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SECOND QUARTER | 2019

FINANCIAL UPDATE

Here are selected rate of return numbers for the last two years and year to date as of 3/31/2019*

	2017 Return	2018 Return	2019 YTD Return
Dow Jones Industrials	+28.11%	-3.48%	+11.81%
S&P 500 Index	+21.83%	-4.38%	+13.65%
NASDAQ Composite	+29.64%	-2.84%	+16.81%
MSCI World (ex. U.S.) in U.S. dollars	+24.21%	-14.09%	+10.45%
Russell 2000	+14.65%	-11.01%	+14.58%
Russell 1000 Value Index	+13.66%	-8.27%	+11.93%
Russell 1000 Growth Index	+30.21%	-1.51%	+16.10%
Russell 3000 TR USD	+21.13%	-5.24%	+14.04%
Major Bond Indexes			
Barcap Intermediate Treasury	+1.14%	+0.01%	+1.59%
Barcap Aggregate	+3.54%	+1.41%	+2.94%
Mutual Funds (Morningstar Categories)			
Large-Cap Growth	+31.15%	+2.94%	+15.76%
Large-Cap Value	+15.09%	-5.90%	+10.32%
Small-Cap Growth	+23.77%	-5.67%	+19.43%
Small-Cap Value	+8.40%	-16.61%	+12.48%

(Source: Morningstar) *Inclusion of these 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 affect actual investment performance. Individual investor's results may vary. Past performance does not guarantee future results.

HOW DOES THE FEDERAL RESERVE AFFECT THE ECONOMY?

If you follow financial news, you've probably heard many references to "the Fed" along the lines of "the Fed held interest rates," or "market watchers are wondering what the Fed will do next." So what exactly is the Fed and what does it do?

What is the Federal Reserve?
The Federal Reserve — or "the Fed" as it's commonly called — is the central bank of the United States. The Fed was created in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system.

> ***"An investment in knowledge pays the best interest."***
>
> - BENJAMIN FRANKLIN

Today, the Federal Reserve's responsibilities fall into four general areas:

- Conducting the nation's monetary policy by influencing money and credit conditions in the economy in pursuit of full employment and stable prices

- Supervising and regulating banks and other important financial institutions to ensure the safety and soundness of the nation's banking and financial system and to protect the credit rights of consumers

- Maintaining the stability of the financial system and containing systemic risk that may arise in financial markets

- Providing certain financial services to the U.S. government, U.S. financial institutions, and foreign official institutions, and playing a major role in operating and overseeing the nation's payments systems

How is the Fed organized?

The Federal Reserve is composed of three key entities — the Board of Governors (Federal Reserve Board), 12 Federal Reserve Banks, and the Federal Open Market Committee.

The Board of Governors consists of seven people who are nominated by the president and approved by the Senate. Each person is appointed for a 14-year term (terms are staggered, with one beginning every two years).

The Board of Governors conducts official business in Washington, D.C., and is headed by the chair (currently, Jerome Powell), who is perhaps the most visible face of U.S. economic and monetary policy.

Next are 12 regional Federal Reserve Banks that are responsible for typical day-to-day bank operations. The banks are located in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco. Each regional bank has its own president and oversees thousands of smaller member banks in its region.

The Federal Open Market Committee (FOMC) is responsible for setting U.S. monetary policy. The FOMC is made up of the Board of Governors and the 12 regional bank presidents. The FOMC typically meets eight times per year. When people wait with bated breath to see what the Fed will do next, they're usually referring to the FOMC.

How does the Fed impact the economy?
One of the most important responsibilities of the Fed is setting the federal funds target rate, which is the interest rate banks charge each other for overnight loans. The federal funds target rate serves as a benchmark for many short-term interest rates, such as rates used for savings accounts, money market accounts, and short-term bonds. The target rate also serves as a basis for the prime rate. Through the FOMC, the Fed uses the federal funds target rate as a means to influence economic growth.

To stimulate the economy, the Fed lowers the target rate. If interest rates are low, the presumption is that consumers can borrow more and, consequently, spend more. For instance, lower interest rates on car loans, home mortgages, and credit cards make them more accessible to consumers. Lower interest rates often weaken the value of the dollar compared to other currencies. A weaker dollar means some foreign goods are costlier, so consumers will tend to buy American-made goods. An increased demand for goods and services often increases employment and wages. This is essentially the course the FOMC took following the 2008 financial crisis in an attempt to spur the economy.

On the other hand, if consumer prices are rising too quickly (inflation), the Fed raises the target rate, making money more costly to borrow. Since loans are harder to get and more expensive, consumers and businesses are less likely to borrow, which slows economic growth and reels in inflation.

People often look to the Fed for clues on which way interest rates are headed and for the Fed's economic analysis and forecasting. Members of the Federal Reserve regularly conduct economic research, give speeches, and testify about inflation and unemployment, which can provide insight about where the economy might be headed. All of this information can be useful for consumers when making borrowing and investing decisions.

Source: Raymond James
Photo: iStock

RULES ON OPENING A 529 PLAN ACCOUNT FOR COLLEGE

Year over year, participation in 529 plans continues to rise.[1] Anyone can open an account, lifetime contribution limits are typically over $300,000, and there are tax benefits if the funds are used for college. Here are some common questions on opening an account.

Can I open an account in any state's 529 plan or am I limited to my own state's plan?

