

WEEKLY MARKET COMMENTARY

For the Week of September 24, 2018

THE MARKETS

Despite trade chatter following Monday's announcement the White House planned to impose a 10 percent tariff on \$200 billion worth of Chinese imports, the Dow Jones and S&P 500 hit record highs Friday and achieved weekly gains. For the week, the Dow rose 2.25 percent to close at 26,743.50. The S&P gained 0.86 percent to finish at 2,929.67, and the NASDAQ fell 0.29 percent to end the week at 7,986.96.

Returns Through 9/21/18	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	2.25	10.01	22.32	20.37	14.34
NASDAQ Composite (PR)	-0.29	15.70	24.36	18.26	16.17
S&P 500 (TR)	0.86	11.13	19.44	16.58	13.69
Barclays US Agg Bond (TR)	-0.26	-1.76	-1.39	1.43	2.23
MSCI EAFE (TR)	2.90	-0.55	4.07	8.43	4.43

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.

Declining Bond Debt — There is less outstanding municipal bond debt today (\$3.8 trillion) than there was in 2010 (\$4 trillion). Over the same time period, outstanding Treasury debt has increased 69 percent to \$14.9 trillion (source: SIFMA, BTN Research).

Gradual Increases — Between June 2004 and June 2006, the Fed met and raised short-term interest rates by a quarter of 1 percent at 17 consecutive Fed meetings. Since Dec. 14, 2016, the Fed has met and raised short-term interest rates by a quarter of 1 percent at six of the last 14 Fed meetings (source: Federal Reserve, BTN Research).

None — As of the end of 2017, 19 percent of millennials and 12 percent of baby boomers had no money (either pre-tax or post-tax) invested in the stock market. Millennials were born between 1981-97 and were ages 20-36 in 2017, while the baby boomers were born between 1946-64 and were ages 53-71 in 2017 (source: Vanguard, BTN Research).

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Page 2 of 2

WEEKLY FOCUS – How Different Assets Affect College Financial Aid

The best time to start preparing for your child's or grandchild's education is before they head off to grade school. But saving early is only part of the equation. Planning to secure the best financial aid package is another. Understanding what assets are factored to calculate the Expected Family Contribution (EFC), which is subtracted from the student's estimated costs to determine the amount of federal aid awarded, can help.

Most colleges and universities solely use the Free Application for Federal Student Aid (the FAFSA) to calculate the EFC based on students' and their families' assets and income for the prior-prior year. So for the 2018-2019 school year, the EFC will be determined based on 2016.

Student income and assets factor more heavily into the EFC formula than their parents'. Twenty percent of the student's savings, investments, business interests and real estate count, while no more than 5.64 percent of their parents' assets count. Similarly, 50 percent of student income above \$6,570 counts versus 22 to 47 percent of parental income above \$25,040. (The exact percentage is based on income.) Here are a few other things to keep in mind:

Financial gifts count as income. So if a student's income exceeds \$6,570, 50 percent of a grandparent's gift will raise the student's EFC. To avoid this, grandparents can wait until the student's junior year to help out. Thanks to the prior-prior year accounting, their gift will no longer apply.

Because Coverdell Educational Savings Accounts and 529 College Savings Plans are considered parental assets, they are factored at the lower percentage. Since Uniform Gift to Minors Act accounts are in the child's name, 20 percent of those assets count toward the EFC.

Retirement accounts aren't calculated in the EFC. However, contributions and distributions made in the base year count as parental income. Similarly, cash value in life insurance policies doesn't count, but distributions do. Home equity doesn't apply. So families with large non-retirement account savings may consider paying their mortgage down.

Around 200 private colleges and universities award their own grants, loans and scholarships based on the College Scholarship Service (CSS) PROFILE, which differs from the FAFSA in many areas. If you have financial questions about a child's or grandchild's move to college, please feel free to call our office. We're happy to help with money issues affecting multiple generations of your family.

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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#2252891.1