



NEWSLETTER

Summer 2019

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From the Desk of Edward Metz

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Every recession in the last 60 years has been preceded by an inverted yield curve. However, a recession does not occur every time the curve is inverted.

Hard to believe it is Summer already. We certainly had enough rain this Spring. Both the bond and stock markets experienced great returns for the first half of 2019 and should slow down for the remainder of the year.

The hot topic now is the inverted yield curve. This occurs when interest rates for the 10-year treasury bond are lower than rates for a 3-month treasury bond. The curve is currently inverted which is generally the best indication that a recession may occur within the next twelve to fifteen months. Historically, those twelve to fifteen months prior to the recession have produced significant stock market returns. Every recession in the last 60 years has been preceded by an inverted yield curve. However, a recession does not occur every time the curve is inverted. Why is it inverted now? Several increases in the short-term rate by the Fed, combined with tariff talks with China and negative interest rates in countries such as Germany and Japan causing huge foreign investments into US Treasuries. We do not feel that a recession is in play for 2019, as unemployment is the lowest since 1969 and GDP is expected to stay in the ideal growth range.

This summer we have a young energetic intern from Bentley University working with us. Melanie Krupa is doing an outstanding job. We hope she is enjoying her time here as much as we enjoy having her with us. Quite often I mention the various age groups in the office ranging from their 20's to 60's. Well, now we have someone in their teens!!!

Nancy, Erica and I attended the Raymond James National Conference in Las Vegas the end of April and Erica and I attended the Summer Symposium in the Poconos near the end of June. It is always great to share ideas with Raymond James top advisors as well as interacting with Raymond James Home office staff. In late May we attended a reception at the Meadow Wood Manor where past Mayors of Randolph were honored. We appreciated the recognition and the opportunity to re-unite with friends. Other than a week at the Jersey shore in mid-August we plan to stick around this summer enjoying Rockaway River Country Club. I have been spending more time there as Chair of the Membership Committee as well as a member of the Board of Governors.





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From the Desk of Lou Hery



Records Are Meant to Be Broken!

The S&P 500 reached its all-time high this month, US Treasury Bond yields are at all-time lows, US Women's Soccer had the largest winning margin in Women's World Cup history (13-0 over Thailand), Major League Baseball posted the most homeruns in any month this past May (1,135), and Tiger Woods (love him or hate him), won the Masters in an amazing comeback from his several injuries. What else could possibly be in store for 2019?

Let's start with bonds which have had an amazing run this year given interest rates have been plummeting (most bonds have an inverse relationship to interest rates, i.e. when interest rates decrease, most bond prices increase). While this is good for mortgage rates and overall financing, it could forecast an economic slowdown. The Federal Reserve in June indicated it will hold rates steady, but signaled future rate cuts are in store for 2019.

Stocks have had a record setting year also, albeit with some hiccups. The S&P500 experienced a pullback of 6.58% in May, but has since rallied on potential interest rate cuts and renewed tariff negotiations with China, hitting an all-time high of 2954 on 6/20. As we have indicated before, we do feel the economy is in good shape currently, do not feel a recession is imminent, but are keeping a watchful eye on the following: 1) US/China tariffs, 2) US/Mexico trade agreement, and 3) US/Iran tensions 4) Federal Reserve interest rate policy.

Market Update as of 6/30/19

<u>Stocks / Equities</u>	<u>Bonds / Fixed Income</u>
<ul style="list-style-type: none"> • S&P 500: 18.54% • MSCI EAFE (International): 14.03% 	<ul style="list-style-type: none"> • 10 Year US Treasury Rate: 2.00% • Barclays US Aggregate Return: 6.11%
<ul style="list-style-type: none"> • Leading sectors: Technology & Consumer Discretionary • Lagging sectors: Healthcare & Energy 	<ul style="list-style-type: none"> • Federal Reserve left short term rates unchanged - target rate at 2.25 – 2.50%.
<ul style="list-style-type: none"> • US outperformed International • Growth outperformed Value • Large Caps outperformed Small Caps 	<ul style="list-style-type: none"> • \$13 Trillion of Global Debt with negative yields.

