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Anticipated Price Correction Has Arrived

by Clark Kendall

THE QUARTER IN BRIEF

The third quarter of 2015 is now history – and what a trying quarter it was. In looking back at Q3, we see not only a rough stretch for stocks and commodities, but also a period in which the financial narrative for the year changed. At the start of July, investors focused on whether or not the Federal Reserve would raise interest rates in September. By the end of the quarter, the evident economic slowdown in China had become the year's defining story. Key U.S. indicators waned as the quarter progressed, though the housing sector maintained its impressive sales pace. The stock market pulled back – the S&P 500 lost 6.94% in the quarter, which left it negative year-to-date.

DOMESTIC ECONOMIC HEALTH

As the quarter unfolded, the deceleration in overseas manufacturing began to affect America. For evidence, one needed only to look to hiring totals, hard goods orders, and the ISM purchasing manager index tracking the factory sector.

Even with its anecdotal basis, ISM's manufacturing index is a hugely important indicator – and it was troubling to see it decline from a July reading of 52.7 to a September mark of 50.2, near the contraction level. (ISM's non-manufacturing PMI went from 60.3 to 56.9 in the same span). By August, headline durable goods orders were down 24.1% year-over-year.

In September, the economy added a disappointing 142,000 new jobs – and the Labor Department revised July and August hiring downward to respective totals of 223,000 and 136,000. Annualized wage growth – which should be between 3-4% – remained low at 2.2%. The good news? In the ninth month of the year, headline unemployment was down to 5.1% while the U-6 "underemployment" rate dipped to 10.0%.

Inflation – at least as measured by the Consumer Price Index (CPI) – remained a minor economic factor. By August, the CPI was up just 0.2% in the past 12 months, with the core CPI up just 1.8%. The headline CPI retreated 0.1% in August, its first pullback since January. As for the Producer Price Index, it was flat in August after a 0.2% rise in July; by August, annualized wholesale inflation was at -0.8%, negative for the seventh month in a row due to reduced energy costs.

Consumer confidence and personal spending held up reasonably well as economic warning signals came in from abroad. The Conference Board's consumer confidence index reached a September mark of 103.0, rising from 101.5 in August. While the University of Michigan's household sentiment index declined during each month of the third quarter, its final September reading of 87.2 represented a year-over-year advance of 2.6 points. Consumer spending was up 0.4% in both July and August; consumer incomes rose 0.5% in July and 0.3% in August. Retail purchases were up 0.7% in July and another 0.2% for August.

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As the quarter went on, the chances of the Federal Reserve raising interest rates seemed less likely. Indeed, the Fed made no move in September – but a dot-plot forecast it published projected the federal funds rate at 0.40% by the end of 2015. The poor September jobs report could alter that projection, as could the ongoing "global economic and financial developments" that the central bank referenced as cause to leave rates alone.

GLOBAL ECONOMIC HEALTH

Greece may have seized the headlines in Q2, but in Q3 the big story was China. Its stock market exhibited extreme volatility and its economic indicators unsettled investors here and abroad. By July, the warnings were evident: Chinese exports had shrunk 8.3% in a year, imports had fallen for nine consecutive months and the retail sales pace had reached a 15-year low.

During Q3, the Shanghai Composite dropped more than 25%. China surprised investors by devaluing the yuan in August; it responded to the correction by putting severe controls on its stock market. China's official manufacturing PMI showed sector contraction for a second straight month in September, ticking up to 49.8 from 49.7. The Markit/Caixin private-sector factory PMI for China hit a 5½-year low of 47.2 in September. Since as much as half the worldwide demand for coal, copper, and iron stems from China, this was troubling news indeed.

Economists questioned if China's official GDP and manufacturing PMI readings were being vastly overstated. Oxford Economics estimates China's 2015 GDP will be between 3-4%, and leading Swedish economist Mauro Gozzo projects 3% growth – far removed from the 7% expansion forecast by Chinese government officials.

The Markit (official) manufacturing PMI for the eurozone was a comparatively healthy 52.0 in September, down from 52.3 in August. Deflation had returned: the eurozone CPI retreated 0.1% year-over-year through September. The region's unemployment rate remained at 11.0% last month.

