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Thriving in retirement

Is your head (and heart) in a good place?

Preparing mentally and emotionally is just as important as preparing financially. You'll likely go through several emotional stages as you adjust to your new lifestyle.

- **Disenchantment** – The emotional high wears off, and you may start feeling bored or disillusioned if your expectations haven't been met. You may feel isolated and removed from many of the things that were once so important in your life, as well as the people that you used to spend most of your time with.
- **Readjusting** – It is time to create a new identity and find a purpose that is separate from who you were. Familiarize yourself with your new circumstances and learn to navigate the social and emotional aspects. Establish a routine that allows you to relax and enjoy this time of your life.
- **Moving on** – Settle into a new daily routine, on your terms.
- **The planning phase** – Your entire career has been spent saving and planning for what you will do next. The anticipation builds.
- **The big day** – Taking that step you have planned for is here. Celebration ensues and the future is bright.
- **Honeymoon phase** – After the handshakes and hugs, you and your spouse will throw yourself into your new life, enjoying all the things you didn't have time for before. You'll travel, indulge in hobbies, spend time with the grandkids. Then, maybe, you'll realize you still have spare time.

YOU'LL SPEND IT?

Balancing your financial reality with the lifestyle you want to create takes some finesse. But it's worth the effort so you can create an income stream designed to cover your basic needs and wants, when you're no longer working full time.

Identify needs and wants. Re-evaluate your expenses and determine which income sources will be used to cover those that fall in the needs category (e.g., mortgage/rent, food, healthcare) and those that are optional wants (e.g., country club memberships, a boat). Remember, these things will change over time, so revisit this often.

LET'S TALK ABOUT IT

YOUR ASSETS AND A SUSTAINABLE WITHDRAWAL STRATEGY

You've spent decades saving for your future, and now it's time to use that money wisely. First we'll take inventory, so you know what you have, and then we'll discuss when and how to withdraw assets to create a sustainable and tax-efficient income stream.

Expected, reliable income sources pay for basic needs.

Social Security
Annuity and pension payments
Employment income

Other assets can be used to cover additional needs, and then pay for wants.
Employer-sponsored retirement accounts
Roth and traditional IRAs
Checking/savings accounts
Brokerage accounts
Insurance
Rental income

LET'S START WITH THREE QUESTIONS

1. **WHAT DO YOU NEED?**
2. **WHAT DO YOU WANT?**
3. **HOW WILL YOU PAY FOR IT?**

Get disciplined. Develop and stick to a long-term spending plan that balances your needs and your wants and is designed to make your money last as long as you do.

Assess your obligations. Be realistic about how much financial help you'll be able to give to aging parents or adult children, while still covering your retirement needs.

Plan for required distributions. When you turn 70½, you'll be required to take a certain percentage of your 401(k) or IRA assets as a withdrawal. Your annual RMD is determined by an IRS formula based on the total value of your retirement account and your life expectancy. In almost all cases, RMDs are going to be taxed as ordinary income. RMDs are required for a reason, so make sure you take them. Whatever you didn't take out can be taxed at 50%.

Maximize government benefits. We'll work with you and your spouse to develop strategies designed to maximize your overall household Social Security and Medicare benefits.

Simplify. Consolidate your various income sources into a "big picture" account and create a strategy to replicate the consistency of a paycheck. Having all your income together can help you keep better track of your cash flow and expenses.

Work with your advisor to prioritize which of your retirement assets you'll tap into first and at what rate. Certain accounts will require minimum distributions, so you'll want to save other assets for later, including your brokerage account. You'll also want to create a tax efficient income stream that allows your investments to continue to grow.

WHAT KEEPS YOU UP AT NIGHT?

Are you worried that your money won't last or that your health will take an unexpected turn for the worse? While we can't predict what's around the corner, we can save for a rainy day. That way an unexpected event won't derail your retirement plans. So what can you do?

Expect the unexpected. Unknowns such as a decline in health or a market correction can derail even the best-laid plans. Have a cash fund (or line of credit) in place to cover contingencies that may crop up.

Manage risks. Work with a knowledgeable team of professionals to manage the investment and lifestyle risks that could compromise your vision of retirement. Regularly review your risk tolerance; it may be very different now that you're no longer working. Be sure to adjust your asset allocation and mix of investments accordingly (perhaps make your portfolio a little more conservative or include insurance products). While diversification doesn't guarantee against losses, it may help you weather market volatility.

