

November 2018

After 34 years at AG Edwards and firms that acquired us, we learned that *bigger* is certainly not better.

As we reflect on this past year and the myriad steps we took to protect you as we moved in April to Steward Partners, we wish to express our deepest gratitude for your unwavering and overwhelming support – before, during, and after our transition. You are collectively the reason why we are re-energized and proud to work on your behalf as fiduciaries and as partners. We are thrilled with the new tools at our fingertips and we are happy to be growing our practice once again.

We are also fully functional in our new home with better planning and portfolio tools than previously available. We continue to enhance our nationally recognized process in our effort to [improve our clients' outcomes](#). Winding up 2018 will have some modest complications due to our departure from Wells Fargo and the tax bill that was pushed through in December of 2017. The tax bill allowed for little planning at year end 2017 and presents unique circumstances for every client.

Expensive domestic equity markets, rising interest rates, and a historically long bull market bestow a variety of conundrums. As planners, we believe it is responsible for all clients to prepare for a future of lower returns. We will continue to emphasize the [importance of planning practices](#) that seek to reduce one's dependency on the ups and downs of the markets.

To enhance our process, our team implemented two additional planning components last year that we will be embracing at Steward Partners: The Relationship Services matrix and the Client Progress Report. We will also be introducing behavioral finance tools in the coming months to facilitate your ongoing success.

- **The Relationship Services Matrix** enhances transparency with clients who enjoy a comprehensive planning process and understand our many responsibilities as fiduciaries. We want you to know how and why we are compensated for our services.
- **The Client Progress Report** is aimed to summarize a comprehensive plan into actionable steps to help clients remain organized and focused on the elements which they control that will drive long term success. Individualized progress reports will be developed as part of our ongoing review process and will become a roadmap for your long-term success.

After presenting at the Barron's conferences in 2017 and Forbes and Barron's in early 2018 we took a break from sharing our expertise with our peers to instead focus on facilitating our client's migration to Steward Partners. We will continue to remain active in [educating the public](#) on trends in financial services, markets, and mentoring across generations. Today, over 70% of advisors do not have a plan for their own succession and some major firms have made it [nearly impossible for advisors to leave their firms](#) for better options. Neither of these developments benefits clients.

As provided in years past, the items listed below deserve your special attention and the consideration of the professionals that support you. We provide this outline to help you save money and avoid surprises. We will work diligently to assist you and your professionals with any timely tax planning or charitable activities **if we receive your detailed instructions by Monday, December 3rd 2018.**

Market Commentary

The fun of global diversification waned in 2018. After delivering above average double-digit gains in 2017, foreign equity markets have slumped – largely due to a strong dollar and rising U.S. interest rates. All within the norm, we continue to see relative value overseas when compared to rich domestic valuations. Without having experienced a meaningful correction, investor complacency has neared an all-time high. As we communicated a few months ago via our monthly update, a normal 5-10% correction may create an abnormal reaction because it is overdue.

Global interest rates remain abnormally low, while global economic growth has been modestly improving. Domestically, consumer confidence is now at a thirteen year high with unemployment near 4% - the low end of the last fifty years¹. Even Social Security received a better than 2% cost of living increase for next year which is unfunded².

The optimistic overtones appear directly at odds with many underlying layers of risk. Without the ability to foresee the future, investors must remember that markets are typically cyclical. The most difficult part of every cycle is keeping one's balance.

We believe it's imperative that people prepare for a lower return environment and use these fruitful years as an opportunity to focus on the variables that can be controlled. These variables include taxes, savings, and one's expenditures. With proactive thoughtful planning in these areas and throughout the balance sheet, one's probability for success improves. We will continue to work for successful client outcomes.

Tax Considerations

Those with **net capital gains in excess of \$25,000** in their taxable accounts will be provided advance notice later this month. We employed successful asset exchanges in the market turmoil of 2008 and 2009, and will take advantage of current volatility where possible to seek similar benefits. If you have losses elsewhere, please let us know immediately.

Though the bulk of our capital gains were realized in 2008, and again in 2012-13 during the most tax efficient environment in generations, we know that some of the investment strategies we employ will distribute gains again in 2018. **Tax efficiency is the hallmark of our practice** and we will act to reduce your tax burden through asset exchanges where prudent and consistent with an allocation strategy aligned with your goals.

If you have executed a sizable capital transaction or unique expense or charitable event away from your relationship with us, please inform us immediately.

Lastly, please consult your tax counsel on specific tax recommendations relevant to your situation - especially as it relates to capital gains rates, Roth IRA conversions, Affordable Care Act Tax, Alternative Minimum Tax (AMT), and IRA and qualified plan required minimum distributions (RMDs) under the tax bill that passed in late 2017. Everyone's circumstances are unique.

Fund Reporting

IRS requirements have become increasingly complex over the years. Please remember that our IRS compliant and detailed “cost-lot” reporting and historical data on your securities holdings may help you avoid tax surprises and strategically allow us to utilize losses you may have elsewhere, if they exist. You may see a modest increase in year-end trading activity as a result. Our detailed cost-lot reporting will also assist you and your tax counsel in navigating the new IRS requirements in the future.

