Foresight
Capital Management Advisors, Inc.

Newsletter 1Q 2020 and Market Summary

The Market closed and reached all-time highs for 2019! All of FCMA's Mutual Fund Model Portfolios ended the year in double digit positive territory, net of fees, for 2019 as follows: Conservative Model +17.55%, Moderate Model +19.93%, and Aggressive Model +22.36%. Foresight worked to de-risk all our client portfolios and reduced equity holdings by selling the winners and repositioning into safer investments of fixed income. The S&P 500 was positive YTD +31.49% and the foreign investments ended +22.66% through December 31, 2019. New 2020 HSA savings limits rise by $50 to $3,550 for single and $7,100 for family and age 55+ $8,100. 401(k)/403(b)/457 savings limits rise by $500 to $19,500 and for age 50+ up to $26,000. See the Foresight Planning Ideas section for more savings details.

Welcome to our newest employees at Foresight

Sara Andryc
Para Planning/Asst. Financial Analyst
BBA Marketing
From MSU

Deanna Gibson
Para Planning/Assistant Financial Analyst
Pursing BBA in Finance
from Baker University

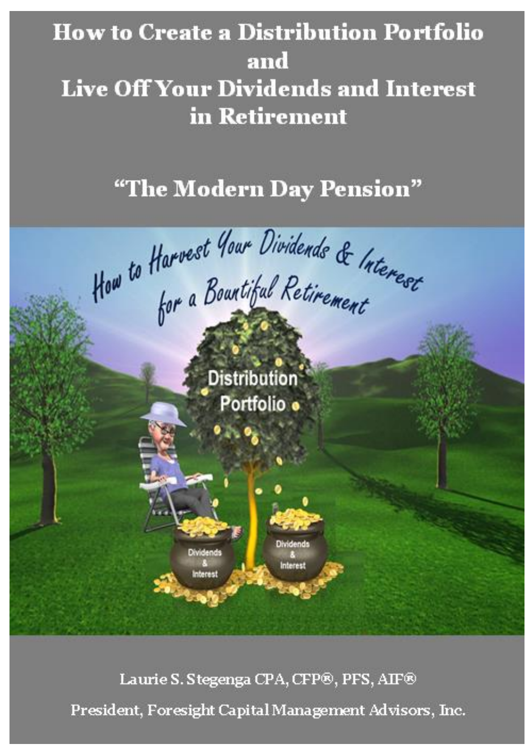
Nathan Wilber
Financial Analyst Intern
BBA in Finance
from MSU

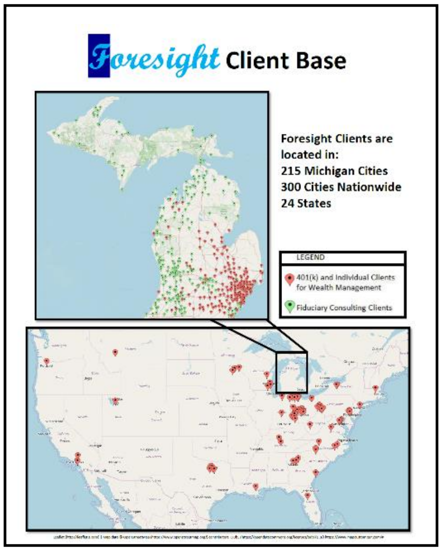
Noah Whitfield
Asst. Portfolio Manager
BBA in Finance
Loyola Univ.

The New Foresight Whitepaper released January 2020!

Foresight is pleased to announce our newest published piece which details the key steps of how to invest your portfolios for retirement! Most people work all their lives saving money in their employers' 401(k), 403(b), and 457 plans. When they are nearing retirement, they do not realize it is best to transform these portfolios from mutual fund portfolios into distribution portfolios! The reason for doing this is the key message of our latest white paper titled, "How to Create a Distribution Portfolio and Live Off Your Dividends and Interest in Retirement - The Modern Day Pension".

We will be sending you a copy of this in your email. Call if you would like a paper version sent to you.





FCMA Mutual Fund Model Returns
Dec 31, 2019

Conservative Model	+ 17.55%
Moderate Model	+ 19.93%
Aggressive Model	+ 22.36%

Indexes:

S&P 500 Index	+ 31.49%
MSCI EAFE Foreign	+ 22.66%
10Yr T-Bond Index	+ 8.72%

Future performance is not guaranteed; above returns are total return with reinvestment of dividends, interest, capital gains, and shown net of fees.

