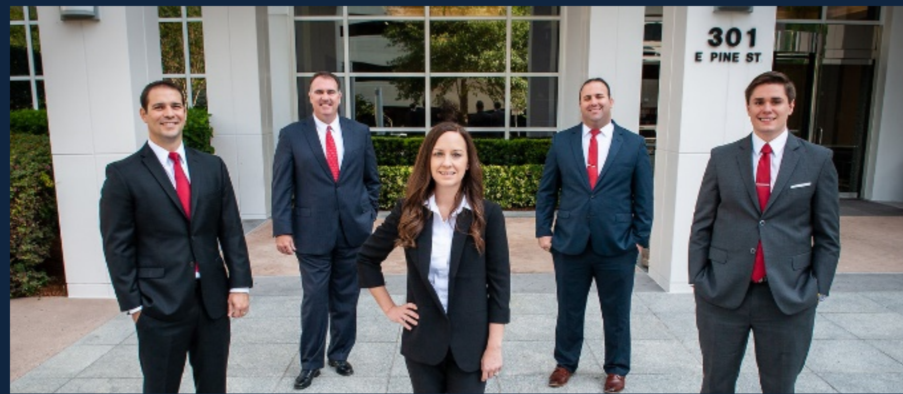
THE TYSON SMITH GROUP OF RAYMOND JAMES®

Wealth Management Insights

Mid-Year Update | 12 June 2018



Professional Wealth Management Services

Financial Planning

Retirement Planning
Estate Planning
Succession Planning
Specific Goal Planning
Insurance Planning
Cash Flow Management
Education Planning
Tax Planning
Document Storage & Protection
Account Aggregation
Private Banking Services
Trustee & Executor Services
Family Support

Asset Allocation Modeling

Risk Tolerance Assessment
Time Horizon Determination
Performance Requirement

Models

Equity Model
Balanced Equity Model
Growth Models
Balanced Growth Models
Balanced Income Models
Asset Preservation Models
Bond Portfolio Management
Treasuries & CD's
Money Market
Personalized Models

Asset Management

Security Selection
Ongoing Monitoring
Online Access
Smart Phone App Adjustments
Trades & Stops
Initial Public Offerings (IPO's)
Dividend Reinvestments
Transfers
Cash Flow Needs
Stocks, Bonds, Mutual Funds, ETF's, UIT's
Fixed & Variable Annuities
Life, Disability and Long Term Care Insurance

Retirement & Incentive Plans

401(k) Plans
403(b) Plans
SIMPLE"s & SEP's
ESOPS
Pension Plans

Education Planning
Plan Design
Economic Updates
Participant Planning
Investment Analysis
Investment Selection
Goal Planning
Retirement Planning
Allocation Modeling

Administration & Support

Account Transfers
Account Titling
Beneficiary Changes
Tax Documentation
Cost Basis Support
Required Minimum Distribution Support
Appointment Scheduling
Outside Expert Referral Network
Setting up Internet Access
Document Backup
Document Storage

The Tyson Smith Group of Raymond James
301 E. Pine Street, Suite 1100
Orlando, Florida 32801

Phone: 407-648-4488
Toll Free: 800-426-7449
Fax: 407-648-5942

Tyson.Smith@RaymondJames.com
www.TheTysonSmithGroup.com

In this issue:

P. 2 – The Greatest Risk In Portfolio's Today

P. 3 – This May Be The Next Big Crisis

P. 4 – A Few New Faces Around The Office

P. 5 – Due Diligence and Economic Update

P. 6 – Karrie's Corner for Administrative Updates

WATCH OUT, THE FED IS COMING – The Greatest Risk in Portfolio's Today

by Tyson Smith

I received an email from a 401(k) participant a couple weeks ago who stated his portfolio was doing "horrible". He was a young man with a keen mind and ability to understand sophisticated economic concepts. When we looked over what he owned in his self-directed account, I discovered a large portion of fixed income exposure. So I asked "Do you remember our last Economic Update in your office, when I went over the risk of Fixed Income in a rising rate environment?" He said he didn't get to sit through our whole discussion as he had a conference call that couldn't be avoided and he left the presentation.

After hearing this, I thought a quick note in my Mid Year update will make sure everyone receives this important warning.

I've been telling clients for several years that the Fed won't keep rates down forever and that we need to be wary of our holdings in portfolios when rates start to climb. I've said it so many times that a dear friend of mine in Atlanta has been fond of giving me a bit of ribbing over the past several years. "Let me guess, you're going to tell me that rates are going to go up." And he was right…I did.

