

A STRONG YEAR SO FAR

The third quarter offered plenty of excitement for investors. August lived up to its reputation of being a bad month for stocks. But September responded with modest gains.

The bond market posted a strong quarter. Falling yields in August pushed prices higher. September saw yields recover a bit, and many of the bond indexes pulled back.

Through three quarters, the major asset classes have posted good returns. Real Estate leads the major categories, posting a gain of nearly 30%. US Stocks have also rewarded investors in 2019. Despite some volatile times, the three major indexes are all up double digits for the year.

Falling yields are good for bond prices as a whole. Long term bonds continue to show stock-like returns. With that comes higher levels of volatility.

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NO TICKET CHARGES FOR STOCK TRADES

Recently, TD Ameritrade announced there would be no commissions for equity trades. They reduced the ticket charge from \$6.95 to zero on all stock and option trades. This includes Exchange Traded funds-also known as ETF's. ETF's are the largest type of security we use in clients' accounts.

WHAT DOES THIS MEAN TO YOU?

In the past, if we were to sell shares of an ETF and buy another, you would incur a total cost of \$13.90. Now, these trades will cost you nothing.

This has a positive impact on all our clients. But it has the greatest effect on smaller accounts. Before this announcement, we restricted the funds we used for smaller accounts. TD Ameritrade had a limited number of ETFs available with no transaction fees. While adequate, this opens the entire universe of ETFs to these clients. This allows us greater flexibility to manage those accounts.

MUTUAL FUNDS NOT INCLUDED

This reduction in costs does not include mutual funds. TD Ameritrade has over 3,000 mutual funds available to our clients with no transaction fees. We give those funds priority in our selection process. Mutual funds not on the list cost \$18 or more for purchases and sales.

OVERALL IMPACT

It is difficult to pinpoint how much this will impact each client, but any cost-cutting measure is a good one. Reducing costs was a primary reason we chose TD Ameritrade as our custodian three years ago. Now they have made it even more affordable for our clients.

2019 YTD	
Real Estate	28.15%
US Large Cap	20.40%
Lng Tm Bonds	19.70%
US Mid Cap	17.65%
Gold	14.53%
Int'l Stocks	13.33%
US Small Cap	13.21%
Natural Resources	11.61%
Int. Term Bonds	8.32%
Em. Mkt Stocks	5.43%
Short Tm Bonds	2.95%

MONDAY MORNING MONEY ON LOCAL RADIO

Tune in to WMOA (101.3 FM and 1490 AM) to listen to *Monday Morning Money*. We spend a few minutes talking about current topics which impact your bottom line. The show airs each Monday at 11:07 AM. If you miss it live, you can hear all past episodes on our website, our Facebook page, or our YouTube channel.

QUALIFIED CHARITABLE DISTRIBUTIONS

If you have reached age 70 1/2, you need to take your required minimum distribution from your IRA by December 31. One option to consider is a qualified charitable distribution.

This allows you to make a direct distribution from your IRA to a qualified charity. When you do this, you do not have to report the amount donated on your tax return. This saves both federal and state income taxes.

Last year's tax law change made it more difficult to deduct charitable contributions. Using this provision allows you to make a donation and still receive a tax benefit for it.

This is only eligible for people who have reached age 70 1/2. And the money must go directly to the charity. If you want to take advantage of this or discuss it in greater detail, please call.

A STRONG YEAR SO FAR—CONTINUED

Over the past quarter-century, the fourth quarter has been the best quarter of the year for stocks. The average gain posted in the final three months has been 4.3%. In 19 of the past 25 years, the final quarter has posted positive results. It is worth remembering, the fourth quarter of last year was one of the six negative years.

As we head into the final frame for 2019, we are dealing with many challenges. Some economic data continues to suggest a softening of the US Economy. A recession is a distinct possibility. And, there are strains created by the ongoing political climate.

There are some signs of strength. Unemployment data continues to support a strong economy. Also, earnings reports have been strong. Corporate profits tend to drive stock prices over long periods of time.

There has been a prevailing sense of pessimism in the financial media. This is nothing new, financial journalism thrives on doom and gloom. But, the negativity tends to wear on everyone.

Many clients have expressed their concerns about the political climate. There are also worries about an economic slowdown. We understand nobody wants to experience another major bear market.

Last quarter we rebalanced many accounts. For some, this was a process of resetting the allocation back to normal levels. For others, it meant reducing the overall exposure to stocks. We also replaced many of the core holdings we use in our portfolios. The newer holdings improved the risk metrics of most accounts.

We welcome the opportunity to discuss your accounts in greater detail. If you have questions or concerns, please call to discuss.

We appreciate your continued business and are grateful for the opportunity to help you plan for the future.

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www.flemingwatson.com