WORLD MARKETS

Worldwide, only two stock indices had a positive quarter – Ireland's ISEQ rose 0.04% and Sri Lanka's Colombo Stock Exchange 0.43%. As for the losses, they were most severe in the emerging markets: the Shanghai Composite sank 28.63%, the Hang Seng 20.59%, the Nikkei 225 14.07%, the Asia Dow 17.68%, the Jakarta Composite 13.98%, the RTS 15.98%, the Bovespa 15.11%, and the Merval 15.80%. The MSCI Emerging Markets Index retreated 18.53%.

Other benchmarks lost comparatively less: the CAC-40 retreated 6.99%, the DAX 11.74%, the Kospi 5.37%, the Sensex 5.85%, the Dow Jones Americas 8.42%, the Europe Dow 10.69%, the Global Dow 10.65%, the FTSE 100 7.04%, the STOXX 600 8.80%, and the MSCI World Index 8.86%.

COMMODITIES MARKETS

Last quarter, the Thomson Reuters/Jefferies CRB Index suffered a loss of 14.71%. The other notable commodity sector benchmark, the S&P GSCI index, retreated 19.3% (its poorest third quarter in 45 years).

Looking at the S&P GSCI quarterly scorecard, only lean hogs posted a three-month advance, gaining 13.4%; the other 23 commodities all retreated. There were some major Q3 descents among ag and energy futures: crude oil lost 26.9%, unleaded gasoline 21.0%, heating oil 20.9%, and wheat 21.2%. Crude oil ended the quarter at $45.09 a barrel on the NYMEX.

Precious and base metals also declined notably in Q3. Gold lost 4.8%, settling at a COMEX price of $1,115.20 an ounce on the quarter's final day. Silver fell 6.8% in Q3, platinum 15.8%, palladium 3.2%, zinc 15.9%, copper 10.2%, and aluminum 7.9%.

Did the U.S. Dollar Index manage a third-quarter advance? Yes, it did. It settled at 96.35 on September 30, up 0.90% in three months.

REAL ESTATE

By August, new and existing homes were being bought up at a pace nicely exceeding year-ago levels. According to the National Association of Realtors, resales were up 6.2% annually in August, even after August turned out to be the second-weakest month for existing home sales in the past four-and-a-half years; 32% of buyers were first-timers. A Census Bureau report showed new home buying surging 21.6% in the 12 months ending in August.

NAR's pending home sales index softened by 1.4% in August, but even with that retreat, it remained 6.1% higher than a year ago at a healthy 109.4. The overall S&P/Case-Shiller home price index for July showed a 5.0% advance across the past 12 months, ticking north from 4.9% in June.

Housing starts and building permits also showed significant annual gains according to the Census Bureau. Groundbreaking had increased 16.6% in the 12 months ending in August (14.9% for single-family projects). The number of permits issued in August surpassed the August 2014 number by 12.5% (8.7% for single-family construction).

Economic Update, *continued on page 4*

Estate Planning After a Second Marriage

Special considerations for a complex situation.

By Carol Petrov

Marrying again makes estate planning more involved. How do you provide for everyone you love? Should you provide for everyone you love? How do you arrange to transfer wealth in a way that won't hurt the feelings of certain heirs?

If you have not planned your estate yet, take inventory. Spend a half-hour and jot down the assets you own, major and minor. Who should own these assets after you die? Your spouse should do this, too – and you should talk about your preferences. It may not turn out to be the easiest conversation, but agreement now may preclude family squabbles and legal challenges down the line. (If you have a prenuptial agreement in place, you may have already discussed some of these matters). You should also consider two scenarios – what happens if you die first, and what happens if your spouse dies before you do.

Consider two scenarios – what happens if you die first, and what happens if your spouse dies before you do.

If you and/or your spouse have children from prior marriages, there may be some dilemmas for each of you. If you die, there is a real possibility that your current husband or wife will not elect to provide for your children from past marriages. So what might you do to prepare for that possibility? You might make a child the primary beneficiary of a life insurance policy, or set up a trust for your kid(s), or place certain real property under joint ownership with a child.

If you have already written a will, it will probably need revisions. They could be considerable. You want to be extremely specific about which heir gets what; you need to state bequests convincingly, because the more convincing your bequest, the less ambiguity.

How up-to-date are your beneficiary designations? Out-of-date beneficiary decisions are an Achilles heel of estate planning. Be sure to review them; you may want to revise beneficiary forms for retirement plans, investment accounts, and insurance policies.

