greater maturity and awareness, giving us a keen understanding of what's truly important so we don't waste time sweating the small stuff.

Stay Positive to Achieve Your Goals

So often we make the mistake of thinking that by first reaching our goals (like getting that promotion or raise), we can *then* find happiness, but research shows us that the opposite is actually true. When MET Life took a look at its salespeople, they found such great results from those who were happier that they decided to start hiring people who were optimistic over

those who showed higher intelligence or more experience. In the first year, the happier salespeople outsold their colleagues by 19%, and by 57% in the second year.

Shawn Achor – an expert on positive psychology and a notable Harvard professor – supports this idea in his TED talk, sharing that your brain is 31% more productive when it's positive, versus negative, neutral or stressed. In his research and consulting work, he's found that these easy habits are proven to shift your mindset toward the positive:

- Think of three things you're thankful for every day
- Journal about positive experiences to relive them
- Exercise (endorphins are always a good idea)
- Meditation helps your brain focus in an overstimulating world
- Random acts of kindness make everyone feel good

Don't Underestimate the Little Things

When we think of what might make us the happiest, our mind might jump to the loftiest ideas: extravagant vacations or a big house. But research from *The Journal of Consumer Research* suggests that's not necessarily the case.

In the study, participants were asked to recall enjoyable experiences, which included ordinary things that happened more frequently – such as a good meal or visit with family – and extraordinary things, which were rarer and included things like exotic vacations. What they found was that the older the participant, the more joy they experienced from ordinary pleasures, eventually growing to match the joy we get from novel experiences.

Whether you're still saving for retirement or already in it, this is a great reminder that your lifestyle can be a rich one whether you're cruising the Caribbean or living a more modest day-to-day. There are lots of small ways to polish your perceptions or just make more time for simple joys that lead to great contentment. Here are some of our favorites:

- **Read a physical newspaper.** If you've gotten used to reading or watching your news on a screen, give your eyes a break one day a week and grab a newspaper at your local coffee spot.
- **Take an excursion to your local park.** Greenery and sun are proven mood boosters.
- **Visit the library.** Don't forget about this wonderful public resource. Browse through the stacks and discover a new novel or track down an old favorite.
- **Join a club.** Card game or book clubs are a great way to spark easy conversation with new or old friends.

- **Enjoy a meal.** Many of us have at least one of those meals a day that we totally rush through. Take your time! Try making pasta from scratch or enjoying a leisurely morning with your coffee, toast and a good book.

Regardless of your age or budget, your lifestyle and well-being can be as good as you believe them to be. Whatever your goals are for your career, health or retirement, surrounding yourself with people you care about and filling your time with simple joys can go a long way in giving you the positive boost you need.

Quote of the Month: "Productivity is never an accident. It is always the result of a commitment to excellence, intelligent planning, and focused effort." – Paul Meyer

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