Foresight's Outlook and Portfolio Strategies

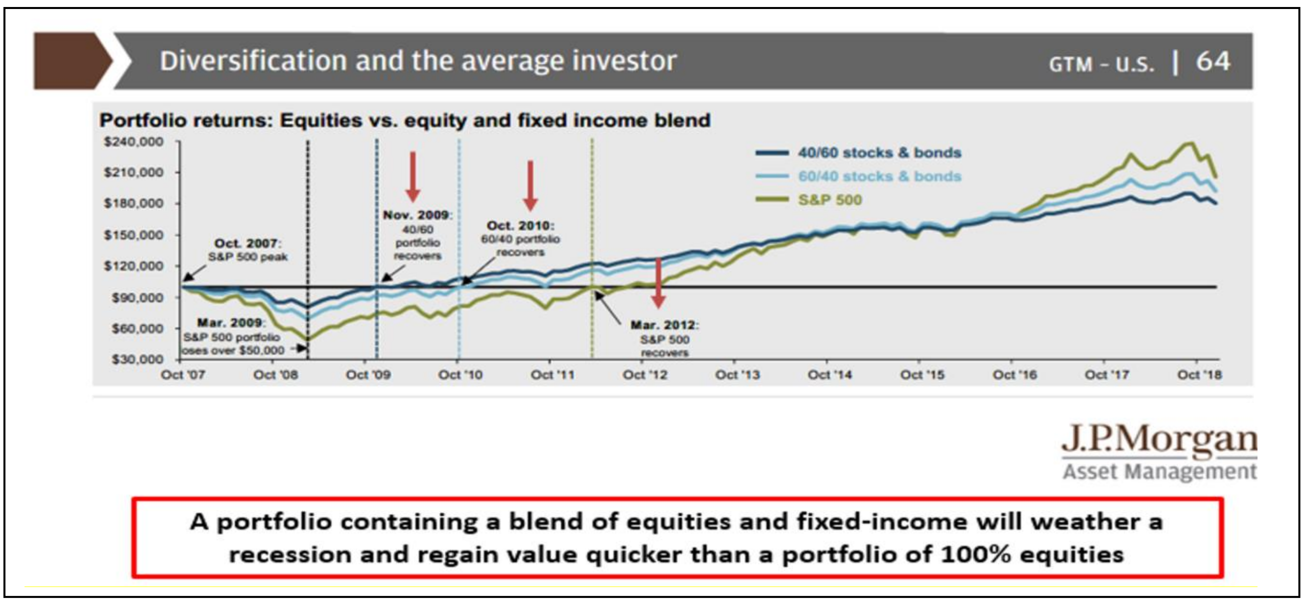
2019 was surely a SURPRISE on the upside with stocks adding $7.5 trillion of value in the U.S.! The U.S. stocks just kept rising with no declines to speak of during 2019. On January 21, 2020 in Davos Switzerland, Scott Minerd of Guggenheim, said "Expansions don't die of old age the Fed usually kills them. The rally should continue throughout 2020.", said Minerd, also a member of the New York Fed's Investor Advisory Committee on Financial Markets. "Bull markets go as long as they go. As long as the central banks keep the liquidity spigots open, I don't see any reason why we can't just keep pushing asset prices higher." The S&P 500 ended with PE's (Price to Earnings) ratios at 18.2 which is above the average PE of 16 and this makes foreign investments with PE's of 14.2 a better value at this time, according to Dr. David Kelly of JP Morgan. Most economists believe 2020 will see slight upward growth for U.S. stocks, but foreign stocks are expected to rebound in 2020 as global manufacturing picks up. The trade war is calming with the 1st China deal completed and the consumer is strong with raises averaging 3% to 7%. The wage growth is likely to spark some inflation that will be watched very closely in 2020 expecting overall inflation to heat up by 2021 and beyond causing the slowing in GDP. The U.S. GDP grew at 2.2% in 2019 according to the Bureau of Statistics.

The rhetoric remains optimistic as we enter 2020, an election year, and yet there seems to be a sense of caution as the market continues to reach all-time highs. According to www.thebalance.com the last 23 election years only 4 were negative, therefore 2020 is likely to be a positive market year! Unemployment is at 3.5% as of December 2019. The 85 S&P 500 companies who have reported results through Friday January 24th, 73% are beating EPS estimates and 67% are beating revenue estimates, according to Factset.com with 17% of S&P 500 companies reporting. Inflation remains low at 2.3% ending 2019.

In the next couple of years many economists are predicting either a mild recession, which would last less than a year, or better yet we may avoid a recession all together and just have a substantial pullback and then the market moves higher! So, we know the likelihood is something negative is upon us in the near future. Therefore, Foresight has taken the past year of 2019 to de-risk all our model portfolios across our client portfolios. This means we have sold "high" some of the winners in your portfolios to recognize the gains now before the market turns negative. These funds have then been put to work in safer investments of high-quality bonds, preferred stocks, and value stocks paying dividends. The model portfolios are now in their pre-recession weighting and poised to rise decently if the market continues to climb, but offer more protection on the downside should the economy begin to experience volatility or slip into a pullback or recession. Now is not the time to get riskier, but rather be happy with gains of the recent past and harvest some of the wins! The old saying is "pigs get fat, but hogs get slaughtered". We like being just pigs

because pigs are actually some of the smartest animals on the planet!

See below a historical view of how diversification is the best portfolio. It shows the importance of staying invested in stocks to reduce the volatility with a blended portfolio of bonds. In the last recession the 40:60 portfolio-Conservative, which is 40% equities and



60% bonds, recovered in just one year after the 2008 recession!

The 60:40 portfolio-Moderate recovered in 2 years after the 2008 recession and the S&P 500, an aggressive portfolio, took until 2012, four years later to recover the losses of the 2008 recession. Foresight currently has our Conservative portfolios in a 40:60 weighting, the Moderate portfolios in a 50:50 weighting, and the Aggressive portfolios in a 60:40 weighting.

Most economists believe the economy is still strong; and that the next recession is about 2 years off into the future, and they estimate slower growth near 2% GDP. During these upcoming years expect more volatility in the market. It is a good time to reassess your risk level and make sure you can tolerate and sustain the market pullbacks with the portfolio risk you have chosen.