Review your portfolio. Together, we can regularly review your investments and make necessary adjustments as your life and needs change over time. If you get off track, discuss steps to take to improve your financial situation. For example, you could wait longer to take Social Security or retire later. You could downsize your home and save more. There are several areas where you can make adjustments to help you get back on track for a secure and comfortable retirement.

Invest for the long term. Maintain exposure to equities as well as income products. You'll need the growth component to replace money you withdraw and to attempt to keep up with inflation.

ARE YOUR DUCKS IN A ROW?

While this stage of your life offers you more flexibility to do as you please, there are some logistics you should be aware of – and on top of – as you continue your life's journey.

Protect your future. Work with your advisor to make sure you've got adequate life, health, long-term care and other coverage to protect your wealth and preserve your assets. You'll also want to compare Medicare policies to determine which works best for your needs.

Protect your legacy. Update beneficiaries on all accounts to reflect your current wishes and family circumstances. While you're at it, review and update all estate planning documents, including trusts, wills, living wills and powers of attorney. We can help you coordinate with the appropriate professionals.
Get generous. Outline your philanthropic wishes and put a plan in writing to help accomplish those goals with a tax-efficient giving strategy. Consider tangible gifts (e.g., art, real estate, antiques) as well as gifts of cash or stock.

What may lie ahead

There are several challenges retirees generally face. Identify those most likely to affect you and to what extent. Then work to create a safety net to address these risks.

1. Outliving your money
2. Spending beyond your means
3. Rising costs/inflation
4. Volatile markets
5. Unknowns/what ifs

Have you thought about
CONVERTING TO A ROTH IRA?

You may be eligible to convert a traditional IRA to a Roth IRA for potential tax-free growth without required minimum distributions. Plus, you can withdraw earnings tax-free (as long as certain conditions are met). There are other rules, so let's discuss whether this makes sense for you.

Rolling from a traditional IRA into a Roth IRA may involve additional taxation. Unless certain criteria are met, Roth IRA owners must be 59½ or older and have held the IRA for five years before tax-free withdrawals are permitted. Additionally, each converted amount is subject to its own five-year holding period.

Congratulations! You're embarking on a whole new journey as you say farewell to the 9 to 5 in favor of a more relaxed – or more exciting – lifestyle. As you look to the future, we'll be here to help you monitor and adjust your financial plan so you have a better chance of achieving the retirement you've always imagined.

Please note, changes in tax laws or regulations may occur at any time and could substantially impact your situation. Raymond James financial advisors do not render advice on tax or legal matters. You should discuss any tax or legal matters with the appropriate professional.

What happened in the markets last week?

by David Abuaf - Investment Manager, RJFS

News for the Week

General Markets / Economic

1. Fallout from the escalating US China trade war is rippling through the global economy, hurting US small business confidence, crimping trade of industrial giants in Asia and hitting export factories in Europe
2. Truck makers are logging sharply lower orders, adding stress to a decelerating US manufacturing sector
3. China's Bank of Jinzhou said it would skip a year of interest payments to international bondholders
4. US factory activity sank for the first time in three years, the latest sign that a global manufacturing pullback is weighing on the US economy

Company News

1. Huawei accused the US of using every tool at its disposal to disrupt its business
2. The UAW said it would target GM first in contract talks, aiming for a deal that would guide negotiations with the other Detroit car firms

Interesting Stories

1. In Ram's Bottom, England, a 42-year-old saw weird symbols drawn in chalk on her sidewalk. They were circles with a line in the middle. She posted online, and many folks said it was burglars noting which houses to target. She called cops. Turns out it was a neighbor's child trying to draw butts!
2. A woman in Australia has been unsuccessfully complaining against her neighbors. Her most recent complaint was that her neighbors were passive aggressively making her not able to enjoy her life and her home. How so, you ask? The neighbors' children were playing basketball IN THEIR own driveway AND they were "constantly" grilling meat outdoors, where the smell of cooked meat did not sit with her vegan principles!

Weekly Commentary

"Everything's not awesome," goes the theme to The Lego Movie2, "but that doesn't mean it's hopeless and bleak." That's the conclusion the market appears to have reached following a very volatile August.

The Dow Jones Industrial Average advanced 394.18 points, or 1.5%, to 26,797.46 this past week, while the S&P 500 rose 1.8% to 2978.71, and the Nasdaq Composite climbed 1.8% to 8103.07. Those gains followed last week's 2.8% rise in the S&P 500 and marked the first two-week winning streak since July.

Why did the market soar? Not because of the economic data, which still paint the picture of a decelerating U.S. economy. August's payrolls report came in light and would have been even worse if not for a big boost from census hiring. The Institute for Supply Management's manufacturing index fell below 50, signaling a full-blown contraction in industrial activity. But the U.S. and China finally set a date to go back to the bargaining table on trade—and that was more than enough good news to last the week.

