GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

September 2018

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	2736.61	-0.84%	5.84%	7.61%
Dow Jones Industrials	24856.74	-0.42%	6.53%	4.60%
NASDAQ Composite	76586.43	-2.29%	5.51%	14.79%

U.S. TREASURIES	YIELD
5-yr Treasury Note	2.83 %
10-yr Treasury Bond	2.94%
30-yr Treasury Bond	3.08%

Information as of September 10, 2018 Source: Thomson Reuter's Thomson One

MARKET COMMENT

See you next month …

As the major market indices continue to move sideways after marking new highs, we decided it was a good time to step back and revisit the reliable well of education. As such, we spent the early part of September at the Raymond James Regional Conference in Chicago, Illinois, and were enlightened by a slew of portfolio managers, technical analyst, and industry visionaries. Their varying degrees of insights and prognostications were too vast, and, occasionally, too convoluted to quickly condense into a single newsletter article. So, instead, we decided to take a month off and parse through the piles of information provided to save ourselves from the same mistakes. Hopefully this delay will lead to a far more thoughtful analysis than the firehose of information that would have resulted otherwise … but only time will tell (next month).

As always, thanks for your continued trust and confidence – it is the fuel that drives us to remain thoughtful and intentional with everything from our market comments to our commitment to client service.

PLANNING STRATEGY

Raymond James "Point of View" article.

How Do College Savings Affect Aid Eligibility?

As you save for a child's or grandchild's future education, you might wonder what impact that saving will have on their chances of qualifying for financial aid. There are several types of financial aid (federal, state and institutional), but federal aid is the most widely dispersed and is based solely on financial need.

Agencies use a simple but dynamic formula to calculate financial need:

A school's cost of attendance – Expected family contribution (EFC) = Financial aid eligibility

Determining Expected Family Contribution (EFC)

EFC is an annual figure expressed in dollars, and it determines whether a family has a financial need. You can estimate your EFC at savingforcollege.com. Financial aid offices often weight parental and student income more heavily than assets when determining EFC. In addition, student assets are weighted more heavily than parental assets.

From **parents**, EFC includes:

- 22% to 47% of available income
- 0% to 5.64% of assets
  - Mutual funds
  - Securities
  - Bank accounts and CDs
  - Parent-owned 529 savings plans

From the **student**, EFC includes:

- 50% of adjusted gross income over $6,310
- 20% of assets held in the student's name
  - UGMA/UTMA accounts not held in a 529 plan
  - Minor trusts not held in a 529 plan
  - Savings bonds in the student's name
  - Any other savings

Aid and Savings: Factors to Keep in Mind

- A family seeking federal financial aid must complete the Free Application for Federal Student Aid (FAFSA) form.
- Assets held in qualified retirement plans such as IRAs are not considered in determining eligibility for federal student aid. The percentage of other assets considered in determining EFC

will vary based on the amount of assets, the age of the eldest parent and whether there are one or two parents.

- Any student-owned 529 or 529 funded with UGMA/UTMA assets is reported as a parental asset if the student files the FAFSA as a dependent student.

None of the income and assets of a grandparent or other contributor are considered in the federal financial aid formulas. However, any withdrawals a grandparent or other makes toward education expenses may be considered student income and must be reported on the following year's financial aid forms. Such income can reduce the amount of aid by 50%.

LIFE & LEISURE

Raymond James "Point of View" article. M18-2217173

How Much or How Little the Kids Inherit

Talking to family members about estate planning and legacies can be difficult and even painful. 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 on approaching this tricky topic.

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.

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. Conversations about estate planning can become part of larger discussions designed to help teach them how to manage and become comfortable with their legacies.

When possible, treat children equally.

If your estate plan does not treat your children "equally," for whatever reasons, it's best to share that information well in advance and to communicate it privately to each child. If you can discuss these provisions and the reasons for them ahead of time, there is less likelihood of conflict between siblings after you're gone.

Set accurate expectations about how much children will inherit.

Not telling them may avoid conflict now, but it could sow seeds for deeper conflict and resentment down the line. Provide a clearer understanding of what assets they'll be taking on to prevent misguided expectations.

Prepare children for large or unexpected inheritances.

If you have a substantial net worth that's under the radar – perhaps in the form of land or business ownership – your children may be unprepared for what they will inherit. We can help heirs learn more about both the financial and the emotional aspects of managing inherited wealth. We 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.

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, will build too much on their expectations for an inheritance, or will 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.

Quote of the Month: "Adopt the pace of nature – her secret is patience."

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