Q3, 2018

THE QUARTERLY

SAVE THE DATES!

Quarterly Seminar

Plan to attend one of our next quarterly seminars. Our team will be speaking on current financial and economic topics. Our seminars fill up quickly, so please RSVP if you plan to attend on the seminar dates listed below as seats are limited.

DATES & TIMES:

Tues, Oct. 30, 2018
Noon – Lunch provided

Weds, Oct. 31, 2018
Noon – Lunch provided

Thurs, Nov. 1, 2018
Noon – Lunch provided
5:30pm – Light Hors D'oeuvres

PLACE:
Clayton Wealth Partners
716 S. Kansas Ave.
Topeka, KS

U.S. vs. Them

BY JAMES WALDEN, CFA
DIRECTOR OF INVESTMENTS

U.S. stocks continued to perform well in the third quarter. The S&P 500 gained a total of 7.7%, powered by strong economic growth and profits. A sizable share of the good news in U.S. fundamentals can be attributed to ongoing benefits from the tax cuts enacted at the beginning of the year.

Equities across the rest of the world were much more lackluster. The total return for developed markets' equities (MSCI EAFE Index) was only 1.4%, while stocks for emerging markets (MSCI Emerging Markets Index) fell a total 0.9%. The dull performance from emerging markets (EM) was driven by a few factors. China, which accounts for almost a third of the EM index, has experienced a slowdown in economic growth, partly from efforts by the Chinese government to manage the country's debt load, and by tariffs imposed by the U.S. on Chinese imports. (The value of goods China exports to the U.S. is much greater than the value of goods it imports from the U.S.) Also, Argentina and Turkey experienced significant economic disruptions which caused their currencies to plunge.

At this time, we don't believe these issues will spread to a full-blown EM crisis—Argentina's and Turkey's issues are unique to them, the two countries represent a tiny share of the global economy and stock market (in fact, Argentina is too small to even be a constituent in the MSCI Emerging Markets Index), and emerging markets as a whole have much less reliance than in the past on external financing and government debt issued in other currencies. But this is something we continue to watch.

We think that various forms of policy will be among the biggest drivers for markets in the near term. For a number of nations and international companies around the world, policy involving global trade could have the biggest impact. As we wrote this, the U.S. and Canada had just reached an agreement to revise NAFTA, allowing Canada to join an already-completed deal between the U.S. and Mexico. In our opinion, this represents a big step toward removing some uncertainty about future global trade. But Congress still needs to ratify the deal early next year, and trade tensions with China remain elevated with no relief expected anytime soon. Meanwhile, negotiators for the European Union and the United Kingdom have reached an impasse over terms of Brexit, marking a setback (at least temporarily) for those institutions.

In the United States, the near-term focus is on the quickly-approaching mid-term elections. Many outcomes are possible, but it seems likely that Democrats will take back the majority of the House of Representatives. There's a smaller but not insignificant chance the Democrats will also retake the Senate majority. In either case, it seems the election will result in a divided government, which, on one hand, could elevate frustration within and towards Washington if it leads to legislative gridlock. On the other hand, divided government often tempers market uncertainty due to continuity from the lack of sweeping, landscape-changing legislative changes. Time will tell.

CLAYTON
WEALTH PARTNERS

How Important is Good Estate Planning? Ask a Celebrity.

BY CLINT PATTY, J.D., EXECUTIVE VICE PRESIDENT & GENERAL COUNSEL

You may be one of the millions of Americans who have put off preparing a will, trust or other estate documents. If so, you have something in common with a number of high-profile celebrities who passed away without a will. While it seems impossible that celebrities with large estates would fail to prepare a proper estate plan, the recent deaths of celebrity musicians Prince and Aretha Franklin provide textbook examples of what can happen when people forget or simply ignore the need for good estate planning.

