GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

October 2020

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	3380.80	0.53%	0.53%	4.64%
Dow Jones Industrials	27816.90	0.13%	o.13%	-2.53%
NASDAQ Composite	11326.11	1.42%	1.42%	26.23%

U.S. TREASURIES	YIELD
5-yr Treasury Note	0.28%
10-yr Treasury Bond	0.70%
30-yr Treasury Bond	1.46%

Information as of Oct 1, 2020 Source: Thomson Reuter's Thomson One

MARKET COMMENT

The New Fed

The Presidential election is only 4 weeks away and, if the first debate will serve as the standard, then we are probably due for the most mean-spirited Presidential election in our nation's history. But, how will the financial markets react to the turmoil and the results in November (or December)? It is telling that the day after the debate, the stock market opened lower, but changed course mid-day upon renewed optimism about a second stimulus bill, and ultimately ended the day on the positive side. It seems the market is more concerned about economic factors, such as reports on increased business hiring and advancement of another COVID-19 relief/stimulus bill, than the childlike behavior of the presidential candidates.

As is usually the case, the market's indifference towards the debate shenanigans is statistically well-founded. Research on presidential elections shows that Democratic presidents have slightly edged out Republicans on stock market performance over the past 50+ years, but more significant factors of economic expansions and recessions seems to be neutral towards either party. So, whether a Democratic or Republican ultimately wins the election, it doesn't seem to carry much weight on the economic cycle. This leads us to believe that focus should be placed on *what* the economy will do going forward, regardless of the election results.

Another interesting piece of market trivia for the month ahead: anytime that the stock market performance between August and October, immediately preceding the election, has been positive, then the incumbent candidate has always won the election. But in these most bizarre times, who knows if history will repeat itself. Nonetheless, it is probably worth keeping a close eye on October's performance. August was positive and was September negative, so October will be the determining factor.

Trivia aside, we are frequently asked "as investors, how should we approach this current election?" We believe that it's always important to focus on the economic bouncing ball, and not on political stunts and strategies, which seems to be moving towards economic expansion. Based on U.S. Government stimulus, a very accommodative central bank, and consumers ready to move past the virus, the path of least resistance appears to be on the upside. However, the glaring unknown is the potential return to pandemic levels from a second wave of COVID-19. Longer term, if the Democrats capture the White House and the Senate, and implement new policy changes, there could be adaptations within our economy. But these types of systematic changes tend to develop slowly and portfolios would be adjusted as needed.

So sit back and enjoy the "Vitriol 2020," while we focus in on the economic bouncing ball. As always, thank you for your continue trust and confidence.

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 2019 was $90,155 – even higher for a private room – according to the Genworth Cost of Care survey, and the median cost of a home health aide was $144 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. We're happy to help you clarify issues, add in contingency plans to your retirement income strategy, and/or 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

LIFE & LEISURE

Raymond James "Point of View" M20-3205417

Leaving Money to Your Kids? Consider These Inheritance Tips

Talking to family members about estate planning and legacies can be uncomfortable. These discussions, however, are an important way to share your choices with your children and prepare them for their financial futures.

Here are a few suggestions to help you broach this tricky topic and set your heirs up for better success.

Communicate your values about money in a larger context.

Build on the casual conversations you've already had with your kids about what matters to you most. When children are familiar with their parents' values, they're more likely to have a good idea of what to expect from their parents' estates.

A few ideas to get the discussion started: how do you feel about the value of education, hard work or integrity of character? What philanthropic causes are most important to you and why? What are some of the life experiences that have helped shape who you are?

Evaluate your children's money skills.

Kids who grew up in the same family don't always have the same knowledge and attitudes about money – while some may have a real interest (or education) in financial decision-making, others may not be at the same level of readiness and responsibility. Conversations about estate planning can become part of larger discussions designed to help teach them how to manage and become comfortable with their legacies.

Remember, you have flexibility around how and when you pass on your wealth. If your heirs are ready now, you might wish to share part of their inheritance while you're still alive, allowing you to provide guidance and enjoy their development as stewards of your wealth. If you're less confident in their financial responsibility, you might consider using a well-structured trust to better ensure your intentions for the wealth are abided by.

Dispel misguided expectations about what they'll inherit.

Perhaps you've quietly decided to leave all your assets to a charitable organization. Or, on the other end of the spectrum, you'd like your children to take ownership of substantial wealth you've kept under the radar – perhaps in the form of land or business ownership.

Whether your kids will be inheriting nothing, significant wealth, or something in between, providing a clearer understanding of what they'll be taking on will prevent misguided expectations. Though the conversation may be uncomfortable, discussing it now can help avoid further discord down the line.

If you are planning to leave your kids a large inheritance, consider including them in a conversation with your financial advisor, who can help heirs learn more about the financial and the emotional aspects of managing inherited wealth. They can also help you consider different options, such as giving more to your children during their lifetimes, to possibly reduce the impact of a sudden inheritance.

If your kids' inheritances will look very different, communicate it early.

Ultimately, how you choose to share your wealth – and with whom – is entirely up to you. But if your estate plan doesn't treat your children equitably, it's wise to share that information well in advance and communicate it privately to each child. If you can discuss these provisions and the reasons for them ahead of time, there's less likelihood of conflict between siblings after you're gone.

In addition to having an in-person conversation with your heirs, it may also be wise to include your rationale in your will. This can help safeguard against possible claims of attorney drafting errors or other grounds for contesting the document.

Set apprehension aside.

Perhaps the strongest reason for not discussing estate plans with family members is fear – fear that children will be angry or disappointed, that their expectations for their inheritance are inflated, or that they'll be resentful of other heirs. Although these conversations can be difficult, remind yourself that they're an important step in providing clarity about your financial legacy – which is ultimately in everyone's best interest.

Raymond James and its advisors do not offer legal advice. You should discuss any legal matters with the appropriate professional.

Quote of the Month: "It is neither wealth nor splendor; but tranquility and occupation which gives you happiness." – Thomas Jefferson

For questions or additional information please contact:
Raymond James & Associates
9900 Clayton Road, Saint Louis, Missouri 63124

Jim Pohlman, CFP®
Senior Vice President, Investments
James.Pohlman@raymondjames.com
T 314-214-2122

Hunter Martiniere, J.D
Financial Advisor
Hunter.Martiniere@raymondjames.com
T 314-214-2152

Vickie Bollinger
Senior Registered Sales Assistant
vickie.bollinger@raymondjames.com
T 314-214-2175

Planning - https://www.raymondjames.com/commentary-and-insights/retirement-longevity/2020/09/22/where-medicare-falls-short
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