

2019 WEALTH MANAGEMENT FORUM

ECONOMIC AND MARKET OUTLOOK

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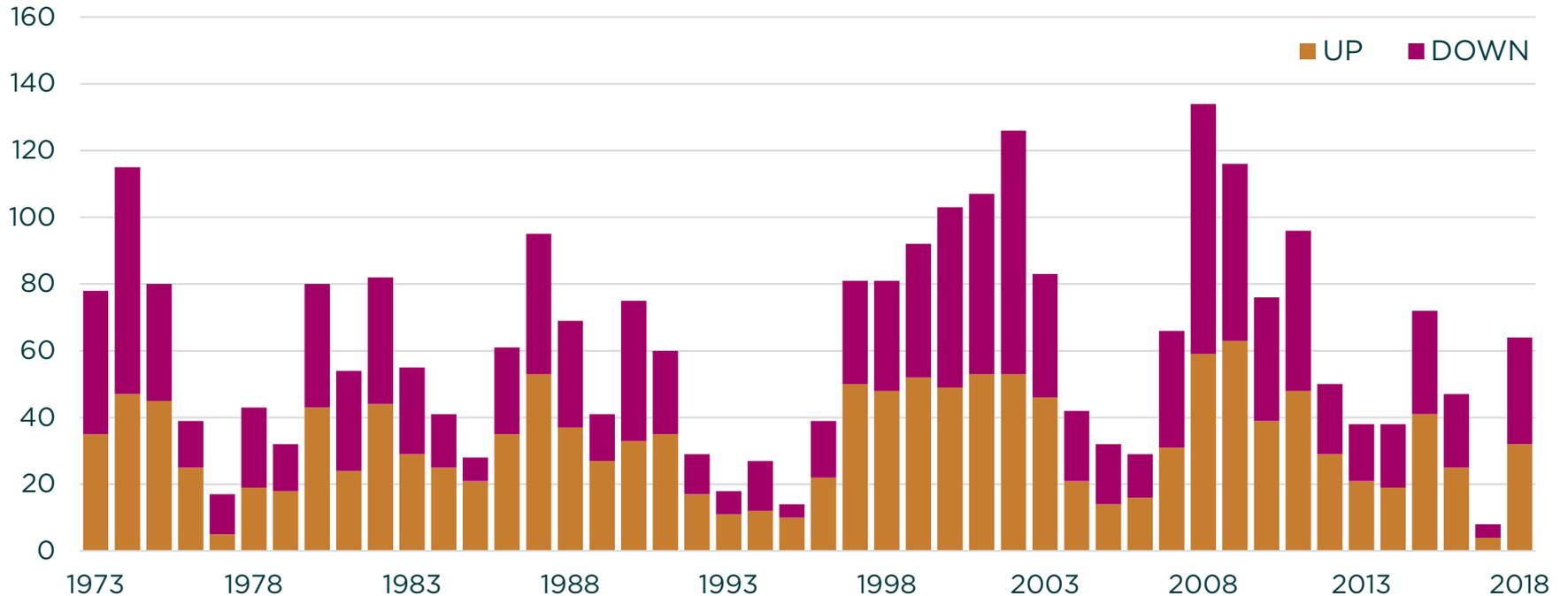
