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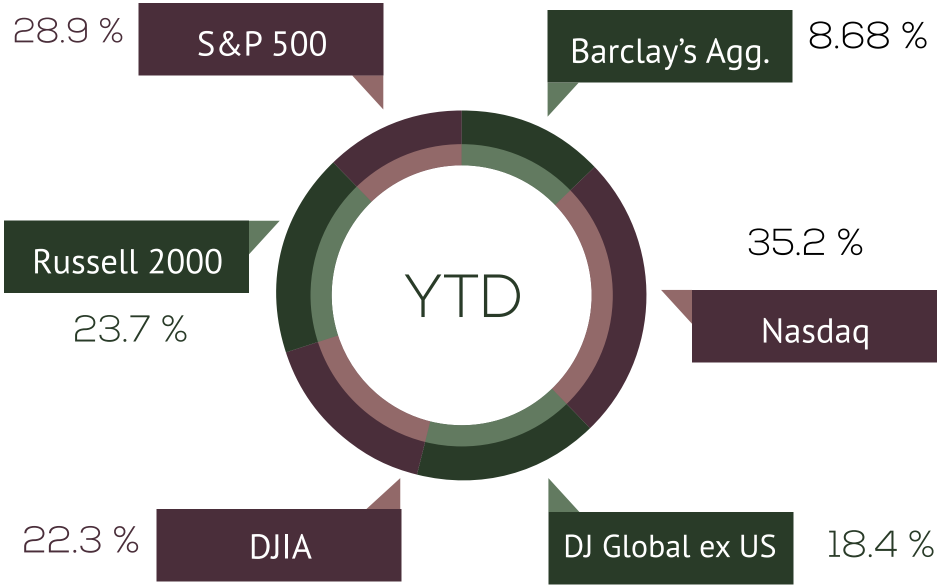
The Financial Advisor Newsletter

CONTENT

Front cover photo taken by Patrick L. Sullivan

ECONOMIC **SNAPSHOT**



Source: WSJ, January 1, 2020. Inclusion of these unmanaged 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 effect actual investment performance. Individual investor results will vary. Past performance does not guarantee future results. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing the stocks of 30 companies maintained and reviewed by the editors of the Wall Street Journal. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Nasdaq composite is an unmanaged index of securities traded on the Nasdaq system. The Dow Jones Global ex US is a stock market index measuring equity securities traded globally in 64 countries, excluding the U.S. The Barclays Capital US Aggregate Bond Index is a benchmark index composed of US securities in Treasury, Government-related, Corporate, and Securitized sectors. The Russell 2000 index measures the performance of the 2000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

PAT'S **VIEW**

REBALANCING & CHANGES

2019 with all its volatility turned out to be a great year in the domestic stock market. Despite all of the uncertainty, most parts of the US markets performed well last year and while we do not expect the domestic markets to do quite as well this year we would expect continued volatility and a positive return for 2020. At this juncture we are not expecting a recession in the near term unless something very unusual and unexpected happens. Please remember we are in a presidential election year where most, if not all, politicians would like the economy to do well in order to help them to be reelected. As a result, barring the unexpected, we do not anticipate seeing a recession until after the election. Keep in mind we should maintain our asset allocation and diversification to help us reach our financial goals and these goals can and should change over time.

As well as the stock market did this last year, we should review your updated financial goals and at a minimum we may need to rebalance equity markets, even if your goals have not changed. Given the equity markets outperformance last year, we may now be under-allocated to other asset classes. We may need to move funds from the equity markets to those other asset classes to help you meet your goals.

While we think the domestic stock market may continue to do well in 2020, this does not mean we should avoid other sectors such as international, emerging markets, bonds, etc. Over the long term, these sectors are expected to appreciate in the future and I consider them to potentially have more value at this time. The uncertainties we discussed have kept them from performing as well in the short term. Given this outlook, they may be out of balance with your financial goals. Always remember we are here to help you reach your long-term financial goals as well as your other shorter-term goals.

By the time you receive this newsletter, as some of you may know, I will be retiring in approximately one month on the anniversary of my 76th birthday. It has been an honor and privilege to work with all of you and I will certainly miss you. While I may not be here, I leave you in excellent hands. Kevin has been part of this office full-time for a little over 20 years and a large part of our staff is been here for over 10 years and they have been outstanding. As I leave, I wish you happy, healthy, and prosperous years in the future. □

KEVIN'S **VIEW**

KEEPING A CLOSE EYE ON THE ECONOMY

As we close out another year (and decade!), the markets in the United States are near all-time highs. We are starting the twelfth expansionary year since the "Great Recession". Given this length of time, I tend to believe that there is probably more expansion behind us then ahead of us. That being said, presently there is little bad news in the economy. We are still seeing record employment and, overall, very positive economic activity. Occasionally, we are seeing some cracks surface, such as the recent manufacturing numbers, but so far nothing has adversely affected the economy.

So that begs the question, what can derail the economy? The easy answer is rising geopolitical tensions. All one needs to do is open a newspaper…. or perhaps more appropriately open a news website, to read a litany of concerns. Issues such as: trade tensions with China, Middle East issues, Latin American instability, and others. Of course, it is important to remember that most of these issues are not new and often flair up for a bit before settling down.

