Communications Newsletter

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Raymond James & Associates, Inc. Member New York Stock Exchange/SIPC

Message from Bill

December 2017

William L. Waters, WMS

Branch Director

First Vice President, Investments

Wealth Management Specialist

AND THE TREND CONTINUES. . . . .

First of all, I want to wish a Happy and Healthy Holiday Season and a wonderful and prosperous 2018 to you and yours.

And yes, the markets trend continues to increase, and many experts believe that these trends will continue for some time, and the current numbers and market factors also make me a believer. But there is always the chance that if we experience a normal market correction, a little investor panic could set in and make that correction slightly deeper than it should be. I believe this type of occurrence is most likely to happen in the S&P market, especially with the top several companies of that index, and that is why it is especially important that we diversify and invest globally.

Many of you have investments with us in well diversified and managed accounts such as our Freedom Accounts. These accounts are designed to participate in 'up' markets, but are also designed to be rather defensive in 'down' markets – depending on the chosen strategy. I have been very pleased by the performance and risk level of these diversified accounts over the last several years and believe that they will continue to deliver going forward. Please call me if you would like to review your present account and investment allocations.

In October, Marilyn Schmitz received the prestigious "30 Years of Service" award from CEO Paul Reilly & Chairman Emeritus Tom James. Marilyn started her career at Raymond James in 1987 when our Corporate Office was located at 6090 Central Ave, which is just three blocks from where our office is located today. Over the years, she held many leadership positions including Branch Manager, a member of the prestigious Raymond James Executive Committee, and the Women's Advisory Council. Marilyn also acquired her series 2, 7, 63, 65 and Health, Life, and Variable Annuity insurance licenses. In addition, Marilyn also earned the highly respected CERTIFIED FINANCIAL PLANNER (CFP®) designation.

Congratulations Marilyn!

Sincerely,

Bill

Paul Riley (RJF CEO), Marilyn Schmitz, Tom James

You're Invited to:

Holiday Celebration 2017

Thursday, Dec. 14th, 6:30-9:30PM

St. Petersburg Museum of History
Where Yesterdays Come Alive Everyday

Saint Petersburg Museum of History
335 2nd Ave NE, St. Petersburg, FL 33701

WATERS WEALTH MANAGEMENT of RAYMOND JAMES

Drinks and Hors D'oeuvres will be served.
Please RSVP to Lars and Kosta 727-343-3108
6392 First Ave. North. Saint Petersburg, FL. 33710

Message From Bill II

Bill Waters II CIMA®

Financial Advisor

Is Long Term Care (LTC) part of your Financial Plan?

The subject of Long Term Care is one that is most often avoided. A common belief by some is that LTC will never happen to them and LTC Insurance is not needed. Today, at least one member of a 65-year-old couple is likely to live to age 95. Studies suggest that 70% of those over age 65 will need some type of care for three years, and 20% will need care for more than five years.

A solution we hear frequently is that couples plan to rely on Medicare or Medicaid for these needs. Unfortunately, Medicare does not pay for long-term care, and coverage is limited to only acute care associated with a short-term illness or injury, such as recovery or rehabilitation. Medicaid will cover long-term care costs, but only for people of extremely low means who meet eligibility requirements. People who qualify for Medicaid assistance do not typically get to select the facility or service that provides their care.

Today, there are a number of different solutions to help plan for possible long-term care with a number of design options. The old "expensive, use it or lose it" policies have been replaced with plans can provide for single or joint care, for life or a prescribed time, or the value can pass tax free in a lump sum to beneficiaries if the policy is not used. These policies can be paid for all at once, or over time.

Advancements in our Goal Planning and Monitoring – Financial Planning system, give us the ability to show you the exact benefits of a Long Term Care plan. If you would like to review a LTC solution in your plan, or have further questions please give us a call anytime to discuss this valuable resource.