Finally, in December 2015, I was right. We saw the first salvo as Janet Yellen and Co. bumped up the Fed Funds Rate by 25 bps (1/4%) to the new 0.25-0.50% range. Things remained quite tame for a while thereafter yet I continued my crusade. **"Watch out, the Fed is Coming!"**

A year later, the Fed raised rates again.	December 14, 2016, the new range was 0.50-0.75%.	
March 2017	….another 25 bps.	(0.75-1.00%)
June 2017	…..another 25 bps	(1.00-1.25%)
December 2017	….yet another 25 bps.	(1.25-1.50%)

February 2018 – New Fed Chairman Jerome "Jay" Powell takes office….. Will things change?

NOPE – March 2018 …add 25 bps more. (1.50-1.75%) …and more are coming.

That makes the total move + 1.5% in just over 2 years. These interest rate increases are expected to continue well into 2019 with 4 to 5 more hikes on the table. If we have 4 more hikes, we'll be in the 2.50-2.75% range by 2020. Thankfully, they're happening during a period of economic expansion and growth, the likes of which we haven't felt in a very very long time. In fact, I've had several clients tell me that this new era of prosperity feels very Reagan-esque. (Maybe it's time for Tubbs and Crocket to come back out of retirement too.)

Here's my note of caution (again). During times of rising interest rates, Fixed Income investments will generally fall in secondary market value. This means that a bond purchased with a 20 year maturity today may not see Par value again until the date it matures, as long as rates continue to climb. All other factors being equal, if that bond is held to maturity, the investor receives the interest payments along the way and par value at the end. As long as the bond isn't sold prior to maturity, investors will generally be fine. However, most investors, especially those who invest through their 401(k) accounts, don't own individual bonds, they own mutual funds. Mutual Funds are required to give daily-valuation and have a significant headwind during times of increasing interest rates. They also can't be 'held to maturity' as they are pooled and diversified investment vehicles which have many internal holdings.

I'm recommending that clients review all holdings across all their investment accounts, retirement plans and inside any insurance policies (many policies have the same risks) and determine which positions are most at risk of loss during rising interest rates. Send us a list of all your outside holdings and we'll go over your risks with you.

This May Be the Next Big Crisis
by Tyson Smith

Predicting the future is impossible. Being ready for every contingency is essential. Knowing our exposure to risk is critical.

30 years ago a client took out a Universal Life Insurance Policy through a friend of theirs who had just entered the insurance industry. The policy was written to provide a death benefit for he and his family and had a reasonable assumed rate of return baked into the illustrations. The agent who originally wrote the policy has long since moved into a different industry and no longer watches over the policy.

Over time, the client continued to make premium payments and enjoyed the knowledge that his family would be cared for if anything were to happen to him. When he passes, he knows that his wife and children will receive a nice windfall to cover his final expenses, pay off any remaining debts and help them along life's journey….or will they.

Permanent policies; Whole, Universal and Variable Universal Life are underwritten based upon information available at the time of issuance. These policies are generally based upon assumed minimum expected Internal Rates of Return (IRR) and premium contributions. The IRR is based upon historical data, actuarial calculations and other factors available at the time. In my client's case, the market was experiencing euphoria in 1988 as the Reagan Years were in full swing and growth was high. In 1985, 1986, 1987 & 1988 the S&P 500 returned 31.24%, 18.49%, 5.81% & 16.54% respectively; very good years. The 10 year Treasury Rate was also higher, trading in a range between 9.05% in December 1985, 9.07% in December 1988. By comparison, today's 10 year U.S. Treasury Rate is 2.96%.

Here's the challenge. The IRR's for policies run in the past were frequently based upon lofty expectations that just didn't hold up. If the policies cash value doesn't grow at the rate previously expected, there won't be sufficient assets available for coverage of the increasing internal expenses. In my client's case, we ran an Existing-Policy Analysis for him and discovered that his risk of the policy Lapsing (failing) was exceptionally high and that a change was essential if he wanted to keep the protection in place for his family. Going forward, I fully expect that this could become more and more common for clients as they receive Lapse Notifications in the mail.

We're requesting that every client with a life insurance policy please contact our office and allow us to conduct an Existing Policy Analysis for them. I'm sure every policy isn't at risk but we want to be sure. Those that don't do the analysis will run the risk of policy degradation and a potential loss of benefits. There's no cost or charge for our Existing Policy Analysis.

