GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

SEPTEMBER 2016

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	2159.04	-0.55%	2.87%	5.63%
Dow Jones Industrials	18325.07	-0.41%	2.20%	5.17%
NASDAQ Composite	5211.89	-0.03%	7.62%	4.08%

U.S. TREASURIES	YIELD
5-yr Treasury Note	1.23 %
10-yr Treasury Bond	1.67 %
30-yr Treasury Bond	2.39 %

Information as of September 12, 2016 Source: Thomson Reuter's Thomson One

MARKET COMMENT

"Elementary, My Dear Watson"

In 2016 the stock market action has been anything but "elementary, my dear Watson" (borrowing a frequent quote from the famous fictional detective Sherlock Holmes). A brief recap might jog your memory of the past 8 months. We started out with a major correction in January, which ended in mid- February with a substantial rally, then a brief pull back for "Brexit" in June. Then, another rally leading to all-time highs for many of the major indices, and finishing up a very boring August, which lead to the market results we have posted thus far. Many of you may be scratching your head thinking, "all-time highs" and we have a less than 5% return on the S&P 500? Really, is that all? And perhaps your own individual portfolio(s) might even be less than that average or index … what's going on? Well, the market has had some sectors with very large returns (like oil, precious metals, utilities, and consumer staples), but many areas have done poorly or are just treading water. Plus, at the beginning of 2016 the economy was showing some rather significant signs of slowing down, however, it seems the economy is on the mend and moving forward. So where do the last 4 months of 2016 go from here? As I write this missive the markets have turned negative, again, but our indicators suggests that this pull back could provide a buying opportunity into a sound closing for 2016.

Of course, another wild card that keeps coming into play is the Central Bank's actions with interest rates. I believe "the Fed's" actions over the past 7 years have led to the topsy-turvy markets we are experiencing today. To the best of my knowledge, the markets have not dealt with "negative interests" before, so where this experiment will ultimately lead is anyone's guess. But the process has already led to substantially valued stock markets, overpriced dividend-paying stocks, lower rates on savings, and a major increases in debt for many large publically traded companies. World markets continue to be traded based upon zero or negative interest rates versus earnings growth, so these Central bankers created quite a dilemma for raising interest rates – likely resulting in the real possibility of major declines when the time comes for increases. As for the economy, we have not seen significant growth simply because the world has been deleveraging the debt accumulated during the real estate bubble of 2002-2008 (even with "easy" money). Consumers have been reducing debt and saving more, small and mid-sized businesses have not been borrowing to expand rapidly, local and state government haven't been expanding, and even though large publically traded companies have expanded their borrowing, it has been to buy back stock or pay/increase dividends. Only a few dollars seem to be moving toward investments, which is the ingredient that produces robust economies.

The world we live in today is anything but "elementary, Watson." If anything, it is quite complex and perhaps a bit tenuous. So stay tuned because, as Mr. Holmes would say, "the game is of foot!"

PLANNING STRATEGY

Raymond James "Point of View" article. M16-040166

Social Security Myths and Misconceptions

There's no doubt about it. Filing for Social Security can be daunting. There are several factors to consider:

- What age is best to file? Are there benefits to waiting until after full retirement age? 70?
- Should you claim on your spouse's record first? Can you still do that after the most recent budget bill changed the guidelines?
- How can you maximize your overall benefits?

On top of all that, there's a ton of information – and misinformation – to weed through, as well as the need for some calculations based on several variables. Your benefits depend on your age, how long you've worked, what you earned, your marital status and number of dependents. Seems like you have to factor in everything but your IQ. So to help, we offer some common misconceptions as well as some guidance on ways to get the most from your hard-earned retirement benefits.

Myth No. 1: Social Security Won't be Around when I Need It While it's true that your contributions go to current beneficiaries as opposed to an account reserved for you, Social Security continues to be replenished by younger, working Americans, as well as earned interest on its bond portfolio and income tax on benefits paid to higher-income retirees. However, the trustees have projected that any existing surplus could be depleted sometime between 2033 and 2037, if no further legislative action is taken. This could mean that future retirees may be paid some portion, between 75% and 80% for example, of the benefits promised, but not zero like many fear.