Answer: It depends on the type of 529 plan you have: college savings plan or prepaid tuition plan. With a college savings plan, you open an individual investment account and direct your contributions to one or more of the plan's investment portfolios. With a prepaid tuition plan, you purchase education credits at today's prices and redeem them in the future for college tuition. Forty-nine states (all but Wyoming) offer one or more college savings plans, but only a few states offer prepaid tuition plans.

529 college savings plans are typically available to residents of any state, and funds can be used at any accredited college in the United States or abroad. But 529 prepaid tuition plans are typically limited to state residents and apply to in-state public colleges.

Why might you decide to open an account in another state's 529 college savings plan? The other plan might offer better investment options, lower management fees, a stronger investment track record, or better customer service. If you decide to go this route, keep in mind that some states may limit certain 529 plan tax benefits, such as a state income tax deduction for contributions, to residents who join the in-state plan.

Is there an age limit on who can be a beneficiary on a 529 account

Answer: There is no beneficiary age limit specified in Section 529 of the Internal Revenue Code, but some states may impose one. You'll need to check the rules of each plan you're considering. Also, some states may require that the account be in place for a specified minimum length of time before funds can be withdrawn. This is important if you expect to make withdrawals quickly because the beneficiary is close to college age.

Can more than one 529 account be opened for the same child?

Answer: Yes. You (or anyone else) can open multiple 529 accounts for the same beneficiary, as long as you do so under different 529 plans (college savings plan or prepaid tuition plan). For example, you could open a college savings plan account with State A and State B for the same beneficiary, or you could open a college savings plan account and a prepaid tuition plan account with State A for the same beneficiary. But you can't open two college savings plan accounts in the same 529 plan in State A for the same beneficiary.

Also keep in mind that if you do open multiple 529 accounts for the same beneficiary, each plan has its own lifetime contribution limit, and contributions can't be made after the limit is reached. Some states consider the accounts in other states to determine whether the limit has been reached. For these states, the total balance of all plans (in all states) cannot exceed the maximum lifetime contribution limit.

Can I open a 529 account in anticipation of my future grandchild?

Answer: Technically, no, because the beneficiary must have a Social Security number. But you can do so in a roundabout way. First, you'll need to open an account and name as the beneficiary a family member who will be related to your future grandchild. Then when your grandchild is born, you (the account owner) can change the beneficiary to your grandchild. Check the details carefully of any plan you're considering because some plans may impose age restrictions on the beneficiary, such as being under age 21. This may pose a problem if you plan to name your adult son or daughter as the initial beneficiary.

What happened if I open a 529 plan in one state and then move to another state?

Answer: Essentially, nothing happens if you have a college savings plan. But most prepaid tuition plans require that either the account owner or the beneficiary be a resident of the state operating the plan. So if you move to another state, you may have to cash in the prepaid tuition plan.

If you have a college savings plan, you can simply leave the account open and keep contributing to it. Alternatively, you can switch 529 plans by rolling over the assets from that plan to a new 529 plan. You can keep the same beneficiary when you do the rollover (under IRS rules, you're allowed one 529 plan same-beneficiary rollover once every 12 months), but check the details of each plan for any potential restrictions. If you decide to stay with your original 529 plan, just remember that your new state might limit any potential 529 plan tax benefits to residents who participate in the in-state plan.

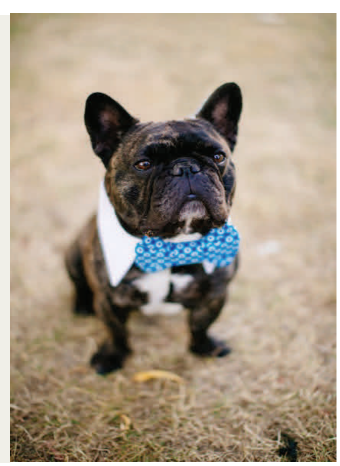
[1] Strategic Insight, 529 Data Highlights, 3Q 2018

Source: Raymond James

Photo: iStock

MARCEL'S MASTERMIND

"Enjoy the simple pleasures of a walk."



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STAFF NEWS

Shredding Party

April's Shredding Party was a great success! Clients dropped by all month to help us fill the shredding truck. Here is a photo of just some of the stacks of paper that were gathered for shredding and recycling. Thank you to all that participated!

Travel

Kathleen will be attending the Barron's Top Independent Women Advisors Summit in Florida in May. This conference provides highly detailed and thought-provoking perspectives from other top advisors on managing investments and practices.

Kathleen and Don are looking forward to taking a cruise in June along the Columbia and Snake Rivers, exploring some of the local beauty in Washington and Oregon.

David recently attended the First Trust research event to gain more insight into the Global Economy as well as the outlook for various markets, including in-depth analysis on the US economy. He also attended the First Eagle research trip in March, which provided an engaging discussion on the global political environment as well as the future of technological disruption & opportunities for investors for the upcoming decade.

CONTACT INFORMATION & DISCLOSURES

We would like to remind you that in the event you are unable to speak with someone at our office, you can contact Raymond James Client Services directly for assistance with your accounts at (800) 647-7378. We would like to thank those of you who have referred your associates, clients, family members and friends to us. Your referrals are personally and professionally the most satisfying way for our practice to grow. If you have any questions or feedback regarding the newsletter, please contact the office and let us know how we can improve our communication with you.

Please contact us at (425) 822-8122 or by email.
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