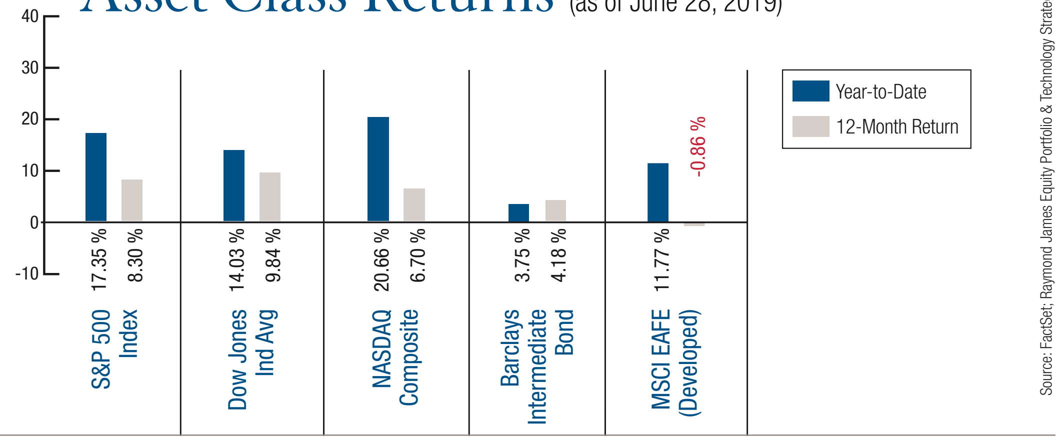
STONEGATE FINANCIAL

MARKETUPDATE

“No amount of money will ever buy you more time in life.”
-Terry Wiles

Asset Class Returns (as of June 28, 2019)



MARKET/ECONOMIC SYNOPSIS

Terry Wiles, CDFA™, CRPC®, AWMA®
Branch Manager,
Raymond James Financial Services

The markets and the global economy have had a continuous barrage of news throughout this quarter; some good news, and some not so good news. We even had bad news turn into good news, with the markets surging in June after the Fed hinted that they would lower interest rates this year, possibly as soon as the July meeting. In our opinion, the lowered interest rates translate to the economy slowing faster than the Fed expected, and they’re scared that the trade wars with China and Mexico won’t end anytime soon.

“Recession” is a scary word that has been thrown around a lot this quarter, especially during poorer performing weeks in the market. As of this writing, it is true that the global economy is starting to look ill; however, each time the economy has caught a cold, the Fed has come to the rescue with a shot vitamin C which has pumped stock prices up. Currently, I don’t see anything in our recession models that suggests a recession in the short term. It’s true that headwinds are picking up, but a slowing economy is nowhere near the same thing as a negative growth economy (recession). As the markets continue to impress us, we continue to make subtle portfolio changes to decrease risk slightly.

TRANSITIONING FROM A REGULAR PAYCHECK TO RETIREMENT INCOME FLOWS

Terry Wiles, CDFA™, CRPC®, AWMA®
Branch Manager, RJFS

We all work hard to acquire what we believe will be enough of a nest egg to provide for 30 or more years in retirement. Unfortunately, not everyone has the proper guidance to build this nest egg appropriately. Retirement savings may consist of a variety of retirement plan accounts including IRAs, 401(k) or 403(b) Plans, SEP IRAs, Roth IRAs, and possibly annuities. We also strongly encourage clients to have a fair amount in taxable investment accounts as well. The ultimate goal is to have not only a diversified portfolio of investments, but also what we sometimes call tax diversification – spreading your investments across more than one type of account. When it is time to retire, that weekly employment paycheck is replaced with income from Social Security, and possibly a corporate or government pension for some who are fortunate enough to have one. The remaining cash requirements will need to come from accumulated retirement savings.

Once I am retired, how do I start taking distribution income to live?

Many financial experts recommend withdrawing about 4% of your investment portfolio to live on, and we think that is a pretty good rule of thumb. However, we believe that every situation is different, and when retirement decisions are more complicated, we prefer to take a more comprehensive approach. In those situations, we will evaluate several factors such as retirement age, life expectancy, debt levels, and living expenses. What is also as important is discussing your future goals, which may include legacies you may want to leave, and understanding how you want to enjoy your retirement to its fullest. Once we establish your lifetime income needs, we assess what fixed income sources you have to depend on now, and in the future. What is left is the income gap, the difference between all these expenses and income sources, which will need to be covered by your investment assets.

