Waters Wealth Management of Raymond James

# Communications Newsletter

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

## Message from Bill

**August 2017**

**William L. Waters, WMS**

**Branch Director**

**First Vice President, Investments**

**Wealth Management Specialist**

### *Where will you be when the music stops . . . ?*

**Last week I attended our annual Raymond James Summer Conference for Financial Advisors in Washington, DC. The most popular concerns from advisors was the height of this rallying market now, when are we going to get a correction, and how will clients and their accounts be positioned when this rally (music) stops?**

**We all agree that the S&P 500 Index (typically called the 'Market') continues to make new high levels almost daily, but based upon company profits and earnings, future potential, interest rates, inflation etc, the question begs - is the market really too high? And, what about international stocks which have been and still may be considered very cheaply priced, and undervalued, for the last 5 or more years? Many international stocks are now growing rapidly. Do we stay domestic or shift all our equities over to international?**

**Some investors are questioning whether they should go to cash, bonds, CDs or some other type of fixed investment at this time with the possibility of a correction? What if these markets continue as-is for another 2 or more years? According to some of the best experts we heard, it is entirely possible for this bull market to continue and the fixed investors miss the potential market gains!**

**Ultimately, what is most important, is how your personal portfolio is designed for you and your own needs and comfort level. Everyone's circumstances are different, and I strongly recommend that you take the time to call us and schedule a thorough review of your accounts. Let's make sure that you are positioned properly and you are comfortable and prepared with whatever events are coming our way.**

**Please call us for your personal review,**

**Sincerely,**

*Bill*

## Message From Bill II

**Bill Waters II CIMA®**

**Financial Advisor**

# Financial Freedom

Recently I had the chance to spend a couple days in the heart of the Nation's Capital for the Raymond James Annual Conference. It had been quite some time since I had the opportunity to visit Washington D.C. I am still truly amazed. The vast history that rounds every corner of D.C. tells a story of strength and persistence. Our founding fathers had a vision and structure that still holds true today, allowing us to enjoy the Freedom we all love.

However, there is another type of Freedom that we get to help clients with almost daily. Typically it starts with a well thought out plan that helps map out your individual needs, wants, and wishes. We also look at different income sources, investments, and assets to determine the appropriate mixture based upon your Risk Level. Lastly, we look to "stress test" your plan with the help of our Goal Planning and Monitoring (GPM) software. This allows us to evaluate situations where long term care, annuities, disability insurance, etc. can play a valuable role in your overall Financial Freedom.

Once in a while we have the opportunity to host an evening with an Industry Leader who helps us with one of the many steps in the Financial Planning Process. This month we have a special opportunity to host Dean Pippio from Raymond James Asset Management Services and Bill Manegio from JP Morgan. Both of these folks play a valuable role in our economic/market forecasting and the asset allocation of our Managed Investment Models. We would personally like to **invite you to attend** an evening of knowledge and fun on **August 23rd at the St. Petersburg Yacht Club. Doors open at 6pm and food and refreshments will be provided**.


## 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**

**Your friendly RMD reminder and what to do with it!**

Just for the record, RMD stands for Required Minimum Distribution and anyone that has a qualified plan (tax deferred growth) must start taking money out the year they turn age 70 & 1/2. There are actually a lot of people who wish it could stay in their qualified plans and continue to grow. Unfortunately our Uncle Sam views it as his time to start getting his tax money. So if you don't need the money and wish it could stay invested, why not fund something else with it? A popular idea is to fund a long term care policy with your RMD money. Did you know you can now fund long term care in multiple payments? It doesn't have to be a lump sum, and there is a death benefit if you don't use the LTC policy. Just call in for details.

