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Balanced Funds: Seeking Growth and Stability

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Balanced Funds: Seeking Growth and Stability

Since 2001, investment in balanced mutual funds, which hold a mix of stocks and bonds, has grown every year except in 2008, the heart of the recession, and in 2015 when a stagnant market led some investors to look for more aggressive growth opportunities. During the same period, investment in equity and bond funds has tended to rise and fall with stock and bond prices.[1]

Appeal of simplicity

The appeal of these hybrid funds may reflect the simplicity of putting an asset allocation strategy to work in a single investment. Asset allocation does not guarantee a profit or protect against investment loss; it is a widely used method to help manage investment risk.

Stocks and bonds working together

Because stocks and bonds tend to perform differently in different market conditions, many investors include both in their portfolios, either as individual securities or within mutual funds. Though stocks provide greater growth potential, bonds tend to be more stable, with modest potential for growth. Together, they may result in a less volatile portfolio that might not grow as fast as a stock-only portfolio during a rising market, but may not lose as much during a market downturn.

Balanced funds attempt to follow a similar strategy in a single investment. The fund manager typically strives for a specific mix, such as 60% stocks and 40% bonds, but the balance might vary within limits spelled out in the prospectus. Theoretically, the stocks in the fund provide the potential for gains, while the bonds may help reduce the effects of market volatility. Some balanced funds also include cash alternatives.

Three objectives

Balanced funds generally have three objectives: conserve principal, provide income, and pursue long-term growth. Of course, there is no guarantee that a fund will meet its objectives.

When investing in a balanced fund, you should consider the fund's asset mix, objectives, and rebalancing guidelines as the asset mix changes due to market performance. Rebalancing is typically necessary to keep a balanced fund on track but could create a taxable event for investors.

Core holding

Although balanced funds may include a variety of stocks and bonds, they are generally not intended to be the only investment in a portfolio because they may not be sufficiently diversified. Like asset allocation, diversification — the mix of investments within a given asset class — is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.

Instead, a balanced fund that contains an appropriate asset mix for your age and risk tolerance could be a core holding that enables you to pursue diversification and other goals through a wider range of investments. For example, you may want to invest in a variety of individual securities or funds that focus on different types of stock or bonds than those in the balanced fund.

The return and principal value of all investments fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Bond funds are subject to the same inflation, interest-rate, and credit risks associated with their underlying bonds. As interest rates rise, bond prices typically fall, which can adversely affect a bond fund's performance.

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus — which contains this and other information about the investment company — can be obtained from your financial professional. You should read the prospectus carefully before investing.

[1] *2016 Investment Company Factbook*, Investment Company Institute

The Giving Season: Six Tips for Making Smart and Effective Charitable Donations This Holiday Season

Many charitable organizations allow you to donate online, by text, or through social networking sites.

The following organizations and agencies publish reports and charity ratings, and/or give useful tips and information to consumers on how to donate and choose a charity:

- ***Better Business Bureau's BBB Wise Giving Alliance, bbb.org***
- ***Charity Navigator, charitynavigator.org***
- ***CharityWatch, charitywatch.org***
- ***Federal Trade Commission, ftc.gov***

The holidays are a popular time for charitable donations. With so many charities to choose from, it's more important than ever to ensure that your donation is well spent. Here are six tips that can help you make smart and effective charitable donations.

1. Choose your charities wisely

Choosing worthy organizations that support the causes you care about can be tricky, but it doesn't have to be time-consuming. There are several well-known organizations that rate and review charities, as well as provide useful tips and information on how to donate and choose a charity (see sidebar). To get started, here are some things to consider:

- *How the charity plans to use your gift.* Contact the charity by phone or go online to find information about the charity's mission, accomplishments, financial status, and future growth.
- *How much the charity spends on administrative costs.* If a charity has higher-than-average administrative costs, it may be spending less on programs and services than it should. This could also be a sign that the charity is in serious financial trouble. In addition, if a charity uses for-profit telemarketers, then it may get very little of the money it raises, so ask how much of your donation the charity will actually receive.
- *The legitimacy of the charity.* Take the time to check out the charity before you donate. Ask for identification when approached by a solicitor, and never give out your Social Security number, credit-card number, bank account number, account password, or personal information over the phone or in response to an email you didn't initiate.
- *How much you can afford to give to the charity.* Stick to your giving goals and only give what you can afford. Legitimate fundraisers will not try to pressure you and will be happy to send information that can help you make an informed decision regarding your donation.