Myth No. 2: Social Security is All You Need

Somewhat paradoxically in light of Myth No. 1, more than half of Americans expect to fund their retirement entirely with Social Security. While benefits do get adjusted for cost of living increases, they were always intended to supplement, not replace, retirement savings. Retirees received an average of $1,341 in benefits for the month of January. Even if you live frugally, that amount likely will not be enough to account for all the variables you might encounter over a decades-long retirement. That's why it's important to do what you can to maximize all your retirement savings for as long as possible (think taking full advantage of your employer's 401(k) match).

Myth No. 3: File as Early as Possible

No one quite knows how long you'll live past full retirement age (FRA), so some think you should collect as soon as you're eligible. But that means permanently reducing benefits when the odds favor a longer lifespan for most of us. Your advisor can help you calculate your breakeven point based on your statistical life expectancy and your family history. Higher earning spouses, in particular, may want to delay as long as possible, not just to maximize their own benefits, but to ensure a higher payout for their widow or widower when the time comes. Surviving spouses are eligible for 100% of their spouse's benefit.

Myth No. 4: File as Late as Possible

We're not trying to confuse you. For the vast majority of applicants, waiting past full retirement age to file makes the most sense financially. But there are conditions that warrant filing early, particularly if you need the extra income or if your health isn't the best. On the other hand, retirees who want to have the most income during their prime years may want to file early, too. Should you change your mind, you can claim a do-over within the first year, but you have to pay back what you received. If longer than a year, you can voluntarily suspend your benefits at FRA and then earn delayed credits until age 70.

Myth No. 5: You'll Lose Benefits if You Continue to Work after Filing a Claim

If you file before your normal retirement age and continue to work, your benefits will be temporarily reduced depending on how much you earn. But those benefits are merely delayed until full retirement age (FRA), not lost forever. Once you reach FRA, you'll receive increased monthly payments to make up the difference. Plus, you may end up increasing your annual benefit because Social Security is based on your 35 highest years of income.

Myth No. 6: You're Out of Luck if You've Never Worked Outside the Home

It's true that regular benefits are based on an employment record of at least 40 quarters. But those who haven't worked for that long, or at all, can receive half of what a spouse or even an ex-spouse would receive (as long as you were married for at least 10 years and haven't remarried). If you're a surviving spouse, you may be eligible for full benefits on your spouse's record. Even ex-spouses can claim full survivor benefits as long as you were married for more than 10 years and never remarried before he or she passed away. Of note: remarriage after age 60 does not prevent or stop entitlement to benefits for survivors – even ex-spouse survivors.

Myth No. 7: Follow Advice from Friends and Family

Filing for Social Security based entirely on advice from nonprofessionals may work just fine, but it may not help you maximize benefits, which could leave thousands of dollars at stake. Often a consultation with your financial advisor and an accountant can help determine the best strategy.

LIFE & LEISURE

Raymond James "Point of View" article. M16-040166

The New Disruptors of Old Age?

From smart phones to smart homes, emerging technology is changing the way Americans approach aging — and Baby Boomers welcome the advances.

The traditional wisdom among Silicon Valley's youthful technorati is to design for what you know—texting your friends in Europe for free (WhatsApp), renting out your bedroom to make extra cash (Airbnb), finding a romantic partner without leaving your house (Tinder). But a handful of entrepreneurs are now looking beyond the millennial market to reach a new demographic with their own needs — baby boomers.

"You've got all these 20-something engineering types who are beginning to realize there are older adults who can make use of these products to promote health and well-being," said Andrew Scharlach, Professor of Aging at the University of California, Berkeley. "What we are beginning to see is the marriage of product developers with the end users that they previously had not been aware of."

In the United States, 10,000 people will turn 65 every day for the next decade. This demographic controls approximately 75% of the country's income. They are living longer than ever before and changing what it means to retire — that is, if they decide to retire.

