



Financial Perspectives

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Tips on How to Navigate Turbulent Markets

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Market volatility can transform a calm investor into an emotional and panicked one. By following a few tips during the next period of market turmoil you can remain focused on the big picture and be less tempted to stray from the financial plan you have established to help reach your financial goals.

Know that by nature many people are risk averse

The market declines of 2008 and the beginning of 2009 are still not far from our memories. However, it is important to keep in mind that pullbacks like these are not uncommon. Even though many of us recognize that markets go up and they go down, many investors let emotion overrule rational thought as they head for the exits in the midst of such downturns. We succumb to the “flight response”, and forget our long-term goals. Selling assets into a down market locks in losses and reduces the potential to benefit from market recoveries. Market recoveries often happen suddenly and being out of the market eliminates your opportunity to participate. Just knowing we are prone to make emotional decisions when gripped by fear will help you.

When these events occur and before you make a snap decision, check with an informed third-party – like your financial advisor – before making any hasty moves.

Turn off the media blitz

In today’s cluttered media environment, media outlets are often clamoring to get you the latest and greatest information. As a result, their attention spans are often short, their desire for drama may be high, and their ability to provide perspective could be limited. Step away from the television and headlines.

Instead, maintain your own perspective. Revisit your financial goals and objectives. Perhaps check with your financial advisor to see if your asset allocation and portfolio mix still align with your investment needs. Stay focused on your long-term goals and objectives.

Be a contrarian

Warren Buffett offered the following bit of investing advice: “When others are greedy, be fearful; when others are fearful, be greedy.” Market sell-offs often provide opportunities to invest at prices that are attractive relative to buying at market highs.

Stay in touch with your financial advisor

Your financial advisor has the perspective on market conditions and can help you stay focused on your long-term goals. It is helpful to use your financial advisor as a sounding board. Sharing your fears and concerns can help to alleviate some of the anxiety.

Congrats You're a College Graduate; Now What?

College graduates typically possess a well-deserved sense of accomplishment and excitement. All their hard work has finally paid off, and now they're ready to take on the world. But once the euphoria subsides, many graduates realize that life after college may not be the financial paradise they expected. Balancing student loans, credit card bills and managing personal finances can often prove stressful for even the most well-intended and prepared college graduate.

Creating and following a post-college financial plan can feel overwhelming, but by following a few simple steps, you can start down the road toward financial success and independence:

1. **Create a Budget** – Getting used to living on a budget, tracking income and expenses, and spending less than you earn will create good financial habits for the future. And as income grows, stay focused on saving and paying off loans, rather than increasing spending in other areas.
2. **Controlling Debt** – A financial article once stated ‘debt is a dream killer.’ Unfortunately, it's not uncommon for graduates to have accumulated both credit card and student loan debt upon entering the workforce. Often, credit card interest rates are higher than the rates for student loans, so focus on reducing this particular debt as quickly as possible.
Graduates should also remain mindful of student loan debt. It's important to make payments on time to not negatively affect credit scores and history. If you are having difficulty making student loan payments, check with the lender for alternative payment options, as well as forbearance and deferment options. Remember that decisions made early in your working life, such as keeping credit card debt low, paying bills on time and being careful about opening new credit accounts can all have an impact on your future financial outlook, such as being able to obtain a mortgage when you look to purchase your first home.

3. **Start Investing and Saving for Retirement** – Whether you start out by investing small amounts in an investment account, or taking advantage of an employer-sponsored retirement plan, like a 401(k), it's never too early to begin saving for the future. In fact, one of the great advantages for college graduates is the benefit of starting early and having more time for your money to grow. Employer-sponsored retirement plans, like 401(k) plans, can offer an additional advantage of allowing the contributions to be made before your income is taxed, along with the investments growing tax deferred. And if possible, contribute enough into your 401(k) plan to take advantage of any matching contribution from your employer. Think of this as free money and savings you're receiving in return for your participation in the 401(k) plan.

Be attentive to your spending, saving and debt habits; and continue to develop good financial discipline. You will likely see many twist and turns in your career, but staying focused on financial goals will help you navigate those challenges successfully.