Once your potential withdrawal needs are determined, we will make recommendations on how to create your new paycheck. We often work with your CPA to ensure account withdrawals are done as tax efficiently as possible. This income flow may come from a variety of places: cash, taxable accounts, and tax-deferred accounts. And just like when you were working, we can set-up systematic deposits directly to your bank account on a monthly basis so that you can continue living life as you are accustomed.

What happens if there is a major market correction?

A critical step in our process is to test the probability of success for your specific retirement income plan by running our Monte Carlo analysis. We will run your plan through all types of market environments for the rest of your life using 1,000 different calculations. We review different Monte Carlo projections with different stress tests to understand how strong your financial projections are, and how much flexibility there may be in your plan. So, if you fear a major change on the horizon, we can use our tools to adjust numerous variables and create various what-if scenarios to identify the strengths and weaknesses your plan may have.

With that said, we feel the most important point to make once you've retired or are even nearing retirement is that your spending needs to be flexible, just as your spending has changed throughout your lifetime. We've all experienced situations that have forced us to make abrupt spending or saving changes (i.e. job loss, the birth of a child, large unplanned medical expenses, home repairs, etc.). During these times, you may have reduced your normal outflows to accommodate for these added expenses, and life in retirement is no different. In the event of a large market correction, we ask that you maintain perspective and not overreact. Instead, try to live off of cash and other short-term investments in order to allow your stock investments to recover from the downturn.

Enjoy your retirement!

We like to tell folks that it is okay to spend a little extra money during the good times, but realize that we'd expect you to cut back a bit when times are tough. ***Don't get fixated on a set dollar figure every month!***

The beauty of having Stonegate Financial on your side during and throughout your retirement is that while this may be an unfamiliar experience for you, we've had the opportunity to assist hundreds of people in retirement.

This isn't our first rodeo!

FINANCIAL PLANNING CORNER

Lauren Tompkins, CFP®
Financial Advisor, RJFS

PAVING THE ROAD TO COLLEGE: HOW TO AVOID THE POTHOLES AND ENJOY THE RIDE

Part 1 of 2

While we often romanticize the notion of education as intrinsically valuable, a cost-benefit analysis is a necessary approach when weighing educational options and planning; especially at a time when the average college graduate is indebted $32,000, with 600,000 total borrowers amassing a debt of over $200k in 2018!

https://www.valuepenguin.com/average-student-loan-debt

What can my student do to reduce the costs of education?

Even before deciding what college to attend, there are many things students can do to reduce their college costs that may not be dependent on a specific school.

- **SAT/ACT Prep:** Did you know that some schools offer guaranteed scholarships based solely off test scores? SAT and ACT scores are influential in much more than just admission - even an increase in 20 or 30 points on the SAT can mean $$$. Also, you can retake the exams several times, and they only count the highest score of each section, so there is no downfall of repeating the exam. There are many tutoring and prep courses students can take, and the investment could save you thousands over your student's college career.

- **Extra Curriculars and Athletics:** Schools grant scholarships for many reasons – leadership skills, debate, arts, volunteer work and community service, internships, student government, and even part-time jobs. Also, athletic scholarships extend much further than football or basketball, for example, equestrian, golf, track and field, swimming, rowing, and lacrosse.

- **Search for Independent Scholarships:** There are many independent scholarship websites that can be used to search for scholarships that are applicable to any school. Two of these include www.myscholly.com and www.fastweb.com. On these sites you can create a profile, and it will search for websites based on your demographics, interests, and possible major. While the scholarships may not be for high dollar amounts, they allow you to expedite the process of applying for many scholarships all at once. Lots of smaller scholarships can quickly add up to big dollars. Also, scholarships that require more effort – making a video, writing an essay, or doing a project – typically have fewer applications which increases your likelihood of being awarded the scholarship.

Once you've narrowed down the school choices, one of the best places to find a school's scholarship offerings is to go directly to the college's website and search "Scholarship Opportunities". Most people think that if they earn a substantial income there is no sense in applying for scholarships. This couldn't be further from the truth as merit-based scholarships are not typically based on family income. You may also be surprised that many private universities and out-of-state colleges offer scholarship opportunities or in-state tuition programs that may rival your own in-state university cost.

Your child may be enjoying a summer away from classes and homework. However, the time spent now on ACT/SAT prep and scholarship applications could potentially save you thousands, and them years of student loan debt repayment. If you have any questions, please reach out to your Stonegate Team as we work to set up your child for a lifetime of success.

