And all at once,
Summer collapsed into fall.

— Oscar Wilde

August brought us back-to-school pictures from our clients and friends across the south, and we can hope that September will bring cooler temperatures. Every time we come back to autumn, we are one year older. Maybe we are beyond the age of taking a picture in our new school clothes, but each year brings new lessons, experiences, challenges and joys.

We are grateful that this has been a year of growth for our firm. We have welcomed 20 new clients to the Together Planning family so far in 2019. We have helped them answer questions like “Are we on track?” and “Have I saved enough to retire yet?” It brings us joy to help people worry less and enjoy their lives more, knowing that their plans will take them where they want to go.

We welcomed a new staff member, John Abernethy. He came to us during his senior year of college at the University of Florida seeking an internship. We were so impressed with his work ethic and his creative and strategic thinking that we have brought him on full time.

After a difficult final quarter of 2018, this year has been good for market returns overall and for our portfolios. To varying degrees, we have seen gains across all asset classes, both in our socially responsible portfolios and our more traditional ones.

This fall also brings signs of a shift in our market momentum. Whereas at the beginning of the year, interest rates were expected to rise incrementally throughout 2019, we are now experiencing falling rates again. Read more below about what this means for your investment portfolio.

We hope you enjoy reading these updates, and we hope to hear from you about your updates! As always, we thank you for the opportunity to partner with you in financial planning and investments. We are here to serve you and we welcome your phone calls, emails, questions, comments, and stories.

Interest Rates Make a U-turn

Since the "Great Recession" ended, the U.S. economy has grown. We have seen record low levels of unemployment, low inflation and, recently, healthy year-over-year increases in wages. Since December 2015, almost every release from the Federal Open Market Committee has included the phrase "economic risks are roughly balanced."

Low unemployment and growing wages have strengthened consumer spending, which is about 70% of GDP. This resulted in the U.S. economy faring well. Our economy has absorbed nine interest rate increases since 2015 and continued to grow.

What happened in July to reverse this trend with a rate cut? We see a subtle change in the FOMC statement. The phrase "risks to economic outlook are roughly balanced" is now qualified with "but the Committee will continue to monitor global economic and financial developments and assess their implications for the economic outlook".

The July statement lowered the target range for the federal funds rate, "In light of the implications of global developments for the economic outlook as well as muted inflation pressures." So, they are saying the global economic outlook is a risk to the U.S. economy.

Economic growth in the U.S., as slow as it has been, has outpaced most of the world since the financial crisis. Europe and Japan have been hit particularly hard. These struggling economies have used negative interest rates in their efforts to stimulate growth in GDP.

Negative interest rates are drastic policy measures used when a deflationary spiral is feared. Lenders pay borrowers to borrow money instead of the other way around. The purchaser of a German bond will receive less money at maturity than they paid the German government when they purchased it.

In theory, investors are thereby incentivized to spend money rather than save it. How well has this worked? Not so well. Rates are still negative after five years, and Japan and Germany both reported a decline in GDP for the second quarter of 2019. The risk is further complicated by an escalating trade war between the U.S. and China. China is retaliating aggressively against U.S. tariffs, and the risk of disrupted global trade is serious.

In an August 23 speech, Fed Chairman Jerome Powell said, "Trade policy uncertainty seems to be playing a role in the global slowdown and in weak manufacturing and capital spending in the United States". It appears we are in for a further extended period of slower economic growth globally and significantly lower than normal interest rates. Although the subject of negative rates in the U.S. is being discussed, the consensus is that the probability of this happening is very low.

What does this mean to an income investor? Most fixed income instruments such as preferred stocks and exchange traded bonds have call provisions that allow the issuer to call the security after some initial lockout period. Just as consumers refinance their home mortgage when rates drop low enough, issuers of these types of securities can issue new securities and then call the higher-coupon securities. Yields on some asset classes will decline as rates decline.

