GATEWAY INVESTMENT MANAGEMENT OF RAYMOND JAMES®

THE COMMUNIQUE

October 2017

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	2537.74	0.73%	0.73%	13.35%
Dow Jones Industrials	22661.64	1.15%	1.15%	14.67%
NASDAQ Composite	6534.63	0.60%	0.60%	21.39%

U.S. TREASURIES	YIELD
5-yr Treasury Note	1.92%
10-yr Treasury Bond	2.33%
30-yr Treasury Bond	2.87%

Information as of October 4, 2017 Source: Thomson Reuter's Thomson One

MARKET COMMENT

"Giant Sucking Sound"

In the 1992 Presidential debates, candidate Ross Perot made the comment, "if the North America Free Trade Agreement (NAFTA) is approved, that giant sucking sound would be American jobs going south." Well, NAFTA was approved, and many Americans did experience job displacement during the 1990's. Likewise, many "old industry" jobs were moved offshore. But the United States also created a huge amount of high-paying technology and service jobs during the same era (not to mention the mega-wealth creation period in the stock market boom of the late 90's). I say all this not to pick on Mr. Perot, but to point out how difficult it is to accurately predict the effects of current events, much less the probability of future events.

Mr. Perot was correct in his assumption that many American jobs would go to Mexico or some other offshore destination, but he failed to foresee the economic benefits that shift would create. For example, an economic environment that provided buyers with lower cost products, major innovation in the service industry, and technologies that greatly enriched our lives. There have been countless times throughout history were highly respected economists, market strategies, politicians, business leaders, and bankers have tried to predict the future but failed. So why do so many "smart" people continue to walk down this fragile path? Perhaps it's their ego? Perhaps it's confidence in their "false god" or some selfish opportunity? After all, the public always seems to have a very short memory and, at times, wants to be sold the latest "snake oil." Naturally, some individuals tend to take advantage of this public weakness for their own benefit.

To avoid the blunders of others, we at Gateway Investment Management will not try to predict the future because it is, quite frankly, unpredictable. However, we do rely on our investment process, which is based upon historical facts, human behavior, and current market trends. This process is not always easy to execute because there are so many "experts" whispering the "future" in our ears, but those are the times that we must be the most disciplined to remember that "giant sucking sound!"

One last prediction story: in the early 1990's Mr. Iben Browning predicted that a major earthquake, centered in Missouri along the New Madrid fault, would occur either on December 2nd or 3rd of 1990 (talk about a precise prediction). Fortunately for all Missourians, he was wrong. But when I think back on that time, and if I'm being honest, I always thought Mr. Browning was in the "snake oil" opportunist camp. Nonetheless, I purchased a hot water tank during the hysteria … just in case.

As always, we highly value your continued trust and confidence. Please let us know if you have any questions or need assistance. We are always happy to help.

Service Reminders

As we approach the end of 2017, it is important to remember that December 31st is the deadline to take a Required Minimum Distribution (RMDs) from your retirement account(s). Below are the qualifications for those who must take a RMD in 2017:

- You own a traditional IRA or other pre-tax retirement account
- You are over the age of 70 ½ anytime in 2017
- You are under the age of 70 ½, but own a beneficiary IRA.

If you qualify, but have not yet taken your RMD for 2017, we will contact you before the deadline to discuss your options. Please remember the RMDs are necessary to avoid potential tax fines and penalties.

If you have any questions about your RMD, please let us know.

PLANNING STRATEGY

Raymond James "Point of View" article.

Should Your Estate Plan Address Addiction?

Planning to pass down your legacy often requires you to address difficult questions and make hard choices. One of the most challenging topics to consider is substance abuse, and, more specifically, how your plan will function if a child or grandchild develops a drug or alcohol addiction problem. For families with a history of substance abuse, this can be a core consideration when drafting documents. These families may find, however, that planning solutions in this area are elusive.

Trusts, Trustees and Discretion

The topic of substance abuse usually comes up when deciding how to structure a child's inheritance. Significant inheritances are almost always structured in the form of a trust, which offers important legal and tax protections to the beneficiary. In recent decades and especially among wealthy families, trusts have become increasingly discretionary, with authority granted to the trustee or some other fiduciary to make decisions about the amount and timing of distributions to beneficiaries. Depending upon the circumstances, the trustee's discretion in making distributions may be either absolute or limited by specific standards (such as making distributions for the "health, education, maintenance and support" of a beneficiary). It is usually in this context that the issue of a beneficiary's possible substance abuse is considered.

