



QUARTERLY UPDATE

October 2018

Happy autumn! We hope you are enjoying the cooler weather and that all who are affected by this hurricane season are safe and sound. In this issue we review what to expect from the market this quarter, give good news to used-car shoppers, and offer some tips for Medicare open enrollment. As always, if you have any questions on a financial matter in your life we would love to hear from you.

– Carol Hoffman & Tim Grout

Market Overview

The end of the third quarter saw 83 straight days without the S&P 500 moving at least +/- 1% in a day, but that tranquility ended abruptly with October’s volatility. Earnings are still high on the back of the tax cuts and, despite the length of this expansion cycle, its relatively low GDP growth per annum could mean there’s gas left in the tank. The market dislikes uncertainty, though, and with the mid-term elections nearing and trade talks with China looking tenuous, there is plenty of uncertainty left in 2018.

Index Returns	Q3	YTD
S&P 500	7.2%	9.0%
Dow Jones	9.0%	7.0%
MSCI EAFE	1.5%	-1.4%
U.S. aggregate bond	-0.1%	-1.7%

Morningstar index returns through Sept 30, 2018

Interest rates & inflation: The Federal Reserve continued to lean on solid growth, low unemployment and stable inflation as it raised the federal funds rate. Investors fear a policy error as one of the biggest threats to the stock market right now. After a decade of accommodative rates, the Fed seem comfortable inching towards their target neutral rate of 3%. Another hike is expected in December.

International: Trade wars and tariffs are the biggest threats to the international market, stymying the promising forecasts many made at the beginning of the year. We have decreased international exposure in our clients’ portfolios over the spring and summer, and will watch for a trade armistice before wading back in.

Volatility: On a final note, we would like to remind everyone that after nearly a decade of steady growth, the U.S. stock market will at some point see a major correction of 10-20%. No one can predict when, but as interest rates rise and we continue to move on after years of quantitative easing, there should be no surprise when the inevitable occurs. Your portfolio holds fixed income assets designed to meet your specific needs, meaning you can safely set aside worries about the short-term performance of your equities portfolio.

Check withholding now to avoid tax surprises later

With the year coming to a close, we urge taxpayers to take a few minutes to see if you have the right amount of tax withholding. Visit [irs.gov](https://www.irs.gov) and click on **Do a Paycheck Checkup** to find out if you need to make changes soon to avoid an unwelcome surprise come tax time.

The new tax law changes make it more important than usual that you check your withholding amount before year-end. Changes effective for 2018 include:

- Increased standard deduction to \$12,000 per person (\$24,000 for a couple)
- Eliminated personal exemptions
- Increased Child Tax Credit to \$2,000 per child under age 17
- Limited or discontinued several deductions (e.g. alimony, state and local tax)
- Changed the tax rates and brackets

Used-car sales boom: The value of pre-owned is more attractive than ever

If you're in the market for a car, consider buying pre-owned to get the best value.



The gap between the price of a new and preowned car is now at the widest in more than a decade, according to Edmunds.com. Buyers paid an average of \$22,500 for a three-year-old used car in the second quarter of 2018, well under the average \$35,800 paid for a new car. That's a difference of nearly 40%.

Why: As interest rates rise, auto companies are pulling back on sales incentives like 0% financing for new cars. Dealers are instead putting more resources and investment into promoting their used-car sales as a way to offset declining margins in the new-car business. At the same time, the used-car market is being flooded with leased cars being returned to dealerships, increasing the supply and options for buyers looking for two- and three-year-old vehicles that are generally well maintained.

Cosmetic change to Sharefile links

You'll often receive sensitive documents from Clear Perspectives by way of Sharefile because it's more secure than email attachments. Citrix (the owner of Sharefile) has recently rebranded the service. Going forward, *blue* and *Citrix* mean the same thing you've associated with *green* and *Sharefile*.