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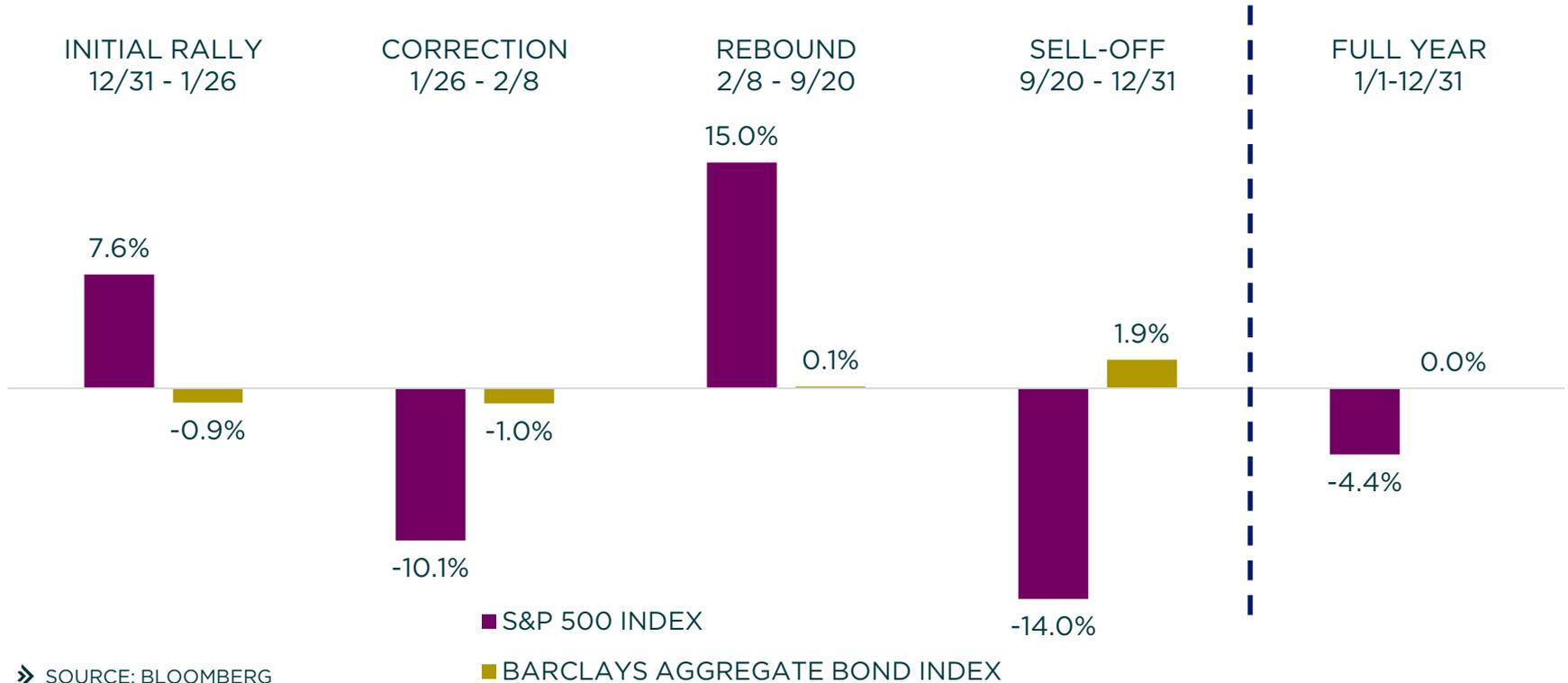
COMPARISON OF TWO VERY DIFFERENT YEARS

