

Commentary

October 31, 2016

The Markets

It's almost over...

During July 2016, *Pew Research* reported almost 60 percent of Americans were suffering from election fatigue. They weren't uninterested in the election. They were just worn out by never-ending news coverage that focused on candidates' comments, personal lives, and standing in the polls rather than their moral character, experience, and stance on issues.

Last week, U.S. election news overshadowed positive economic data causing U.S. stocks to lose value as investors shifted assets into safe havens. Early on Friday, the *Bureau of Economic Analysis* released gross domestic product data, which reflects the value of all goods and services produced in the United States during the period. Initial estimates suggest the U.S. economy grew at an annual rate of 2.9 percent in the third quarter of 2016, an improvement on second quarter's 1.4 percent growth. Consumer spending continued to be the primary driver of growth in the United States.

Markets moved higher on the news, only to retreat when the *Federal Bureau of Investigation* said it is looking at new evidence in the Clinton email investigation. *Financial Times* wrote:

"Mr. Trump, Mrs. Clinton's Republican challenger, had fallen dramatically in the polls in recent weeks: market strategists said this had eased uncertainty given the real estate businessman's controversial views on trade and immigration. However, the news of the new probe – just 11 days before the presidential election – has sparked fresh tumult."

Financial Times indicated the CBOE Volatility Index (VIX), a.k.a. the fear index, moved higher on Friday. The index measures the anticipated volatility of the Standard & Poor's 500 Index over the next 30 days. In addition, U.S. Treasury yields, which had been increasing on rumors the European Central Bank might begin to taper its quantitative easing program, dipped lower.

The next few weeks are likely to be bumpy for investors. During times like these, it's critical to keep your eye on your long-term financial objectives. We've weathered volatile times before, and we will get through them again.

| Data as of 10/28/16 | 1-Week | Y-T-D | 1-Year | 3-Year | 5-Year | 10-Year |
|---|--------|-------|--------|--------|--------|---------|
| Standard & Poor's 500 (Domestic Stocks) | -0.7% | 4.0% | 1.7% | 6.5% | 10.6% | 4.4% |
| Dow Jones Global ex-U.S. | -0.6 | 2.1 | -1.5 | -3.2 | 1.0 | -0.6 |
| 10-year Treasury Note (Yield Only) | 1.9 | NA | 2.1 | 2.5 | 2.3 | 4.7 |
| Gold (per ounce) | 0.6 | 19.8 | 7.9 | -2.2 | -6.1 | 7.7 |
| Bloomberg Commodity Index | -0.2 | 9.4 | -2.0 | -12.2 | -10.7 | -6.4 |
| DJ Equity All REIT Total Return Index | -3.3 | 5.2 | 5.4 | 9.1 | 11.1 | 5.0 |

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

OOOOH! SOME STATES' ESTATE TAXES ARE SCARY! Most Americans aren't too concerned about federal estate taxes. After all, 99.8 percent won't have estates large enough to be subject to the tax. For 2016, the estate tax threshold is \$5.45 million (double that amount for a married couple) and it is expected to be \$5.49 million in 2017 (barring any changes to the tax code).

At the state level, it's a different story. *Kiplinger's* explained:

"However, state estate taxes, which kick in for estates valued at only \$1.5 million or less in several states, could take a big bite out of your legacy. Your home and retirement accounts will be counted when your estate is valued for tax purposes, and proceeds from your life insurance could be counted, too, depending on how the policy is owned and who gets the money."

The *Tax Foundation* reports, in all, 15 states and the District of Columbia have estate taxes. They included:

- **Connecticut** (\$2 million exemption and 7.2 percent to 12 percent estate tax rates)
- **Delaware** (\$5.4 million exemption and 0.8 percent to 16 percent estate tax rates)

- **Hawaii** (\$5.4 million exemption and 0.8 percent to 16 percent estate tax rates)
- **Illinois** (\$4 million exemption and 0.8 percent to 16 percent estate tax rates)
- **Maine** (\$2 million exemption and 8 percent to 12 percent estate tax rates)
- **Maryland** (\$1.5 million exemption and 16 percent estate tax rate)
- **Massachusetts** (\$1 million exemption and 0.8 percent to 16 percent estate tax rates)
- **Minnesota** (\$1.4 million exemption and 9 percent to 16 percent estate tax rates)
- **New Jersey** (\$675,000 exemption and 0.8 percent to 16 percent estate tax rates)
- **New York** (\$3.1 million exemption and 3.1 percent to 16 percent estate tax rates)
- **Oregon** (\$1 million exemption and 0.8 percent to 16 percent estate tax rates)
- **Rhode Island** (\$1.5 million exemption and 0.8 percent to 16 percent estate tax rates)
- **Tennessee** (\$5 million exemption and 5.5 percent to 9.5 percent estate tax rates)
- **Vermont** (\$2.75 million exemption and 0.8 percent to 16 percent estate tax rates)
- **Washington** (\$2.1 million exemption and 10 percent to 20 percent estate tax rates)
- **Washington DC** (\$1 million exemption and 0.8 percent to 16 percent estate tax rates)

While not all have estate taxes, Iowa, Kentucky, Maryland, Nebraska, New Jersey, and Pennsylvania all have inheritance taxes. If you haven't given much thought to estate planning, contact your financial professional. They can possibly help you find ways to minimize the taxes your estate and your heirs may owe.

Weekly Focus – Think About It

“Success is not final; failure is not fatal: It is the courage to continue that counts.”

–*Winston S. Churchill, Former British Prime Minister*

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- * Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
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- * All indices referenced are unmanaged. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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