As you consider these revisions, pay particular attention if you have been divorced. Divorce may actually preclude you from changing beneficiaries in certain cases. Turn to a lawyer and show the lawyer a copy of your divorcee decree; ask if revising your beneficiary designations will violate it. Should you be unable to make beneficiary changes to your life insurance policy, you may want to buy another one in consideration of your new spouse.[1]

Take a look at irrevocable trusts. They can be used to provide for your spouse as well as your kids. Some people establish a separate property trust to provide for their spouse after their death while directing most or all of their real property to their children.[2,3]

Out-of-date beneficiary decisions are an Achilles heel of estate planning.

Alternately, parents create irrevocable trusts to direct assets to particular children. They are attractive estate planning vehicles for a number of reasons. A trust agreement is a private mechanism for wealth transfer, while a will is a public document (and some parents who have remarried would rather their wills not be made public). Assets within irrevocable trusts are shielded from creditors, and also from inheritance claims of spouses of the adult children named as heirs. An irrevocable trust represents a "finalized" estate planning decision, one that ensures that particular assets transfer to a parent's biological children. Irrevocable trusts are also rarely undone. It typically takes permission from beneficiaries (and a judge) to reverse them.[4]

Those aforementioned pre-nups can play an estate planning role as well. They allow you to designate personal assets (such as assets within a college savings account) for existing rather than future children. Post-nuptial agreements (similar to pre-nups, but drafted after a marriage) can also accomplish this. Some states do not view pre-nup and post-nup agreements as legally valid, however – and sometimes carrying out the terms and conditions of these agreements is up to a judge.

Be sure to consult legal & financial professionals. When estates become this complex, collaboration with professionals having a thorough understanding of estate planning and tax issues is essential. During our "You Only

Estate Planning, *continued on page 4*

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Estate Planning, *continued from page 3*

Die Once" workshop, our guests Jerry Gimmel and Leah Morabito from the law firm, Gimmel, Weiman, Ersek, Blomberg and Lewis, brought up several examples of when poor estate planning caused major problems for the survivors.

Citations:

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Price is what you pay Value is what you get.

–Warren Buffett

Economic Update, *continued from page 2*

Did home loans become more expensive in Q3? For the most part, no. A quick check of the June 25 and September 24 Freddie Mac Primary Mortgage Market Surveys shows average interest rates increasing only on the 1-year ARM, from 2.50% to 2.53%. The 30-year fixed grew cheaper, with the average interest rate sinking from 4.02% to 3.86%. The story was similar for the 15-year FRM and the 5/1-year ARM; average interest rates on the former declined from 3.21% to 3.08%, while average interest rates on the latter dipped from 2.98% to 2.91%.

LOOKING BACK…LOOKING FORWARD

Were there any bright spots on Wall Street during a dismal quarter? Yes. Beneath the big three, a few indices did post some nice three-month advances. The Dow Jones Internet index gained 7.07% in Q3, and the Dow Jones Utilities Average rose 4.82%. The Nasdaq Insurance index ticked up 0.73% for Q3. This paled in comparison to the 34.39% Q3 rise of the CBOE VIX. As the table below shows, Q3 performances for the marquee indices left much to be desired. Their quarter-end settlements were as follows: DJIA, 16,284.70; S&P 500, 1,920.03; NASDAQ, 4,620.16. The small caps were not spared – the Russell 2000 lost 12.22% for the quarter, settling at 1,100.69 on September 30.

Entering the fourth quarter, stock market investors have a central question: can the year be salvaged? Can the S&P 500 possibly finish 2015 with an annualized gain? A Q4 rate hike by the Federal Reserve now looks much less likely, but even if the Fed avoids making a move, will that ease any anxiety about China's economy or the health of its stock market? Oil prices could remain low, with a major supply glut persisting at a time of reduced demand. Few investors are excited about this oncoming earnings season. Still, the fall could surprise to the upside. As recently as 2013, the S&P 500 gained 10% in Q4. In 2011, it advanced 11% in the last three months of the year. The bulls may be milling around right now, but there is a chance they could run again before 2015 is over – though it will take some notable earnings surprises and encouraging headlines to truly set them loose.

Sources:

wsj.com, bigcharts.com, treasury.gov – 9/30/15

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly.

These returns do not include dividends.

% CHANGE	Y-T-D	Q3 CHG	1-YR CHG	10-YR AVG
DJIA	-8.63	-7.58	-4.45	+5.41
NASDAQ	-2.45	-7.35	+2.82	+11.47
S&P 500	-6.74	-6.94	-2.65	+5.63
REAL YIELD	9/30 RATE	1-YR AGO	5-YRS AGO	10-YRS AGO
10 YR TIPS	0.65%	0.55%	0.75%	1.78%

Keeping All This Volatility in Perspective

These recent ups & downs are reminiscent of past Wall Street swings.