DID YOU KNOW?

Many schools hand out aid or grants as they receive FAFSA® applications (Free Application for Federal Student Aid), so it is important to fill it out as early as possible. The applications become available every year on October 1st and will need to be filled out each year. It's also important to determine what is a reportable verses nonreportable asset. Nonreportable assets include home equity, family-owned businesses, retirement accounts, and vehicles. Reportable assets are bank savings, brokerage accounts, and investment real estate that is not your primary residence. If you're looking to reduce your reportable assets, you may want to consider utilizing banks savings or brokerage accounts to maximize your retirement account contributions or accelerate your mortgage payments to increase your home equity. Possible financial aid offered as a result of completing the FAFSA® can include grants, work-study, and loans.

EMPLOYEE SPOTLIGHT

Q&A with Alex Greene, CFP®, AAMS®, AWMA®

Financial Advisor, RJFS

In this new section, we look forward to giving you the chance to get to know our team members a little better. This quarter we will hear from Alex Greene!

Q: Tell us a bit about yourself!

A: I am a native North Carolinian and was born in Greensboro. After several years, work took my family to South Carolina for about a year, and then finally to New Bern, NC where I finished the third grade and lived until I graduated high school there. I attended North Carolina State University and started in the College of Engineering, planning to become a Civil Engineer like several others in my family. However, I quickly found I was much more interested in business, finance, and accounting. Of course, one of the highlights of my time at NC State was meeting my wife Lane – hard to believe we will be married six years this December!

Q: What shaped your career choices and ultimately brought you into the career of a Financial Advisor?

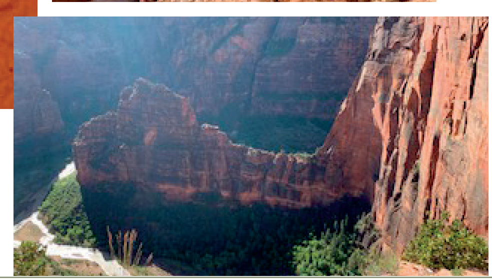
A: I grew up in a family that promoted a self-reliance mentality, which I believe was a large part of what helped me develop a sense of persistence and determination. I began cutting grass in the summer when I was 15, so I could buy a guitar. One yard at a time, I planned out how many yards it would take until I hit my goal. I then went on to work in a restaurant all four years of high school in order to afford a little more freedom to do things, like buy gas to drive down to the beach, and of course, I had to buy another guitar as well.

My entire outlook and attitude toward wealth changed in the second half of college when I was exposed to some great personal finance professors, books, and other mediums that opened my eyes to the “millionaires next door”. I learned how it was possible to accumulate wealth through discipline and planning, even with a modest income. Ultimately, this influenced me to complete a degree in Accounting with a concentration in Financial Analysis, which exposed me to several investment and personal finance courses. As I graduated and began a career, I soon observed the common financial problems and mistakes many people can experience, and of course, faced many of the same dilemmas as those around me. A year into my first job after college, I started spending my free time learning more about finance through reading and listening to experts in order to better facilitate my own financial affairs. Not long after that, I started wondering what a career would be like in which I could develop my knowledge much further, and work to help others bridge the gap between what’s important in their lives, and how to manage their resources properly to accomplish those important things.

When I joined Stonegate Financial in 2014 to pursue the career of my dreams, I earned the Series 7 & 66 licenses, which allows me to perform the duties of a financial advisor. Shortly thereafter, I went on to further advance my knowledge and education through multiple designations as an Accredited Asset Management Specialist℠, an Accredited Wealth Management Advisor℠, and finally a CERTIFIED FINANCIAL PLANNER™ Professional in 2016. I couldn’t be happier to have achieved this level of industry knowledge, and am thrilled to be able to extend that knowledge to our clients.

AROUND THE OFFICE

This quarter we took the opportunity to have our first out-of-office Stonegate Financial Retreat. The entire team arrived in Las Vegas for the annual Raymond James Elevate Conference, and then we drove up to Bryce and Zion National Parks. We enjoyed several hikes throughout the parks, and four of us capped the long weekend off with a hike up Angel’s Landing. It was a great team building event that we can’t wait to do again in the future!



STONEGATE FINANCIAL

204 Towne Village Drive
Cary, NC 27513
919-460-4688
www.SGFNC.com