We will navigate this changing environment by managing call risk and seeking attractive opportunities for re-investment. We are always happy to talk to you about fixed income investing opportunities and we welcome your questions.

How to (Not) Use the Yield Curve When Investing In Stocks

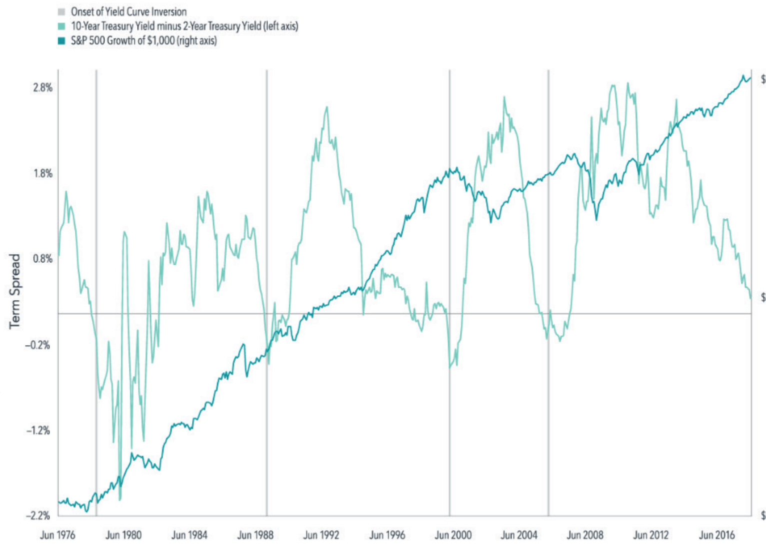
If you've been paying attention to the financial press in the last few months, you've heard a lot of people talking about the "yield curve inversion." This is a fancy phrase for when long term interest rates are lower than short term interest rates at a given time.

We thought we would point out a graph from our friends at Dimensional Fund Advisors on this topic.

The graph represents the year 1976 through September of last year. The dark blue line that goes up and to the right is the value of the S&P 500 Growth index (stock prices). The green squiggly line going up and down represents changes in the yield curve (when it goes below 0, it indicates a yield curve inversion).

Though many past recessions have been preceded by a yield curve inversion, we think it is difficult to use this device to predict the direction of stock prices.

In our opinion, investors are better off figuring out how much of their portfolio should be in growth investments like stocks, and less time trying to predict short-term movements in the value of stocks. It's far easier to predict the direction of the blue line than it is the green one.



https://us.dimensional.com/perspectives/the-flat-out-truth

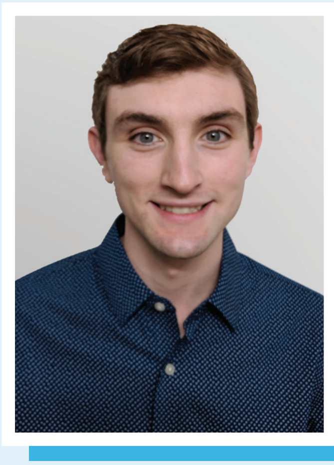
The best thing that could happen to long-term investors who are saving (young people), is to have a steep market sell-off, where the market drops by 50%. They could spend the next several years buying one dollar bills for 50 cents. They'd have lots more money when they are older.

Investors with shorter time horizons and lower risk tolerances should lessen the amount of their portfolio invested in stocks, and add fixed income or other less volatile investments. That way, if we do have a recession, their accounts won't decline as much in value.

Meet Our Newest Team Member: John Abernethy

As the newest team member here at Together Planning, I wanted to introduce myself and tell you why I'm excited to work with you.

I recently graduated from the University of Florida. I had a great college experience, but like most seniors, I had no idea what I wanted to do after graduation. I took an assessment at the Career Resource Center with no expectations about what it might reveal. My results showed "financial advisor" as a top match. I had never heard of financial planning, but after some research I discovered that it did seem like a job I might enjoy and do well in. I reached out to local financial planners and connected with Jud Mallini at Together Planning. Six months later I joined the Together Planning team and began my financial planning education.