Diversification is key to weathering volatility so you can ride through the next recession!

Foresight has already moved the portfolios into their normal pre-recession risk level. We have taken action to make the portfolios more defensive for 2020. We continue to monitor the stock portfolios weekly and have stop-losses on most double-digit gains within the stock portfolios. The Foresight portfolios for 1Q 2020 focused on the new ESG (Environmental, Sustainability, and Governance) ratings. We have reduced U.S. stocks and added more foreign stocks. In fixed income we reduced high yield bonds and added floating rate bonds. Please contact us if you have any questions about your portfolios!

Foresight Planning Ideas:

SECURE ACT 2019:

The recently passed SECURE Act has led to many changes in the retirement landscape. Most noticeably, the RMD required beginning date age for individuals turning 70 ½ after 12/31/2019 has changed to 72 years old. In addition to the later required RMD beginning date, individuals can now continue to contribute to an IRA passed 70 1/2 if they have working wages. However, a trade-off of the SECURE Act is that non-spouse beneficiaries of IRA's must now distribute the entire account balance by the end of the 10-year period preceding the passing of the individual they are inheriting the IRA from. Another addition from the SECURE Act is that part-time employees now have easier access to participating in their company's retirement plan by working either 1,000 hours a year or by working at least 500 hours for three consecutive years. Please visit https://www.congress.gov/bill/116th-congress/house-bill/1994 for more information.

ESG=Environmental, Sustainability, and Governance:

Morningstar has now offered ESG globe ratings for mutual funds. This rates funds and their holdings on their environmental impact, sustainability and corporate governance. This is an important attribute that we focus on when doing our quarterly due diligence research and fund selection. ESG is the future of investing and Foresight is focusing on continually investing in highly rated ESG focused funds.

IRS Contribution Limits increase for 2020: ***401(k),403(b), and 457 savings limits for 2020 rise $500 up to $19,500 deferral max and for 50+ $26,000 deferral, and IRA limits remain the same at $6,000 and if age 50+ $7,000. HSA limits rise for single $50 up to $3,550 and for family up $100 to $7,100 and if 55+ up to $8,100.***

Alert on Writing Dates: ***The year 2020 should always be written out in its entirety because if you only write 20 then someone could back date your document by simply writing any number after the 20 and it becomes back dated!***

Tax Season Savings-Did you Know? You can give your Tax preparer access to download your tax information directly into the tax software and save them a lot of input time. This will also likely save you a lot of money in tax prep fees. It is worth asking your tax preparer how this might save you. However, be sure to change your access to your custodian accounts, UID and PW, after your taxes are completed to re-secure your investment accounts.

Have you heard of FIRE retirement: ***the term means "Financial Independence Retire Early". Foresight can help you put into place a FIRE savings plan. Contact us if interested in more information.***

Estates Risk that Needs to Be Addressed regarding Passwords: **Many of you have wills and trusts, however there is a very important list of your Passwords and Logins that need to be added to your documents. More and more elderly are leaving without this documented and loved ones have a big mess to resolve! Even though the trust is in place if you do not have a list of what the estate has because everything is an electronic statement and passwords are needed to locate these statements then it is very hard for a trustee to move forward. My recommendation is to make a very accurate list, and update this yearly, of all your passwords, user-ids, and logins to everything, even your cell phone password and attach this list to your trust documents. At least this way your loved ones have a starting point. It would be a shame to leave something behind in the cyber electronic world because there was no password to unlock the assets.**

Did you Know Cell phones can activate a feature called ICE: In Case of Emergency=ICE. When this is activated on your cell phone EMS personnel can enter your phone and contact our family in the case of an emergency. Contact your phone carrier if interested in how to get this feature activated on your phone.

New Fiduciary Vetted Annuities are now available at Foresight: The NAPFA organization has worked to create a series of annuities that Foresight, a fee only registered investment advisory firm, can continuously rebalance quarterly in no-load mutual funds. Additionally, these annuities can be used over joint lives of the spouses and any remainder funds can be inherited by the estate heirs. Annuities are not for all investors, but if you are interested in learning more please contact Foresight because some of these annuities grow at 7.2% over the next 10m years. 877-429-4680.

When Elderly Keys are Put Away: **here's a solution! If you have elderly family members that are not able to drive, but still have places to go consider trying Go Go Grandparent. This service works with licensed and authorized transportation network companies, such as Uber and Lyft, to get your elder family member to their destination without using a smart phone. You are able to setup custom locations for your loved one to travel to such as hair dresser, doctor, grocery store, etc… When you need a ride you call 1-855-464-6872 and press the number that correlates to your locations you setup and then the ride is there in about 15 minutes. So, all you have to do is call and press the number for where you want to go. It offers remote relatives the ability to monitor success of delivery and return of their elder. Check out the website at https://gogograndparent.com to see if they offer rides in your area.**

New Health Savings Accounts-HSAs with Foresight: **Foresight now offers HSA accounts for your Company or Individual HSA savings. An HSA with Foresight will allow you to choose the same 3 Model portfolios of risk either Conservative, Moderate, or Aggressive. If you have a High Deductible Health Plan then you can consider opening a HSA = Health Savings Account with Foresight. The HSA savings are not subject to Federal Tax and will grow, much like a Roth IRA, with no tax due if used for all qualifying health expenses, note cannot be used to pay health insurance premiums. If you are interested in more information on this strategic investment idea for your healthcare savings please contact us.**

Foresight's Web Portal Reporting: The Web Portal is for your protection and information security. We want our communication to be timely and beneficial to you. Go to **https://fp.morningstar.com**. If you have any access issues, please call or email us at 1-877-429-4690 or **mgallagher@fcmadvisors.net**.

