PLANNING POINTS…

September 2016

	9/30/2016	2016 3rd Quarter Change
S&P 500 *	2168.27	+ 3.85%
Russell 2000 **	1251.65	+ 9.05%
Barclays Capital Aggr. Bond Composite Index***		+ .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
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.

STOCK MARKET REVIEW

The stock market experienced some of the least volatility on record for the first two months of the third quarter. Volatility did pick up late in the quarter when some thought an interest rate hike by the Federal Reserve was imminent.

The S&P 500 advanced 3.8%, the smaller stock based Russell 2000 Index rose a healthy 9.1%. The MSCI EAFE Index of international stocks also posted a strong gain of 6.4%. Year to date, the S&P is up 7.8%, the Russell 2000 is up 11.5%, and the MSCI EAFE rose 1.7%

Recently the stock market has been concerned over the potential for rising interest rates. On the surface that seems logical. However, interest rates are at record lows and in reality not competitive with stocks. The S&P 500 dividend rate is currently 2.5% and the ten-year U.S. Treasury bond rate is 1.6%. Interest rates would have to rise quite a bit from here to create much competition for stocks. It is easy to see why stocks, based on their dividends alone, are attractive. In addition, rising rates could be a signal of economic growth and that could bolster the case for equities.

There has been some change in the performance of equity styles this year. Value stocks have significantly outperformed growth stocks. This is the first time value stocks have outperformed in three years. Another area of interest is the big increase in the performance of international stocks last quarter. These stocks have underperformed the US market for the past decade. Perhaps another trend is emerging.

Diversification of stock investment is critically important to balance both risk and return. Without rebalancing equity mix from time to time, your portfolio could become over-weighted in an area that has significantly outperformed and perhaps has become overvalued. You should examine your stock mix to be sure it is in balance with the appropriate market capitalization and style mix. Appropriate diversification by country is also important.

BOND MARKET REVIEW

Interest rates perked higher in the third quarter. The ten-year U.S. Treasury bond rose from 1.49 to 1.61%.

The bond market is back to playing the "guess when rates will rise" game. The presidential election is coming soon and many doubt there will be an increase before then. Therefore, the next increase may be delayed until late this year. Keep in mind that rate increases are coming from a level that is at historic lows. Therefore, increases in rates will be a signal the FED believes the economy is improving and but not necessarily indicating the beginning of soaring interest 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

COLLEGE SAVINGS

We celebrated Labor Day last month and many parents celebrated students returning to school. Supplies and new clothes for youngsters are expensive, but parents sending their students off to college are spending much more on tuition and room and board. The average cost for a four year, in-state college is about $24,000 per year and costs have been increasing 6% per year. If costs continue to rise at that rate, a newborn today may need $300,000 to attend college for four years.

How will your children and grandchildren pay for the high cost of a college education? Will you be able to pay the bill when they are ready for college or will the student be saddled with a mountain of student loans? We all hear stories of graduates that will be paying off their loans for twenty years or more. The average student loan total for 2016 graduates is over $37,000 and many students have a far greater loan balance.

There are scholarships, grants and financial aid available but most students will likely have to pay for most of their education. Saving early for college expenses can help eliminate or drastically reduce the need for loans. Saving can be in the form of tax favored 529 College Savings Plans, Coverdell Educational Savings Accounts, or other tax-advantaged investments.

Your savings plan for college should begin early to save as much as possible, and use a tax favored college savings plan. The more you save now, the less you and your child will need to sacrifice later. If you would like to discuss college savings strategies for your child or grandchild, please give our office a call. We are happy to assist you in planning for your future college student.

YEAR-END TAX PLANNING

We are approaching the end of the year and 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. It may also be possible to take capital losses to use as an offset to taxable ordinary income.

This note is a simple reminder to take a look at your 2016 tax situation. We can prepare a year-to-date capital gains report for you. As always, you should discuss and coordinate tax-loss strategies with your tax advisor and us.

DOL and IRAs

The Department of Labor (DOL) Conflict of Interest rule related to fiduciary responsibility for retirement accounts was announced on April 6, 2016. The intent of the rule aligns perfectly with the core values that guide how Raymond James does business and how we work with you – acting in your best interest.

Unlike typical brokers, your advisors at Gavin & Associates have a fiduciary duty responsibility to act in your best interest. Both Dan and Michael are CERTIFIED FINANCIAL PLANNER™ professionals, a certificate that holds us to the highest standard of care.

The rule is complex and more than 1,000 pages long. Therefore, while we know it will require changes to how we work together when it comes to IRAs, it warrants careful analysis with a thoughtful long-term focus on doing what is best for our clients.

Our objective is to implement the rule's requirements in a way that maintains flexibility in how we work with you while endeavoring to keep your costs down. We will guide you through any changes the rule may require, making sure you fully understand your options.

It is also important to note that no changes are required at this time. We will keep you informed as we learn more about the final details and what they may mean for your accounts.

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