## Message From Lars

**Lars Doebler**

**Registered Client Service Associate**

Most health care insurance policies do not cover long-term care. Like Medicare, they pay benefits for only short-term rehabilitative care. In 2015, the median annual cost for care in an assisted living community was nearly $43,200 nationally. A private room in a full-time skilled nursing care facility cost an average of $250 a day—more than $91,250 a year*. This can drain a retirement account very quickly which is why we feel planning is so important. We put together the following case study:

### HYPOTHETICAL CASE STUDY

Lorelei, age 60, has a sustainable retirement portfolio, but would like to be prepared now for long-term care if she needs it. She has a CD with a value of $100,000 that she sells to purchase an asset-based long-term care life policy that offers a 6-year long-term care benefit period. Should she need money for eligible long-term care expenses, Lorelei will have an income-tax free total long-term care benefit pool of $476,481, or a monthly maximum of $6,618, for qualified long-term care reimbursements. If Lorelei does not need long-term care, she can either withdraw her $100,000 through the money-back guarantee or leave an income tax-free death benefit for her heirs of $158,827.

PCA Planning for Quality Card & Independence brochure

*Genworth Financial 2015 Cost of Care Survey, 2015.

## TAKE CHARGE OF YOUR LONG-TERM CARE PLAN

Currently, government programs provide only limited assistance—which may even be reduced in the future. Medicare pays only for acute care associated with a short-term illness or injury. Medicaid, the program designed to pay for long-term care is available only to low-income participants who meet eligibility requirements for necessary care. People who qualify for Medicaid assistance do not typically get to select the facility that provides their care.

This is why you should consider creating a specific funding plan for the likelihood that one or both spouses will need long-term care. There are several Insurance options to help you prepare for this expense. It is important to work with your financial advisor to develop a plan for your situation.

## LONG-TERM CARE FUNDING OPTIONS

First, recognize that most healthcare insurance policies do not cover long-term care. Like Medicare, they pay benefits for only short-term rehabilitative care. For a true long-term care plan you need an insurance plan that offers coverage for years, not months. Today there are different ways to plan for long-term care.

## TRADITIONAL LONG-TERM CARE INSURANCE

One of the ways that you can prepare for your future is to buy a long-term care insurance (LTCI) policy. LTCI covers cost Medicare and other health insurance policies may not cover, such as in home care, assisted living, adult day care, and nursing home care. Be aware that if you purchase a policy when you're young, you may pay premiums for decades of coverage before even using the plan. However, premium rates for long-term care policies increase significantly as you get older. Many experts recommend the "sweet spot" age to buy a policy at a lower rate is mid-fifties. For business funded plans, long-term care premiums may be tax-deductible.

Traditional long-term care insurance is typically used when an individual does not have a large lump sum to fund the single premium types of long-term care.

## LIFE INSURANCE WITH LONG-TERM CARE PAYOUT RIDERS

An alternative to the traditional LTCI policy is to purchase a universal life policy that offers a long-term care insurance rider.

Life insurance with a long-term care payout Rider is typically used when an individual's primary objective is to leave money to their heirs.

This allows you to cover two potential needs. Life insurance provides cash proceeds to beneficiaries tax-free when you pass away. When you add a long-term care Rider, should you ever need to pay for long-term care, the policy will pay accelerated death benefits to help cover those costs. For example, you can purchase a $300,000 life insurance policy with a long-term care Rider. If you need to file a long-term care claim the policy will pay 2% per month of the life insurance amount, $6,000, in benefits. Note that these benefit payments will reduce the life insurance amount on a dollar-for-dollar basis.

## Long-Term Care Planning continued

### ASSET-BASED LONG-TERM CARE

Asset-based long-term care contracts use the structure of either life insurance or annuities to provide long-term care benefits as needed. Asset-based policies are typically purchased with a single some premium. They provide long-term care benefits for typically five to seven years, and the residual death benefit will be paid to beneficiaries upon your death.

**Asset-based long-term care life insurance**

If the long-term care benefit is not used, the policy provides an income tax free life insurance benefit to your heirs. In addition, many products offer a full money-back guarantee should you change your mind.

