

# PLANNING POINTS...

September 2017

	<u>09/30/2017</u>	<u>2017 3rd Quarter Change</u>
S&P 500 *	2519.36	+ 4.48%
Russell 2000 **	1490.86	+ 5.67%
Barclays Capital Aggr. Bond Composite Index***		+ .85%

\*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 third quarter was the eighth quarter in a row of gains for the U.S. stock market. The S&P 500 was up 4.48%, the Russell 2000 Index rose 5.67%, and international stocks advanced with the MSCI EAFE Index rising 5.40%. For the year, the S&P 500 is up 14.24%, the Russell 2000 up 10.94%, and the MSCI EAFE is so far the big winner up 19.96%.

During the quarter, the United States mainland was hit by two massive storms named Harvey and Irma within a short period of time. Another storm was also brewing named Kim in North Korea. After the devastation from two major hurricanes and the threat of nuclear war, what did the stock market do? It advanced significantly.

Most people are puzzled by this reaction. It would appear that the high cost of destruction from hurricanes and daily nuclear threats from North Korea, would cause investors to be at least cautious if not downright pessimistic. Instead, we are near new highs.

To explain the market's unexpected reaction, we restate something we referred to several newsletters ago, "are things getting better or worse"? From our vantage point, things appear to be getting better. The main driver of the stock market is earnings. Corporate profits continue to expand and companies continue to beat analysts' expectations. This is very good news. In addition, corporations and analysts are raising their future guidance. This is not only true for the U.S. markets but international markets as well.

We all know that the stock market will not have gains every quarter. Per Bespoke Investment Group, the

stock market averages 2-3 dips each year of at least 5%. For 2017, we have not experienced a single 5% loss and some pundits suggest we are overdue for one.

We do not believe successful investors should try and "time the market". A primary tenant of investment success is having an investment strategy and sticking to it. We encourage our clients to avoid the emotional influences of storms that come our way.

Investors should be monitoring their increasing equity exposure in this market environment and rebalance their allocation if it is outside of their appropriate target range.

## BOND MARKET REVIEW

During the quarter, interest rates dropped to new lows in early September only to rise sharply later in the month to finish unchanged for the quarter at 2.3%.

The yield curve has been shifting over the past several years. Short term rates have been rising while long term rates have moved lower. This implies inflation concerns have eased pressure on long term rates, while the Federal Reserve has put upward pressure on short term rates.

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

Strong stock performance has forced many portfolios to become underweight investments with less risk. Investors should rebalance their portfolios to their target allocation.

## PLANNING STRATEGIES

### DOL and IRA's

The Department of Labor (DOL) Fiduciary Duty Rule that addresses conflicts of interest and fiduciary standards for retirement accounts became effective on June 9, 2017. The intent of the rule aligns perfectly with the core values that guide how Raymond James does business and how we have always worked with you – ***acting in your best interest***. You may recall the Raymond James “You First” television commercials.

Unlike brokers, Dan and Michael are CERTIFIED FINANCIAL PLANNER™ professionals, a certification that holds us to the highest standard of care. ***We have always had a fiduciary responsibility to act in your best interest.***

### REQUIRED MINIMUM DISTRIBUTIONS

Individuals are required to take Required Minimum Distributions (RMD's) from their IRA after reaching age 70 ½. If you are subject to this requirement and have not done so, please call us to initiate this distribution immediately. There are substantial penalties for failure to take timely RMD's.

### RJ RESEARCH RECEIVES AWARDS

Raymond James continues to receive awards for its equity research. The recognition underscores the advantage of working with a firm such as Raymond James – one that values diligent analysis and prudent foresight.

This year, the Raymond James Equity Research department received 16 awards in the 2017 Thomson Reuters Analyst Awards\* for their stock selection and estimate accuracy on U.S. companies in industries ranging from information technology and communications to healthcare and pharmaceuticals. These awards are indicative of the deep industry knowledge, expertise and talent driving Raymond James Equity Research.

The firm now ranks fourth among all brokers in the U.S. and has been ranked in the top five in the U.S. over the past three- and five-year periods. The Thomson Reuters Analyst Awards are recognized as the gold standard in objective measurement of sell-side analyst performance. Performance of analysts is measured in two ways: by the returns of their buy/sell recommendations and the accuracy of their earnings estimates.

## YEAR-END TAX PLANNING

As we approach year end, it is an important time to review your capital gains and losses for the year. There may be opportunities to take capital losses to offset capital gains or possibly to take capital losses to use as an offset to taxable ordinary income. If you are interested, we can prepare a year-to-date capital gains report for you.

You may also wish to consider gifting long-term securities with large capital gains. You can avoid the tax and receive a charitable tax deduction. As always, you should discuss tax-loss strategies with your tax advisor and coordinate with us.

### INVESTOR ACCESS TAX INFORMATION

A feature available in our online tool “Investor Access” gives our clients the ability to receive tax information online instead of a snail mailed envelope. This can be quite convenient if you are traveling during the tax season or if you simply wish to electronically send your 1099s to your tax preparer. In addition, these reports are available immediately after their release without the delay of mail.

In short, Investor Access delivers the information you need precisely when, where, and how you want it. Our staff is delighted to assist you in establishing Investor Access for your accounts. We trust you will find this to be a valuable tool for monitoring your finances.

We encourage you to consider using the “Vault” feature as well. Vault is a secure online tool where you can upload, store and organize digital copies of vital documents – from financial statements and planning documents to passports and photos of valuable assets – quickly, easily and securely within Investor Access. Vault also introduces a new, simple way for you and your advisor to collaborate by commenting on uploaded files.

Vault gives you the security of knowing your most important documents are protected – and right at your fingertips.

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\*Based on StarMine methodology, the Thomson Reuters Analyst Awards objectively measure the performance of analysts in two ways: by the returns of their buy/sell recommendations and the accuracy of their earnings estimates. The 2017 stock picking awards for the United States are based on the 2016 calendar-year performance of recommendations. The 2017 awards for estimating accuracy are based on quarterly periods that reported between April 1, 2016 and 31 March 31, 2017. Only analyst performance on companies that are based in the United States is included in the awards calculations.

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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 you 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.