I have lived my entire life in Gainesville and I always wanted to be able to give back to my community. Each day I get to go to work with Jud, Lia, Tom, and Melissa to help people in my own community and across the country. I have witnessed the incredible impact financial planning can have on an individual's life and I'm excited to be a part of a team that is dedicated to helping people feel comfortable and confident with their finances and their future. I hope to also one day become a CFP® Professional. In the meantime, I look forward to assisting the Together team any way I can.

Sincerely,

John Abernethy

Introducing College Pre-Approval™ at Together Planning

Aside from a home, education is the largest investment that most of our clients will make. We want to go beyond the analysis of how much to save in a 529 plan and help you manage and meet the cost of college with confidence. We are now offering College Pre-Approval™ to families with college-bound children.

We will use our sophisticated software to estimate your Expected Family Contribution, develop your college budget, and identify schools that are within reach based on your financial situation and your child's academic accomplishments. You will go into the college search process with confidence that you will find a school that will provide the experience your child is seeking without placing a financial strain on your family.

If you have a child in high school, contact us today to set up your College Pre-Approval™ meeting. This service is included for all our financial planning clients and is available at a flat fee for others.

together planning
FINANCIAL PLANNING INVESTMENT MANAGEMENT

College Pre-Approval™ Checklist

Please prepare and/or gather the following for your upcoming session. For financial items, please provide statement copies. Doing so will ensure the accuracy of your college funding assessment, as well as any subsequent advice.

Student Academics:
- ☐ Test scores (ACT / SAT)
- ☐ GPA
- ☐ Class rank & size
- ☐ List of up to 10 considered colleges

Family Info:
- ☐ Age of older parent
- ☐ # of dependents in household
- ☐ # of college students in household
- ☐ Ages of all children in household

Financial Data (Parent & Student):
- ☐ Most recent tax return (Form 1040, specifically pages 1-2)
- ☐ Checking / Savings / Money Market Accounts
- ☐ 529 Plans
- ☐ Custodial accounts (UTMA / UGMA)
- ☐ Stocks / Bonds / Mutual Funds
- ☐ Retirement Plans & Contribution Amounts (401k / 403b / 457)
- ☐ IRAs (Traditional / Roth / SIMPLE / SEP)
- ☐ Pension & Deferred Comp Plans
- ☐ Annuities & Permanent Life Insurance
- ☐ Values for Residence / Investment Real Estate / Farm / Business
- ☐ Liabilities (Mortgage / Home Equity / Credit Card / Education Loans)

Budget Considerations (Parent & Student):
- ☐ Monthly amount from income designated for college costs
- ☐ Assets designated for college costs
- ☐ Maximum amounts for education loans (Student / Parent / Private)

Summer Updates

We all love our work, and find real meaning in helping our clients, but no one ever regrets an hour, day or week spent with loved ones. Here are a few highlights from our summer.

Tom: Dianne and I took a bucket list trip cruising the Baltic Sea. St. Petersburg, Russia has some of the most beautiful architecture in the world.

John: I went abroad for the first time to London with my girlfriend and my family. In this picture you can see a 4th century Roman wall and in the backdrop the 11th century Tower of London. The history nerd inside me really appreciated this trip!

Lia: We ticked off state number 22 in our quest to see all 50 together with a trip to Wyoming. We had three generations experiencing Yellowstone and Grand Tetons National Parks together. This was our best trip ever.

Jud: For the third summer in a row, our family spent time at St. Augustine Beach. This was our first trip with our sweet 6-month old, Anna Claire, and as you can see, she had a ball. We were blessed this year to be accompanied by lots of family and friends.

Melissa: Our summers are a little unconventional has my husband, who works in school furniture, tends to have long hours while school is out. So, my children and I try to catch up on some simple fun that we don't get around to during the busy months of school and sports schedules. Once school is out, we make our list and work hard on checking off the items while having loads of fun in the process.