GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

March 2019

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	2706.53	0.69%	11.84%	11.84%
Dow Jones Industrials	25063.89	0.43%	11.57%	11.57%
NASDAQ Composite	7330.54	0.83%	14.47%	14.47%

U.S. TREASURIES	YIELD
5-yr Treasury Note	2.57%
10-yr Treasury Bond	2.77%
30-yr Treasury Bond	3.14%

Information as of March 1, 2019 Source: Thomson Reuter's Thomson One

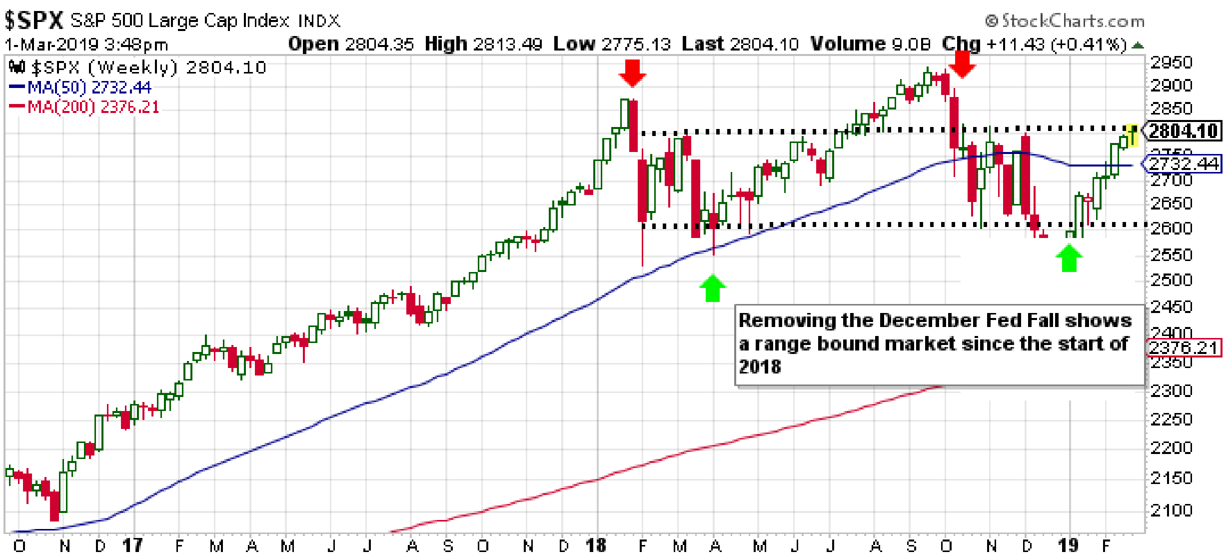
MARKET COMMENT

The March Winds Blow

The month of March is well known for its quick changing weather patterns, windy conditions, and the occasional heavy, wet snow that melts as quickly as it falls. In fact, as I write this newsletter, the current forecast is predicting 3-7" of snow, with frigid single-digit temperatures to accompany – not your typical March weather! Likewise, the past 16-months haven't been your typical stock market action either. During that span we've seen several market corrections, including one that was quite severe, and now 2019 has started out with an unrelenting surge up. Although the recent surge has produced strong returns for the major indices, the charts below prove another story. Yes, if you were a very nimble trader, your returns over the past 14-months may have been quite good. But if you tended towards a more intermediate or long-term approach, the market has done nothing more than spin its proverbial wheels. They say "a picture is worth a thousand words," and as you can see, the stock market just is about where it started at the beginning of January 2018 (Chart 1). Although the peaks and valleys were certainly memorable, the overall result has been anything but. In fact, when we take out the severe drop on December 24, 2018, we see a market that experienced a correction at the end of January 18', then a rallied into September 18', experienced another pull back in October 18', and is now back where it started (Chart 2).

Chart 1

Chart 2



Now, inquiring minds might ask, what caused that Christmas Eve plunge? Well, it seems that it was comments made by the Federal Reserve Chairman, Jay Powell, regarding future interest rate increases that did not set well with stock traders. And, as traders can do over the short-term, they pulled the plug on the market! But as the markets continued their free-fall, the Fed quickly reversed its policy statements to express a steady, "wait and see" approach to future interest rates. This policy flip lead to the likelihood of no rate increases in 2019 and, as you'd expect, the market quickly zoomed up to where it was before the December comments – like nothing ever happened.

So where do all these gyrations leave us? Well, we know the Fed seems to be on hold with interest rate increases this year. Unemployment is still very low, with lots of Americans working. Consumer spending was soft during the Holiday season and into January, but tends to perk up in the Spring. Fourth quarter earnings for 2018 were positive, but maintaining that trend could be more challenging later this year as the positive effects of the new tax law normalize. The U.S. government workers are back on the job, and the U.S. & China are working on a resolution to their trade differences. At the moment, it seems the glass is half-full, which should support the stock market through the remainder of the year (albeit with corrections and/or pullbacks along the way).

