GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

October 2018

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	2923.43	0.32%	0.32%	9.34%
Dow Jones Industrials	26773.94	1.19%	1.19%	8.32%
NASDAQ Composite	7999.55	-0.58%	-0.58%	15.88%

U.S. TREASURIES	YIELD
5-yr Treasury Note	2.94%
10-yr Treasury Bond	3.05%
30-yr Treasury Bond	3.20%

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

MARKET COMMENT

Crimson Leaves

Ay, thou art welcome, heaven's delicious breath!
When woods begin to wear the crimson leaf,
And suns grow meek, and the meek suns grow brief
And the year smiles as it draws near its death.
Wind of the sunny south! Oh, still delay
In the gay woods and in the golden air,
Like to a good old age released from care,
Journeying, in long serenity, away.

In such a bright, late quiet, would that I
Might wear out life like thee, 'mid bowers and brooks
And dearer yet, the sunshine of kind looks,
And music of kind voices ever nigh;
And when my last sand twinkled in the glass,
Pass silently from men, as thou dost pass.

October by William Cullen Bryant

The year is swiftly coming to a close as we welcome October's crimson leaves. Personally, October is one of my favorite months, filled with many surprises from both nature and the markets, but those crimson leaves have historically lead to some of the largest market declines in history (and many crimson account statements). But let's not dwell on past crashes, but consider our current times, which seem slightly more "rosy" than "crimson."

Currently, October is showing a strong American economy with low unemployment, continued moderate inflation, affordable borrowing costs, lower taxes for individuals and corporations, strong consumer and small business confidence, and a strong wealth effect for consumers due to rising housing prices and financial assets values. However, there are plenty of sources reminding us that roses don't bloom until the spring and that the crimson leaves will inevitably start falling. These pundits cite the ugly political situation in Washington D.C., a Federal Reserve that has removed the words "accommodative" from their rhetoric (rising interest rates), a bull market that is long in the tooth, rising oil prices, and a housing market that appears to be slowing.

Although a strong case can be made for both sides of October, it seems to me that if the negatives were too overwhelming for investors, then September, which is historically the worst month for the stock market, would have had provided ample opportunity for a sell-off into a correction or the start a bear market. But that didn't happened and when markets don't decline on bad news – which we had plenty of in September – then that's normally an indicator that better times are ahead. Plus, corporations will be announcing 3rd quarter earnings reports in the next few weeks and a strong showing would certainly provide support for the stock market.

So, as always, we will wait, watch, and react to what the markets is telling us. We have learned that it is a bad idea to invest according to what we think the markets should be doing, versus what they are actually telling us.

Thank you for your continued trust and confidence, and we wish you a very joyful October.

PLANNING STRATEGY

Raymond James "Point of View" article. M18-2255617

Decoding the New Tax Code

Last December, accountants and taxpayers everywhere got a chance to unwrap the comprehensive and at times, overwhelming, new tax bill. A lot was packed inside, including changes to several itemized deductions as well as some tax credits, and almost all of the individual income tax changes expire at the end of 2025. We also got a higher standard deduction; however, for some taxpayers, the resulting benefit may be partially or totally offset by the repeal of the personal exemption.

Take a look at what did and didn't make the cut, then ask your accountant if you'll be able to itemize.

Personal Exemptions

Say goodbye. In the past, taxpayers were generally allowed to reduce their taxable income by $4,050 per person, but no more.

Medical Expenses

Still deductible, once out-of-pocket medical expenses exceed 7.5% of your adjusted gross income (AGI). That threshold will increase to 10% in 2019 (except for taxpayers age 65+ for whom the 7.5% floor will remain intact), so it may make sense to move up any known deductible medical expenses to this year.

Also, the new bill eliminates the tax penalty for not having health insurance (starting in 2019).

Large Charitable Donations

Still deductible, and the limit for cash contributions has been raised to 60% of adjusted gross income. Remember that this only helps if all your itemized deductions exceed the new, higher standard deduction.

Mortgage Interest Payments

Still deductible, but only on loans up to $750,000 that were opened after Dec. 15, 2017. Prior loans are capped at $1 million.

Interest on Home Equity Loans and Lines of Credit

Still deductible, but the loan must be used to "buy, build or substantially improve" the home that secured the loan. Otherwise, no.

State and Local Taxes (SALT)

Still deductible, but capped at $10,000 for most individuals. In the past, it was generally unlimited.

Credit for Dependents

Still applies, and the Child Tax Credit has been doubled to $2,000. In addition, the new law allows for a $500 credit for other types of dependents.

Casualty and Theft Losses

Still deductible, but only if the casualty loss was due to a federally declared disaster. The deduction for theft losses has been **repealed**.

Unreimbursed Job-Related Moving Expenses

Say goodbye until at least 2026, barring any changes. These expenses are no longer deductible unless you are an active duty military family.

Alimony

Say goodbye. No longer deductible by the payer spouse or taxable to the payee spouse for agreements inked after 2018. You may want to include a provision that the divorce agreement must be renegotiated if the tax law changes again.

Sources: forbes.com; nytimes.com; turbotax.com; Raymond James research

Raymond James "Point of View" article. M18-2211283

How to Fight Financial Fraud

Financial fraud costs older Americans more than $37.5 billion each year. Familiarize yourself with these common scams to protect yourself and your loved ones.

Telemarketing Tricks

The opponent: Calls or sends letters encouraging retirees to buy fake products, donate to fictional charities or invest in nonexistent businesses.

Fight back: Register phone numbers with the National Do Not Call Registry and put mailing addresses on opt-out lists. Use third-party sites to verify a charity's legitimacy before donating.

Made-up Medicare

The opponent: Claims to be a Medicare rep and requests personal information. Or, the scammer provides false medical services before billing Medicare and keeping the money.

Fight back: Never give out your Medicare number. Check statements for erroneous charges or unreceived services.

Title Company Ruse

The opponent: Intercepts email between you and a realtor or title company and provides fraudulent instructions.

Fight back: Beware of last-minute changes to payment instructions for a new property, or any other unexpected changes such as sender, jargon or multiple requests. Contact your title company directly rather than respond to the email.

Distress Deception

The opponent: Claims that a grandson or granddaughter is in an emergency, and then begs for money to be sent immediately.

Fight back: Never give money over the phone or in a high-pressure scenario. Confirm emergency claims with other family members before acting.

Sweetheart Scams

The opponent: Claims to be in love with a retiree, intending to exploit them by requesting money or gaining access to accounts.

Fight back: Pay careful attention to new friends and romantic interests. Have friends/family meet or talk to the new companion to find out more. A con artist probably won't want to chat.

Debt Duplicity

The opponent: Uses obituaries to contact new widows and widowers, claiming that the deceased had outstanding debts to be repaid.

Fight back: Limit details in the obituary and address legitimate debts before publishing. Call your financial institution directly to verify any claims.

New schemes are being concocted all the time. Maintain open lines of communication with your loved ones to help all of you avoid common traps. Protect your personal information and trust your instincts. If a situation seems too good to be true, there's a chance it is.

Next Steps

- Talk to your financial advisor about where you or a loved one may be vulnerable and ways to protect vulnerable assets.
- If you suspect a scam, immediately cease all contact with the scammer.
- Protect yourself through education. The Federal Trade Commission, Federal Bureau of Investigation and other government websites offer useful information.
- Report possible scams to the police or local law enforcement. Notify your bank if appropriate.

Quote of the Month: "Whenever you find yourself on the side of the majority it's time pause and reflect." - Mark Twain

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