2. Maximize your donation through a matching gift

If your employer offers a program that matches charitable gifts made by employees, you can maximize your charitable donations. Some matching gift programs may have specific guidelines — for example, they may only match a gift up to a certain dollar limit, and the charity may need to provide additional information.

3. Make automatic donations

If you're looking for an easy way to donate regularly to a favorite charity, consider making automatic donations from a financial account. Automatic donations can benefit charities by potentially lowering fundraising costs and by establishing a foundation of regular donors. You'll also benefit, since spreading your donations throughout the year may enable you to give more and simplify your record keeping.

4. Look for alternatives to cash donations

Although cash donations are always welcome, charities also encourage other types of gifts. For example, if you meet certain requirements, you may be able to give stock, direct gifts from your IRA, real estate, or personal property. Keep in mind that you'll want to check with your financial professional to assess potential income and estate tax consequences based on your individual circumstances. Other alternatives to cash donations include volunteering your time and using your talents to improve the lives of others in your community.

5. Consider estate planning strategies when gifting

Another option is to utilize estate planning to make a charitable gift. For example, you might leave a bequest in your will; give life insurance; or use a charitable gift annuity, charitable remainder annuity trust, or charitable unitrust that may help you give away the asset now, while retaining a lifetime interest. Check with your financial or tax professional regarding any potential estate or tax benefits or consequences before making this type of gift.

6. Remember the importance of record keeping

If you itemize when you file your taxes, you can deduct donations you've made to a tax-qualified charity — however, you must provide proper documentation of your donation to the IRS. Keep copies of cancelled checks, bank statements, credit-card statements, or receipts showing the charity's name, date of your donation, and contribution amount. For donations or contributions of $250 or more, you'll need a detailed written acknowledgment from the charity. For more information and a list of specific record-keeping requirements, see IRS Publication 526, Charitable Contributions.

SCHOEN CAPITAL GROUP OF RAYMOND JAMES®

Pooled Income Fund: A Charitable Gift That Provides Income to You

Generally, for federal income tax purposes, no gain or loss is recognized when you transfer property to a pooled income fund, except for any gain that is realized because you receive back property other than the income interest, or you contribute property subject to debt.

A pooled income fund is a trust with both charitable and noncharitable beneficiaries. It is established and run by a public charity, not by you. The charity "pools" the contributions of many people, invests the money, and then distributes to you (or your designated beneficiary) an annual payment of income prorated to match your contribution to the fund. When the noncharitable beneficiary dies, your remaining share in the fund passes to the charity.

Charitable deduction

If you itemize deductions, you receive an immediate federal income tax charitable deduction for the present value of the remainder interest that will pass to charity. Your deduction is limited to 50% or 30% of your adjusted gross income (AGI), depending on the type of property contributed. Amounts disallowed because of the AGI limitations can be carried over for up to five years, subject to the AGI limitations in the carry-over years. The transfer of the remainder interest to charity would also qualify for the federal gift tax or estate tax charitable deduction.

The present value of the charity's remainder interest is determined using the fund's highest rate of return in the last three taxable years, along with the applicable mortality table. If the fund has been in existence for less than three years, the IRS requires that the highest yearly rate of return be calculated as 1% less than the highest annual average of the monthly rates (in IRS tables) for the three calendar years immediately preceding the year in which the fund is created.

Noncharitable income interest

The noncharitable interest lasts for the life or lives of one or more beneficiaries. For example, you could name yourself, yourself and your spouse, or even someone else as the noncharitable beneficiary.

If you retain a noncharitable interest, the pooled income fund interest will be included in your gross estate for federal estate tax purposes. If your spouse receives the noncharitable interest as your survivor, that interest should qualify for the estate tax marital deduction (and the balance should qualify for the estate tax charitable deduction).

If you transfer a noncharitable interest to someone else while you are alive, you may have made a gift or generation-skipping transfer (GST) to that person of the income interest. (A GST is a transfer to a person two or more generations younger than you.) A portion of the gift may qualify for the annual gift tax exclusion, but would not qualify for the GST tax annual exclusion. A transfer to your spouse would generally qualify for the gift tax marital deduction. You may also have a federal gift and estate tax applicable exclusion amount or a GST tax exemption to shelter any transfer from tax.

The amount of income received by the noncharitable beneficiary is not guaranteed; it may increase or decrease depending on the performance of the fund. If the investments in the fund perform poorly and the actual income earned by the fund declines, the charity is prohibited from invading the principal to increase the payment to the noncharitable beneficiary.