By Paola Bruening

Fall might be anything but calm on Wall Street. Volatility is back, in a big way: the CBOE VIX has risen more than 105% since the end of July. Additionally, 11 of the 15 trading days ending September 9 were "all or nothing" days in which more than 80% of the S&P 500 moved either higher or lower. In the last 25 years, the index has not had a 15-day period like this.

Contrast that with the first 159 trading days of 2015, in which just 13 such days occurred according to Bespoke Investment Group research. In fact, during the first half of 2015 the Dow Jones Industrial Average was never more than 3.5% up or down YTD, on pace for the most placid year in its history.

In the last 25 years, the index has not had a 15-day period like this.

Writing in the Financial Times, the noted economist and portfolio manager Mohamed El-Erian recently identified a few factors driving these market swings – factors that may not subside anytime soon. Fundamentally, he cited the "spreading economic slowdown" in China and other emerging markets "eroding a fundamental underpinning of high and stable asset prices" – and bursting some asset bubbles in the process. Markets can be roiled with the emergence of "major global challenges away from the direct reach of the U.S. Federal Reserve and the ECB," he adds, as too many (institutional) investors look to central bank activity for either direction or reassurance. Lastly, investors worldwide are wondering if the Fed will raise short-term interest rates next week.

So, this turbulence may persist for several more weeks or months. How does an investor cope with it? It helps to put all of this recent volatility into perspective.

Remember that historically, the ups of the market have outweighed the downs. If your time horizon is relatively long, this particular fact may provide encouragement: as Ibbotson notes, since 1926 there has never been a 20-year stretch in which a diversified portfolio invested in large U.S. firms has had a negative inflation-adjusted total return. From 1926-2014, such a model portfolio (with dividends encompassing roughly 40% of the total return) yielded approximately 10% a year on average.

These recent ups & downs compare to others. On August 24, the S&P 500 lost 3.2% and was down more than 4% during the course of the day. That was quite troubling, but not quite extraordinary: it was the fifty-fifth day since 1983 in which the broad benchmark had dropped 3.5% or more in a trading session.

How has the S&P recovered from days like these? Historically speaking, it has recovered more often than not. Looking at the 12-month periods after the preceding 54 such trading days, there were 45 year-over-year advances and 9 year-over-year retreats. How far did the S&P fall, on average, during those 12-month retreats? The answer is 7.7%. How high did it rise, on average, during those 45 annualized ascents? A remarkable 27.6%. So while history tells us nothing of tomorrow, it does seem that the S&P has recovered amazingly well from the bulk of its major one-day drops in the last 32 years.

It can be a rude awakening when the major indices rollercoaster or plunge.

After a long, steady ascent, it is easy to become lulled into thinking that the market only goes up. We all know differently, but even so it can be a rude awakening when the major indices rollercoaster or plunge. Even so, we should be patient rather than let emotion take over. As the late Paul Harvey said, *"In times like these, it helps to recall that there have always been times like these."*

> *"Volitility is a symptom that people have no idea of the underlying value."*
>
> Jeremy Granthan

2015 Third Quarter Report: That Whooshing Sound

By Jason Tkach

Many investors will be glad to finally see the end of the third quarter of 2015, and most of them will feel like their portfolios are worse off than they actually are. That whooshing sound you hear is not just air being let out of the markets; it's also an end to that optimistic feeling that many people had been cautiously building during the long 6-year bull market that followed the Great Recession.

The past three months turned yearly gains into yearly losses almost completely across the board of the investment opportunity set. The Wilshire 5000 — the broadest measure of U.S. stocks—fell 6.91% in the third quarter of 2015, posting a total return of -5.79% in the first half of the year. The comparable Russell 3000 index is down 5.45% so far this year.

Small-Cap index, gave investors a 10.88% loss.

The broad-based EAFE index of companies in developed foreign economies lost 10.75%

The Wilshire U.S. Large Cap index dropped 6.44% of its value for the quarter, and is now down 5.15% for 2015. The Russell 1000 large-cap index is down 5.24% so far this year, while the widely-quoted S&P 500 index of large company stocks posted a loss of 6.94% in the third quarter, and is now down 6.75% for the year.