Roth 401(k)'s should be rolled to an IRA before age 72: it is wise to roll these funds to a Roth IRA before you turn 72 because if the Roth funds are left inside a 401(k) they must take RMD (required minimum distributions) just like the pre-tax funds which defeats the purpose of letting the Roth grow! However, if you roll it over into a Roth IRA before 72 then you do not need to take the RMD from the Roth IRA. This is a very important hint to remember!

Did you Know? You can take a distribution from your 401(k) or 403(b) prior to age 59 ½ without a 10% penalty; if you have separated from service no earlier than age 55. Funds must be in a 401(k) or 403(b) and cannot be in an IRA. Additionally, if you retire and wish to begin normal distributions prior to 59 ½ then a 72-T calculation can be done to allow funds to be removed from your IRA without a 10% penalty as long as you have separated from service.

Roth IRA Ideas: If interested in additional savings ideas consider opening a Non-deductible IRA. This will allow you to save the maximum in your 401(k) and also save an additional $6k in a Non-deductible IRA, and $7k if age 50+. Then convert the Non-deductible IRA to a Roth IRA! It is a way to obtain a backdoor Roth IRA funding even if you are not able to save directly into a Roth IRA. Additionally, ask if your 401(k) allows for additional after-tax contributions. If so then you can add to the after-tax contributions and consider rolling them out to an IRA where you can do a conversion to a Roth IRA. This is another form of backdoor Roth!

On-line Access: Each year we encourage everyone to test your on-line access to your account(s) at the custodian or third-party administrator for your plan. Please visit **Journeyrps.com, Noblepension.com, or Sentinelgroup.com** retirement participant. For individual clients at TD Ameritrade access **Advisorclient.com** for Schwab Institutional Clients access **Schwaballiance.com**. To access your web portal for individual accounts, go to **https://fp.morningstar.com**. If you have any difficulty accessing your account, please email or contact us.

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Market Summary

Market Update

(all values as of 12.31.2019)

Stock Indices:

Dow Jones	28,538
S&P 500	3,230
Nasdaq	8,972

Bond Sector Yields:

2 Yr Treasury	1.58%
10 Yr Treasury	1.92%
10 Yr Municipal	1.48%
High Yield	5.30%

YTD Market Returns:

Dow Jones	22.34%
S&P 500	28.88%
Nasdaq	35.23%
MSCI-EAFE	18.44%
MSCI-Europe	20.03%
MSCI-Pacific	15.91%
MSCI-Emg Mkt	15.42%
US Agg Bond	8.72%
US Corp Bond	14.54%
US Gov't Bond	9.71%

Commodity Prices:

Gold	1,520
Silver	17.90
Oil (WTI)	61.21

Currencies:

Dollar / Euro	1.11
Dollar / Pound	1.31
Yen / Dollar	109.05
Dollar / Canadian	0.76

Macro Overview – January 2020

Financial markets experienced a bountiful decade for stocks and bonds, as a low rate environment fostered by the Federal Reserve and technological advances driven by innovation, catapulted values higher. The 2010 decade was the first decade to avoid a domestic economic recession, with accelerated growth in various sectors including technology, healthcare, and industrials.

A calm in the markets was displaced as tensions in the Middle East spurred concern early in the new year. Global equity, bond and commodity markets reacted to developments in the region that unleashed a wrath of unease.

International markets advanced in 2019, propelled by low interest rates and a gradual global expansion. Robust gains in global equity markets came about against a backdrop of negative rates in parts of the world, traditionally representative of dismal economic dynamics. Historically low rates during the past decade also incentivized governments and companies worldwide to borrow, boosting growth in expansion and capital investments globally.

A proposed phase-one trade deal between the U.S. and China helped elevate market indices this past year, yet many believe that a more substantive agreement won't materialize as soon as hoped.

The Federal Reserve plans to keep rates where they are, with no expected increases or decreases unless inflationary pressures become prevalent. Inflation has been surprisingly contained even with the unemployment rate at a 50-year low along with a gradual economic expansion. Accommodative monetary policies initiated by the Federal Reserve were instrumental in both equity and fixed income market expansion during the past decade.

The IRS is providing annual inflation adjustments for over 60 tax provisions, including tax rate schedules, exemptions, and standard deductions. Notable increases affecting many tax payers include the standard deduction for married, filing jointly up to $24,800, and 401k contribution limits up to $19,500 for 2020. The tax code allowing for a $3,000 write off for capital losses, such as on stocks and mutual funds, is an unindexed provision that isn't changing, which hasn't had an increase since 1977.

The Federal Reserve continued to inject liquidity into the financial markets via buying bonds and actively participating in the repo market at the end of 2019. Many analysts believe that the Fed's actions have dampened volatility ensued by the recent upheaval in the Middle East.

It is expected that federal tax revenues and the federal budget deficit should both benefit from the rise in the equity markets and the continued low rate environment. Sources: IRS, Labor Dept., Federal Reserve, CBO.gov., U.S. Treasury, Tax Policy CenterMedian Household Income Rose Modestly Over Decade – Consumer Income

The recent rise in wages is a fundamental benefit to the economy and financial markets as viewed by economists, although the monetary stimulus that helped accelerate markets over the past decade, has been considered artificial by some economists.

