

PLANNING POINTS...

March 2018

	<u>3/31/2018</u>	<u>2018 1st Quarter Change</u>
S&P 500 *	2640.87	- 1.22%
Russell 2000 **	1529.42	- .40%
Barclays Capital Aggr. Bond Composite Index***		- 1.46%

*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

The first quarter ended the eighth quarterly streak of gains for the U.S. stock market. The S&P 500 was down 1.22%, the Russell 2000 Index slipped .40%, and international stocks declined with the MSCI EAFE Index losing 1.70%.

The 2017 stock market was unusual, characterized by extremely low volatility. Enter 2018 - volatility returned with a vengeance. The technology sector weighting in the S&P 500 is now about 25% and these stocks have been fluctuating wildly. However, long-term investors should not fear volatility, since investors have over the years accepted it in exchange for higher returns.

Late last year, the market had been concerned over threats of nuclear war with North Korea but today attention is turning toward a different type of war, a trade war. Historically trade wars have not produced beneficial results. It appears that current trade sanctions may be more of a threat to get China to reduce unfair trade practices. China has also been a major player in technology theft from the U.S. It is suspicious that China's new fighter looks a lot like our F-35. Trade threats may bring some pressure to end these practices.

We are still seeing strong economic reports. Corporations are reporting better than expected earnings and raising their sales and earnings guidance for the future. Earnings are now being generated from increased sales rather than just cost cutting and downsizing employees.

Beside the fear of a trade war, investors are fearful of rising interest rates and bond yields competing more with stocks.

One positive to rising interest rates is that higher rates are often a result of stronger economic growth. There may also be some inflationary fears, but rates are rising from an extremely low level and hardly present an eminent threat to stock values.

Jeff Saut, Raymond James Chief Equity Strategist recently quoted Sir John Templeton "Bull markets are born from pessimism, grow on skepticism, mature on optimism, and die on euphoria." Where are we now? We don't believe we are seeing excessive optimism and certainly not euphoria. We urge clients to keep their sights on their long-term goals and not get distracted from short term volatility.

BOND MARKET REVIEW

During the quarter, interest rates rose sharply and the ten-year treasury moved from 2.30% to 2.75%. The FED has already signaled that they are in the mode of increasing short term rates. Economic growth and the potential for inflation are influencing their stance.

One fear is the flattening of the yield curve. This occurs when short rates and longer rates adjust to approximately the same level across the yield curve. When short rates exceed longer rates it is called an inverted yield curve. Historically when this has occurred, a recession has not been far off. This indicator bears attention.

We advise clients to maintain a cautious stance on bonds and focus on short to intermediate maturities.

PLANNING STRATEGIES

QCD's – FAVORED BY THE NEW TAX BILL

The new tax bill has increased the standard deduction significantly to \$24,000 for married couples and \$12,000 for single taxpayers. For some taxpayers, the higher standard deduction has reduced the attractiveness of tax savings through charitable deductions. However, some tax savings could be "re-gained" by utilizing Qualified Charitable Distributions (QCD's), a strategy most appropriate for our clients 70 years or older.

Qualified Charitable Distributions (QCD's) are distributions that are made directly from an IRA to a charity of your choice. Charitably minded individuals age 70½ or older can transfer up to a \$100,000 QCD from their IRA directly to a charity and the amount of the QCD would reduce their Required Minimum Distribution (RMD) from their IRA.

QCD's are not taxable and non-deductible. This charitable strategy alleviates worrying about itemizing deductions, deduction limitations or exceeding the standard deduction threshold.

If you would like to consider QCD's, please let us know. We encourage you to initiate QCD's early in the year to avoid the year-end rush. If you have the potential for matching grants through your employer, we urge you to execute your QCD's soon since the matching grant pool may be exhausted later in the year.

BROKERED CERTIFICATES OF DEPOSIT

Interest rates have been moving higher and this is especially true of short-term interest rates. We are able to provide these new attractive rates to you in FDIC insured CDs. The rates are very competitive and CDs could be appropriate for money that you wish to keep safe and can afford to invest for a specific time period.

We have enclosed an insert indicating recent rates on CDs we offer. If you have bank or credit union cash or a CD that could work harder for you, give us a call and we can discuss our CD offerings. Rates through our office are nearly double some of the best rates available locally.

PROFESSIONAL DEVELOPMENT DAY

Our team is dedicated to providing you with the ultimate client experience. We are excited to announce our office will be conducting professional development on April 19, 2018. Our office will be closed and will return to regular business hours on Friday, April 20th.

We recently completed a nationwide search for consultants to guide us through the regulatory landscape and its impact on our business model, operations, and client service. Our consultants will be facilitating our professional development days focusing on efficiencies, technology and documentation, and elevating your client experience.

Our goal is to continue to grow and prosper for the long term as we strive to make the lives of our clients, community, and team better. We trust you will recognize the value of this opportunity and we appreciate your understanding. We will have our phones monitored to be able to assist with any emergency needs.

INVESTOR ACCESS ENHANCEMENTS

If you have been using mobile devices to log into Investor Access, there are a number of new enhancements. You can now view many documents including statements, trade confirmations, tax documents, shareholder information, and other client communication. If you want to take advantage of these enhancements, be sure to install or update the latest version of the Investor Access app.

If you do not already use Investor Access, it is a free, secure online portal designed to help you manage your finances more effectively. You can view current and historical statements, account balances and activity, key data including unrealized and realized gains and losses, cost basis information and tax-reporting documents. You can view a summary screen to quickly see the current market value of your accounts and a snapshot of your asset allocation.

Investor Access also gives you cash management features such as online bill pay and funds transfer. With bill pay, you can conveniently and securely manage your bills and set up recurring and automatic payments as necessary. Additionally, funds transfer gives you easy, on-demand access to your cash. You can efficiently and safely transfer money electronically between Raymond James and other financial institutions.

Gavin & Associates, LLC
Raymond James Financial Services, Inc.
800 Cambridge, Suite 100
Midland, MI 48642
989.631.1454 or 800.365.9584

Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC. Investment Advisory Services are offered through Raymond James Financial Services Advisors, Inc. Gavin & Associates, LLC is not a registered broker/dealer, and is independent of Raymond James Financial Services. Opinions are those of Gavin & Associates, LLC and not necessarily those of Raymond James. The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee that it is accurate or complete. Any information is not a complete summary and investments mentioned may not be suitable for all investors and is not considered a recommendation to buy or sell. Past performance does not guarantee future results. There is no assurance any strategy will be successful. Bond yields and prices fluctuate with changes in market conditions. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. Investments in municipal securities may not be appropriate for all investors, particularly those who do not stand to benefit from the tax status of the investment. Municipal bond interest is not subject to federal income tax but may be subject to AMT, state or local taxes. International investing involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility. Investing involves risk and may lose your principal. Diversification and asset allocation does not ensure a profit or guarantee against a loss. RJFS Financial advisors do not render tax or legal advice. You should discuss tax or legal matters with the appropriate professional. Rebalancing a non-retirement account could be a taxable event that may increase your tax liability.