Finally, this month marks the 10th anniversary of the economic recovery from the "Great Recession." While it appears the expansion should continue for the balance of 2019, making it the longest on record, these dates and cycles are important to remember when assessing the risk in the market. And though they say "economic expansions, and bull stock markets don't die of old age," but we could be in the later innings of this ballgame – only time will tell.

Thank you for your continued trust and confidence, it is highly valued.

PLANNING STRATEGY

Raymond James "Point of View" article. M19 - 2432651

Risk Management Demystified

Let's face it: Life is a risk. That's why risk management is a crucial part of a long-term financial plan. When it comes to investments, we're talking diversification and asset allocation. When it comes to your family, health, property and income, we're talking insurance.

But what kind of coverage do you really need? Take a deeper look at four useful types of policies.

Life Insurance

Perception: It's just for people with dependents.

Reality: It can be used as a flexible planning tool that provides liquidity, and the survivor benefit is generally not considered taxable income.

Though term life insurance is designed to replace the income of a breadwinner if the unthinkable happens, what's called a "permanent" policy has an investment component that can potentially be helpful for things such as keeping the family business functioning or paying estate taxes after death.

Disability Insurance

Perception: The risk of long-term disability is too minimal to worry about.

Reality: Sadly, 20-year-old workers have a 25% chance of becoming disabled before age 67, the Social Security Administration estimated in January 2019.

If you're out of work for an extended period, the lost income can easily reach six figures or more. Even if your profession isn't strenuous, you may not be in the clear – cancer is the second-leading cause of claims, according to insurer Sun Life Financial.

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What about that government safety net, you say? Workers who pay into the system are eligible to apply for Social Security disability insurance, but the average benefit in January 2019 was just $1,234 a month.

Considering all of this, it's best to get a professional opinion about whether you can afford the consequences of going without this type of coverage.

Long-term Care Insurance

Perception: Coverage isn't needed – doesn't Medicare pay for that?

Reality: Help with the tasks of daily living, similar to care provided in a nursing home, isn't covered by Medicare.

Such aid is a common necessity. Seven out of 10 people turning 65 in this day and age can expect to use some form of long-term care, according to the U.S. Department of Health and Human Services, though only one out of 10 has planned ahead to pay for it.

Securing this type of policy allows you control over the situation, making sure your future needs will be met without creating an undue burden for your loved ones. Though coverage can be expensive, there are federal and state tax breaks available for qualified plans.

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Umbrella Insurance

Perception: Only people who are very wealthy need it.

Reality: If you often entertain at your home, own a dog, have a teenage driver in your household or ride jet skis in your spare time, you might want to prepare for a rainy day.

This basically is an extra layer of liability coverage above the limits on your home, auto and other policies – protection just in case you or a family member causes harm to someone else. For example, if your dog attacks a visitor and your home insurance covers up to $300,000 of liability, then you're on the hook for anything above that amount if the injured party sues. If you don't have the money, your wages could be garnished.

Time for a Fresh Perspective

Facing risk isn't easy, but the protection you can gain for yourself and your loved ones makes it all worth it. That's why you should review your insurance needs once a year and after each big milestone in life. You can always call on your advisor to coordinate with other professionals in determining the proper policies and coverage for you.

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LIFE & LEISURE

Raymond James "Point of View" article. M19-2401742

Rightsizing Your Home for Retirement

Retirement is a time of change. More free time, different hobbies and, for some, a new home. But whether "new" means a smaller or larger abode depends on the needs and wants of each retiree. While there was a time when "living large" drove American desires for big cars and even bigger houses, that's not necessarily the case now. There are some who prefer the freedom and convenience of living simply in a cozier home, whereas others still relish the prestige of a larger place.

The Upside of Upsizing

A more spacious home makes sense for retirees eager for visitors and those open to sharing their space with generations of family, whether full time or just for vacations and holidays. Although a multigenerational household requires dealing with other people's schedules, needs and pet peeves, the perks can add up. Grandparents who aren't working outside the home might help with childcare and meal preparation, easing the burden for their adult children. Older people who have trouble making ends meet can find that moving in with their adult, retired children is less costly than traditional senior housing. Plus, they will have a built-in social network.

Living Large by Living Small

Retirees and empty-nesters have been downsizing or "smart-sizing" for decades in a bid to use their income as wisely as possible. This demographic often sells larger houses in favor of a mortgage-free lifestyle with less maintenance. Really, they're permanently reducing one of the biggest fixed expenses they'll encounter: housing costs. And with their children out on their own, homeowners are giving up their five-bedroom house in the suburbs in favor of a two-bedroom condo on the beach that is much more appealing to them. Saturdays can be spent collecting seashells rather than mowing the lawn.

Many of those who voluntarily downsize can afford a big car and a larger house, but they're doing the math and finding that living with less doesn't necessarily mean going without. For instance, a smaller home may mean less yard and housework and more time and energy to pursue things you truly enjoy. It's not necessarily about making do with less; instead the trend is about making room for what makes you happy.

Quote of the Month: "There are things known and there are things unknown, and in between are the doors of perception." - Aldous Huxley

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