GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

October 2021

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	4357.04	1.15%	1.15%	16.00%
Dow Jones Industrials	34326.46	1.43%	1.43%	12.15%
NASDAQ Composite	14566.70	0.82%	0.82%	13.02%

U.S. TREASURIES	YIELD
5-yr Treasury Note	0.95%
10-yr Treasury Bond	1.48%
30-yr Treasury Bond	2.05%

Information as of October 1, 2021 Source: Thomson Reuter's Thomson One

MARKET COMMENT

Shifting Gears

Some of you may remember the "art" of using a manual transmission – shifting through the gear pattern as you accelerated the vehicle and downshifting as you came to a stop. The true art was knowing how fast, and long, you should accelerate before moving into another gear. You listened intently to the motor, watched the tachometer, and developed a feel for the vehicle. You learned that there were minute transitions between gears – that moment of pause before you shifted into the next gear. Well, the markets now seem to be in similar transition period – seesawing back and forth between positive and negative days created by the nicks and chips in the current economic gears.

As we know, markets are always looking 6 - 9 months ahead, trying to determine where the economic activity will occur in the future. So what is happening now is usually a good indicator of what our economy will be generating as we approach that future date (Spring 2022). At the moment, it seems the markets are marking time to determine how those nicks will affect our economy, so let's take look at some of the possible areas that might strip the economic gears. At the top of the list is inflation. As we continue to recover from the pandemic recession, prices and labor costs have risen significantly. All the while the Federal Reserve, and U.S. Government, also continue stoking the economy with a very accommodative monetary and fiscal responses – thus adding more fuel to inflation. The Federal Reserve has maintained its position that the current inflation levels are "transitory," and will fall in the future, but that decease has not appeared to date. However, out of the other side of their mouth, the Fed has also state that if inflation remains stubbornly high, then other measures may be taken to rein in inflation. This means tightening monetary policy and, thus, slowing the economy down – which would no doubt cause a decline in the stock market and perhaps a recession.

For many years the U.S. economy has employed "just in time inventory," which means business order products as needed, thus eliminating large stored inventories. As a result of the global demand, the pandemic changed this inventory structure causing massive disruptions in our supply chain. This led to shortages and rising prices (due to strong demand and reduced supply). Fortunately, some of the supply chain issued have abated, but there are still pivotal areas affected, such as the lack of semiconductor chips used in the automotive industry. This issue not only exacerbates the inflation issue through price increases, but also results in both lowers sales (limited products) and lower margins (higher costs) for businesses. If persistent, there's a chance that corporate earnings by affected companies could severely disappoint.

Lastly, the global economy is now dealing with a changing China – one that is flexing its Communistic roots. There seems to be a great deal of uncertainty about how this will affect their domestic economy, or the global economy as a whole, because of the position as the second largest economy. Also their financial structure of using large amounts of debt to develop real estate projects could cause significant defaults in the coming months. It has been reported that a large real estate company maybe on the verge of default, but with information closely contained, the veracity of any information on China is difficult assess.

It seems we are always faced with worries in financial markets. Perhaps that's the reason for the old Wall Street adage, "bull markets climb a wall of worry." If there were no worries, we would certainly be more worried. Perhaps now the market is simply climbing. Or, for the sake of this newsletter, maybe we are shifting into a new gear.

As always, we appreciate your continued trust, and confidence. Thank you.

PLANNING STRATEGY

Raymond James "Point of View" article. M20-3251884

Where Medicare Falls Short

You may have a clear vision of your ideal retirement, but that dream could be challenged by unexpected healthcare costs. Even with Medicare, quality healthcare can come with a hefty price tag. There are still premiums, copayments, deductibles and other out-of-pocket expenses that must be accounted for.

To better estimate and plan for your future medical costs, take a look at what Medicare may not cover.

Hearing and vision

Hearing aids can range from $900 to more than $6,000 each, depending on the technology. They also need to be replaced every five years or so and require maintenance and batteries. Medicare covers hearing tests when medically necessary (think vertigo or injury), but otherwise you're on your own. A typical hearing test can cost up to $250 without insurance; it’s about the same cost for a hearing aid fitting or consultation, too.

Traditional Medicare also doesn’t usually cover the cost of glasses, contact lenses, or eye exams, though there are some exceptions for those who have had cataract surgery.

