

# PLANNING POINTS...

June 2018

	<u>06/31/2018</u>	<u>2018 2<sup>nd</sup> Quarter Change</u>
S&P 500 *	2718.37	+ 4.34%
Russell 2000 **	1643.06	+ 8.34%
Barclays Capital Aggr. Bond Composite Index***		+ .16%

\*The S&P 500 is an unmanaged index of the largest 500 companies weighted by capitalization.  
\*\*The Russell 2000 index is comprised of the smallest 2000 companies of the Russell 3000 Index which measures the performance of the largest 3000 U.S. companies based on total market capitalization. The Russell 3000 represents approximately 98% of the investable U.S. equity market. Past performance may not be indicative of future results.  
\*\*\* Barclays Capital Aggregate Bond Composite index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors  
\*\*\*\*MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the United States & Canada  
Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary.

## STOCK MARKET REVIEW

After a slightly negative first quarter, the stock market rallied during the second. The S&P 500 was up 4.34%, the Russell 2000 Index rose sharply at 8.34%, and international stocks slipped with the MSCI EAFE Index dropping 1.24%.

Last quarter we wrote about the lack of volatility in 2017 and how 2018 started out much more volatile. This trend continued during the second quarter. During 2017 there were only 8 days of 1% or more moves in the S&P 500. So far in 2018, there have been 36 days of 1% or more change. We have mentioned many times, investors do not like volatility. In spite of that volatility, stocks moved higher. The Russell 2000, an index of the small cap 2000 stocks hit an all-time high. Strong performance of small stocks is a very good market indicator.

There is an old saying that if you don't like the weather just wait awhile and it will change. The same goes for news. It wasn't that long ago that we were threatening the exchange of nuclear missiles with North Korea and now we are exchanging handshakes. The new market concern is tariffs. Trade wars have historically been bad for world economies. So, are we just using tariffs as a negotiating tactic or will they amplify into a trade war? Stocks markets don't like uncertainty and a resolution of the exchange of tariffs may take longer than we have patience. Perhaps the US threats are just "the art of the deal".

We are still seeing robust economic growth, strong earnings and company guidance, small business strength, unemployment at record lows, no signs of a recession, low inflation, low interest rates - and the list goes on. The biggest short-term negatives are tariffs, some slowing in global growth, and rising interest rates.

## BOND MARKET REVIEW

During the quarter, interest rates rose with the ten-year treasury moving from 2.75 to 2.85% after briefly hitting 3.1% in May. That is the highest level in seven years. The FED recently indicated they are considering more increases in the FED funds rate this year since they expect further increases in economic growth. In spite of the FED funds rate hikes, with inflation running about 2.2%, the real funds rate is still negative. We have many rate increases to go before they begin to pressure the stock market.

The real story is that increasing rates of intermediate and longer bonds has produced negative total returns for many bond holders. The warnings we have been issuing for bond investors is coming to fruition. Investors trying to capture higher long-term rates may find they took more risk than they expected. Longer bonds produced negative returns last year and likewise this year. There may be a time for longer bonds, but not now.

## **PLANNING STRATEGIES**

### **NEWS AT GAVIN & ASSOCIATES**

We are pleased to announce that Elisabeth Bell has officially joined our team as an Administrative Assistant. Elisabeth has previous experience in the law and financial services industries. In the short time she had been with us on a temporary basis she demonstrated the ability to quickly learn our operations and exceeded our client expectations. We have confidence that her personality, experience and skillset will be valuable to our team and our clients.

We are also excited to report that our Northwood University intern, Hannah Golnick, has been named Valedictorian of her graduation class. She addressed her fellow graduates during the commencement at Northwood with positive messages for the future. Her major is Finance and we are proud of her accomplishments. Hannah will continue to work with us as she pursues her Master's Degree at Northwood.

### **REQUIRED MINIMUM DISTRIBUTIONS**

We want to remind those that are required to take Required Minimum Distributions (RMDs) to consider and potentially initiate QCDs (Qualified Charitable Distributions) from their IRAs or beneficiary IRAs. We also want to remind all individuals taking RMDs (QCDs or not) to do so in the next couple months.

We are anticipating significant year end activity due to changes in the tax code and other factors and encourage individuals who typically wait until later in the year to reconsider their timing. There is also a growing chance that you may forget to take your distribution and incur a severe tax penalty if you wait. Please call us to process your RMD sooner rather than later.

We also encourage clients to sign up for auto RMD. This service calculates and processes your Required

Minimum Distribution according to your wishes every year automatically. Systematic distributions can be set as frequently as monthly, but most utilize them annually. Furthermore, the distribution can go directly into one of your personal accounts with us or be transferred directly to your bank account with no worries about forgetting to take your RMD. All that is needed to establish auto RMD is a call from you.

### **MONEY MOVEMENT AND INVESTOR ACCESS**

A large and growing number of our client requests are to transfer money either to or from Raymond James to their bank or credit union. While we are always happy to assist with these transactions, a convenient option for you 24/7 is to use Investor Access. Through Investor Access, you can perform money transfers anytime, anywhere, by simply accessing your accounts and executing the transfer with a few keystrokes. Activity will be shown in your Investor Access activity tab.

Stay tuned... this fall Investor Access will be renamed Client Access, and will include several major enhancements to the look, feel and functionality of many features. These enhancements are designed to improve ease of use, allow quicker access to key information, and provide a more modern, streamlined client experience.

We have seen the beta version and we are excited to roll this out to you.

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