Income distributed to the noncharitable beneficiary is usually taxable at ordinary income tax rates. It may also be subject to the 3.8% net investment income tax.

Other considerations

One of the biggest advantages of choosing a pooled income fund over a charitable remainder unitrust or charitable remainder annuity trust is that you avoid the hassle and cost of establishing your own trust. Another advantage is that if the property you are donating to charity is relatively small, a pooled income fund makes the most of your assets by commingling them with the property of others. The fund can then use the increased assets to diversify among investments, thus reducing your investment risk. Also, the large size of the fund (compared to your own charitable trust) may translate into lower operating costs and more expert management. By contrast, it may not be economically feasible for you to establish a charitable trust with a small investment. Even if you do, it may be impossible for the trustee to spread this money over a variety of investments. (Diversification does not guarantee a profit or protect against investment loss.)

In general, you can donate any type of property to a pooled income fund that the charity is willing to accept. A noncash donation will generally cause the 30% AGI limitation to apply to your charitable deduction. A fund cannot accept or hold tax-exempt securities.

Since the remainder passes to charity, you might consider a wealth replacement trust (possibly funded with life insurance) to replace the amount that goes to charity rather than to your family. There are fees and expenses associated with the creation of a trust or the purchase of life insurance.

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What do you need to know about chip-card technology?

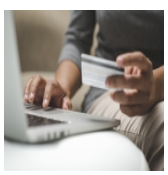
When you're checking out items at the store, should you insert your card into the payment terminal? These days, as the use of chip-card technology grows, the answer to that question is less clear. The computer chip now embedded in debit and credit cards uses EMV (Europay, MasterCard, and Visa) technology, which is meant to reduce fraud at physical retail stores (as opposed to online shops). But because businesses aren't required to upgrade their terminals, it's confusing to figure out what to do at the register. Here are answers to some questions you might have about chip cards.

How does it work? Magnetic strip cards contain information within the strip, so it's easy for a thief to "capture" that information and use it to accrue charges without the cardholder's knowledge. By contrast, the chip card generates a unique, specific code for each transaction that cannot be reused.

Why does it take longer to check out? The unique code generated by the chip for each transaction is sent to the bank by the payment terminal. The bank matches the code to an identical one-time code and sends it back as verification for the transaction. As a result, it takes a few seconds longer to check out using a chip card because it takes time for the information to be transmitted.

Why aren't some terminals working yet? You might notice that terminals in some stores are equipped with a chip-card reader, but you're told you can't use it. These terminals are awaiting chip-card certification, which can take several months to process. Until their terminals are certified, retailers are responsible for any fraudulent charges.

How much longer will I have to carry a physical card? The answer to this question isn't clear. However, it's important to note that terminals with upgraded chip-card technology are also equipped with technology that can accept wireless near-field communication. This allows data to be exchanged between two different devices (e.g., a cell phone and a terminal) that are a short distance away. This means that one day, instead of swiping or inserting a card at the checkout, you might just be tapping the terminal to make payments.



What should I know before doing my holiday shopping online?

In order to skip the lines and traffic, many people opt to shop online for gifts during the holiday season. Unfortunately, hackers often target online shoppers to steal their personal information. Before you click, you might consider these tips for a safer online shopping experience.

Research websites before you shop. When shopping online, make sure you navigate only to reputable sites. You can research sites before you shop by reading reviews from previous customers.

Choose passwords carefully. Create a strong password if you order through an online account, and use different passwords when you shop on various websites. Follow password guidelines such as using a combination of letters, numbers, and capital letters or random phrases.

Be careful how you connect. Look for *https://* in the URL and not just *http://* , since the "s" indicates a secure connection. Avoid public Wi-Fi networks when shopping online, as they often lack secure connections.

Search with purpose. Typing one word into a search engine to reach a particular website is easy, but it sometimes isn't enough to reach the site you are actually looking for. Scam websites may contain URLs that look like misspelled brand or store names to trick online shoppers. You can also use a specialty search engine (e.g., one designed for clothing retailers or toy manufacturers) for optimal search results that will lead you to a reputable site.

Pay by credit card. Credit-card payments can be withheld if there is a dispute, but debit cards are typically debited quickly. Credit cards generally have better protection than debit cards against fraudulent charges.

Watch out for phishing and package delivery emails. Beware of emails containing links or asking for personal information. Legitimate shopping websites will never email you and randomly ask for your personal information. In addition, be aware of fake emails disguised as package delivery emails. Make sure that all delivery emails are from reputable delivery companies you recognize.