PLANNING POINTS…

December 2016

	12/31/2016	2016 4th Quarter Change
S&P 500 *	2238.83	+ 3.82%
Russell 2000 **	1357.13	+ 8.83%
Barclays Capital Aggr. Bond Composite Index***		- 2.98%

*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
The Dow Jones Industrial Average is an index covering 30 Major NYSE industrial companies.
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.

All of us at Gavin & Associates wish you and your family a happy and healthy New Year!

STOCK MARKET REVIEW

Off to the races! The presidential race ended on November 8th, but a sprint to the finish line had just begun for the stock market as it advanced at a torrid pace following the election. The S&P 500 gained 3.8% in the fourth quarter. Smaller stocks outperformed with the Russell 2000 Index rising an impressive 8.8%. Conversely, the MSCI EAFE Index of international stocks posted a small loss of .7%. For the year, the S&P rose 11.9%, the Russell 2000 was up 21.3%, and the MSCI EAFE advanced 1.0%

Market analysts (and many of our clients) were cautious about the stock market before the election, but the market has performed well since. Many popular reasons given for the rally were expectations of lower corporate taxes, increased infrastructure spending, corporate capital flowing back into the U.S., and less regulation.

Smaller stocks were particularly strong during the rally, perhaps because they are affected most by reduced regulation.

Sharply rising interest rates did not deter the stock market rally. As we have said in the past, rising interest rates at this point in the economic cycle should be viewed as a positive sign, indicating confidence is increasing for economic growth.

It appears that the stock market has finally disconnected with its obsession over interest rates, at least until interest rates can better compete with dividend yields on stocks.

We believe we are in a secular bull market. A secular bull market is a long-term trend that lasts typically 10 years or longer. It consists of an extended series of primary upward trends that are interrupted from time to time by short-term corrections. We advise clients to be sure that their portfolio is properly positioned to take advantage of potential stock appreciation.

BOND MARKET REVIEW

Interest rates spiked in the fourth quarter. The ten-year U.S. Treasury bond rate jumped from 1.61% to 2.46%. That is an enormous and noteworthy rise in just a few months.

The bond market anticipates that new economic proposals will lead to higher growth and a pickup in inflation. If that is the case, bond investors will demand higher rates.

In this environment, we continue to advise clients to focus on short to intermediate maturities. Please let us assist you with an appropriate diversified mix of fixed income investments for your portfolio.

PLANNING STRATEGIES

SIMPLIFY YOUR ACCOUNTS

Some clients may have assets held in employee stock purchase plans, reinvestment plans, and other employee benefit plans. Typically, the registrations (legal ownership or the name on the account) of these accounts are in individual names. This registration can present estate problems by requiring the asset to go through probate and perhaps not to the intended beneficiary.

A solution is to consolidate these accounts into the appropriate name such as joint tenants, transfer on death (TOD), or trust registration. By doing so, you will align the registration of these assets with your intended estate plan. You will also be able to simplify your tax reporting by having fewer accounts to report.

The process to gather these assets is simple and we can take care of the details. If you provide us with a statement of the account, we can complete the transfer and simplify your life.

TAX FORM MAILING SCHEDULE

Tax preparation is certainly not one of our favorite new year's tasks but this year you get three extra days to file, since April 15th falls on a Saturday. In order to assist you with your taxes, the following are important dates that determine when Raymond James will issue 1099s.

- February 15th - Original 1099 mailing begin.
- February 28th - For clients that may have specific holdings and/or hold securities that are likely to have income reallocations such as mutual funds or UITs will have their 1099s mailed after February 28th.
- February 28th - Amended 1099s mailings begin.
- March 15th - Remaining Original 1099s that may have been previously delayed will be mailed.

PARKING

Our parking lot has an increased number of cars using more spaces this time of year. If you do not find a space, please consider a handicap space (especially if all 3 handicap spaces are available and no others exist). Currently we have more designated handicap spaces than are required.

STILL TIME FOR 2016 TAX SAVINGS

If you are eligible, you have until this year's tax filing deadline (April 18, 2017) to contribute to a Traditional IRA and record a deduction on your 2016 tax return. Income limits do apply if you are covered by an employer plan.

If your income is above these ranges, you may still make a non-deductible, Traditional IRA contribution by April 18. Many investors take this a step further and convert these non-deductible contributions into their Roth IRA. These types of conversions are entirely tax free and Roth IRAs are not subject to required minimum distributions (RMDs).

If you are eligible, you have until April 18 to make a direct, Roth IRA contribution. There are no tax deductions for Roth contributions, but there is also no tax on qualified distributions if withdrawn after age 59½ (non-qualified distributions may be subject to tax and early withdrawal penalty).

ROTH 401(k)

Many 401(k) plans offer both Traditional and Roth investment options. Traditional 401(k) accounts provide income tax sheltering of the contribution but withdrawals are eventually subject to income taxes. At 70.5 years of age, taxable withdrawals are typically required. On the other hand, contributions to a Roth 401(k) are <u>not</u> tax deductible, but do compound without taxes and may pass to beneficiaries without taxes as well.

Roth 401(k) plans can be an excellent investment to consider but your circumstances should be discussed with us for personal guidance.

The 2017 Plan limit for all 401(k) contributions (Traditional and Roth 401k combined) is $18,000 and for those over 50 years of age there is an additional catch-up of $6,000.

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