"Retirement is a recent phenomenon," said David Lindeman, the Director of the Center of Tech and Aging at U.C. Berkeley. "But it is a basic human interest to stay at your highest functioning level, and maintain your independence as long as possible. Technology is a game changer in terms of autonomy and independence."

In response to the increase in chronic diseases, as well as rising costs of prescription drugs and long-term health care for older adults, more technology companies are developing products designed to keep people healthier longer. Smartphone apps help to manage diabetes and monitor high blood pressure, while other programs promote fitness and long-term wellness.

"When you're in your sixties you are probably a caregiver," said Mary Furlong, who organizes the annual Silicon Valley Boomer Venture Summit. "But the goal is to live long enough that one day you'll need a caregiver. A lot of people are having this wake-up call. The revolution in wellness and self-care is primarily having an impact on the boomer population."

"Technology is a game changer in terms of autonomy and independence."

Meanwhile, many retirees want to stay in their communities longer and age on their own terms at home. In 2013, 28% of the 65+ population in the United States (8.4 million women and 3.7 million men) lived alone. In the past, technology for this demographic has been limited to emergency response buttons like those made famous on the "I've Fallen and I Can't Get Up," infomercials for LifeCall.

"For the longest time people thought about technology as a panic device, but it [has] evolved into so much more than that," said Scott Collins, CEO of LinkAge, a venture capital firm that invests in technology aimed at seniors. "I think what you're seeing is a recognition that the boomers are a massive cohort that have disrupted the economy at every stage of their life, and entrepreneurs and developers are realizing there is a massive market opportunity."

The advent of smart homes offers increased autonomy though web cams, remote monitoring, and strategically located sensors. The personal emergency response company Lively was founded in 2012, with an eye toward what seniors would actually use.

"We wanted to do whatever we could to help elders stay independent as long as possible," said Lively co-founder David Glickman. "But [their] adult children are craving peace of mind. We wanted to reimagine the emergency response experience. "

The result is a slick-looking, waterproof watch that retails for less than $100, with a monthly fee of $28 dollars a month. Sensors set up around the house can be monitored remotely, and report whether

"Boomers are a massive cohort that have disrupted the economy at every stage of their life."

the user's medication has been taken, or if they have spent too long in the bathroom. In the event of a fall, users can press a large button to call 911.

“[A] smart home for an elder living independently has tremendous power,” Glickman said. “It is a way of including the family without being too intrusive.”

Major companies are also rethinking the role tech can play in health and aging. Intel CEO Eric Dishman has championed the importance of designing technology for older users, and last year, Intel launched the RealPad with AARP. Available for under $200 at Walmart, the device aims to make video calls easy and affordable for seniors. Amazon has launched a 50+ Active and Healthy Living Store, offering everything from vitamins to wearable activity monitors.

“People over 50 are disrupting the traditional historical perception of aging in what they buy, what they do, what they are interested in, but also their adoption of technology,” said Jody Holtzman, Senior Vice President of Thought Leadership at AARP. “But the [actual industry] disruption is being driven by entrepreneurs who are recognizing that the myths of aging are just myths.”

Meanwhile, Google is hoping to outsmart death with its new biotech company, Calico. This

"Entrepreneurs...are recognizing that the myths of aging are just myths."

“moonshot” — Google parlance for wacky ideas — is focused on improving lives through long-term solutions like curing cancer and addressing neurodegeneration. Headed up by biotech firm Genentech, few public details are available, and we may not hear about the company’s innovations for another 10 to 20 years.

“I think older people want the same thing as younger people,” says Holtzman. “People want to live active, exciting lives, and that is equally true for boomers, but that universal truth is relevant for everybody. Nobody old wants to buy anything designed for somebody old" — except, maybe, immortality.

Quote of the Month: “Don't confuse brains with a bull market" - Humphrey B. Neill

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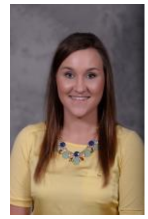

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