

October 2019

## World of Uncertainty

In our past few newsletters we have discussed the myriad of events that are affecting this country and the markets. All the events we have discussed in past are still outstanding: trade talks, tariffs, Fed tightening, slowing manufacturing, full employment and everyone wanting to invest in the US markets.

Since our last newsletter several new concerns for the market have popped up:

**Impeachment.** President Trumps allegedly delayed financial aid to pressure Ukraine into investigating former Vice President Joe Biden's son. This forced the Democrats to open the process of Impeachment. The general consensus at this point is that this is strictly political and there are not enough votes in the Senate to convict. However, as more facts continue to surface, this could change.

**Iran and oil prices around the world.** It is widely believed that Iran planned & coordinated the attacks on Saudi Arabi. Why would Iran do this? The hope would be that by reducing the oil supply around the world it would force the US to cut the sanctions that are crippling their economy. Their goal is to destabilize the region to force the end of the sanctions.

**Pending trade deals.** The biggest trade deal in the news daily is the ongoing negotiations between the US and China. We could write a full newsletter just on this topic alone. Less talked about is trade talks with Japan, Europe, United Kingdom, Canada and Mexico.

**Interest Rates.** We have discussed interest rates in the past, but they do remain one of the biggest factors that moves the stock market. Any discussion of rates can cause the markets to move 1% either way. President Trump would like 0% or negative interest rates.

**US Earning Recession.** We are seeing the markets focus on earning for the first time in a while. Recent IPO's such as Uber, Lyft, Chewy and Slack have lost half their stock value since their IPO's. Other's like Peloton which just recently went public are down sharply on earnings concerns and the ongoing viability of a "trend or fad" company. WeWork was a much anticipated offering and canceled their IPO as indications of interest started dropping quickly as the IPO date neared.

**Conclusion.** With everything we said above you would think the markets would be dropping and we would be in a panic about the next recession. However, we have seen the majority of the return on the S&P 500 in the first 3 Quarters of the year. Most, if not all, the gain was between January and April with the markets in a trading range since. However, most people are predicting a robust Holiday shopping season due to the strong economy and low employment. The key conclusion is what we have been writing and talking with you about for over two decades- the markets are resilient and ignore a lot of the daily news. Throughout history the markets go up 2/3 of the time and down 1/3 of the time. The key to success is a good strategy and patience.

# Financial Planning Advice

## Medicare “Open Enrollment” and Charitable Giving- a couple helpful tips as we head to the year end...

**October 15 through December 7, 2019** is Open Enrollment for Medicare. During this period Medicare Beneficiaries and/or anyone eligible for Medicare coverage can “shop” for health and/or prescription drug insurance plan(s). This is a chance to lower your out-of-pocket medical expenses and possibly improve your health care coverage.

### Paragon’s 3 Quick Tips:

- Medicare Tip #1: Before shopping one’s options during open enrollment, identify what is important to you and, preferably, make a list of primary care physician, specialists, hospitals and prescriptions used/needed and related services/extra non-medical covered fringe benefits (e.g. dental and eye exams, gym memberships, transportation to/from medical appointments, ect.)
- Medicare Tip #2: Shop your options every year! This is especially important if, every year, you typically incur medical services and/or need prescription drugs and/or expect to incur significant medical and/or prescription drug expenses in the next year. Even if you’re healthy, keep in mind that your health care and prescription drug needs potentially change, existing Medicare and/or Prescription Drug Plan benefits coverage can commonly change as well.
- Medicare Tip #3: Even though it is open enrollment, if you did not timely enroll into a Medigap/Medicare Supplement when they first were eligible to do so, as well as those who want to switch out of their current Medigap/Medicare Supplement Plan to another carrier commonly have to undergo an underwriting process that can result in premium surcharges or complete denial of coverage.

## Charitable Giving

Every year we marvel in the generosity of our clients as they gift appreciated stock and money to your favorite charities or religious organizations. Please remember to start thinking about these gifts now as Schwab gets extremely busy at the end of the year. We have some Charitable giving tips to consider:

### Paragon’s 3 Quick Tips:

- Charitable Tip #1: If you are 70 ½ or older and own a traditional IRA, consider making a qualified charitable distribution “QCD”. Up to \$100,000 can be donated directly from the IRA account to one’s qualified charity. The QCD amount will be excluded from your taxable income AND still count toward satisfying your required minimum distribution (RMD). BONUS- by reducing your taxable income, you might also see a benefit due to the Social Security and Medicare costs/taxes being lower. Please see a tax professional for your specific situation. Note: Private Foundations and Donor-Advised Funds do not qualify.
- Charitable Tip #2: Give appreciated assets (e.g. appreciated stock shares and/or mutual fund units). This is a great strategy to if you have assets with large capital gains that you do not want to realize.
- Charitable Tip #3: Consider the benefit of a Donor Advised Fund (DAF). A DAF can get a tax deduction based upon the date and fair value of the assets given to the fund with essentially an extended amount of time to decide on the qualified charities to support. If you donate money every year to one or more charities and do not donate enough to take advantage of the itemized deductions, you could donate a

larger amount in one year (appreciated stock works great) and distribute it from the DAF over the next couple years. There are many advantages to a DAF, please consult with us for more details.

Please keep in mind, our wealth advisor Gene Pal, is available to our clients to provide assistance and/or more insights into these tips and other financial planning opportunities.

Please remember that if you have any friends or neighbors that may need some advice or help with their investments, we would love an introduction. There is no greater compliment than a referral!

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