Moving past geopolitical and back to an economic point of view, the European experiment with negative interest rates seems to be fizzling out without much to show for it. There is a new head of the European Central Bank (the ECB), their version of our Federal Reserve Bank (the Fed), who will likely continue "unconventional" central bank actions.

Speaking of "unconventional" central bank actions, the Fed continues to support the "overnight repurchase market" or the Repo Market. The Repo Market is not something most individual investor concern themselves with. It is one of those parts of the financial system that is mostly obscure, but a necessary part of the overall system. At its core, it allows for very large and very short term (i.e., a day) loans between banks, large corporations, and other entities. Since September the Fed has been supporting this market and injecting funds into the economy. This is a positive for the markets,

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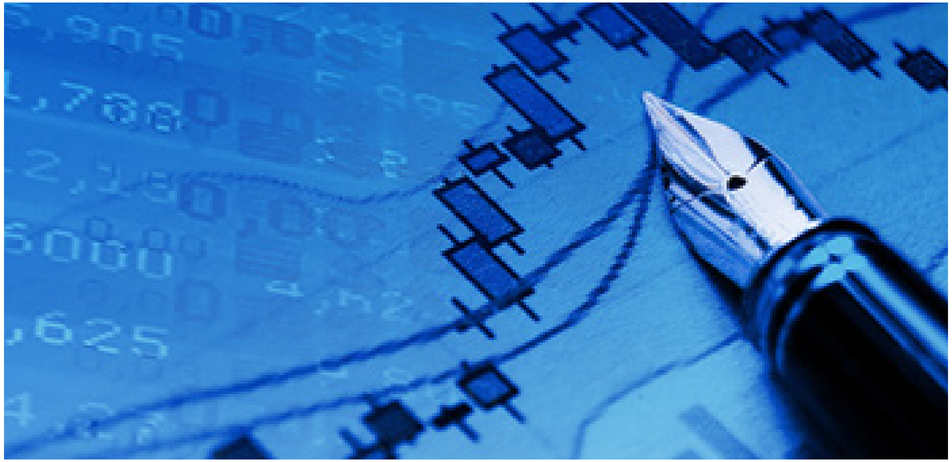

but the long-term effects of this policy remain to be seen. We've seen esoteric parts of the economy spill over and have broader effects in the past, like sub-prime mortgages. So, this is an area that we are keeping an eye on.

Often times there is no one single cause for the economy to falter and enter a recession, but rather, a number of disparate factors that come together to cause the change. However, much like a sports team, the coach tends to shoulder most of the blame if things go wrong. In our economy, the "coach" position is usually considered the President. In reality Presidents get more credit than they deserve for good economies, and conversely, they shoulder more blame for bad economies than they deserve. Their actions often add (or detract) to the ultimate level, but not as much as they (or their opponents) would like to think. The overall U.S. economy, especially given its integration into the worldwide economy, is probably the most complex system humankind has ever created.

For investors during this time, it is important to remember that portfolios are tools designed to help you reach your goals and not an end in themselves. The recent run up may have increased the overall risk in your portfolio and it will be important to evaluate that risk and make sure it is still appropriate given your goals. If necessary, we may suggest a portfolio rebalancing with your goals in mind.

As always if you have any questions or concerns please reach out. We look forward to working with you in the New Year!

WINTER 2019 MARKET CLOSURES

Monday, January 21: Martin Luther King Jr. Day

Monday, February 18: Presidents Day

RAYMOND JAMES NEWS

We all have busy lives, and setting aside time for a phone call isn't always possible. That's why Raymond James is now making it possible for advisors to communicate with clients via text message. To take advantage of this new, convenient option, **please call our office to opt in**. It's a pleasure to be able to offer you additional communication options. And whether by phone, text or email – we're always here for you.

DID YOU **KNOW...**

Social Security increases benefits by 1.6% for 2020

The Social Security Administration has announced a cost of living adjustment (COLA) to recipients' monthly Social Security and Supplemental Security Income (SSI) benefits. More than 69 million Americans will see the 1.6% increase in their payments beginning in January 2020. The Social Security Administration also announced that the maximum amount of earnings subject to Social Security tax will increase to $137,700 from $132,900.

Retirement Plans - Employee/ Individual Contribution Limits

Elective deferral limits	2019	2020
401(k) plans, 403(b) plans, 457(b) plans, and SAR-SEPs 1 [Includes Roth 401(k) and Roth 403(b) contributions]	Lesser of $19,000 or 100% of participant's compensation	Lesser of $19,500 or 100% of participant's compensation
SIMPLE 401(k) plans and SIMPLE IRA plans1	Lesser of $13,000 or 100% of participant's compensation	Lesser of $13,500 or 100% of participant's compensation

Source, Raymond James,

All We Want for the New Year

1
On the first day of Christmas, my true love gave to me … **One united country** would bring 'joy to the world' in this election year.

2
2% inflation will allow the Fed's data-dependent doves to 'light' the way to economic expansion, keeping recession from 'coming to town.'

