GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

May 2018

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	2581.88	0.26%	0.53%	-0.70%
Dow Jones Industrials	23644.19	-0.27%	-0.02%	-2.51%
NASDAQ Composite	6870.12	0.91%	0.95%	3.29%

U.S. TREASURIES	YIELD
5-yr Treasury Note	2.82%
10-yr Treasury Bond	2.98%
30-yr Treasury Bond	3.14%

Information as of May 1, 2018 Source: Thomson Reuter's Thomson One

MARKET COMMENT

Sell in May and Go Away

Here's a helpful tip from old Wall Street – sell in May and go away. According to Investopedia, this "well-known trading adage warns investors to sell their stock holdings in May to avoid a seasonal decline in equity markers. If a trader follows the sell-in-May-and-go-away strategy, the trader sells stock holdings in May and invests again in the equity market in November to avoid the typically volatile May to October period." But the problem with many of the *old* Wall Street adages is that they tend to oversimplify complex issues. Modern economies and global markets don't always fit into neat packages for sweepingly quick and simple investor action, and searching for the magic goose that consistently lays golden eggs seems equally naïve. Rather, my experience is that investing is hard work that takes sufficient time, talent, and temperament to execute on a consistent positive basis – a formula that we call the **"3 T's."**

Nonetheless, the current stock market may have been better handled by selling out at the end of January – because the past 3 months have not been kind to investors' returns or their nerves. Volatility has returned with a capital **V,** swinging daily with 1-2% ups and downs. But what is causing these wild swings in asset values? Well, it seems inflation either is or will be returning much stronger than it has in the past few years. Full employment, rising wages, consumer prices, and the potential for future Federal Reserve interest rate increases all support an inflationary backdrop. Also, 1st quarter corporate earnings are coming in quite strong, which has sparked growing fears that this is "peak" earnings for the current economic cycle – suggesting that the future could be down from here. However, as we have said many times in the past comments, we will take a wait and see approach and, ultimately, let the market tell us what is going to happen. At the moment, mother market seems to be saying, "we don't know yet, but stay tuned!"

As always, we highly appreciate and value your confidence. If we can be of service, please let us know.

PLANNING STRATEGY

Raymond James "Point of View" article. M18-2094470

Social Security Myths and Misconceptions

There's no doubt about it. Filing for Social Security can be daunting. 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 $1,404 in benefits for the month of December. 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. We are happy to help you determine the best strategy.

Sources: ssa.gov; investopedia.com; forbes.com; thefiscaltimes.com; marketwatch.com; cnnmoney.com

LIFE & LEISURE

Raymond James "Point of View" article. M18-2079080

Nine to Five, Beyond 65

The idea of retirement may conjure images of leisurely days spent reading, pursuing hobbies and traveling. Today, however, many retirement age Americans are choosing to, well, not really retire at all. According to a U.S. jobs report, almost 19% of people 65 or older were working at least part time in the second quarter of 2017 – the highest rate of employment for the age group since Social Security benefits began in the 1960s. That number is up from 13% in 2000, and is expected to increase to 32% over the next five years.

So why are so many forgoing a life of leisure? People are living longer than ever – and so must support themselves financially for longer, too. Studies show the opportunity to stay physically and mentally active by working is just as appealing as the paycheck for many who choose to work past retirement age. Instead of being a time to stop working altogether, research suggests that for many retirement has become a chance to pursue an "encore" career, where they can both earn an income and do work they find personally fulfilling. A 2014 study by Encore.org found that 4.5 million people between the ages of 50 and 70 have such a career, often with roles in public service or education.

A 2015 study of working retirees further supports these findings. About 15% of responders said they continued working because they enjoyed their jobs and saw no reason to stop. About a quarter of survey responders sought to achieve balance by working – wanting the income but also to maintain the social and mental benefits of staying engaged in a workplace. Another 15% of workers sought to give back and make a difference through their work. Almost 30% of survey responders needed to work for the income.

Whether you choose to continue working in your current profession, try something new, or enjoy a retirement filled with the hobbies and people you love most – there are many ways to stay active in your golden years. As your income can affect things like Social Security and Medicare premiums, just be sure to keep us to date as you determine the retirement that works best for you.

Sources: Bloomberg; New York Times; Pew Research Center; Investopedia; FoxBusiness.com; AARP; U.S. News; newretirement.com; Encore.org; Fast Company; Kiplinger; Wall Street Journal

Quote of the Month: "For every complex problem there is an answer that is clear, simple, and wrong." H. L. Mencken

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