In April 2016, rock icon Prince passed away at 56 years old. In his career, Prince sold over one-hundred million albums, was featured in five films and amassed a fortune in excess of two hundred million dollars. He also died without any estate documents, including a will. Under Minnesota law, his estate will likely be divided among his living heirs. However, that cannot take place until an agreed valuation on his estate is completed. The result is that even after two years, none of Prince's heirs have received a penny from his estate. ("Two Years Later, Prince's Heirs Have Still Not Received A Penny of his Estate," Mark Eghrari, *Forbes*, April 18, 2018). This August, music lost the Queen of Soul when Aretha Franklin passed away at 78 years old. Like Prince, Franklin had amassed a substantial estate in excess of eighty million dollars and died without a will. Perhaps there were various friends, charities or organizations she would have liked to have left a portion of her estate. Without a proper estate plan, there is no way of knowing where and how Ms. Franklin wanted her estate divided.

Among celebrities, Prince and Aretha Franklin are hardly alone. Howard Hughes, Pablo Picasso, Marvin Gaye, John Denver, Sony Bono and Billie Holiday all died with substantial estates and no will. Even Abraham Lincoln, who in addition to being President, was also a fairly notable attorney, died without a will. Conversely, Burt Reynolds, who passed away recently left a very specific will cutting out his only son from any proceeds of his estate. While tabloids speculated a troubled relationship, Mr. Reynolds' will stated his son had already been provided for with a living trust. ("When Disinheritance Is Not What It Seems: The Last Will and Testament of Burt Reynolds," Cori Robinson, *Above the Law*, September 25, 2018).

It seems when it comes to estate planning, celebrities are really just like us. When I was practicing law, it was all too common for clients to talk about preparing their estate documents only to have the inevitable long wait before they would come back to discuss the details or sign documents. Don Wilson, Aretha Franklin's attorney for three decades, summarized the struggle as follows: "I had a client who had a $70M real estate portfolio…[s]he had plenty of conversations with me about estate planning but would not sign the documents …[i]t just didn't seem to be something she got around to."

While none of us want to face mortality, proper estate planning can mean the difference between your wishes being met verses someone else making those decisions. We encourage you to speak with your wealth advisor about proper estate planning. We can consult with you and work with your attorney to ensure your wishes are met.

TAKE NOTE!

Our office will be closed on the following dates:

Thursday, November 22nd & Friday, November 23rd – Thanksgiving

Friday, December 7th at Noon – CWP Staff Holiday Party

Tuesday, December 25th – Christmas Day

Tuesday, January 1st – New Year's Day

Friendly Reminder: Don't forget to adjust your clocks back one hour on Sunday, November 4th!

HOLIDAY OPEN HOUSE

Join us for some holiday cheer! Clayton Wealth Partners will be holding a Holiday Open House on Thursday, December 6.

Thursday, Dec. 6, 2018
4:30–7:30 pm

Proposals to Modify Required Minumum Distribution Obligations

BY ERIC PURCELL, ASSOCIATE WEALTH ADVISOR

In a letter to Jean-Baptiste Le Roy in 1789 Benjamin Franklin wrote, “Our new constitution is now established, and has an appearance that promises permanency; but in this world nothing can be said to be certain, except death and taxes.” The same can still be said almost 230 years later as taxes remain a certainty in life, although the application and consistency of tax policy shifts over time. Recently, there have been three modification proposals to Required Minimum Distribution (RMD) obligations: one from President Trump’s Executive Order and two from legislative proposals in Congress. It is too early to tell if any of these three proposals may become law, but it is important to stay informed on changes that could be coming.

The first proposal as part of President Trump’s Executive Order

- Provides a directive to the U.S. Treasury Department to update the life expectancy tables.
- The life expectancy tables used to calculate annual RMDs are the:
  + Uniform Lifetime Table: used to calculate lifetime RMDs.
  + Joint Life Table: used when there is a spouse more than 10 years younger.
  + Single Lifetime Table: used to calculate all post-death RMDs for beneficiaries.
- The life expectancy tables haven’t been changed since 2002 so an update is needed.
- The impact to RMDs will be minimal as life expectancy increases since 2002 haven’t been dramatic.
  + Could be looking at no more than 2 years of increased life expectancy which would be about a 0.25% decrease in annual RMDs. This equates to an RMD reduction of $250 on an account balance of $100,000.