Guard Yourself Against Identity Theft

An unfamiliar bill. A call from a bank asking about unknown charges. These are signs that your identity may have been stolen. Take these steps to protect yourself:

- Purchase and start using a cross-cutting shredder.
 - Don't respond to email, text or phone messages from organizations you don't know.
 - Use strong passwords for your online accounts.
 - Don't look at your online banking information or bills while you're in a public place.
 - Read your credit card and investment statements carefully.
 - Review each of your three credit reports at www.annualcreditreport.com. If you've discovered that someone tinkered with your identity, you'll want to notify those credit bureaus.
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Contractual Guarantees: Transfer of Risk and Peace of Mind

There is little argument that equities have produced impressive returns over a long period of time, but retirees and pre-retirees often begin to ask themselves questions such as, “How much risk am I still willing to take?” and/or “How afraid am I that I may run out of money?” Most companies no longer offer a pension, leaving social security as the only form of “guaranteed” income in retirement. For these individuals, balancing income needs, the risks of investing, and increasing life expectancies can be challenging.

If you are in this quandary, you may wish to consider transferring some of your assets (and risk) to an insurance company in the form of an annuity. Annuities are contracts issued by insurance companies that can be structured to provide lifetime income guarantees* for you (and your spouse, if applicable) regardless of how long you live. The amount of the income guaranteed by the contract will vary by company and is based on life expectancy and the types of riders you purchase. The contracts can be structured for income now (immediate annuity) or income later (deferred annuity), and can be funded with a single premium or multiple premiums. The older you are when income begins, and the longer you defer taking income, the higher the guaranteed income stream. Funding an annuity gives assurances that regardless of what happens in the marketplace, the insurance company will provide a lifetime income stream.*

Once you have determined that you want to take some risk off the table, it might be worthwhile to determine how much income is needed to cover basic lifestyle expenses such as food, utilities, health care and mortgage expenses. Covering these essential expenses with guaranteed income sources (social security, pension, & annuity) can give you piece of mind that you will still be able to pay your bills in retirement, even if your other assets don't perform as well as you would like.

Annuities are long-term investments and will often have surrender charges, as well as other fees and expenses, so you should be careful not to invest a large portion of your liquid net worth into annuity contracts. Because of the complexity of annuities, you should understand the features, risks and costs prior to making a purchase. Your Benjamin F. Edwards & Co. financial advisor can help you analyze your situation and discuss various options to consider as a complement to your portfolio.

****All annuity guarantees are subject to the claims paying ability of the issuing company.***

Market Recap

Market Summary (As of May 31, 2018)

	Year-to-Date	Trailing 12-Months	3-Year Annualized	5-Year Annualized
DJIA	-1.23%	16.22%	10.67%	10.07%
Nasdaq	7.80%	20.06%	13.65%	16.58%
Russell 2000	6.39%	21.41%	9.43%	10.67%
S&P 500	1.18%	12.17%	8.68%	10.65%

Sources: Benjamin F. Edwards & Co. and Bloomberg

	U.S. Treasury Yields
Two-year	2.47%
Five-Year	2.75%
10-year	2.90%
30-Year	3.05%

Source: Bloomberg (as of June 1, 2018)

U.S. Stocks

Performance of S&P 500: Index Price Returns

for Periods Ended May 31, 2018

Sector	Weightings	Year-To-Date	Trailing 12-Months	Five-Year Annualized
Info. Technology	26.0%	10.60%	26.54%	19.22%
Financials	14.2%	-2.95%	16.87%	11.03%
Health Care	13.9%	-0.51%	8.42%	11.34%
Cons Discretionary	12.9%	7.06%	16.17%	13.62%
Industrials	9.9%	-2.25%	8.25%	10.68%
Cons Staples	6.7%	-13.51%	-12.65%	4.26%
Energy	6.3%	4.68%	16.52%	-1.13%
Materials	2.8%	-4.15%	9.32%	7.50%
Utilities	2.8%	-3.89%	-5.41%	6.20%
Real Estate	2.7%	-4.66%	-0.97%	4.03%
Tele. Services	1.8%	-12.77%	-8.75%	-1.35%

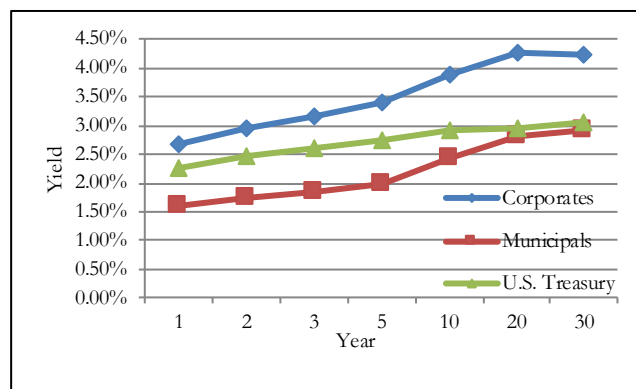
Ranked by highest to lowest index weightings; Weightings may not equal 100 due to rounding.
Source: S&P®