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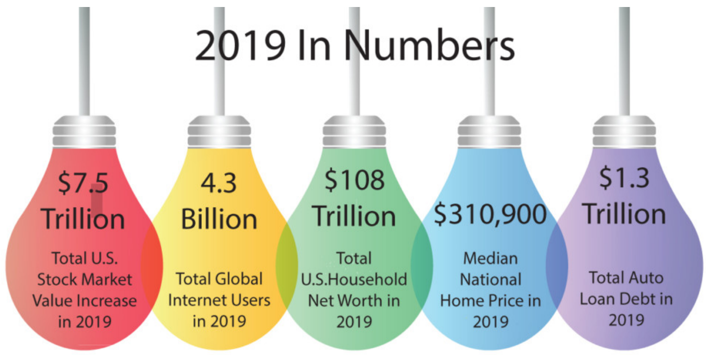
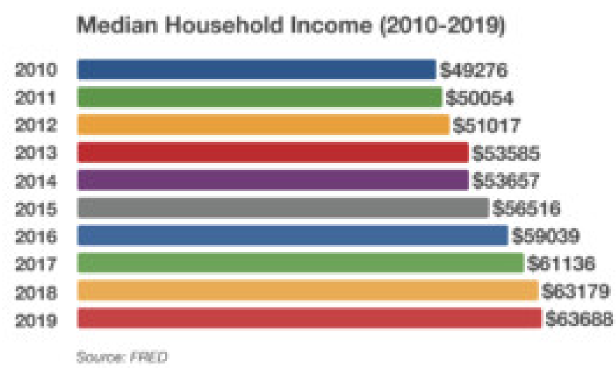
Historically low rates for loans to purchase homes and automobiles have enabled prices to rise without significant increases in loan payments. Modest gains in wages over the past decade have been buffered by the low rate environment. Wages, as measured by the Bureau of Labor Statistics, rose 29% from 2010 to 2019, which equates to roughly 2.9% wage growth per year. The 50-year average for inflation as measure by the Consumer Price Index (CPI) is 4%.

Since wages over the past decade have barely kept up with inflation, wage gains have not been as meaningful for workers. Median household income rose from $49,276 in 2010 to $63,688 in 2019. Inflation is a challenge for workers as wages need to keep up and offset higher living expenses. Fortunately, inflation remained tepid during the past decade, offering minimal increases for most expenses. The concern has been that if inflation should pick up, then a modest rise in wages might not offset higher expenses.

Sources: BLS, Dept. of Labor, Federal Reserve Bank of Minneapolis, FRED



Median Household Income Rose Modestly Over Decade – Consumer Income



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Sources: BLS, Dept. of Labor, Federal Reserve Bank of Minneapolis, FRED

Higher Home Prices For Decade Made Homes Unaffordable For Some – Housing Market

A decade ago when the financial crisis was still a recent threat, the Federal Reserve embarked on a massive stimulus campaign to fortify and expand the housing market for millions of Americans. The objective was to facilitate low mortgage rates that would make buying a home affordable for everyone. Even though mortgage rates dropped to unimaginably low levels of below 4%, housing became unaffordable for many as housing prices accelerated.
Higher wages tend to garner higher housing prices, allowing workers to pay more for homes and mortgage payments. Yet the modest rise in wages over the past decade wasn't the key driver of higher housing prices as it was primarily driven by lower mortgage rates.
The past decade saw the average home price, as measured by Freddie Mac, rise 50% from 2010 to 2019, while wages as measured by the Bureau of Labor Statistics rose 29% for the same period.

Sources: Freddie Mac, Bureau of Labor Statistics, Federal Reserve

Growth of Internet Over Decade Varied Among Global Regions – Global Commerce

The 2010 decade witnessed a dramatic increase in internet users worldwide. There were over 4.3 billion users of the internet globally in 2019, that's nearly 56% of the earth's total population.

Limitations to internet expansion have primarily been infrastructure related. Remote regions with little or no electricity and connectivity have had the greatest challenges. Ironically, emerging countries with limited infrastructure have seen more internet growth than some developed nations.

Emerging global regions including Asia and the Middle East saw internet users more than double over the decade, as developed regions including North America and Europe saw less growth. Demographics have been an integral component to the internet's growth, with younger populations, characteristic of emerging countries, being more prominent users. Since an older population is more representative of developed regions, there are less active users in regions such as North America and Europe.

Sources: World Bank, FRE

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THE SECURE ACT

The Secure Act – Key Provisions Affecting Retirement & College Savings Plans

Retirement plan legislation passed by Congress effective 2020 includes changes affecting millions of American retirees. The Setting Every Community Up For Retirement Enhancement Act, known as the Secure Act, was signed into law by the president on December 20th. Provisions of the law are intended to facilitate retirement savings for small company workers, offer additional distribution options for 401(k) participants, redraft inherited IRA rules, and increase the required minimum distribution age on IRAs.

Inherited IRAs / Stretch IRAs: Rules surrounding the distribution of funds from an Inherited IRA have changed by accelerating the distribution and taxation of Inherited IRA funds going to non-spouses. Those most affected by the new rules are retirees with generous IRA balances intending to leave funds to their children and grandchildren. Also referred to as Stretch IRAs, inherited IRAs have allowed IRA beneficiaries to stretch distributions and taxes over an extended period of time.