THE TYSON SMITH GROUP OF RAYMOND JAMES®

Wealth Management Insights

Mid-Year Update | 12 June 2018

There are several new faces around the office these days

James “Jimmy” Caldwell, AAMS®

NASD Series 7 & 66 and Insurance 2-15; Life, Disability, Long Term Care, Health and Annuity

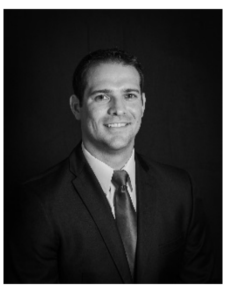
Growing up, James and his family were always active in the sports community. James, culminated his sports career with a Football Scholarship to Western Kentucky University. While one his brothers, Tony, was drafted by the Marlins and spent 6 years playing professional baseball. Tony is now a coach for Kent State University.

Outside of work, James is an avid fisherman, golfer and scuba diver. He is also an annual pass holder for some of Orlando’s theme parks and enjoys spending time with his family.

James lives in Baldwin Park with his wife Jena and daughter Ryan (2) and can be seen walking their Pomeranian Martini down Cady way trail or visiting downtown Baldwin.

Brandon Roberts, CFP®, CFA®

NASD Series 7 & 66 and Insurance 2-15; Life, Disability, Long Term Care, Health and Annuity



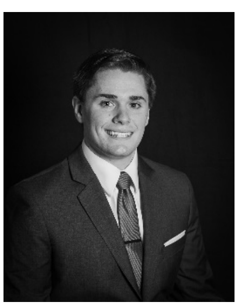
Brandon was raised in Anna Maria Island, Florida, is a graduate of the University of Florida with a Bachelor of Arts degree in Economics. He has served in the financial industry since 2008, where he began his career as a Trader for Raymond James Asset Management Services at their headquarters in St. Petersburg, FL. Since then, he has obtained his Chartered Financial Analyst designation and is a CERTIFIED FINANCIAL PLANNER™ professional.

Brandon’s passion stems from a macroeconomic class at the University of Florida, and is fueled by the ever changing financial landscape and determination to bring peace of mind to investors. He prides himself on integrity, honesty, and being a fiduciary, as well as always learning, improving and surrounding himself with people that are experts in their fields.

Brandon spends his free time volunteering as the Co-Chair for the Orlando Ballet Ambassador program with his wife, Kelly. He also enjoys golf, traveling and fishing.

Matthew Buckman

NASD Series 7 & 66 and Insurance 2-15; Life, Disability, Long Term Care, Health and Annuity



Matthew has a passion for the equity markets and portfolio construction. He’s actively involved with the Second Harvest Food Bank of Central Florida, Gabes Chemo Duck Program, Orlando Reef Caretakers Association and Alex’s Lemonade Stand Fighting Childhood Cancer.

In his free time, Matthew enjoys playing tennis, autocross, traveling, scuba diving and is an avid marine aquarist.

Due Diligence and Market Update
by Tyson Smith

Each week I meet with money managers and representatives from other firms. We don't often agree and I encourage them to challenge my thinking on various topics. Our meetings are generally early in the morning, before the day gets started and everyone is fresh. So far in 2018, I've conducted 20 of these one-on-one these interviews, attended two conferences where I heard from several more and I've presented my own Economic Updates to many many audiences. Meeting and speaking with all these smart people is a powerful way to formulate opinions and strategies for investment management as we seek to maximize returns. I think it keeps our group on the cutting edge in this highly fluid economic environment. After all these conversations, where are we today and what are our expectations for the next 12 months?

Equities – Overweight
The S&P 500 projections for the next 12 months are very optimistic. If you call me at the office and ask, I'm capable of giving you a real-time update using up to the minute numbers as calculated in my model analysis. I continue to utilize my proprietary sector-rotation strategy for our equity exposure which has proven to be effective. Q2 2018, it clearly showed the opportunity for an Energy Overweight and we benefited greatly from the move. Now that we've captured that upside, I'm expecting a normalization in Energy and a shift to the next opportunity. A few prognosticators, including former Fed Chairman Ben Bernanke, are calling for the market to stall in 2020 but I feel it's way too soon to have much certainty that far out.

Fixed Income – Underweight
The Fed continues to raise rates with at least two more hikes expected by December 31, possibly 3. This will likely continue into 2019 as many experts are expecting another two hikes next year. Four to Five interest rate hikes over the next 18 months is fairly significant and may end the tightening/normalization cycle for a time. Secondary market values of intermediate and longer term fixed income investments will likely plummet as rates continue to rise and new issues are offered at more attractive rates. I continue to recommend individual holdings over pooled options.