Gifting and IRA Strategies

The 2017 tax bill changed itemized deductions, and some may wish to “[bunch](#)” their charitable contributions and “share the wealth” with select charitable organizations or family members. **We need your detailed instructions no later than Monday, December 3rd, 2018** to ensure the proper execution of your wishes. Given the year-end burden on transfer agents and registrars, we cannot guarantee compliance with any transfer instructions provided after December 3rd. Qualified Charitable Distributions (QCDs) and IRA to Roth IRA instructions, with the advice of your tax counsel, **must also be received on or before December 3rd, 2018.**

Estate Planning Strategies and Planned Giving

For those who engage in more sophisticated estate planning or planned giving, please contact us and we will be pleased to discuss your options with you and your legal/tax counsel. We have a number of planned giving strategies available through local and national organizations to consider, depending on your wishes. We always suggest that you engage competent tax and estate counsel considering the ever-evolving tax code. Many prominent estates and trust attorneys retired in 2018 and we have been performing due diligence on your behalf for possible new, and younger, attorneys to serve you in the future.

Goal Planning and Monitoring (GPM)- (Formerly Envision)

You all benefit from seeing your financial and life achievements tracked regularly via the planning tool established for you. The old Envision® tool was adequate and our new Goal Planning and Monitoring (GPM) tools are vastly improved - whether you are accumulating or distributing assets and as your values and interests evolve over time. Recent improvements to our income planning, saving capacities, and behavioral finance capabilities have proven very useful to the clients that are now, or hope to be, living off the fruits of their labors with regular portfolio distributions. We have returned to our regular review and meeting schedule and clients have been overwhelmingly impressed with GPM and how it can aid them in as they accumulate their wealth or live off of it.

Communications

After a rebuild after our migration, we continue to distribute important information to you via monthly email updates and frequent web updates at [The Sedoric Group](#). This information is available for our clients, friends, and future clients. We hosted 3 client calls to facilitate your migration to our new firm with a considerable number of attendees. Our regular calls will be hosted on Thursday, January 19, 2019 and Thursday July 18, 2019 for those of you who like to plan ahead. Our 2019 Stakeholder Report will be posted in the first quarter and our email updates will be sent with greater frequency during turbulent times. Engaged and educated clients result in better financial and lifetime outcomes.

Team Update

After 3 years of intense training, Casey Snyder, CFP®, passed the CERTIFIED FINANCIAL PLANNER™ certification on his first attempt. The CFP® certification allows our team to expand our insights by compressing decades of experience and wisdom into focused years of rigorous training.

Planning is core and closest to us and we practice what we preach. Erika Luczynski, currently in pursuit of her CFP®, has seamlessly accepted the role of COO as Michele and Vicki are enjoying their retirement and continue to invest in our community. We're ever appreciative of [Vicki and Michele's stewardship](#), and check in with them regularly. Brittany Long just celebrated her second anniversary with our team and we will be looking at adding an intern in the summer of 2019. Tom has never been more energized or excited for the future with the talented and hardworking team that facilitated the transfer of hundreds of millions of dollars and thousands of client details to our new home.

Administrivia

Since we serve as fiduciaries in over 99% of our relationships, the recent "DOL Fiduciary Rule" game of ping pong had nominal impact on our responsibilities to you and your family. The "ping pong" and administration change did cost the financial services firms an estimated \$15 billion dollars which will ultimately be borne by the firms and our clients³. Feel free to speak with your favorite elected official who passed this expense on to us. Internally, we were very proud to significantly reduce internal management expenses for our clients in recent years. As fiduciaries, that is what you pay us to do – look under every rock and around every corner.

For those who have yet to enroll online, we ask that you do so. Our online portal allows for additional functionality, collaboration, and conveniences. More improvements are coming and we're immensely excited with all that we have to offer you in the months and years ahead.

The flood of your referrals since we joined Steward Partners have been affirming and heartwarming. We appreciate all of you for confirming what and how we do things for you. We will navigate the onboarding process into our practice and have limited the number of new relationships to 6-8 per year. Our team "vets" new engagements collectively and if you have someone that needs us, we would appreciate hearing from you directly before we speak with your friend or family member.

In closing, our transition has been more validating and rewarding than ever expected. Our commitment to helping you navigate myriad life transitions, economic events, and an evolving geopolitical landscape, is the principle on which our team's foundation was built.

We're excited to come to work every day and we are honored to serve as a fiduciary for you and your family.

Thank you.

On to the Holidays,



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¹<https://www.npr.org/2018/10/05/654417887/u-s-unemployment-rate-drops-to-3-7-percent-lowest-in-nearly-50-years>.

²<https://www.cnbc.com/2018/09/17/social-security-cost-of-living-adjustment-could-mean-a-bigger-check-in-2019.html>

³<https://www.fa-mag.com/news/morningstar--dol-may-underestimate-fiduciary-rule-impact-26957.html>.
<https://www.naifa.org/news-publications/naifa-blog/september-2016/with-dol-fiduciary-compliance-costs-mounting,-cons>