The second proposal as part of “Tax Reform 2.0”

- Currently in the House where, if signed, Congress would make last year’s Tax Cuts and Jobs Act permanent and would also create a Universal Savings Account (USA).
- The USA would allow tax-free savings with no limitations on how withdrawals must be used.
- Would have a contribution limit of $2,500/yr.
- Proposal includes eliminating RMD on employer retirement plans with balances under $50,000.
- Proposal would include repealing the age limit on traditional IRA contributions for those who are still working while also taking RMDs.
  + Meaning, individuals working in their 70s would be able to contribute to their traditional IRA while also taking RMDs.

The third proposal as part of the Retirement Enhancement and Savings Act of 2018 (RESA)

- Currently under consideration in the Senate and would have a larger impact than the prior two proposals.
- If signed, the stretch IRA for most non-spouse beneficiaries would be eliminated.
  + A stretch IRA strategy is a method that requires a non-spouse beneficiary to start taking annual RMDs every year based on the account value at prior year-end and the Single Life Expectancy Table.
- Beneficiaries would instead be subject to the 5-year rule.

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Clayton Wealth Partners Welcomes New Staff

Michelle Folster joined Clayton Wealth Partners in July as a Paraplanner. We feel very fortunate to have found Michelle who is a former paralegal and has a wealth of experience in technology and accounting. She provides support to our Wealth Advisors by handling numerous administrative tasks including data entry, research and preparation of reports.

Michelle has a Bachelor of Business Administration degree from Baker University and an Associate Degree in Paralegal Studies from Washburn University.

Michelle is a member of several ornithological groups and serves on the Board of the Topeka Audubon Society. She is also a member of Central Park Christian Church.

We are pleased to introduce Erica Waggoner as our newest Advisor. She joins our team as an Associate Wealth Advisor and is already putting her financial background as the Finance Director for the Kansas Sentencing Commission to good use. Erica will be working alongside our Senior Wealth Advisors, providing exceptional service to Clayton Wealth Partners’ clients.

Erica has a Bachelor’s Degree in Sociology from Fort Hays State University. Outside the office, she enjoys spending time with her fiancé and son, walking/hiking, and anything to do with crafting and DIY projects.

Proposals... continued from page 3

+ A method where the inherited IRA assets remain within the account for up to five years after death. At that point, the full amount of the IRA must be withdrawn.

It is important to note that while the first two proposals would have minimal impact on most people, the third proposal would have a negative impact from a planning and tax perspective. However, all three are currently only proposals. Who knows how many months or years the proposals will remain an agenda item for the President and Congress, or if they (or some version) will ever actually be passed into law. Regardless, we want to keep you informed and please know that we will continue to monitor the development of these proposals of modifications to RMDs.

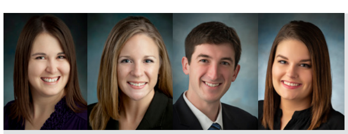
Debra Clayton Named Woman of Influence

Clayton Wealth Partners' own Debra Clayton was recently recognized at the Fifth Annual Women of Influence Awards. The Greater Topeka Partnership selected Debra as one of six Women of Influence for 2018. The Women of Influence Awards honor individual women from the Topeka & Shawnee County community who exhibit excellence in areas of community service and education, and serve as a source of inspiration and aspiration for all women in the community.

Debra was the recipient of the Outstanding Entrepreneur Award, which is given to a female entrepreneur who contributes to the success of other women and entrepreneurs, has experienced business growth and promotes sound business practices, has a commitment to excellence, and is a contributor to her community.

In addition to Debra, other recipients included Susana Ortiz Prochaska in the Community Service category; Sarah Lucero, Education; Jennifer Kirmse, Distinguished Mentor; Sarah Morse, Rising Star; and Tiffany Anderson, Woman of Influence. The Greater Topeka Partnership is an umbrella organization dedicated to enhancing the economic development and quality of life in Topeka and Shawnee County.

The 2018 Women of Influence, from left, are Debra Clayton, Sarah Morse, Tiffany Anderson, Sarah Lucero, Susana Ortiz Prochaska and Jennifer Kirmse.



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Vice President and Senior Wealth Advisor

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Aspire.
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