

# WEEKLY MARKET COMMENTARY

For the Week of June 11, 2018

## THE MARKETS

All three indexes rose Friday despite tension among the seven powerful world leaders who were gathered in Canada for the G7 Summit and expectations the Federal Reserve will raise rates this week. The Dow Jones closed at its highest level since March. Both the S&P and the NASDAQ posted weekly gains for the third week in a row. For the week, the Dow rose 2.79 percent to close at 25,316.53. The S&P gained 1.66 percent to finish at 2,779.03, and the NASDAQ climbed 1.21 percent to end the week at 7,645.51.

Returns Through 6/08/18	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	2.79	3.50	22.28	15.37	13.41
NASDAQ Composite (PR)	1.21	10.75	20.94	15.04	17.12
S&P 500 (TR)	1.66	4.85	16.44	12.47	13.41
Barclays US Agg Bond (TR)	-0.22	-2.07	-1.02	1.61	1.91
MSCI EAFE (TR)	0.96	-0.29	9.00	5.41	6.44

Source: Morningstar.com. \*Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.

**Doubled** — The yield on the 10-year Treasury note closed at 2.83 percent on May 31, 2018, up 0.42 percentage points since Dec. 31, 2017, and more than double the 1.36 percent record low yield achieved on July 8, 2016 (source: Treasury Department, BTN Research).

**Looking But Not Finding** — In early May, seven out of eight small businesses (88 percent) in the United States reported they were having difficulties finding qualified candidates for job openings (source: National Federation of Independent Businesses, BTN Research).

**Actual vs. Expected** — Only 36 percent of workers surveyed anticipate their monthly Social Security benefit "will be a major source of income" during retirement. However, 67 percent of retirees surveyed have determined their monthly Social Security benefit "is a major source of income" during retirement (source: Employee Benefit Research Institute 2018 Retirement Confidence Survey; BTN Research).



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## WEEKLY FOCUS – Financial Planning Under the New Tax Law

With the Tax Cuts and Jobs Act (TCJA) over five months old, many families are still getting a feel for how it will impact them personally and what changes they may want to make under the new legislation. Here are a few potential issues to consider.

**Charitable giving:** Under the TCJA, those who itemize can now deduct 60 percent (compared to 50 percent) of their income for qualified charitable donations. So taxpayers nearing the standard deduction threshold may want to front load their charitable contributions in one year in which they itemize to get the highest tax benefits. They can do so by making several years' donations to a donor-advised fund and then allocating the funds to their charities of choice over a period of years.

**Retirement investments:** Lower income tax rates may make converting a traditional IRA to a Roth look more attractive. But it's important to weigh the decision fully since the new law eliminates the prior ability to reverse the conversion by October 15 of the following year.

**Divorce:** Alimony payments were previously taxed as income to the payee and deducted by the payer. Beginning in 2019, alimony will no longer be viewed as income to receiving spouses or deductible for payers who entered into divorce agreements after Dec. 31, 2018. Without the deduction, divorcing spouses will likely want to pay less in alimony going forward.

**Estate planning:** The threshold for estate taxes doubles from \$5.6 million to \$11.2 million in 2018; \$22.4 million for married couples. Only 1,800 estates nationwide are expected to owe the 40 percent levied above the exempted amount in 2018. Wealthy individuals should review existing wills with clauses tied to the tax exclusion to avoid larger dispositions than intended. It's also good to remember the TCJA law doesn't apply to state estate tax. Among Washington D.C. and the 12 states that levy estate taxes, only three currently match the federal exemption. And six states have an inheritance tax likely unaffected by the legislation. Unless a political shift leads to a change in law or the bequestor expects to live beyond 2026, when the law sunsets, insurance policies purchased to pay federal estate taxes may no longer be necessary.

This is just a sampling of areas the new law impacts. I encourage you to check with your tax advisor, and I am always happy to answer any questions you may have about your finances. *Securities America and its representatives do not provide tax advice; coordinate with your tax advisor regarding your specific situation.*

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\* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America, Copyright June 2018. All rights reserved. Securities offered through Securities America, Inc., Member FINRA/SIPC. SA# 2146705.1