A current rule that will remain the same is allowing a spouse to rollover their deceased spouse's IRA to a spousal IRA and take Required Minimum Distributions (RMDs) based on their life expectancy. Inherited IRA rules will be modified by the newly imposed rules affecting non- spousal beneficiaries such as children and grandchildren, the most common types of inherited IRA beneficiaries, who will need to take distributions on the entire balance within 10 years.

A challenge for inherited IRA beneficiaries is the tax implication of accelerated distributions over a much shorter time period. Some beneficiaries may also run the risk of falling into a higher tax bracket, especially if they are working.

Traditional IRAs: The 70 1/2 age limit for Traditional IRA contributions has been repealed, meaning that as long as you have earned income from working, you may contribute past age 70 1/2. The repeal is applicable to contributions made for tax year 2020 and thereafter, not for tax year 2019.

RMDs: The required minimum distribution (RMD) age for IRAs has been raised to 72 from 70 1/2. The new RMD age applies to those who turn 70 1/2 after December 31, 2019.

401(k) Plans: Small businesses are encouraged to set up plans for their employees by increasing the cap under which employees are automatically enrolled in a plan at 15% of wages. This provision is called a safe harbor.

Part-time employees who work either 1,000 hours annually or have three consecutive years with 500 hours of service are eligible for a 401(k) plan.

Annuities will now become an option for employees taking retirement distributions from their 401(k) plan, providing consistent income similar to how pension plans used to decades ago.

529 Plans: Qualified student loans may be repaid with 529 plan assets up to a maximum of $10,000 annually. Parents may also use 529 assets for the birth or adoption of a child, up to $5,000 per year.

Sources:
https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/SECURE%20

Rates Expected To Stay Steady – Global Fixed Income Overview

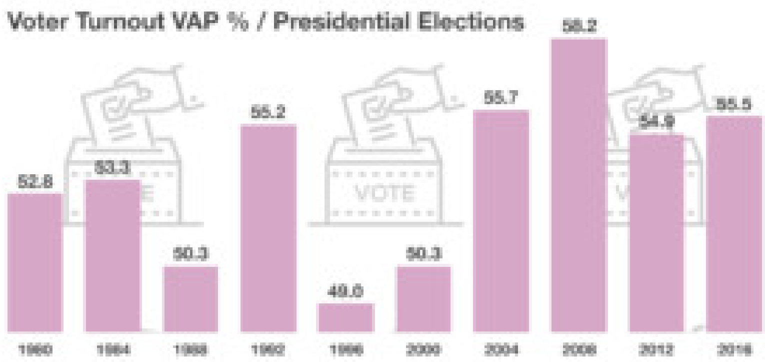
Fixed income markets are expecting that the Federal Reserve will maintain interest rates steady through 2020, with no anticipated increases or decreases. Performance was positive across all bond sectors in 2019, with yields stabilizing towards the end of the year.
Ending the year at 1.92%, the yield on the 10-year Treasury bond is still the highest yield available among the developed government bond market. Government bond yields in developed economies such as Germany and Japan were still negative at the end of the year.
To shore up liquidity at the end of 2019 to avert a market disruption, as occurred in December 2018, the Fed injected billions of dollars into the repurchase-agreement market, also known as the repo market, and also bought roughly $400 billion of bonds since October 2019. The strategy has been very similar to the Fed's quantitative easing program enacted during the financial crisis, also known as Q.E.

Sources: Federal Reserve, U.S. Treasury

Presidential Candidate Tax Proposals Influence Voter Turnout – Politics In Review

Taxes and income inequality have become a primary agenda topic for several presidential candidates.
Various proposals from the candidates include repealing the Tax & Jobs Act, removing the step-up basis for inherited assets, increasing capital gains tax, imposing a financial transaction tax, and eliminating the tax deduction for mortgage interest on a second home.
Presidential election voter turnout is tracked by the Bipartisan Policy Center, which monitors voter turnout state by state. The 2016 presidential election saw an estimated 55% of the voting age population (VAP) turn out to vote. Who actually turns out to vote can be driven by the candidates' policies and how it may affect individuals. The number of voters has varied over the years and has always been very difficult to predict.

(Source: Bipartisan Policy Center)



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MEDIGAP PLAN F PHASING OUT

Medigap Plan F Phasing Out – Medicare Benefits Update

Of the ten Medicare supplemental plans, known also as Medigap, the single most popular plan, Plan F, will be eliminated at the end of the year to new subscribers. Retirees who turn 65 after 2019 will no longer have Plan F as an option. Plan F is the most expensive supplemental option since there are no deductibles, no co-pays and no additional bills after a doctor's visit. Plan G has become the next best comprehensive plan after Plan F is phased out to newcomers. Plan G is almost identical to Plan F with the exception of having to pay the Medicare deductible before insurance pays any benefits.

A Medigap policy supplements expenses not covered by Medicare including co-payments, co-insurance, and deductibles. Medigap policies are sold by private insurance companies and vary in pricing and coverage from state to state. The following are important aspects regarding Medigap policies:

In order to have Medigap coverage, one must have Medicare Part A & Part B. A Medigap policy only covers one person, not a married couple. So, each person needs their own separate policy. Any standardized Medigap policy is guaranteed renewable even with a pre-existing condition.