Dental care

Routine dental care, including dentures, is not covered by Medicare or supplemental health insurance. The American Dental Association estimated that the average cost of two exams and cleanings and a set of X-rays is about $288. It’s estimated that an average retired couple will spend $18,590 out of pocket for dental services without additional insurance.

Mental health

Many retirees struggle with finding a sense of purpose when they transition into retirement, and this can lead to anxiety, stress or depression. Unfortunately, Medicare may not provide enough support. Part B allows for an annual health screening and therapy should you receive an official diagnosis. Medicare covers 80% of the cost after you meet your deductible; you’ll be responsible for the other 20%, which can range from $50 to $250 an hour with an approved provider.

Coverage abroad

Like to travel overseas? You might be under-covered. Traditional Medicare generally does not provide coverage for hospital or medical costs outside the United States. Residents of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Northern Mariana Islands are covered, and in some cases, inpatient hospital services in Canada or Mexico may also be covered.

If your wanderlust takes you further abroad, consider short-term travel insurance or a Medigap policy that covers foreign emergencies, such as plans C through J. Just be aware that the coverage applies for a limited time and doesn’t cover all expenses. A deductible and lifetime maximum apply.

Long-term care

Medicare, for the most part, doesn’t cover long-term or custodial care for help with everyday tasks like dressing or bathing. However, some 70% of us will need some form of long-term care either in a specialized facility or at home. The median cost of nursing home care in 2020 was $93,075 – even higher for a private room – according to the Genworth Cost of Care survey, and the median cost of a home health aide was $150 a day. Long-term care insurance can help you manage this risk by covering a range of nursing, social and rehabilitative services for people who need ongoing assistance due to a chronic illness or disability. Talk to your advisor about when it makes sense to invest in a policy, what coverage you might need for skilled, intermediate and custodial care, and whether it makes sense to pay your LTC premiums from a health savings account (HSA). Of course, supplemental insurance might help in many cases, but even that comes at a cost, and the premiums are subject to inflation over time.

Covering your bases

You have several options when it comes to planning for the expenses mentioned above. A broad approach may be allocating a lump sum of money to cover the average lifetime healthcare costs. However, not everyone is able to set aside hundreds of thousands of dollars to fund future healthcare needs. Even if you can, it may take away from your general retirement savings, leaving you with a smaller pool of assets to fund the lifestyle you've worked so hard for.

It may be more practical to estimate your and your spouse's projected health needs based on your family history and state of health. You and your advisor can start with a baseline for a person your age and adjust from there depending on how conservative you wish to be. Keep in mind, the longer you expect to live, the higher your costs could be, so you may want to use more aggressive numbers in your estimations.

You may also consider a hybrid approach, estimating costs, buying enough insurance to cover most of your anticipated needs and then setting aside a smaller cash reserve for the unexpected.

It may be advantageous to use a health savings account (HSA) while you can. HSAs are associated with high-deductible health insurance plans, and the money saved within them can be used for many of the costs outlined above as well as other qualifying health expenses. Distributions for qualified medical expenses are also tax-exempt. You can't contribute once enrolled in Medicare, even if you're still working – but you can use any HSA funds you already have and roll over unused amounts.

Think through, too, how life insurance could play a role. Most permanent life insurance policies allow partial withdrawals or loans for healthcare expenses. The caveat here is that any unpaid loan amounts will reduce the future benefit to your heirs.

If you're still working, you may be covered by an employer-sponsored plan, but you'll need to determine how your benefits work with Medicare and what your spouse may be entitled to. Some previous employers also extend insurance benefits to retirees.

To your health

It pays to understand what you can and can't expect from Medicare so that unexpected medical expenses don't eat into your retirement savings. Rely on your financial advisor to help clarify issues, add in contingency plans to your retirement income strategy and point you toward helpful resources.

Sources: Centers for Medicare & Medicaid Services; medicare.gov; aarp.com; time.com/money; kiplinger.com; "How Much Does Therapy or Counseling Cost?" Depression RSS2, March 29, 2016; costhelper.com

These policies have exclusions and/or limitations. The cost and availability of Long Term Care insurance depend on factors such as age, health, and the type and amount of insurance purchased. As with most financial decisions, there are expenses associated with the purchase of Long Term Care insurance. Guarantees are based on the claims paying ability of the insurance company.