1 "USA Today, For your retirement planning, count on living until age 95," October 2016.https://www.usatoday.com/story/money/columnist/powell/2016/10/05/life-expectancy-actuaries-live-die-retire-retirement/89407296

LongTermCare.gov, "How Much Care Will You Need?," February 2017. https://longtermcare.acl.gov/the-basics/how-much-care-will-you-need.htm

START YOUR FINANCIAL PLAN!

SEE ATTACHED PDF or Click Here

Find the "Your Financial Inventory" attached, it is best way to provide us with the details we need to start your Financial Plan. Please fill out and return to us at your earliest convince!

Message From Kosta

Kosta Mattis

Registered Client Service Associate

Are there investments available that are not subject to market losses?

This is a frequently asked question, and the answer, by the way, is Yes!

One product where your principle can rise, but can never drop when the market does, is a Fixed Index Annuity. A fixed-indexed annuity allows you to participate in a rising market, but protects your principal in a falling market. The base version of these products have no fees, but you can add riders for a small fee to accomplish a particular goal. Typically these annuities track a particular index such as the popular S&P 500 index. Your gains are calculated each anniversary, and if the index is up, you get credited that amount up to the designated "cap rate", and that is your new locked in value. If the index is down, however, you receive no loss and your locked in value stays the same.

Call us today for more details and see if one of these would work for you and your goals!

Message From Lars

Lars Doebler

Registered Client Service Asso-

Watch out for RMD Penalties!

If you have a Traditional IRA, remember that the year in which you turn 70.5 you must start taking money out of your IRA to avoid penalties from the IRS. These Required Minimum Distributions (RMDs), are calculated starting at 3.65% of the previous year's Dec 31st IRA value the first year, and increase every year until the account is depleted. As long as the money comes out of the account by December 31st each year there is no penalty, but if it is not taken, the penalty is 50% of the amount that is required.

If you have not taken your RMD for 2017, please do not wait. Call us today and we can satisfy this requirement for you. If you are not sure or have any questions, please give us a call today and we can help you.

Brick-and-Mortar: The Precarious Fate of Traditional Retail

Up to 25% of the nation's 1,200 malls could close by 2022, primarily aging properties in less prosperous communities.

The rise of e-commerce has been a disruptive force in the retail sector. In fact, 5,300 store closings were announced in the first half of 2017 — about three times as many as during the same period in 2016. At this pace, the 2017 total should easily exceed the 6,163 store closings in 2008, the worst year on record. Retail bankruptcies have also been on the rise, with 345 companies filing by mid-year.[1]

A painful recession was to blame for thousands of retail store casualties in 2008, but for the most part the U.S. economy has been humming along in 2017. The unemployment rate dropped to 4.3% in June, and gross domestic product grew at a 2.6% annual rate in the second quarter, driven by a 2.8% increase in consumer spending.[2] **So why is 2017 turning out to be such a tough year for retailers?**

Structural Shakeout

Brick-and-mortar retailers are losing market share to e-commerce sites such as Amazon. Average monthly sales at department stores were $7.3 billion less in 2016 than they were in 2000, while nonstore retail sales increased by $35 billion.3 The Internet also makes it easier for shoppers to research products and compare prices, reducing foot traffic in stores and limiting pricing power. Here are several more trends that have created challenges for the nation's retailers...

Profit pressure: Even though many traditional retail chains have invested in e-commerce channels, online sales require higher technology, customer acquisition, and marketing costs than in-store sales, which reduces their profit margins. E-commerce sales increased to 15.5% of total sales in 2016, up from 10.5% in 2012, while retail margins fell from 10.5% to 9%, on average.[4]

Mall bubble: The shift to e-commerce was preceded by several decades of overbuilding. Between 1970 and 2015, the number of U.S. malls grew twice as fast as the population, leaving the United States with five times more shopping space per person than the United Kingdom, and 10 times more than Germany.[5]