	2017	2018
LARGEST MARKET PULLBACK	-2.8%	-19.8%
RECORD HIGHS	62	18
# DAYS WITH >1% VOLATILITY	8	64
TOTAL RETURN - S&P 500 INDEX	21.8%	-4.4%
US GDP GROWTH	2.5%	3.0%
S&P EARNINGS GROWTH	11.9%	21.1%
INFLATION	2.1%	1.9%

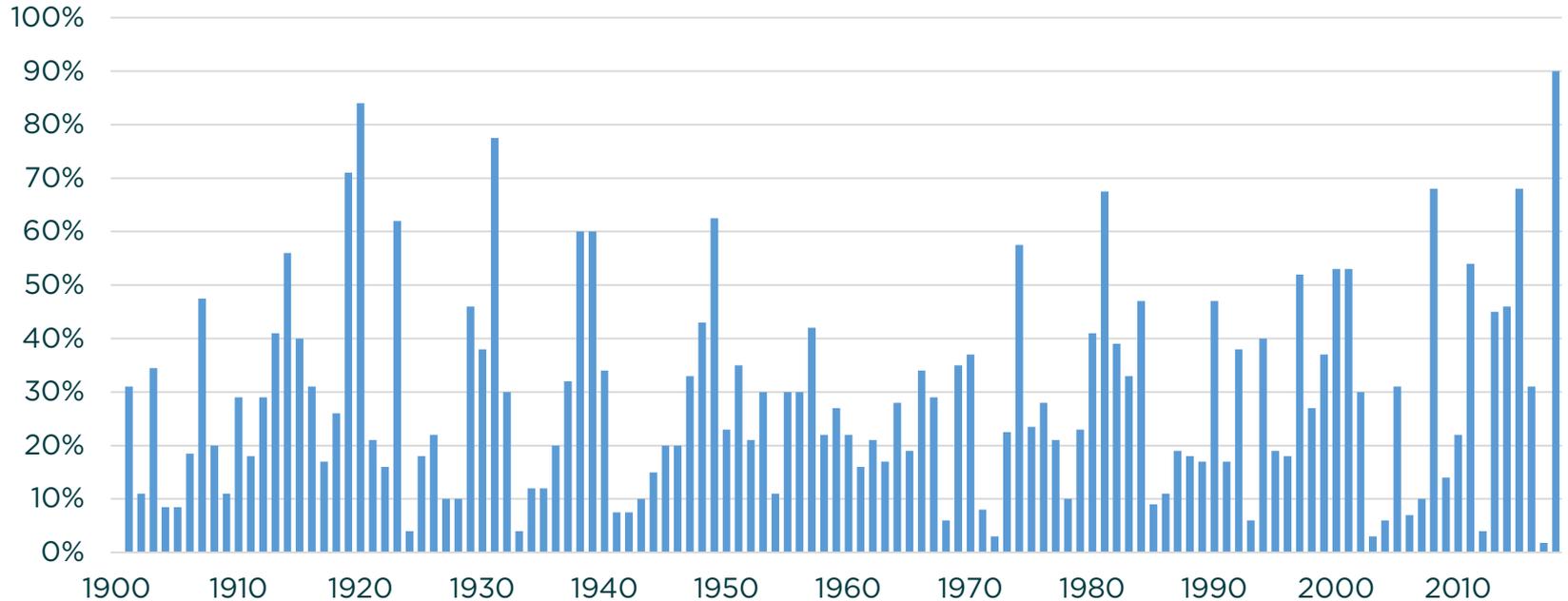
S&P 500 INDEX - NUMBER OF 1% UP AND DOWN DAYS



