

WEEKLY MARKET COMMENTARY

For the Week of July 27, 2015

THE MARKETS

Friday ended a rough week on Wall Street amid slowing global growth, the lowest oil prices since March and weaker economic data from China and the euro zone. The S&P 500 and NASDAQ saw their biggest weekly drops since March. For the week, the Dow fell 2.84 percent to close at 17,568.53. The S&P lost 2.19 percent to finish at 2,079.65, and the NASDAQ dropped 2.33 percent to end the week at 5,088.63.

Returns Through 07/24/15	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	-2.84	-0.14	5.29	14.44	13.86
NASDAQ Composite (PR)	-2.33	7.44	13.79	21.13	17.53
S&P 500 (TR)	-2.19	2.14	6.77	18.31	15.95
Barclays US Agg Bond (TR)	0.27	0.27	2.33	1.46	3.32
MSCI EAFE (TR)	-1.50	6.62	-3.12	13.88	8.12

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.

Short of Cash — Faced with an underfunded pension plan for its workers, Cook County commissioners (Illinois) voted on July 15, 2015, to increase its sales tax rate to 10.25 percent effective Jan. 1, 2016, giving Chicago (the county seat of Cook County) the highest combined sales tax rate of any major U.S. city (source: Tax Foundation, BTN Research).

When the Fed Moves on Rates — Over the past 20 years, every 1 percentage point increase in the short-term Fed funds rate has equated to an increase of just 22 basis points in the yield on the 10-year Treasury note. As of the close of trading on Friday, July 17, 2015, the Fed funds rate is 0-0.25 percent, and the yield on the 10-year Treasury note is 2.35 percent (source: David Kelly, JPMorgan, BTN Research).

Most Don't Work — The "participation rate," measuring the number of Americans either working or looking for work as a percentage of the civilian adult population that is not retired, was at its lowest level in June 2015 (62.6 percent) since October 1977. The "participation rate" in Puerto Rico is 40 percent today (source: Department of Labor).

WEEKLY MARKET COMMENTARY

Page 2 of 2

WEEKLY FOCUS – Beware of State Taxes and Rising Fees on Estates

You have worked hard, managed your finances well and invested wisely to protect your future and to care for your family. It's crucial not to lessen your vigilance when it comes to your estate. The American Taxpayer Relief Act has lulled some couples into a false sense of security. In 2015, an individual's estate is exempt from federal taxes as long as it is under \$5.43 million per person (with a 40 percent tax rate applied to any amount over the exemption).

What some people don't realize, however, is many states levy death taxes. In 2014, 16 states and the District of Columbia imposed an estate tax, with a typical exemption of \$1 million or less – and a top rate of 16 percent. Another seven states charged an inheritance tax. Similar to the federal guidelines, estates left to spouses are not taxed.

Late last year, Kiplinger released a list of the 10 states with the worst death taxes. New Jersey topped the list with an estate tax kicking in at \$675,000 and a top rate of 16 percent. On top of that, the state levies inheritance taxes on gifts made within three years before a death unless recipients can prove the gifts weren't made "in contemplation of death."

The good news is, some states are raising their exemptions to avoid losing wealthy retirees to more tax-friendly jurisdictions. The bad news is, the cost of settling estates is rising around the country. For example, Connecticut has substantially raised its probate court fee. Last year, a \$10 million estate in Connecticut owed \$12,500; this year, the same estate will owe \$50,000. According to Bill Raftery, an analyst with the National Center for State Courts, "...Probate court fees have gone up or will go up in every state because of the Great Recession."

There are ways to possibly reduce an estate's taxes or fees: various types of trusts; transferring assets into a Limited Liability Company or Family Limited Partnership; gifting assets; putting money into a life insurance policy; even moving to another state. (If you maintain residences in two states, you will need to justify the state you claim as your primary residence.)

Estate planning can be complex, and it's crucial to get it right. We would be happy to work with you, your attorney and tax professional to find solutions for your situation.



This commentary brought to you by:

Davidson Financial Services

Anthony A Davidson, Investment Advisor Representative
1795 Alysheba Way Suite 3101 Lexington, KY 40509
859-245-5880 fax: 859-245-7007

anthony@wealthhappens.net www.wealthhappens.net

Securities offered through Securities America, Inc., Financial Advisor Member FINRA/SIPC. Advisory services offered through Securities America Advisors, Inc. Davidson Financial Services and the Securities America companies are unaffiliated.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America. SAI#1258938.1