Now, do we believe that the U.S. and China will resolve their differences next month? Hardly. Will a single tweet by President Donald Trump scuttle talks before they even begin? Probably. Yet the news was enough for the S&P 500 to blow through resistance at 2840 and finally escape the range it had been stuck in for about a month. And that suggests more upside could be on the way.

It certainly helps that investors had been expecting the worst. The percentage of bears in the most recent American Association of Individual Investors survey outnumbered bulls by nearly 11 percentage points. It's an improvement from the previous week's 16-point difference, but still a plethora of pessimism. Need more evidence? Citigroup's Panic/Euphoria Model has edged ever closer to panic. Sentiment that bad implies a 95%

chance of market upside over the next 12 months.

That worry has been reflected in the market, too, where investors have gravitated toward the least-volatile stocks. The S&P 500 Low Volatility index has returned 12.5% over the six months ended Sept. 4, outperforming the S&P 500's 6.3% return by more than six percentage points. That, observes the Leuthold Group's Jim Paulsen, is one of the strongest six-month periods for low-vol stocks since 1989.

In the halcyon days before the financial crisis, such outperformance signaled more trouble ahead. Since 2008, however, strong performance by low-vol stocks, has meant the opposite—a stronger S&P 500 and underperformance for the market's safest stocks.

"While good low-vol performance used to be a leading indicator of economic and general stock market weakness, in more recent years it has become a 'contrarian indicator' like other measures of investor sentiment," Paulsen explains. "[That] argues for a much more favorable environment for stocks during the next six months."

That may not be awesome, but at least it's not bad.

August 2019 Commentary

Benchmark	Monthly	YTD	12 Month	3 Year
S&P 500	-1.81%	16.72%	0.8%	34.8%
Morningstar Target Risk Benchmarks				
Aggressive	*-2.32%*	*13.75%*	*0.3%*	*31.1%*
Moderately Aggressive	*-1.67%*	*12.81%*	*1.9%*	*27.5%*
Moderate	*-0.86%*	*11.48%*	*3.7%*	*22.6%*
Moderately Conservative	*0.00%*	*10.21%*	*5.4%*	*18.0%*
Conservative	*0.80%*	*8.68%*	*6.7%*	*12.8%*

The times when investors were able to enjoy a quiet summer seem to be over. August was a volatile month for financial markets, with the VIX averaging 19, compared to 13 in July.

The tone of the month was set on its first day with a tweet from the US president announcing an intention to impose a 10% tariff on the remaining approximately USD 300 billion of Chinese imports that were not yet subject to tariffs. This decision took markets by surprise as China and the US had agreed a ceasefire in their trade dispute at the G20 in May. The announcement of new tariffs triggered retaliatory measures from China, which announced three weeks later that it would also increase tariffs on roughly USD 75 billion of US imports, including agricultural goods, crude oil and cars. This led the US president to tweet that the existing and planned tariff rates will both rise by 5 percentage points.

It was only at the end of the month that both countries adopted a slightly more conciliatory tone but the damage to business and investor sentiment had already been done. The renewed escalation of trade tensions and the growing economic consequences triggered profit-taking in global equity markets in August. Developed market equities dropped 1.9% but outperformed their emerging market (EM) peers as the MSCI EM Index dropped by 2.5%.

Safe havens were sought after by investors and global bond yields continued to decrease, bringing the total market value of negative yielding debt in the Bloomberg Barclays Global Aggregate Index to over USD 16 trillion. Fixed income segments with positive real yields rallied, including 30-year US Treasuries, whose yields dropped below 2% for the first time, and global investment grade corporate credit, which delivered 1.9% over the month.

10-year UK Gilt yields also continued to rally through August on the back of growing Brexit uncertainties, ending the month 13 basis points lower at 0.48%. In foreign exchange markets, while the US dollar remained stable on a trade-weighted basis, it rallied versus most EM currencies, gaining 4.0% against the Chinese renminbi and 3.8% against the Indian rupee.

In the US, after the Federal Reserve (the Fed) cut rates by 25-basis points at the end of July, the August headlines were once again dominated by trade tensions but also increasingly by the risk of an economic downturn.

Indeed, most recent economic data releases have shown that the US economy is not immune to global trade tensions. The manufacturing part of the economy remains the weak spot as shown by the drop in the August flash US Manufacturing purchasing managers' index (PMI) to 49.9, its lowest reading since September 2009.

