GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

March 2018

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	2691.25	-0.83%	0.66%	0.66%
Dow Jones Industrials	24538.06	-1.96%	-0.73%	-0.73%
NASDAQ Composite	7257.87	-0.21%	5.14%	5.14%

U.S. TREASURIES	YIELD
5-yr Treasury Note	2.63%
10-yr Treasury Bond	2.87%
30-yr Treasury Bond	3.14%

Information as of March 2, 2018 Source: Thomson Reuter's Thomson One

MARKET COMMENT

In Like a Lion, Out Like a Lamb?

Despite March's reputation as a mercurial weather month, spring in St. Louis is actually coming in like a lamb, with moderate temperatures and lots of sunshine. Unfortunately, the 19th century adage: "March comes in like a lion and goes out like a lamb" has merely shifted its focus to the stock market. Nonetheless, there's still plenty to like about the month of March: It's the beginning of Spring for the Northern Hemisphere; March (and June) ends on the same day of the week each year; St. Patrick's Day Celebrations (a tip of the hat, or is that the stout glass, to our Irish friends); College Basketball Playoffs; and, if you ask Julius Caesar, he would be quick to point out the "Ides of March."

Now, to the lion in the room. We know the stock market had a sharp upswing in January, followed by weakness in February, but as referenced above, March is continuing February's weakness. So is this a continuation of a stock market correction? Or is the market telegraphing a different message of a longer term bear market? At the moment, it is too early to tell. However, it may help to parse out the facts as we currently know them. The positive side has some very compelling strengths to consider. For instance, the Federal Reserve, under the new leadership of Chairman Jerome Powell, continues to exhibit open communications of their intentions and will be "data focused" to determine future interest rate increases. Employment continues to be extremely strong and has led to equally strong consumer confidence and sentiment. Corporate earnings for the fourth quarter of 2017 received a very positive report card and the stock market is beginning to focus on the upcoming first quarter earnings reports due out in April, which might be quite strong as well. The recent tax reform passed by Congress creates an environment of lower taxes for many, which means consumers and businesses have more “spending money” on hand. Lastly, the “peace dividend,” which tends to be less discussed in the mainstream financial news, seems to be having a positive impact upon our economy – basically, that we live in a time of relative world peace allowing more resources to be directed to the private sector.

As for the negative challenges that could derail our strong economy and, thus, create a longer term stock market decline, they tend to be symptoms of *potential* problems (rising inflation, negative consumer sentiment, falling corporate earnings) that may or may not come to fruition. However, these items must be watched closely to gauge the potential of future stock market disruptions. First up is the stock market’s volatility – which can be a precursor to a bear market. Historically, all bear markets have started with market corrections (high volatility), but not all market corrections are the start of bear markets, so the overarching trend must be watched closely. Also, during the strong rally in January, we saw the Dow Jones Industrial Average hit new highs, but the Dow Jones Utility Index went into negative territory. In the past, when these two indices diverge, it tends to be a warning message that trouble lies ahead for the stock market. Finally, if the Federal Reserve takes a more aggressive approach to raising interest rates, due to inflation, the history suggests a high probability of an economic recession and a declining stock market.

Although March started like a lion, only time will tell if it will end like a lamb. Hopefully by month end we will not be remembering the words of Julius Caesar: “Et tu Brute?”

PLANNING STRATEGY

Raymond James “Point of View” article. M18-2045418

Playing Parent to Your Parents

Unfortunately, increasing longevity and quality of life do not always work in tandem.

What do you do if – or when – your once-financially-astute parents no longer have the ability to handle their affairs? How can you prepare for a time when they are unable or unwilling to recognize that their mental acuity has declined?

Parental Financial Planning

Taking care of one or both of your parents may seem a noble, selfless goal. But it can seem a much loftier ambition when you dive into the reality of the situation. You’ll find yourself making sure that your parents won’t outlive their money while also trying to manage your own finances, all while maintaining control of your personal stress level.

If you undertake this task, keep in mind that managing someone else’s money can be challenging and sometimes thankless work. And if handled less than diplomatically, you may wind up being viewed as overly aggressive rather than appropriately concerned. If you don’t have the time, patience, willingness, expertise and confidence to provide the level and quality of oversight your parents require, you may want to turn over at least some of the responsibility to a financial advisor or other trusted professional.

Maximizing Benefits

Whatever route you and your parents – perhaps together with other family members – choose, you'll want to ensure that your parents are receiving all the benefits to which they are entitled, including those from Social Security and any pensions, retirement accounts, insurance contracts and annuities they may have. These benefits should be accounted for in a comprehensive retirement strategy designed to help make sure their lifestyle expectations are in line with their income.