LIFE & LEISURE

Raymond James "Point of View" article. M21-3682000

What's Your Money Mindset

Sensible about dollars and cents? More carefree than careful? Planner or play-it-by-ear? Your money personality affects more than just your portfolio, it likely affects your relationships, too – with your spouse, your siblings and your children. Money means different things to different people, and it's vital to have a conversation about your spending, investing and saving habits so that you and your family will be on the same page.

According to financial psychologist Dr. Brad Klontz, “We have beliefs clunking around in our heads, and for many of us, they’ve been passed down from our parents.” But if we take the time to dig into our partners’ attitudes as well as our own, we may be able to better appreciate what drives financial decisions, recognize roadblocks and make meaningful progress toward our shared goals.

While there are a few broad stereotypes, only you, your family and your advisor will truly understand your motivations. You may not fit squarely into any of these boxes, but you may recognize a few of your own traits or those of your loved ones somewhere in the mix.

The rookie

You’re thrifty and idealistic – and you’re likely saddled with student debt as you try to launch a rewarding career. You’re optimistic and hope to align your personal and professional lives with the values you hold dear. You’re not likely to be a big spender, but when you do spend, it’s on memory-making experiences like vacations.

Bottom line: You’re just starting out and might fear an unpredictable market. While understanding your risk tolerance is essential to investing well, remember that you need some risk to grow wealth. Fortunately, you’ve got time on your side as well as the power of compounding. Use both to your advantage.

The forward thinker

You’re a little older with an established career. You’re buying houses, having children, aiming for that corner office. You’re busy and earning more than ever, but most of your money may already be spoken for, earmarked for retirement or a child’s education. You’ve got more money than time, and varying priorities compete for attention.

Bottom line: It’s a struggle to find time to dig into your investments and manage everyday expenses as well as your emergency savings. You prefer to delegate some of those decisions to an advisor, offering input along the way.

The influencer

You work hard and play harder. You’re always hustling so you can enjoy the finer things in life. You drive a nice car, carry the latest phone and eat Instagram-worthy meals. For you, your self-worth is tied to your net worth. You believe there’s no such thing as too much money, and you splurge regularly.

Bottom line: For you, a budget may not seem exciting, but it’s a way of holding up a mirror to overspending and staving off debt. You may not enjoy sharing control over financial decisions with someone else, but a trusted source can serve as a guardrail to get you closer to your long-term goals.

The ostrich

An ostrich sticks its head in the proverbial sand and avoids thinking about money. You’re not quite sure how much you have, what you spend or what you owe. And you may feel overwhelmed when it comes to financial details.

Bottom line: Ignoring your finances could mean missing out on an employer's 401(k) match or not understanding your household expenses should you ever need to take over. If you find money management complicated or cumbersome, rely on your advisor and automate other aspects, like bill paying or contributing to your 401(k).

The stockpiler

You watch every penny, prioritizing saving and frugality. The goal is to have more money than you need, which gives you a feeling of safety and control. You may also feel uncomfortable talking about money, even with those closest to you. If you're tired of worrying about money, you may want to assign more of the daily details to your advisor, who can shoulder some of the responsibility.

Bottom line: Saving is a wonderful habit, but if you sock most of your money away in cash and conservative investments, you may be too risk averse. Strike a balance to help you reach your short- and long-term financial goals and enjoy the journey.

The scout

The scout is well-prepared for the long haul. You see money as a tool and are willing to use it to achieve your goals. You understand that not everything will go your way, but you're cautiously optimistic that a long-term plan will eventually get you where you want to go – no matter what is happening in the headlines.

Bottom line: You manage money with both your head and your heart, relying on expert advice when you need it. Be sure to build a trustworthy team of professionals, including an accountant and estate planning attorney, to ensure you maintain balance in all aspects of your financial life.
Planning for your financial future, like climbing a mountain, is a journey that each of us approaches a little differently depending on what we hope to achieve, our time horizon and our willingness to take on risk at that particular moment. The one thing we all have in common is the need for a guide to help us forge a path to prosperity.

Next steps

Level up your financial prowess by:

- Being honest about your financial tendencies and identifying habits
- Talking to your family about what your shared financial goals look like
- Speaking to your advisor to determine how you can achieve your dreams

Sources: ally.com; sofi.com; motleyfool.com; nerdwallet.com; investopedia.com; moneyharmony.com; empower.me; kiplinger.com; Raymond James research; University of Minnesota

All investments are subject to risk, including loss.

Quote of the Month: "Always focus on the front windshield and not the rear view mirror."
— Colin Powell

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