There are also increasing signs that the manufacturing weakness is spreading to other areas of the economy as the flash Services Business Activity index fell to a three-month low of 50.9, while the University of Michigan Consumer Sentiment index weakened.

The drop of consumer confidence has probably been driven, to a large extent, by the extensive media commentary on the increased risk of a recession, following the inversion of the US yield curve, which first occurred in mid-August.

However, domestic demand has so far remained relatively resilient, with retail sales jumping 0.7% in July, showing that so far, the strength of the labor market and rising wages continue to outweigh trade and recession concerns.

In this context, we continue to believe that the US economy is slowing, not stalling. Jerome Powell's Jackson Hole speech was largely in line with expectations and paves the way for the Fed to make another 25-basis point rate cut in September, followed perhaps by one more rate cut at either the October or December meetings.

This move should be welcomed by US corporates as it will lower their financing costs at a time when margins are under pressure from lower top-line revenue growth and higher wage costs. The second-quarter earnings season showed that US earnings-per-share growth was below 5% on average, broadly in line with sales growth, with next to no margin expansion.

Nevertheless, we continue to believe that companies can still grind out positive earnings growth in the quarters ahead. However, consensus expectations for US earnings growth of 10% in 2020 appear too high and we believe that these expectations could be halved by the end of the year.

In Europe, the August headlines were dominated by weak economic data, especially in Germany, and by increasing political uncertainties.

On the economic front, the second-quarter GDP releases confirmed the economic slowdown in Europe, as growth was left unrevised at just 0.2% compared to the prior quarter.

The country level detail showed that Germany is now on the verge of a recession, as its economy contracted by 0.1% in the second quarter. The Bundesbank expects the downturn in orders for cars and industrial equipment to continue in the third quarter. The fall in the IFO business climate index later in the month further confirmed this weak outlook. This economic slowdown has fueled stimulus hopes and the German finance minister has left the door open to a possible fiscal package if the situation deteriorates further.

Overall though, the latest release of the flash composite PMI for the eurozone showed that growth stabilized in August, which confirms our view that Europe's economy is slowing but not yet approaching a recession, with the service sector continuing to grow.

Nevertheless, it's not a time for complacency. The recent political shifts in Italy remind investors of the regular political volatility experienced in Europe but borrowing costs remain low, helped by the fact that the European Central Bank (ECB) is expected to unveil new stimulus measures in September. On top of the already announced new targeted longer-term refinance operations, the ECB is expected to further lower interest rates and could restart quantitative easing.

Meanwhile, in the UK, Boris Johnson has so far not managed to solve the Brexit impasse. Brexit is already weighing on the UK economy, with second-quarter GDP shrinking by 0.2%, while the outlook for retail sales has weakened according to the CBI's August survey.

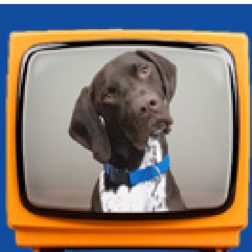
All eyes have been on China since the beginning of the year and the country has taken several measures to counterbalance the effects of the trade war on its economy. However, even though Chinese authorities have this time delivered both fiscal and monetary stimulus, the results have so far been mixed as July data, including retail sales, came in short of expectations.

In this context and without the prospect of a trade deal in the near term, the Chinese authorities were obliged to take additional stimulus measures in August. The People's Bank of China announced a lending rate reform to lower financing costs and let the renminbi break the psychological barrier of 7 versus the US dollar. The currency move triggered an official condemnation from the US, who labelled China a currency manipulator. Elsewhere in emerging markets, Argentina experienced major difficulties in August with the peso weakening 26% vs the dollar and the Merval equity index dropping over 40% after the national primary election results showed that the current government could lose power in October.

In the coming months, new monetary and fiscal stimulus should support the global economy, but these measures won't be able to fully offset the negative effects of the trade war and hence the economic slowdown should continue. We continue to think that these downside risks warrant an element of caution.

Within equities, investors may wish to focus on companies with strong balance sheets, which may be less exposed to slowing growth than their more highly levered counterparts. Despite historically low yields, we still see government bonds playing an important role in portfolios given their scope to rally further if sentiment deteriorates.

Alternative strategies, such as global macro funds and core infrastructure, may also warrant consideration for investors looking to add ballast to their portfolios at this stage of the cycle.



Turning Back the Clock to 1999

September 11, 1999: US Open Women's Tennis: Serena Williams wins her first Grand Slam title; beats World #1 Martina Hingis 6-3, 7-6.