- Market volatility is likely to remain high as it appears the Trump Administration's discussion of trade tariffs, particularly on steel and aluminum, may be on-going. Back and forth tariff threats between the United States, China and more recently the European Union and Canada are serving to raise investors' geopolitical angst. Continued higher overall corporate earnings growth as the second quarter of 2018 winds down, coupled with favorable economic data, could help to lessen the tariff threat's impact on the popular averages. In a recent update, Zacks Investment Research, Inc. said second-quarter earnings growth for the companies in the S&P 500 could be near 18%, down from the approximate 24.2% posted for the first-quarter, but higher than numbers reported for recent years. In its most recent revision, the Commerce Department reported that U.S. Gross Domestic Product increased 2.2% during the first-quarter of 2018, down from the initial 2.3% estimate. However, compared with a year-ago, real GDP was up 2.8%. Some estimates show perhaps 4.0% GDP growth during the second-half of 2018.

- Recent jobs data showed continued strength as non-farm payrolls rose by 223,000 during May and were up 2.4 million over the past year. Civilian jobs growth substantially overshadowed limited government jobs gains, especially in the important manufacturing sector. The labor market is likely to continue to be tight. The recent Job Openings and Labor Turnover Survey indicated there were 6.7 million jobs open at the end of April, greater than the 6.3 million Americans who were unemployed. Economists look for a continued drop in the overall U.S. Unemployment Rate which currently stands at 3.9% as of the end of May and some think a 3.2% rate by the end of 2019 may be possible.

Fixed Income

Fixed Income Yield Curves (As of June 1, 2018)



Sources: Bloomberg, Bloomberg US Corporate (A) Fair Value Index, Thomson Reuters MMD.

- The Treasury market continues to see higher interest rates in the 1 to 7-year maturity ranges. The two-year Treasury bond moved to a 2.47% yield on June 1, up from 2.21% on March 1. This move is directly correlated to the FOMC (Federal Open Market Committee) normalizing interest rates. The 10-year treasury and longer maturities are relatively unchanged as the bond market continues to look for signs of inflationary pressures.

- The Municipal market has flattened over the last quarter, with short 1-year yields moving up 28 basis points (BPS = 1/100 of a percent) to a 1.63% yield. The long 30-year maturity has reduced 10 bps from 3.01% to 2.91%. The overall slope of the curve was 166 bps between the 1 year and 30-year. Currently, that spread is 128, which means the compensation or yield from buying longer-dated maturities is not as great as it was a quarter ago. This move is tied to the FOMC normalization of interest rates in the Treasury market.

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Diversification does not guarantee a profit or protect against loss.

Investing in securities entails certain risks, including the potential loss of all or a portion of the proceeds invested. Individuals should consider their specific financial needs, investment objectives and risk tolerance before making an investment.

Equity investments refer to buying stocks of U.S. companies as well as companies outside of the U.S. The market capitalization of U.S. companies is used to group large, medium (mid) and small companies. The investment return to the owner of stock (shareholder) is in the form of dividends and/or capital appreciation. Shareholders share in both the upside potential and the downside risk. Dividends are not guaranteed and are subject to change or elimination.

Mutual funds and ETFs are sold by prospectus. Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from your financial advisor and should be read carefully before investing.

There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions. Distributions from REIT investments are taxed at the owner's tax bracket.

An investment in a 529 plan will fluctuate such that an investor's shares when redeemed may be worth more or less than the original investment. Investors should carefully consider a 529 plan's investment objectives, risks, charges and expenses before investing. This and other important information can be found in the 529 plan issuer's official statement, which should be read carefully before investing.

The return of principal for bond funds and funds with significant underlying bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds.

Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline of the value in your investment.

An index is not managed and is unavailable for direct investment. The Dow Jones Industrial Average (DJIA) is an index that shows how 30 large, publicly owned companies based in the United States have traded during a standard trading session in the stock market. The Nasdaq Composite Index measures over 5,000 NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The Russell 2000 is a stock-market index measuring the performance of 2000 small-capitalization stocks. The S&P 500 Index covers 500 industrial, utility, transportation and financial companies in the U.S. markets. S&P®, Standard & Poor's® and S&P 500® are registered trademarks of the Standard & Poor's Financial Services LLC.