International – Cautiously Optimistic
Like towing a trailer with a bungee cord, the rest of the world tends to vacillate wildly behind The United States economy. While there may be opportunities throughout the globe, I'm very cautious where money is allocated. The Trump Train continues to steam through trade deals which can have long term and broad reaching impacts, both positive and negative.

DOL Fiduciary Rule
The Department of Labor passed a series of rules which stated any advisor involved with a retirement account, 401(k), IRA, ROTH IRA, SIMPLE IRA, SEP IRA, Pension, Profit Sharing Plan, etc.; would be held as a Fiduciary and be required to act in the clients' best interest before their own. Previously, advisors were only required to recommend that which was Suitable. This is commonly referred to as The DOL Fiduciary Rule. When challenged, the Rule didn't make it through the courts and has subsequently been rescinded and delayed.

Personally, I think the ruling was the right direction for our industry but understand that there were several items which needed to be adjusted and/or amended to make it better. Our Group is moving forward under the assumption that it will soon reappear in a better format for enforcement. If you have questions as to how this may apply to your account, please give me a call so we can discuss.

Karrie Verduin, Senior Registered Client Service Associate
NASD Series, 7, 9, 10 & 66

Karrie (formerly Bowerman) has been with The Tyson Smith Group since 2011 and is the glue that keeps our office together.

In addition to earning her management licenses, Karrie is also an office trainer and serves as chairperson of the Raymond James Branch Associate Advisory Board (BAAB).

Karrie's Corner

If you're not already taking advantage of all our services, please take a minute to utilize the following tools. We've found that their utilization has been very popular and some have said they are a nice value-added service.

1. **Investor Access** – Please take a few minutes and sign up for Investor Access through our web site. This will allow us to utilize additional tools available for our planning work.
   a. Go to: www.TheTysonSmithGroup.com
   b. Click on "ACCOUNT LOGIN" in the upper right hand corner of the page
   c. Click on "Enroll In Investor Access" at the bottom of the LOGIN box found in the upper left hand corner of the screen
   d. Follow the instructions and create your own personalized User ID and Password

2. **Investor Access App** – Once you have access to Investor Access, please download the Raymond James Investor Access App for your Smartphone.

3. **Vault** – This tool is available for document backup and storage. We'll discuss the features when we meet and I'll discuss how to use it. (You'll need your Investor Access ID/PSWD)

4. **Account Aggregation** – This tool will pull all your accounts together in one Asset Allocation Model on the Raymond James site. Your 401(k) and any other accounts can be included.

5. **PDI (Private Document Inventory)** – This document is basically a Table of Contents for all the important documents in your life. It's a tool by which we can track and communicate the location of items, when they may need to be accessed. You can begin filling this out and then we'll scan and save it in the Vault.

6. **CPA-Attorney LOA** – This Letter of Authorization (LOA) will allow us to coordinate with your other important advisors; legal and tax, regarding your financial plan and/or any decisions and recommendations.

I know this is a lot so please call with any questions or challenges as you work through this list. We're happy to help!

Tyson Smith, AAMS®, CRPC®, CRPS®, WMS®, Vice President – Investments
NASD Series 7, 9, 10, 63, 65 and Insurance 2-15; Life, Disability, Long Term Care, Health and Annuity

The Tyson Smith Group was founded in 1998 in Peoria, Illinois. Tyson relocated the practice to Orlando, Florida in 2003 where he still resides with his wife and two children. When not in the office or at a speaking engagement, Tyson can usually be found road-cycling, on a softball field or playing golf.

The Tyson Smith Group was recently selected to serve on the Raymond James Retirement Plan Advisors Committee (RPAC) in recognition of our commitment to Retirement Plans.

For more information about our group and services offered, please contact us directly. You can also follow us on social media through LinkedIn, Facebook or Twitter.

Pertinent Work Experience

Robert W. Baird - 13 yrs
Branch Manager
Financial Advisor
United States Air National Guard
182nd Airlift Wing, 9 yrs
Military Intelligence Specialist
Targeteer
Illinois Marine Technologies – Co-Founder
Prop Warehouse – Co-Founder
Union Laborer – Peoria Local 165

Professional Relationships

ABC
Associated Builders & Contractors

NDIA
National Defense Industry Association

CFHLA
Central Florida Hotel & Lodging Association

Community & Charity Involvement

March of Dimes of Central Florida
Board President
Vice President
Treasurer
Rotary International –
Downtown Orlando Breakfast
President
Vice President
Secretary
Board Member
Paul Harris Fellow

Back to Nature Wildlife Refuge Board of Directors