**Asset-based long-term care annuities**

Asset-based annuity contracts allow the initial premium to grow tax-deferred until you need to access the long-term care benefit. Once withdrawals are made for long-term care purposes, they come out tax -free due to the pension protection act of 2006.

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GO GREEN

**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.**

## Market Update


Equity markets around the world tracked higher in July, despite declines over the last week of the month. Domestic stocks had dipped amid some disappointing tech earnings and a revised report that showed slower-than-expected gross domestic product (GDP) growth for the first quarter. Earnings overall have been a bright spot, as the majority of S&P 500 companies have reported beating their mean sales estimates.

The major U.S. stock indices ended July in positive territory. The Dow was up 2.5%; the Nasdaq climbed 3.4%; and the S&P 500 was up 1.9%. The Treasury yield curve is nearly unchanged for the month with the long-bond (30-year Treasury) only down 8 basis points in yield and the 1- and 3-month T-bills down 14 basis points.

The Federal Open Market Committee left the target range for the federal funds rate unchanged at its mid-July meeting and repeated that it "expects that economic conditions will evolve in a manner that will warrant gradual increases" in the quarters ahead. The central bankers also indicated that they expect to start unwinding their balance sheet "relatively soon" (most likely in October).

### ECONOMY

Real GDP rose at a 2.6% annual rate for the second quarter, averaging a 1.9% pace over the first half of the year.

Consumer spending growth rebounded from a soft first quarter, but monthly figures suggest some loss of momentum heading into the second half of the year.

Private-sector job growth in 2017 has remained strong, roughly the same as in 2016 – although tighter labor market conditions are expected to be a restraint in the months ahead.

**Released On 7/28/2017 8:30:00 AM For Q2(a):2017**

| | Prior | Prior Revised | Consensus | Consensus Range | **Actual** |
|---|---|---|---|---|---|
| Real GDP - Q/Q change - SAAR | 1.4 % | 1.2 % | 2.6 % | 2.2 % to 3.2 % | **2.6 %** |
| GDP price index - Q/Q change - SAAR | 1.9 % | 2.0 % | 1.2 % | 1.0 % to 1.8 % | **1.0 %** |
| Real Consumer Spending – Q/Q change – SAAR | 1.1 % | 1.9 % | 2.8 % | 2.2 % to 2.9 % | **2.8 %** |

Gross Domestic Product (GDP) is the annual market value of all goods and services produced domestically by the US.

## EQUITIES

Major domestic stock indexes had once again reached record highs before some less-than-impressive tech earnings reports toward the very end of the month prompted investors to take profits. Amazon briefly dragged tech stocks lower as shares fell 3.3% at the end of the month, following weaker-than-expected quarterly numbers. Other major tech companies, including Apple, also declined during the last few trading days of July.

## INTERNATIONAL

The dollar's recent swoon against the euro and British Pound over recent weeks had an impact on European markets as shares in exporting companies sold down.

The tone surrounding European investment opportunities continued to improve as the International Monetary Fund upped its expectations for Eurozone growth and reports surfaced that transitional Brexit negotiations were progressing well, according to Raymond James European Strategist* Chris Bailey.

Emerging markets in aggregate continued to rally, aided by the lower dollar.

## FIXED INCOME

Treasury demand continued to be strong during the month, with better-than-average covers over the past 12 months and strong indirect participation, according to Raymond James Senior Fixed Income Strategist Doug Drabik.

Continued demand for U.S. securities from foreign investors assists in keeping interest rates down.

The bond market seems to have settled on the idea that interest rates are not necessarily headed higher, Drabik notes. Current fiscal policy and political uncertainty is hindering growth potential and higher yields. Interest rates seemed destined for continued low rates and a tight trading range in the near future.


## BOTTOM LINE

We remain bullish. In our opinion, pullbacks should be short and shallow. Investors may be able to potentially take advantage of short-term volatility to buy quality stocks at a possible discount.

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