To solidify that strategy, you and/or a financial advisor also need to assess your parents' income, expenses and net worth – and perhaps bring in other professionals such as doctors or home healthcare specialists to help explore health, emotional and other relevant factors. If your parents are not likely to have enough resources to pay for their own care, then finding ways to supplement their income will become a priority.

Key Financial Questions

Essential issues to address include whether your parents have – and will continue to have – the income they need to meet routine living expenses, whether they have difficulties remembering to pay bills, whether they encounter trouble keeping their financial paperwork organized, and if they (or you) have concerns about whether their assets are sufficient to pay for their needs as long as they live.

In addition, someone will have to decide whether, and for how long, they can remain in their home, or if they need a greater level of care – the kind provided by assisted-living communities, nursing homes, or another housing option.

Don't forget to look at the sources your parents are tapping for current income. For example, are they using the proceeds from income-generating investments to pay bills or are they accessing their principal to meet their daily expenses? If they are spending down their principal too quickly, the next issue becomes whether they can redeploy their assets to generate more income while still tightly controlling risk.

A Watchful Eye

If your parents have multiple accounts and struggle to keep track of them all, you might suggest that they consolidate those accounts into one or two streamlined accounts and set up automatic payment plans. And while you're attending to all these matters, keep an eye out for signs of financial fraud. Red flags can include abrupt changes to wills, a sudden change in attorneys or financial advisors, and a tendency to commit funds to complex or obscure securities or ventures.

Make sure your parents also have key documents in order – wills, trusts, long-term care, medical and other insurance policies. Ideally, they should secure all financial documents in a safe place and give copies to trusted relatives or friends. Also, recommend that they designate an estate executor and keep a secure list of usernames and passwords for any online accounts.

If your parents remain in good health, asking for power of attorney may never become necessary – but it can be invaluable if a time comes when you need to make choices without their input.

Take Care of You, Too

No matter how compassionate you are, try to avoid tapping into your own assets to help out your parents. Spending funds you've already earmarked for yourself could make a bad situation worse, and it could inadvertently shift the burden for your own future care to other family members – in other words, reinforcing an increasingly difficult-to-break cycle of dependency.

The experience of caring for your aging parents will likely be challenging. But it may also serve as inspiration for you to revisit your own plans for the future. If you don't have your own up-to-date comprehensive retirement and estate plan in place, there's no better time to start than now. The following generation will thank you for it.

LIFE & LEISURE

Raymond James "Point of View" article. M18-2045418

Three Ideas for When the IRS Owes You

When it comes to federal income taxes, a small refund or getting nothing back means you (and your tax preparer) were precise and came close to achieving the desired outcome: to break even. If you end up with an unexpectedly large bill or a refund, however, that means you may want to reconsider your estimated taxes or how much you're withholding from your paycheck. A qualified tax preparer can help you find tax strategies that could help you keep more of your money in your pocket – legally.

If you expect a refund because the government withheld too much of your money, don't think of it as a windfall. We're not denying the psychological effect of getting a springtime "bonus," we're just encouraging you to make sure your money is being used wisely. It's inadvisable to spend your tax refund on a trip, gadget or some other source of instant gratification. Instead consider investing in your life, well-being and financial future. Then remember to talk to your tax pro about making adjustments for next year.

If you do end up with a refund this year, consider these ideas for making the most of it.

Invest in Your Future

- **Save for retirement.** Contribute to your existing IRA or start a new one.
- **Pay down debt**. Eliminate high interest debt as soon as possible.
- **Build up your emergency fund.**
- **Fortify your portfolio.**
- **Apply the refund to next year's taxes.**

Invest in Yourself

- **Join a gym or hire a trainer.** Your well-being is important.
- **Start a "fun" fund.** Save money for a vacation or other big-ticket "wants" so you can enjoy it without going into debt.

- **Renovate your home.** Add value to your home by making thoughtful upgrades or repairs.
- **Save for higher education.** For yourself, your kids or grandkids.

Invest in the World

- **Become more generous**. Give to a charity you have always wanted to support.
- **Go green**. Invest in ways to save on energy expenses and reduce your carbon footprint.
- **Grow your own garden.** Save money by growing healthy fruits and veggies in your backyard.

Whatever you decide to do with your refund this year, avoid squandering the money and make the most of it. If you end up owing taxes, talk to us and your tax advisors about ways you can pay the bill without disrupting your investment plan (perhaps with a low-interest rate loan) or depleting your savings. If you anticipate owing taxes again, you may also want to discuss investment and tax-saving strategies to reduce your liability next year and over the long term. Everyone should be able to work together to address your specific situation and help you refine your tax strategies going forward.

Quote of the Month: "To improve is to change; to be perfect is to change often." – Winston Churchill

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