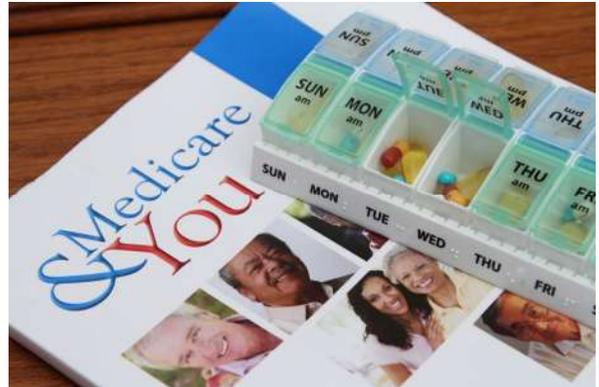


Shop for the best deal during Medicare open enrollment

From now until December 7, Medicare beneficiaries have an opportunity to change health and prescription-drug plans for the coming year. Compare your coverage against competing options on Medicare's Plan Finder tool by typing this into the address bar of your browser: [medicare.gov/find-a-plan](https://www.medicare.gov/find-a-plan).

Even if you're happy with your current coverage, you should shop around to make sure you are getting the best deal. Changes in your health conditions, doctors and prescriptions may mean that your current plan is no longer the most cost-effective choice. And plans themselves can change each year, tweaking drug coverage, provider networks and costs for enrollees.

Start by making a list of medications, pharmacies, doctors and other health care providers you use. Look at your deductible, co-payments and pharmacies that are in the plan's network. Make sure your drugs are covered by the plan, and look at how they are covered. Drug plans typically assign each drug a "tier," and each tier has different costs. If you take a pricey drug that has moved to a higher tier, for example, you may have to pay 25% of the total cost in 2019, instead of a flat \$25 co-payment in 2018.



Once you've compiled your information, compare your coverage against competing options on Medicare's Plan Finder tool at [medicare.gov/find-a-plan](https://www.medicare.gov/find-a-plan).

You don't have to do this alone. Whether you're in traditional Medicare or Medicare Advantage, consider contacting your state health insurance assistance program for help in assessing your options. Find your local program at [shiptacenter.org](https://www.shiptacenter.org).

You get a raise: Social Security gives biggest benefit bump since 2012

Retirees will want to update the family budget to reflect bigger Social Security checks and (potentially) bigger Medicare Part B bills.



Social Security and Supplemental Security Income (SSI) benefits will increase by 2.8% in 2019. That's the largest since 2012, and is the second straight year the cost-of-living adjustment (COLA) has reached the 2% mark. The increase will begin with benefits payable to Social Security beneficiaries in January 2019. Increased payments to SSI beneficiaries will begin on December 31, 2018. Some people receive both Social Security and SSI benefits.

Medicare Part B premiums will rise by only about 1% (\$2-5 dollars) per month for most people. However, high earners will see a bigger increase. Individuals earning \$500,000 or more (and couples earning \$750,000 or more) will pay \$460.50 per month for Part B in 2019, up 7% from this year.

Prepare your family for the next natural disaster



Fires, hurricanes, floods... The list of events that can chase you from your home on short notice is long. The flooding in North Carolina and the devastation in the Florida panhandle are just the latest.

The best you can hope for is a day or two notice before you have to leave. So, take a moment now to think through what you need and where to get your hands on it quickly. For a checklist, go to ready.gov/build-a-kit.

High priorities you may not think of right away:

1. **Fully-charged mobile phone** and backup battery. Cell phone towers are numerous and typically have generators that kick on automatically. Even when your call can't get through because of too much traffic, texts almost always squeak through the cracks.
2. **Fully-fueled car**. Make it a habit at the first warning of a storm to fill up your primary vehicle, so that power outages at gas stations don't delay your travel.
3. **Pet food**. You'd never leave your pet, so make sure you bag up some kibble in addition to people food.

Please contact us with any of your financial questions or needs. Thank you for your continued support.

Carol & Tim and your Clear Perspectives team

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