3
3% unemployment will keep the labor market and consumer spending doing the 'jingle bell rock!'

4
4 Quarters of Positive GDP
'Nice' growth will make the US economy's 'spirits bright.'

5
5(G)olden Rings
What a fabulous 'stocking stuffer' – the sound of a new phone!

6
6% earnings growth will keep US stocks 'dashing' to record highs!

7
G7 Trading Freely
A truce to untangle the trade tension 'tinsel' and keep the tariff 'Grinch' from stealing more equity market highs!

8
8% dividend growth will keep equity yields healthy and drive portfolio returns – Let it grow, let it grow, let it grow!

9
9,000 Nasdaq
'Hot' technology performance will keep the 'cold' of slowing growth from 'nipping' at the equity market.

10
10-Year Not Leaping
A 10-year Treasury yield below 2% would bring 'good tidings' to the housing market and fixed income investors.

11
11 Sectors Piping
All 11 S&P 500 sectors with piping performance for the second straight year would be a 'miracle' not seen since 2013.

12
12 Months of Payrolls Drumming
A year of positive job creation will keep the carolers 'singing' and 'prancing' the night away!

SILENCING PHONE SCAMS

Bills in Congress offer hope for an end to illegal robocalls. Apps and blocking tools can help in the meantime.

Robocalls – the spammy, scam-ridden kind – have become a constant nuisance for most Americans who own a phone. By some estimates, billions of robocalls are placed in the U.S. every day. That's in part because they are lucrative for scheming criminals. Consumers lost $10.5 billion to phone scams in 2018, according to blocking and tracking firm Truecaller.

Thankfully, the government is taking action to cut the lines on con artists. In June, the Federal Communications Commission ruled that phone companies can take aggressive action to block unwanted calls for their customers by default. And in July, the Stopping Bad Robocalls Act won approval in the House, building on the TRACED Act passed by the Senate in May. The national legislation would strengthen regulators' enforcement tools and require phone carriers to implement call identification tech¬nology. In the meantime, here are some apps and blocking tips that can help you keep robocalls from blowing up your phone.

GET HELP FROM YOUR PHONE CARRIER

Major wireless and landline providers offer tools that either label or block suspicious robocalls, and some are free. Now that the FCC has given carriers free rein to block calls, these services may soon become an automatic, built-in feature. But until then, you can use tools available through your carrier to silence the spam.

MANUALLY BLOCK CELL CALLS

If you only want calls from people you know to ring through on your cellphone, the Do Not Disturb feature is your friend. On either an iPhone or an Android, turn on Do Not Disturb in Set¬tings and then select the option that only allows calls from your contacts. (Note that when a stranger you want to talk to calls, it will show up as a "missed call" and will not ring through.)

Source, Raymond James,

TRY A THIRD-PARTY BLOCKING APP

If you go this route, be sure to download the app from the official Google Play or iOS App Store. Two of the most repu¬table are RoboKiller ($1 a month) and Nomorobo ($2 a month), which can help restore normalcy to your cellphone. Note that Nomorobo is free for customers of VoIP carriers, including AT&T U-verse, Verizon Fios, Comcast Xfinity and Cox. If you have an old landline on copper wire, there isn't a lot you can do except screen your calls.

NEXT STEPS

Consider these to-dos as you prepare to make the most of year-end financial moves, and discuss with your financial advisor and tax professional:

- Talk to us about smart ways you can protect yourself from fraud in general.
- Check in with elderly loved ones who might be receiving a flood of scam calls.
- Consider adding safeguards like a trusted contact to help safeguard financial accounts.

THE SECURE ACT

The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 broadens the effectiveness of individual retirement accounts and employer-sponsored retirement savings plans. Essentially, it expands access to tax-advantaged retirement savings accounts and, ultimately, aims to help Americans save enough for a secure retirement. That's a goal we can all get behind.

Among other things, the act:

- Provides a startup credit to make it easier and more affordable for small businesses to set up retirement plans for their employees, even allowing them to band together to set up a plan for their collective employees.
- Introduces a credit for those small employers who encourage savings through automatic enrollment, which has been shown to increase employee participation and boost retirement savings.
- Removes the age cap that limits contributions to traditional IRAs after age 70½, which would give working people more time to contribute toward retirement.
- Delays required minimum distributions (RMDs) until age 72, which allows the account to continue growing as life expectancies increase.

The SECURE Act also eliminates the "stretch IRA," an estate planning strategy that allowed much-younger beneficiaries to inherit an IRA and "stretch" the required minimum distributions across their actuarial life expectancies. Basically, the heirs received smaller RMDs over a longer period of time until the money ran out, reducing their tax liability on the withdrawals. In the meantime, the account would continue to grow tax-deferred. Withdrawals over a lifetime are no longer an option for inherited defined contribution accounts. The SECURE Act gives non-spouse beneficiaries (including trusts) just 10 years to withdraw all the money from inherited IRAs, 401(k)s or other defined contribution plans. These supersized distributions are likely to trigger higher taxes for heirs, with few exceptions.

Source, Raymond James

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