Hery Household

We have been experiencing several highs and one low with the boys the last few weeks. Will's AA little league team won the Morristown National LL AA Championship after a great season. Unfortunately, just three hours after celebrating, our beloved Boston Bruins lost Game 7 of the Stanley Cup. It's probably a good thing since the Duck Boats need a break after so many championship parades. Both of the boys are playing on their Summer All Star Teams (Will 8U and Louie 9U). Both teams show promise and we are excited for a fun season. They had an amazing school year and will be off to 2nd and 4th grade in the fall. We look forward to a great summer with our annual trip to the family cottage on Lake Ossipee, NH and weekends in Ocean Beach III, NJ.

Wine Recommendations

<u>Category</u>	<u>Name</u>	<u>Price</u>	<u>Vintage</u>	<u>Varietal</u>
Value	Pendulum Red	\$13.99	2016	Merlot, Syrah, Malbec
Value	Duckhorn Decoy Rose	\$13.99	2018	Rose
Guilty Pleasure	Walter Hansel Alyce Cuvee	\$34.99	2016	Chardonnay



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From the Desk of Zamira Sanchez

It's that time of year when school is out and families are typically going on vacation or at least planning some summer fun. Having said that, with Summer comes the Fall college tuition bill. While many of our clients already have a 529 plan in place, we have several who do not. If your kids are all grown up, you may be starting to think about grandchildren. With the cost of college continuing to skyrocket, you may be trying to figure out the best way to contribute to the cost of your grandchildren's educations.

A 529 plan is an investment account that offers tax-free earnings growth and tax-free withdrawals when the funds are used to pay for qualified education expenses. For college, university and other eligible post-secondary educational institutions, this includes tuition, fees, books, supplies, equipment, computers and sometimes room and board. The IRS also allows tax-free withdrawals of up to \$10,000 per year, per beneficiary to pay for tuition expenses at private, public and religious K-12 schools.

529 plans generally offer a set of investment portfolios that are allocated among stocks, bonds, mutual funds, CDs and money market instruments. Typically, the program will offer at least one age-based or years-to-college portfolio and several static portfolios. This asset allocation will generally be more aggressive for younger beneficiaries and less aggressive for those nearing college age.

In 2019, deposits to a 529 plan up to \$15,000 per individual per year (\$30,000 for married couples filing jointly) will qualify for the annual gift tax exclusion. A unique feature of the 529 is a rule that allows for five years of contributions up front without gift-tax consequences. Please contact us for more information on this benefit.

Lastly, many people are under the impression that if you do not use the money in this plan for college that you will be penalized on the entire account. There is no penalty for unused funds in a 529, however the earnings portion on a non-qualified distribution is subject to income tax and a 10% penalty. Keep in mind you can change the beneficiary without adverse federal income tax consequences, as long as the new beneficiary is an eligible member of the family. Exceptions to the 10% penalty include, the beneficiary receiving a scholarship, if the beneficiary enrolls in U.S. service academy, or if the beneficiary becomes disabled or passes.

Please let us know if you want more information on this as we would be happy to review your options

Sanchez Household:

The whole family was very active this past Spring. I ran a 5K in Randolph for a local charity in June. David completed a Tough Mudder race in May and finished ahead of most. He thinks he's a "Super Hero" now. Hah! Zayden did awesome running his first season of Track and Field. Karina started gymnastics in early May and will continue in the summer months. We are looking forward to our Disney vacation in July and another family vacation in August.



A unique feature of the 529 is a rule that allows for five years of contributions up front without gift-tax consequences.



What's New At Money At Work

We have recently updated our phone system to include an automated answering system. Please be sure to press option 1, to speak with Corinne and she can help you or direct you to the right person. We were inundated with several calls from investment companies, "robo" calls and vendors and thought we could filter them out and spend more time servicing our clients. If you have any issues please email us and we will respond to you as soon as possible.

Important Dates / Upcoming Events

Below you will find some important dates and/or deadlines for your convenience.

Independence Day	July 4th
MAW Golf Outing	July 23rd
Senior Citizens Day	August 21st
Labor Day	September 2nd
Estimated Taxes Due	September 16th
MAW Client Appreciation	November 16th

Contact Us:

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JULY 2019						
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SEPTEMBER 2019						
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