



WEEKLY COMMENTARY

For the Week of July 31, 2017

WEEKLY FOCUS

What You May Not Know About HSAs

No matter the future of the Affordable Care Act, health savings accounts (HSAs) are likely to play an even bigger role in how people pay and save for health care.

An HSA is a savings account used to pay for qualified medical expenses that is attached to a qualified high deductible health plan (HDHP). These health plans were already the norm for ACA exchange plans, but a recent PwC survey projects that within three years nearly 40 percent of companies offering health insurance to their employees will make those plans the only choice.

Although the downside is an HSA must be paired with a HDHP, it offers many benefits. Contributions with an employer-based plan are made pre-tax, roll over year after year to grow tax-free – and you don't pay taxes on withdrawals when paying for qualified medical expenses, including your plan's deductible.

Although HSAs have yet to prove themselves as good investment vehicles, they do serve as tax-advantaged retirement savings plans. While the funds are intended primarily to pay for medical costs, you can withdraw at any time before age 65 with a 20 percent penalty. However, after you turn 65, you can withdraw funds from your HSA for any reason. While non-medical withdrawals will be taxed as income, they won't incur a penalty.

There are a few cautions with HSAs. Make sure you have enough cash in your HSA to cover expected medical expenses, including your deductible. It may be best to make the maximum allowed contributions, especially if you've maxed out contributions to your 401(k) or IRA. The IRS capped individual coverage contributions for 2018 at \$3,450 and family coverage at \$6,900.

Pay close attention to the fees and expenses that come with the HSA, including set-up, maintenance and transaction fees. Understand you don't have to go with the HSA offered by your employer. If you are unhappy with your employer-provided HSA, you could simply roll the funds into another HSA of your choice. Keep in mind, if your employer matches your contributions, it might be smart to stick with its plan.

Call our office today. We can help you determine if an HSA/HDHP is right for you or if you're making the most out of your existing HSA.

FINANCIAL FACTS

Daily Swings — Through the close of trading last Friday, July 21 (the 29th trading week of calendar year 2017), the S&P 500 has had just four trading days (out of 139 trading days YTD) produce at least a 1 percent gain or 1 percent loss (total return). At the same date in 2016, the S&P 500 had recorded 39 trading days with at least a 1 percent upward or downward movement, or nearly 10 times as many).

The Month of August — The worst performing month for the S&P 500 since 1992 has been August. The stock index has suffered an average loss of 0.7 percent (total return) during August over the last 25 years (1992-2016). The best performing month since 1992 has been April, gaining an average of 1.9 percent (total return) (source: BTN Research).

Five Powerful Days — Over the five years of trading through June 30 (i.e., July 1, 2012, through June 30, 2017), the S&P 500 was up 14.6 percent per year on a total return basis, i.e., counting the impact of reinvested dividends. If you missed the five best performance days in those five years (i.e., five days in total, not five days each year), your average annual return was cut by 3 percent to 11.6 percent (source: BTN Research).

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Page 2 of 2

The Markets

Stocks were mixed Friday. Small gains helped the Dow Industrials reach another record close, but the NASDAQ and S&P fell. Disappointing earnings reports from Amazon, Exxon and Starbucks, along with a drop in shares of tobacco companies weighed the S&P. The Republican failure to repeal or replace the Affordable Care Act may have also dampened investor sentiment. For the week, the Dow rose 1.17 percent to close at 21,830.31. The S&P remained unchanged to finish at 2,472.10, and the NASDAQ fell 0.20 percent to end the week at 6,374.68

Returns Through 7/28/17	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	1.17	11.96	21.32	11.50	13.61
NASDAQ Composite (PR)	-0.20	18.42	23.66	12.77	16.60
S&P 500 (TR)	0.00	11.67	16.32	10.00	14.69
Barclays US Agg Bond (TR)	-0.21	2.72	-0.25	2.62	2.09
MSCI EAFE (TR)	0.23	16.78	19.65	2.22	9.19

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.

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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 July 2017. All rights reserved. Securities offered through Securities America, Inc., Member FINRA/SIPC. SAI#1859495.1