Medigap does not cover prescription drugs. Medicare Part D does offer coverage for prescription drugs. Medigap policies generally don't cover long-term care, vision, dental care, hearing aids, eyeglasses, or private nursing.

Sources: medicare.gov

What It Takes To Be In the Top 1% Of Earners – Fiscal Policy

According to the most recent data released by the IRS, it took earnings of $515,371 to be part of the top 1% of earners in 2017. It took an additional 7.2% to crack the 1% mark from the prior year, equal to an additional $37,106 in income.

Of the 138,945,000 individual tax returns filed in 2017, 1,432,952 returns fell into the top 1% category. The top 50% tax earners were, on the other hand, more representative of taxpayers across the country, with an income threshold of $41,740. There were over 71 million taxpayers that fell into the top 50% in 2017.

Source: IRS, www.irs.gov/statistics/soi

Taxpayer Incomes

PERCENTAGE TIER	INCOME THRESHOLD
Top 0.001%	63,430,119
Top 0.01%	12,899,070
Top 0.1%	2,374,937
Top 1%	515,371
Top 2%	339,478
Top 3%	271,182
Top 4%	232,955
Top 5%	208,053
Top 10%	145,135
Top 20%	97,870
Top 25%	83,682
Top 30%	72,268
Top 40%	54,672
Top 50%	41,740

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GLOBAL GROWTH EXPECTED TO SLOW

Global Growth Expected To Slow – World Economy

Every year the International Monetary Fund (IMF) releases a report on its outlook for worldwide economic growth. The IMF is an international organization consisting of 189 countries working to foster global financial cooperation. In its most recent report released in October, the IMF noted that the global economy is in a synchronized slowdown with a projected growth rate of 3.4% worldwide in 2020. The subdued projections are a consequence of rising trade barriers, uncertainty surrounding trade and geopolitics, low productivity rates, and strain in the emerging market economies.

The IMF is estimating a 3% growth rate for the global economy in 2019, a drop from 3.6% in 2018. Among those countries expected to see a decline in growth are China, Japan and the United States. China's forecast is primarily due to trade tensions and a drop in exports. India continues to grow at a favorable rate among both the emerging and developed economies. Its projection of a 7% growth rate for 2020 is greater than all other major emerging and developed economies.

Source: International Monetary Fund

Global Markets Elevate – Equity Review

Domestic equities finished November with gains not seen since the summer. Optimism surrounding U.S.-China trade discussions helped fuel equities higher, with technology, health care, and financials as the leading sectors in November. The absence of volatility, along with the Fed maintaining a steady rate environment, was also a catalyst for equities to climb in November. Stock market volatility, as measured by the VIX Index, dropped to its lowest levels since April. U.S. equity markets have outperformed international equities over the past two years so far. Historically, a lower U.S. dollar has benefited international stocks, as well as help increase exports of U.S. products worldwide.

Sources: U.S. Commerce Department, Bloomberg

Looks Like QE But It's Not Says The Fed – Fixed Income Overview

The Federal Reserve is slowly re-expanding its balance sheet by currently buying $60 billion of Treasury bills each month. Reminiscent of the Fed's Quantitative Easing (QE) program, meant to stimulate economic activity, the Fed denies that it is QE, but rather just a buffer for any possible bond market volatility.
Interest rates are believed to have stabilized for the time being, as the Fed has essentially placed a hold on raising and lowering rates until further notice. The yield on the 10 year treasury bond ended November at 1.78%, essentially where it's been for the past two months.
The presidential race is promoting bond buyers to consider municipal bonds in order to hedge against any possible increase in tax rates. The tax free interest generated by municipal bonds has historically been a benefit for certain investors in the higher tax brackets.

Sources: Federal Reserve

Capital Management Advisors, Inc.

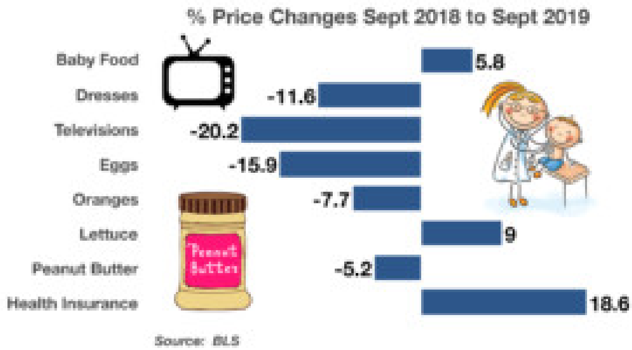
WHAT PRICES HAVE CHANGED THE MOST?

Bond Yields Stabilize – Fixed Income Overview

The Federal Reserve injected additional amounts of funds into the overnight lending markets, also known as the repo market, in October. The move served to dampen concerns that a repeat of volatility that hit markets in December 2018 would occur again.
The Federal Reserve cut interest rates for the third time this year but signaled that it would not cut them further unless economic growth slowed amid concerns.
Yields on government and corporate bonds remained stable in October as expectations of economic growth and a pause to further rate cuts stabilized bond markets. Bond prices have risen since the beginning of the year, with government and corporate bond yields still hovering near record low levels. Bond prices move in the opposite direction to yields.