Why You Might Exclude Specific Provisions

Some may argue that as long as a trustee has sufficiently broad discretion to make and withhold distributions, there is no need for specific substance abuse provisions. This school of thought maintains that if a trustee can reasonably withhold distributions from a beneficiary with an active drug or alcohol problem and make distributions to get a beneficiary into a treatment program, specific language about substance abuse isn't required.

In this view, express provisions on substance abuse might wrongly stigmatize the beneficiaries, suggesting a problem is present where none exists. Supporters of this view also point to the potentially negative consequences of treating a child who is struggling with an addiction problem differently in a planning document than his or her siblings.

However, there's strong resistance to the view that trustee discretion is sufficient to address substance abuse problems among beneficiaries.

Why You Might Include Specific Provisions

Some believe that trustees and other fiduciaries will be unlikely to cut off distributions to a trust beneficiary with an addiction problem, fearing long-term disputes and litigation. Even professional trustees such as banks, trust companies, attorneys and accountants may be hesitant to forcefully intervene with a substance-abusing trust beneficiary. Indeed, some professional fiduciaries may be hesitant to act as a fiduciary at all for a beneficiary with a known addiction problem.

Moreover, many fiduciaries – whether professionals or loved ones – may have little knowledge of treatment options for different kinds of substance abuse. For example, a trustee selected for his or her financial acumen or family knowledge may have no understanding of how to deal with opiate addiction in a 20-year old beneficiary residing in another state.

For these and other reasons, clients who are sensitive to drug and alcohol addiction in their families often insist on seeing express provisions in their planning documents that address these issues.

Typical Substance Abuse Provisions

How do planning documents expressly address substance abuse and addiction? Provisions can vary widely and range from relatively simple to very detailed, but here are a few commonly-used features:

- **The Existence of Dependence or Addiction:** A definition is given to conduct constituting substance abuse, establishing how it will be evaluated. The trustee is often given discretion to determine whether the beneficiary's substance abuse has had consequences that could lead to actual harm to the beneficiary or his or her assets.

- **The Requirement of Testing:** If substance abuse is suspected, the trustee may request or require the beneficiary to undergo testing to qualify for distributions. Consent to disclose test results to the trustee is usually required to resume distributions.
- **Suspension of Discretionary and Mandatory Distributions:** Until test results are received, and in the event of adverse findings, the trustee may be directed or authorized to withhold distributions from the beneficiary. These may be discretionary distributions (requiring the exercise of discretion by the trustee) or mandatory distributions (such as requirements that certain amounts be paid out upon the beneficiary attaining specified ages).
- **Treatment:** Substance abuse provisions often authorize or require a beneficiary to enter or complete a treatment or counseling program before distributions may resume. Trustees may (understandably) be given wide latitude to determine what constitutes successful completion of a treatment program.

Substance abuse provisions are often expected to be automatic or self-triggering, but this is rarely the case. Provisions usually require a fiduciary to make a number of very difficult determinations that may fall outside their area of expertise. Does a beneficiary have a drug or alcohol problem? Has the problem risen to the level that it has a negative impact on the beneficiary's life, occupation or family? How should the topic be raised with the beneficiary, and how should testing requirements be presented? What treatment options should be considered? What determines if treatment was successful?

"Who's the Decision-Maker?"

Whether a planning document is silent on the subject of substance abuse or contains detailed, carefully-considered provisions on this subject, the most important question is always "Who is the decision-maker?" Planning protections for a child or grandchild facing addiction are only as strong as the individual or group charged with administering their trust. Any one legal structure may lead to good or bad results, depending upon the willingness of the decision-maker to actively engage with the beneficiary, obtain professional advice, and remain involved over the lifetime of the beneficiary.

Deciding who can serve as the decision-maker can be a daunting task. Many families dealing with substance abuse issues don't have a single individual with the knowledge and disposition to act as fiduciary for a person with a substance abuse problem. Families may find it necessary to assemble a "committee," drawing from legal counsel, financial advisors, treatment professionals and others to be the joint decision-makers for family members struggling with drug and alcohol addiction.

In spite of these challenges, any concerns you may have on the subject of substance abuse and addiction should be raised openly in planning discussions with us, your attorney, and other planning professionals. Open communication will only help lead to a more thoughtful plan that reflects what matters most to you.