The Wilshire U.S. Mid-Cap index lost 8.96% for the quarter, and is now off 4.86% as we head into the fourth quarter. The Russell Midcap Index has lost 8.58% so far this year.

Small company stocks, as measured by the Wilshire U.S. Small-Cap index, gave investors a 10.88% loss during the latest three months, which takes the index down 7.29% so far in 2015. The comparable Russell 2000 Small-Cap Index is down 7.73% in the first three-quarters of the year, while the technology-heavy Nasdaq Composite Index lost 7.35% for the quarter, and stands at a 2.45% loss for the first three quarters of the year.

Meanwhile, in the global markets, the broad-based EAFE index of companies in developed foreign economies lost 10.75% in dollar terms in the third quarter of the year, for a negative 7.35% return so far this year. In aggregate, European stocks lost 9.07%, and are down 7.33% for the year. Emerging markets stocks of less developed countries, as represented by the EAFE EM index, were down a whopping 18.53% for the quarter, and are down 17.18% for the year.

Looking over the other investment categories, real estate investments, as measured by the Wilshire U.S. REIT index, gained 2.88% for the third quarter, but is still standing at a 3.01% loss for the year. Commodities, as measured by the S&P GSCI index, lost 19.3% in the third quarter, largely due to a fall in oil prices that may be nearing its end. They are down 19.46% this year.

There were many contributors to the loss of confidence in the stock market, and they appear to have been mainly psychological. Analysts blame the Federal Reserve Board for not having raised rates as the so-called "smart money" seems to have expected in September. Why are low rates a bad thing? Because Fed economists seem to believe that the economy has not recovered sufficiently to warrant stopping the central bank's long-running stimulus program. Who are we investors to argue with the Fed economists?

Except…The explanation for not raising rates had little to do with actual economic activity, which is finally moving ahead, as of the second quarter, at an annualized 3.9% growth rate for U.S. GDP. This is higher than the 3.7% estimate from the Bureau of Economic Analysis, and much higher than the 2% rate that the U.S. economy has experienced since 2009. At the same time, consumer income, wages and salaries, and spending are all increasing modestly, existing home sales are growing at a 6.2% rate over last year, and the unemployment rate, once higher than 10%, has finally dropped down to the 5% range.

The Fed explained that it was delaying its rate rise because the core inflation rate—currently 1.83%, is below the 2% target rate the Fed set back in June 2012. Some people believe low inflation is a GOOD thing, and speculate that the real reason—and another reason why many investors are nervous about the markets—could be the slower growth of the Chinese economy, coupled with the recent unnerving drop in its stock market. Unfortunately, the Chinese government controls the economic statistics that come out of the world's second largest economy, which makes it hard to know exactly how fast China is or isn't growing. But it's worth noting that stock prices, even after the drop, are still up 31.6% from where they were a year ago.

Whooshing Sound, *continued on page 7*

Whooshing Sound, *continued from page 6*

For the time being, investors will have to continue to accept interest rates at historically low levels. The Bloomberg U.S. Corporate Bond Index now has an effective yield of 3.42%. 30-year Treasuries are yielding 2.87%, down from 3.13% a quarter ago, and 10-year Treasuries currently yield 2.06%, down from 2.36% in June.

At the low end, the yield on 3-month U.S. T-bills remains at 0.01%. 6-month bills are only slightly more generous, at 0.08%. Long-term (30-year) municipal bonds are yielding 3.16%, more than comparable Treasuries, and you get the federal tax-exemption thrown in for good measure.

When you look at the decline year-to-date, you see relatively small losses. But many investors are remembering that they were 10-15% wealthier just a couple of months ago, measuring their pain from the high point of the various indices. It's tough to watch your portfolio go down, but it's also worth remembering that people have been predicting a significant downturn—erroneously—for the better part of six years. Now that the downturn has finally arrived, it hasn't been terribly painful, mostly giving back gains that were posted in the first two quarters.

The third quarter could be a temporary drawdown that sets the market up for a push back into positive territory by the end of the year, which would give us a record seven years of positive market performance. Or we could see the year end in negative territory, perhaps even giving us the first true bear market (defined as a drop of 20% from the peak) since the Great Recession. We don't know how the psychology of millions of investors will turn in the next few months, and neither do the smart money analysts who thought that interest rates would be nudged upward by our central bank last month.

