

# Q2news

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## Things to know about Medicare's High Income Surcharges:

**Who has to pay extra?** A surcharge called an income-related monthly adjustment amount, or IRMAA, is triggered when modified adjusted gross income exceeds \$170,000 on a married-filing-jointly tax return or \$85,000 on an individual's return. Modified adjusted gross income is adjusted gross income plus tax-exempt interest income. These thresholds will remain the same until 2020.

**How long has IRMMA been around?** The Part B surcharge went into effect in 2007. The Part B surcharge is an add-on to the standard premium set by the government (for 2018 the standard premium is \$134), and the total amount is paid to the government. The Part D surcharge went into effect in 2011. The premium you pay for Part D varies by the plan you select and is paid to your insurer. The IRMMA surcharge, however, is paid to the government.

**What year's income is used?** The surcharge is based on income from your tax return two years ago – the most recent IRS data the government has when premiums are set in late fall. To determine 2018 premiums, for instance, income reported on your 2016 return filed in early 2017 was used. Surcharges are applied on an annual basis.

**What if my income has gone down?** If you experience a qualifying life-changing event, like retirement or change in marital status, you can easily get the surcharge waived by filing Form SSA-44 with the Social Security Administration. A one-time windfall that will spike your income for the year does not count as a life-changing event. ▲

Index	Year to Date
S&P 500	2.65%
Russell Midcap	2.35%
Russell 2000	7.66%
MSCI EAFE	-2.75%
Barclays Aggregate Bond	-1.62%
Barclays Muni Bond Index	-0.25%
Dow Jones Industrial Average	-0.73%

\*Index return data is provided by Morningstar Direct<sup>SM</sup>

## Quarterly Market Review

- Equity Markets continued a choppy pattern. Impacted by a variety of headlines markets have alternated between small gains and small losses for most of the quarter. In general, we see equity markets slightly above where they started the year as we begin the second half of 2018.
- Thematically, we have seen some dramatic outperformance from growth stocks versus value stocks. Similarly, we are seeing smaller companies outperform larger companies. Lastly, we are seeing domestic stocks outperform foreign investments.
- Interest rates began the year moving higher and surpassed 3% on the benchmark 10 year Treasury Bond. The second quarter saw a moderation in the pace of interest rate changes as we appear to have settled into a trading range of 2.7% – 3% for the time being. The quarter ended with the 10 year at 2.85%, roughly the midpoint of this range.
- Concerns continue about a looming trade war between the U.S. and its major trading partners. The tariffs proposed by the Trump administration represent, assuming equal and opposite retaliation, roughly 0.4% of the nation's gross domestic product (GDP). While this is a large number, between tax cuts and spending, the U.S. is expecting a windfall of nearly \$275 billion in stimulus, or 1.4% of GDP compared to the 0.4 to 0.5% of GDP seen being impacted by higher tariffs. ▲

## News and Notes

- President Trump continues to push on global trading partners to improve what he sees as unfair trading policies. Tariffs have now been implemented against several goods from many of our trading partners with more tariffs being threatened. The markets are nervous yet appear to be getting accustomed to this new dynamic.
- Energy prices have begun to rise with oil prices moving above the \$70 level for the first time in many years. It appears the global supply glut has been absorbed and there is concern that OPEC may not be able to fill the hole if sanctions against Iran are reinstated.
- As anticipated, the Federal Reserve elected to raise rates again this quarter. Expectations are currently for two additional rate hikes this year which would make a total of four. There is some concern that rates may reach a level that could impact economic growth, should this pace of increase continue.
- The U.S. economy continues to be very strong, as growth and employment remain at very healthy levels. One particularly positive development during this quarter was more people entering the work force indicated by an increase in the unemployment rate. This is encouraging because it means people who previously gave up looking for jobs are being reengaged in the work force which, if it continues, would be a very positive long run development. ▲





Triangle Securities is a privately owned investment advisory firm that specializes in assisting families with developing a realistic strategic plan to provide the best opportunity for achieving their long-term financial goals as prudently as possible.

We provide clients structure, clarity, confidence and reassurance as they move toward the next phase of life. Our clients value our honesty, integrity, transparency and genuine concern for their well-being.

**We are in business to serve our clients.**

**Our core values** describe who we are and what we stand for, as well as what our clients can expect from us everyday.

#### Independence

We value the independence of seeking the best solutions for our clients and are not beholden to any one company or its investment products.

#### Integrity

We have a duty to always act in the best interest of our clients.

#### Care & Concern

We create multigenerational relationships based on mutual trust and respect. We are advocates for our clients.

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## Raising Financial Literacy

Financial literacy is having the knowledge necessary to manage personal finances efficiently. Financially literate people know how to achieve long-term goals and make healthy financial decisions.

Here are ways to foster financial literacy of our children of all ages:

**Create a vision.** Financial planning is about defining your hopes, dreams and wishes and creating a realistic plan to accomplish them. Learning to implement both long-term and short-term goals provides a feeling of accomplishment increasing the likelihood of lifelong financial success.

**Learn to save.** Savings is a habit to cultivate as early as possible. Starting with small, regular and systematic savings, increasing as income rises, can provide significant benefits over the long-term.

**Invest savings.** Learn the fundamentals of investing concepts like compound interest, inflation, opportunity cost, and risk diversification. Or turn to a trusted financial advisor for help. At Triangle Securities we spend a lot of time educating people of all ages on how to prudently invest their savings.

**Teach them to give.** Learning to give from what one earns teaches the value of generosity and also highlights that making money is not the most important thing in life.

**Show them how to budget.** It is much easier to save, invest or give when you have a budget. Learning how to create a budget that distinguishes the differences between needs and wants can help to prevent regrettable impulse purchases. All of us could benefit from knowing how our money is spent, especially before retirement.

**Talk about controlling debt.** Understanding the costs and implications associated with debt can help to develop the self-control necessary to avoid bad debt and to use good debt wisely. Debt is a reality for most young adults. But letting it linger -- or, worse, grow -- can set you back for years to come in the form of greater interest payments and lower credit scores.

**No pain -- No gain.** As a parent or grandparent, your instinct may be alleviating the pain associated with a bad financial decision. Use caution. Financially literate children need to understand that poor spending habits have consequences. Teaching financial literacy makes them able to frame everyday financial decisions in a more informed way.

Most people who are wealthy got there through a combination of their own hard work and smart savings and investment decisions. Increasing financial literacy will help to make a brighter financial future. ▲

Young people will have the seeds you bury in their minds, and when they grow up, they will change the world.

**Jack Ma**, entrepreneur, investor and philanthropist ▲

## Summer Job?

Consider this opportunity if a child or grandchild is working this summer: You can contribute to a Roth IRA for him or her...up to \$5,500 for 2018, but not more than the child's earnings. Inside the Roth, earnings grow tax-free which could provide a nice nest egg. Key other tax advantages to a Roth include: tax-free distributions when made after age 59 ½, contributions can be pulled out free of tax at any time, and when the child is ready to buy his or her first home, \$10,000 of earnings can be taken out tax-free. The contribution counts towards your \$15,000 annual gift tax exclusion. IRS Publication 590-B has more details ▲