LIFE & LEISURE

Raymond James "Point of View" article

Savvy Steps to Stay Cyber-Safe

Americans lose tens of billions of dollars each year to financial fraud. In the digital frontier, many crimes – including identity theft, tax fraud and elder abuse – are committed by online outlaws, making cybersecurity all the more important. As cybercrime becomes more prevalent, learn how to defend yourself with simple, everyday practices that can help protect your identity, your accounts and your devices.

Fighting Fraud

Familiarize yourself with common scams to help protect your assets and your identity. Often, identity thieves pretend to be someone they're not, whether they're claiming to be from a legitimate organization, acting as though they are in love or purporting to be someone you trust. The effort is an attempt to induce you to reveal personal information, such as passwords or credit card numbers. Crimes such as these fall under the umbrella of phishing, a popular fraudulent activity.

Never click on the unknown. If you receive an email from a reputable company, go directly to their website. If you receive an unexpected email from someone you know, call them before opening it. Additionally, never reveal your passwords and only use credit card numbers on sites you're confident are secure. If you have any doubt, refrain from revealing personal information.

Tax season is a notable time to take extra precaution as email compromise and mail theft tend to crop up each year and more than 237,750 tax fraud victims are reported to the IRS annually. Remember that the IRS will never request personal or financial information by email, phone, text message or social media, nor will they threaten you with lawsuits, imprisonment or other enforcement action if you have done nothing wrong. Elect to receive your tax forms online rather than in your mailbox, where they may be at risk of physical theft, and file as soon as possible to decrease the likelihood that someone will maliciously file on your behalf.

Prudent Prevention

By taking small steps toward a safer online presence, you and your loved ones will be less likely to experience a loss of personal information and privacy. There are a number of everyday practices everyone should follow.

- **Improve your passwords:** Use complex and unique passwords that are different for each account. Include numbers, capital and lowercase letters, and symbols.
- **Take it one step further:** Turn on two-step authentication for your accounts – a security process in which the user provides two means of identification rather than one.

- **Opt for biometric identification:** On top of your standard password, consider adding a photo of your face, the sound of your voice or an image of your fingerprint to your protective arsenal.
- **Keep an eye on apps:** Before you download an app, review the privacy policy and what data (such as location) the app can access.
- **Clean up your mess:** Keep your electronics free from malware and viruses. Apply updates and patches on computers and mobile devices as soon as possible, and wipe computers and mobile devices of data before selling or disposing of them.
- **Use public wireless networks with caution:** Avoid visiting sensitive websites or conducting financial transactions on an unsecure network.
- **Post prudently:** Be mindful of what you're posting to social media platforms, and avoid sharing personally identifiable information. Check privacy settings to ensure that you are not sharing your profile with people you don't know.
- **Be alert to risks online**: Never open attachments or links in suspicious emails or from senders you don't recognize.
- **Secure your information:** Keep software up to date and install an antivirus product. Shred sensitive material or store securely in a digital or physical vault.

Post-Theft Protection

The Federal Trade Commission reports that 11.7 million people are victims of identity theft each year. Should your information be compromised, these are the actions you should take.

- **Contact the Federal Trade Commission:** Call to report the issue or access the online complaint form. Visit the FTC's identity theft website for more information.
- **Report the incident:** File a police report, and retain a copy as proof.
- **Contact creditors' fraud departments:** Close affected accounts and speak with someone in the security or fraud department. Notify credit card companies and banks in writing. Follow up with a letter for affidavit as well as copies of any supporting documents. Order new debit and credit cards.
- **Alert credit bureaus:** Report the breach to one of the three major credit bureaus and ask for credit monitoring, fraud alerts, credit freezes and copies of your credit reports.
- **Keep good records:** Notify businesses and agencies by phone and in writing. Log dates, times and the names of people you spoke with as well as what they tell you. Keep copies of any correspondence, and use certified mail, return receipt requested.
- **Reset your passwords:** Consider using password manager software if needed. Experts blame weak or stolen usernames and passwords for 76% of data breaches.
- **Check for additional fraudulent activity:** Watch your monthly statements, emails and regular mail, sign into Investor Access, and call your advisor to report suspicious activity.
- **Other steps:** Contact the Social Security Administration, the Postal Inspection Service or your issuing driver's license office if your Social Security card, mail or driver's license has been stolen.

Let us know if you would like to discuss these or other ways you can protect yourself and your accounts. Together, we can explore options like secure file sharing, fraud and consumer preference text alerts, and two-factor authentication

Quote of the Month: "Trying to predict the future is like driving down a country road at night, with no lights, while looking out the back window." - Peter Drucker

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