We do, however, have confidence that the next bear market will be followed by yet another bullish period that will eventually take us back into record territory, and we're pretty sure that the markets will punish anyone who tries to outguess their unpredictable behavior in the short term. If you know what the next quarter will bring, please tell us now. Meanwhile, perhaps we should celebrate the fact that we can buy many kinds of investments at cheaper prices than we could just three short months ago. It's not much, but it's something to feel good about.

"The third quarter could be a temporary drawdown that sets the market up for a push back into positive territory by the end of the year."

Year End Reminders

As 2015 draws to a close, here are some thoughts to keep in mind:

1) Are you maximizing your Employer's Retirement Plan?

a. In most cases, it's a good idea to reduce your current tax burden so double check to see if you're contributing the MAX to your plans. If you're under 50 years old that's $18,000; if you're 50 and older, that's now $24,000 to include a "Catch-Up" contribution. Most plans allow you to make changes at any time, so consider increasing your contributions in November and December, even if it means withdrawing some cash from your Taxable investment accounts to offset the difference.

2) Are you newly Self-Employed or earning 1099 income?

a. Call us to discuss possible additional retirement accounts like SEP IRAs, Individual 401ks, and Defined Benefit Plans. Often, these need to be established by the year-end even if you don't fund them until next year.

3) Stash more cash in IRAs

a. While you have until the day you file your taxes to make these contributions, give some thought to beefing up your tax-deferred accounts now.

b. You may be "Roth-Eligible" and don't even know it! Income Limitations have increased over the years so let us know if your income is now below $116,000 for Single filers/below $183,000 for Joint filers.

c. Likewise, many non-working spouses now qualify to make Tax-Deductible "Spousal" IRA contributions even if their working spouses contribute to a retirement plan. Call us if your joint income is less than $183,000 to see if you qualify to make these contributions.

4) Use up your FSA accounts

a. Flex Savings Accounts are a great way to pay for medical and/or dependent care expenses but you want to make sure to spend those amounts before the year end!

5) Charitable Donations

a. In the past, we've discussed the strategy of using Highly Appreciated Stock to fund charitable donations. If you tend to write a bunch of checks at the end of the year anyway, consider opening a Donor Advised Fund to accept donations of stock and then use their easy, on-line tool to distribute the proceeds to various charities. It's like having a special Online Bill Pay just for charities and your accountant will thank you for making it easier to track the receipts!

b. Call us if you're interested in setting up a personal Donor Fund. It's just one form for you to sign and assets can be transferred as late as December 15th to count as a 2015 Charitable Donation.

The U.S. Deficit is Shrinking!!!

Why are we not hearing more about the U.S. budget deficit on the campaign trail?

You might remember some years back when the U.S. budget deficit was one of the biggest political issues on the campaign trail. Yet this year, after one Republican debate and a lot of jockeying for political position, the subject seems to have gone away. Why?

The most probable reason is that the U.S. has retreated from an unsustainable budget mess much faster than anybody anticipated. In 2009 when the U.S. government was stimulating the world out of the Great Recession, the government's shortfall came to $1.4 trillion, dangerously close to a red line of 10% of the economy, as outlined in "This Time It's Different," an analysis of government deficits around the world since the Middle Ages. Today, the projected deficit is lower by nearly $1 trillion: the fiscal year ending in September is expected to close out with a $425 billion deficit, more than $150 billion lower than economists expected at this time last year.

It might be harder for politicians to generate public outrage at a deficit coming in so far from the alleged tripwire: this year, the shortfall is projected at a much more manageable 2.4% of GDP.

The bad news in all this is that tax revenues for the first ten months of the fiscal year topped a record $2.7 trillion, almost 8% higher than the revenues collected over the first ten months of 2014—and most of it came out of the pockets of consumers like you. Individuals paid $1.3 trillion of the total, about five times more than corporations paid ($266 billion). Estate and gift taxes brought in an additional $16 billion.

Where is the money going? Roughly $738 billion was sent to Social Security recipients and $477 billion paid the medical costs for Medicare recipients. Another $496 billion went to defense spending and $398 billion is allocated to health spending. Roughly $209 billion went to net interest on our debt—Treasury bond and T-bill payments to investors and pension funds.

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Welcome a new face to Kendall Capital…Madolynn Morken

Madolynn joins us from a Federal Advocacy firm in Washington, DC. She was a client service associate at her firm and we felt she would be a terrific addition to our firm in helping serve the needs of our clients. She'll be the friendly voice on the phone when you call, so please help us make her feel welcome. She's a native of Minnesota and went to the College of St. Benedict. She moved to DC as soon as she graduated and loves the area.

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