Sources: Federal Reserve, U.S. Treasury

What Prices Have Changed The Most – Consumer Markets



Government agencies compile and track prices on a multitude of products from various sources. Dramatic price swings help economists determine who may be influenced and how the overall economy may be affected. Price changes on certain products tend to affect a larger portion of the population more so than other products. Over the past year, the cost of health insurance has climbed over 18%, affecting nearly everyone paying for health coverage. However, the increase in baby food of 5.8% over the same period is limited to younger families across the country. Televisions, dresses, and eggs saw formidable price drops over the past year, affecting a more concentrated group of consumers.

Source: Bureau of Labor Statistics

Social Security Payments Increasing By 1.6% – Retirement Planning

Social Security recipients are due to receive a modest increase in benefit payments payable in 2020. But for many recipients, the increase in payments will go towards higher Medicare costs. The increase will affect over 63 million Americans receiving Social Security benefit payments.
The Social Security Administration announced a 1.6% increase in benefit payments effective in late December 2019 for disability beneficiaries and in January 2020 for retired beneficiaries. The 1.6% increase is slightly less than the increase of 2.8% for 2019.
Many are concerned that the 1.6% increase may not cover expenses that are rising at a faster rate, including other essential items such as food and housing. The establishment of Social Security occurred on August 14, 1935, when President Roosevelt signed the Social Security Act into law. Since then, Social Security has provided millions of Americans with benefit payments. The payments are subject to automatic increases based on inflation, also known as cost-of-living adjustments or COLAs, which have been in effect since 1975. Over the years, recipients have received varying increases depending on the inflation rate.

With low current inflation levels, increases in benefit payments have been subdued relative to years with higher inflation.

Over the decades, Americans have become increasingly dependent on Social Security payments, however, for some Americans it may not be enough to rely on Social Security alone. Unfortunately, Social Security is a major source of income for many of the elderly, where nine out of ten retirees 65 years of age and older receive benefit payments representing an average of 41% of their income. Over the years, Social Security benefits have come under more pressure due to the fact that retirees are living longer. In 1940, the life expectancy of a 65-year old was 14 years, today it's about 20 years.

By 2036, there will be almost twice as many older Americans eligible for benefits as today, from 41.9 million to 78.1 million. There are currently 2.9 workers for each Social Security beneficiary, by 2036 there will be 2.1 workers for every beneficiary.

Source: Social Security Administration, https://www.ssa.gov/news/cola/

U.S. Agricultural Exports To China Decline – Trade Policy Review

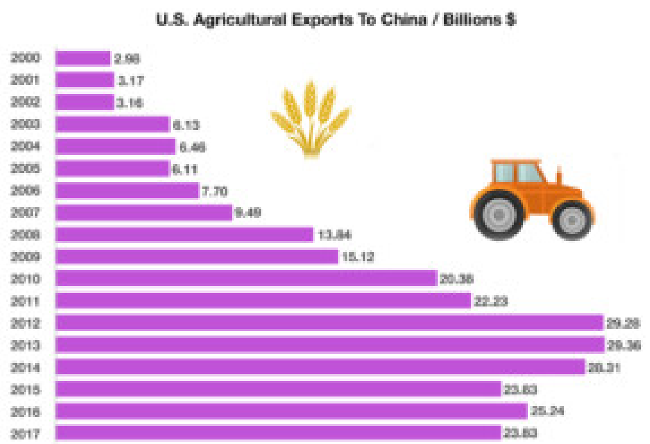
China is the largest export market for U.S. agricultural products, with over $28 billion of exports in 2017. Agricultural exports to China have steadily increased over the past few years, with a 700% increase from 2000 to 2017.

Agricultural products exported to China include soybeans, cotton, pork, corn, and wheat. Soybeans account for the single largest agricultural export, representing over 50% of China's soybean imports in 2017 alone.

Fallout from the trade disputes have recently given other countries the opportunity to capture agricultural market share from the U.S. Agricultural producing countries including Brazil, Australia, Canada, and Ukraine, which have all been able to increase exports to China as U.S. exports have fallen. The risk to U.S. exporters is that these alternate suppliers may take permanent market share away from the U.S.

Demand for U.S. exports may also be affected by slowing global growth. The IMF is estimating a 3% growth rate for the global economy in 2019, a drop from 3.6% in 2018. Among those countries expected to see a decline in growth are China, Japan and the United States. China's forecast is primarily due to trade tensions and a drop in exports. India continues to grow at a favorable rate among both the emerging and developed economies. Its projection of a 7% growth rate for 2020 is greater than all other major emerging and developed economies.

Sources: U.S. Department of Agriculture



Japanese Exports Fall

One of the world's biggest exporters, Japan, released data that showed a drop in its exports for the 10th consecutive month. Japanese exports include optical lenses, ships, automobiles, and high-end machinery. Two major buyers of Japanese products, China and the United States, saw a decline in demand for Japan's exports. Data from the Japanese Ministry of Finance revealed a fall of 6.7% in exports to China over the past year and a drop of 7.9% to the U.S. over the same period. Exports from Japan are considered indicative of global growth, since many of the country's exports are used for manufacturing and capital expansion. Weaker demand from expanding countries may signal a contraction in global growth. In its most recent global economic report, the IMF cited a broad-based global slowdown in manufacturing and global trade. Factors affecting the slowdown include higher tariffs, trade policy uncertainty and a drop in demand for capital goods. Consequently, Japan is directly affected by these dynamics, as the country is a major supplier of capital products and goods worldwide.

Source: IMF, Japanese Ministry of Finance