

WEEKLY MARKET COMMENTARY

For the Week of September 4, 2018

THE MARKETS

The final week of August ended with tariff-related volatility on Wall Street after talks between the U.S. and Canada to renegotiate the North American Free Trade Agreement broke off with no consensus. Stocks ended the day mostly higher. The Dow and the S&P achieved their third straight weekly gains, and the NASDAQ scored its best August return since 2000. For the week, the Dow rose 0.79 percent to close at 25,964.82. The S&P gained 0.98 percent to finish at 2,901.52 and the NASDAQ climbed 2.06 percent to end the week at 8,109.54.

Returns Through 8/31/18	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	0.79	6.73	21.00	19.16	14.64
NASDAQ Composite (PR)	2.06	17.47	26.15	19.29	17.70
S&P 500 (TR)	0.98	9.94	19.66	16.11	14.53
Barclays US Agg Bond (TR)	-0.12	-0.96	-1.05	1.76	2.49
MSCI EAFE (TR)	0.28	-2.28	4.39	7.04	5.73

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.

Medicare Isn't Enough — Sixty-two percent of American seniors (at least age 65) who file for bankruptcy do so because they are overwhelmed by medical expenses (source: "Graying of U.S. Bankruptcy: Fallout from Life in a Risk Society," Deborah Thorne, University of Idaho, BTN Research).

Just Three Stocks — Thirty-seven percent of the S&P 500's YTD performance of 6.5 percent (total return) through July, 31, 2018, was driven by just three tech stocks in the index (source: S&P Dow Jones Indices, BTN Research).

Up and Up — Seventeen stocks in the S&P 500 gained at least 70 percent in 2017. Six of the 17 stocks gained at least 40 percent YTD through Friday, Aug. 24 (source: BTN Research).

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WEEKLY FOCUS – Friday Is 401(k) Day

This year marks the 40th anniversary of 401(k) retirement plans. Over the last four decades, private pensions steadily declined, and 401(k) plans became increasingly important. In 1990, 43 percent of private sector employees were covered by some kind of pension plan. Today, they're few and far between. But while 401(k) plans have grown in popularity, they may not avert a potential crisis among tomorrow's retirees.

President Trump frequently talks about how well America's 401(k)s are doing in light of the stock market's recent performance. But only one-third of workers have one, and just 14 percent of employers offer a 401(k) or other defined contribution plan, according to 2017 research from the Census Bureau.

What's more, most participants' balances are inadequate. Last year, data from Fidelity showed the average 401(k) value among those aged 60 to 69 was \$167,700.¹ This figure is troubling considering the maximum monthly Social Security benefit at full retirement age is currently \$2,788, and the average payment is \$1,404. On top of that, the average couple retiring at age 65 can expect to pay \$280,000 in health care costs in retirement.²

Benefits, costs and investment options vary from one 401(k) plan to another. About one-fourth of employers match 50 percent of employee contributions up to 6 percent of pay. One-third of employers require a year of employment to be eligible for matching.³ Employees must typically work three to five years before fully owning their company's matching contributions. Fees vary from plan to plan and the funds selected. In addition to administration and investment fees, participants may incur individual service fees.

Many employers now offer post-tax Roth 401(k) options along with traditional pretax 401(k)s. Because it is post-tax, the Roth option allows the owner to achieve tax-free growth without having to take Required Minimum Distributions during retirement. While employees may incur lower fees and greater investment choices in a personal IRA, they should weigh those advantages against whatever match their employer offers.

We can help you or a family member build a full retirement plan that includes a 401(k) and other types of retirement accounts. Call us if you would like to review or create a plan for yourself or a family member.

¹<https://smartasset.com/retirement/average-401k-balance-by-age>

²<http://time.com/money/5246882/heres-how-much-the-average-couple-will-spend-on-health-care-costs-in-retirement/>

³<https://work.chron.com/employers-match-401k-15293.html>

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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 September 2018. All rights reserved. Securities offered through Securities America, Inc., Member FINRA/SIPC. SA# 2231172.1