Debt burden: Some companies are also struggling under heavy debt loads, making it more difficult to turn a profit and fund investments needed to compete in the e-commerce arena. Overall, the amount of retail debt rated by Moody's has surged 65% since 2007.[6]

Reluctant shoppers: Many Americans (and especially young consumers) now prefer to spend their money on special experiences with friends and family (such as travel and restaurant meals) rather than material goods such as clothing and jewelry. For example, spending in restaurants and bars has grown twice as fast as all other retail spending since 2005. And 2016 was the first year ever that U.S. consumers spent more money eating out than they spent on groceries.[7]

Perhaps you know someone who would benefit from our services. If so, we would very much appreciate your referral, which would be a great compliment to us. If you have a friend or relative who might benefit from our knowledge of and experience in the financial markets, please pass along this newsletter and urge them to give us a call.

Coping Strategies

Retailers that specialize in goods that are difficult to buy online (such as home improvement supplies) and stores that appeal to "bargain hunters" may fare better than pricier department stores and mall chains that mostly sell apparel and accessories, an e-commerce category that is growing quickly.8 Inside or outside of bankruptcy, many retailers are working to improve their future prospects by renegotiating more affordable leases and reducing their real estate "footprint," which often involves closing underperforming stores and/or moving into smaller spaces. Other common strategies include elevating the in-store shopping experience, focusing on exclusive brands, and using loyalty programs to reward and retain customers.[9]

Retailers are also working to integrate online and in-store sales channels, which makes it easier for customers to locate the items they want and finalize their purchases. To help generate online and in-store sales, many companies are using technology that tracks customer behavior and uses the data to create targeted marketing strategies and promotions.

Even so, as many as one-fourth of the nation's 1,200 malls could close by 2022, primarily aging properties in less prosperous communities. A number of malls with advantageous locations are being redeveloped into lifestyle destinations with activities and entertainment (such as athletic facilities and concert venues) designed to attract foot traffic to the remaining stores and restaurants. Mall tenants are likely to become more diverse, with a wider range of service providers and fewer clothing stores.[10]

Economic Effects

Nearly 16 million people work in retail, many as cashiers or salespeople. From January to June, the U.S. economy shed about 71,000 retail jobs, and job losses could continue as long as the sector continues to struggle.11 E-commerce employment is expanding considerably, but most of these new jobs are in or near metropolitan areas. If large-scale dislocation of retail jobs continues, the economic effects could be worse for rural areas than for larger cities.[12]

The growth in e-commerce may also be holding down inflation. According to the PCE price index, inflation increased just 1.4% in June over the previous year.13 Consumers have largely benefited from lower prices resulting from intense competition among retailers, some of which now offer to match online prices.

More household names could cease to exist in the future, and some of their competitors might even benefit from industry consolidation. In the end, a retail company's long-term survival may depend on its ability to adapt quickly to an ever-changing market environment.

1) CNN Money, June 23, 2017
2, 13) The Wall Street Journal, August 1, 2017
3) The Wall Street Journal, May 11, 2017
4, 8) The Wall Street Journal, April 21, 2017
5, 7) The Atlantic, April 10, 2017
6) The Wall Street Journal, July 17, 2017
9) The Wall Street Journal, February 28, 2017
10)The Los Angeles Times, June 1, 2017
11) The Wall Street Journal, July 19, 2017
12) The New York Times, June 25, 2017

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In a fee-based account clients pay a quarterly fee, based on the level of assets in the account, for the services of a financial advisor as part of an advisory relationship. In deciding to pay a fee rather than commissions, clients should understand that the fee may be higher than a commission alternative during periods of lower trading. Advisory fees are in addition to the internal expenses charged by mutual funds and other investment company securities. To the extent that clients intend to hold these securities, the internal expenses should be included when evaluating the costs of a fee-based account. Clients should periodically re-evaluate whether the use of an asset-based fee continues to be appropriate in servicing their needs. A list of additional considerations, as well as the fee schedule, is available in the firm's Form ADV Part 2A as well as the client agreement.

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