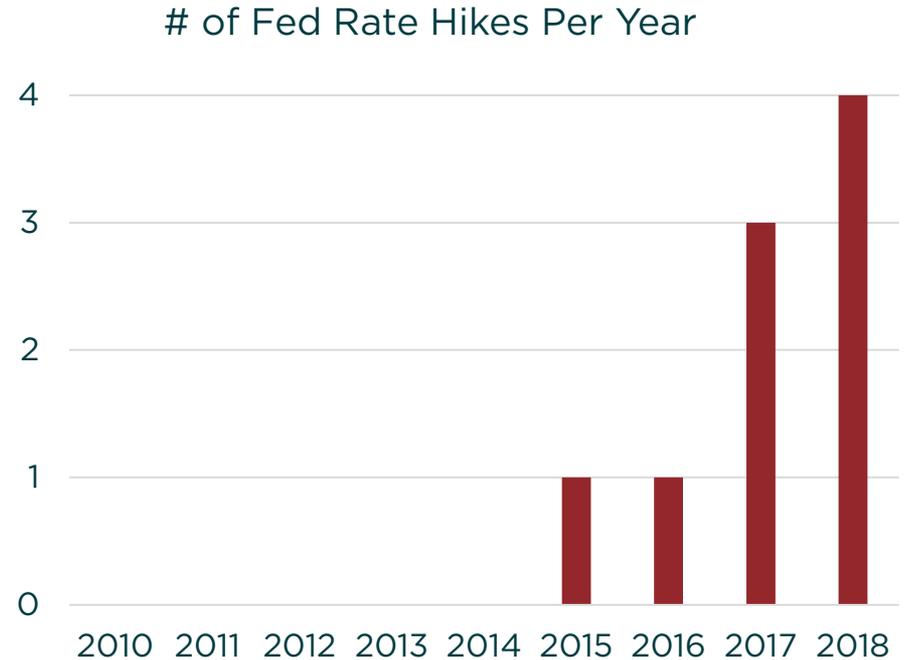
2018 - A CYCLICAL YEAR



PERCENTAGE OF ASSETS POSTING NEGATIVE RETURNS

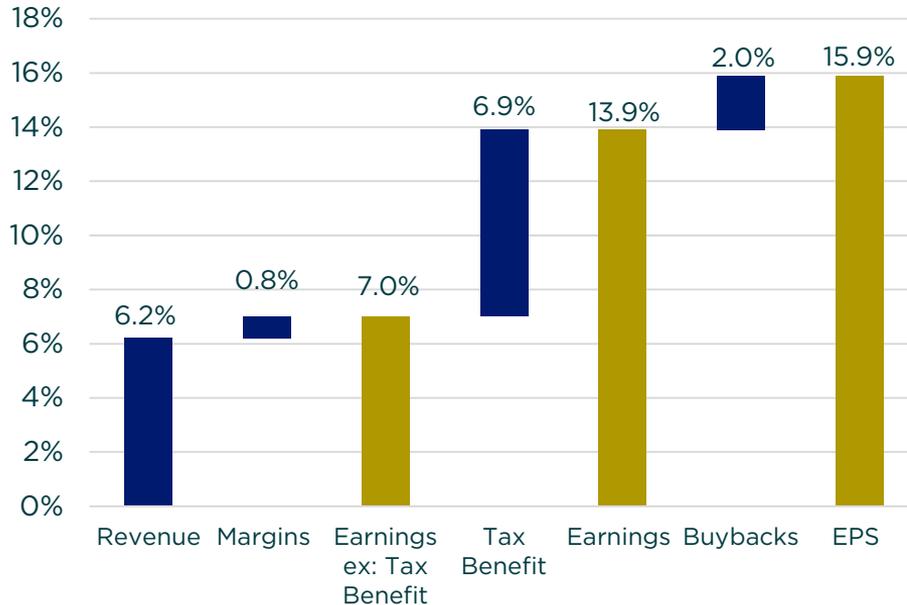


WHAT HAPPENED IN THE FOURTH QUARTER?

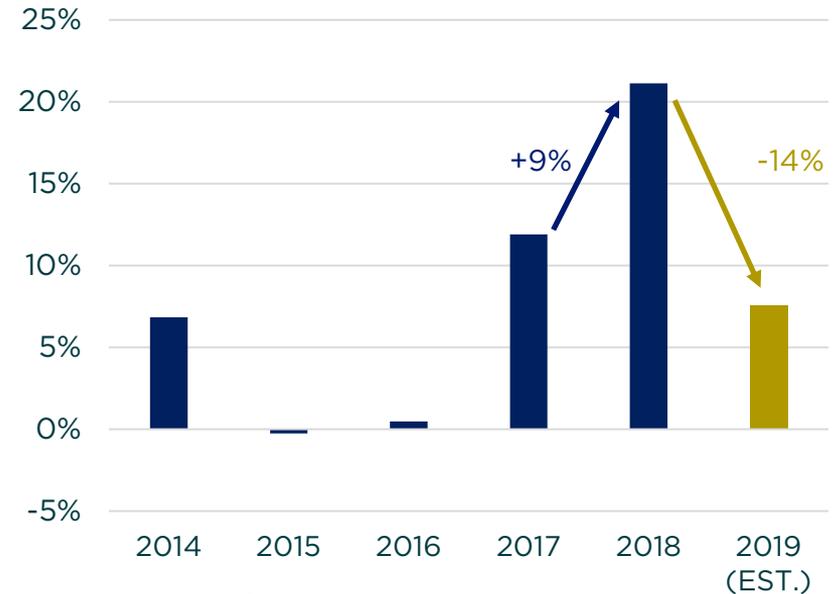


S&P 500 EARNINGS GROWTH HAS BEEN STRONG, BUT THE PACE IS SLOWING...

4Q Earnings Expectations



Calendar Year Growth



» SOURCE: FACTSET, CREDIT SUISSE

RECESSION SCORECARD

	12/31/2018	12/31/2007	3/30/2001	7/31/1990
Jobless Claims	Green	Green	Red	Red
Unemployment Rate	Green	Red	Green	Green
Temp Employment	Green	Red	Red	Green
Avg Weekly Hours	Green	Green	Red	Red
Leading Indicators	Green	Red	Red	Green
Coin/Lagging Index	Green	Green	Green	Green
ECRI Leading Index	Green	Green	Green	Green
ISM Manufacturing	Green	Green	Red	Red
Capacity Utilization	Green	Green	Red	Green
Core Cap Goods Orders	Green	Green	Red	Green
Housing Starts	Green	Red	Green	Green
Consumer Sentiment	Green	Red	Red	Green
Retail Sales ex Gas	Green	Red	Green	Green
# Recession Warnings	0	6	8	3

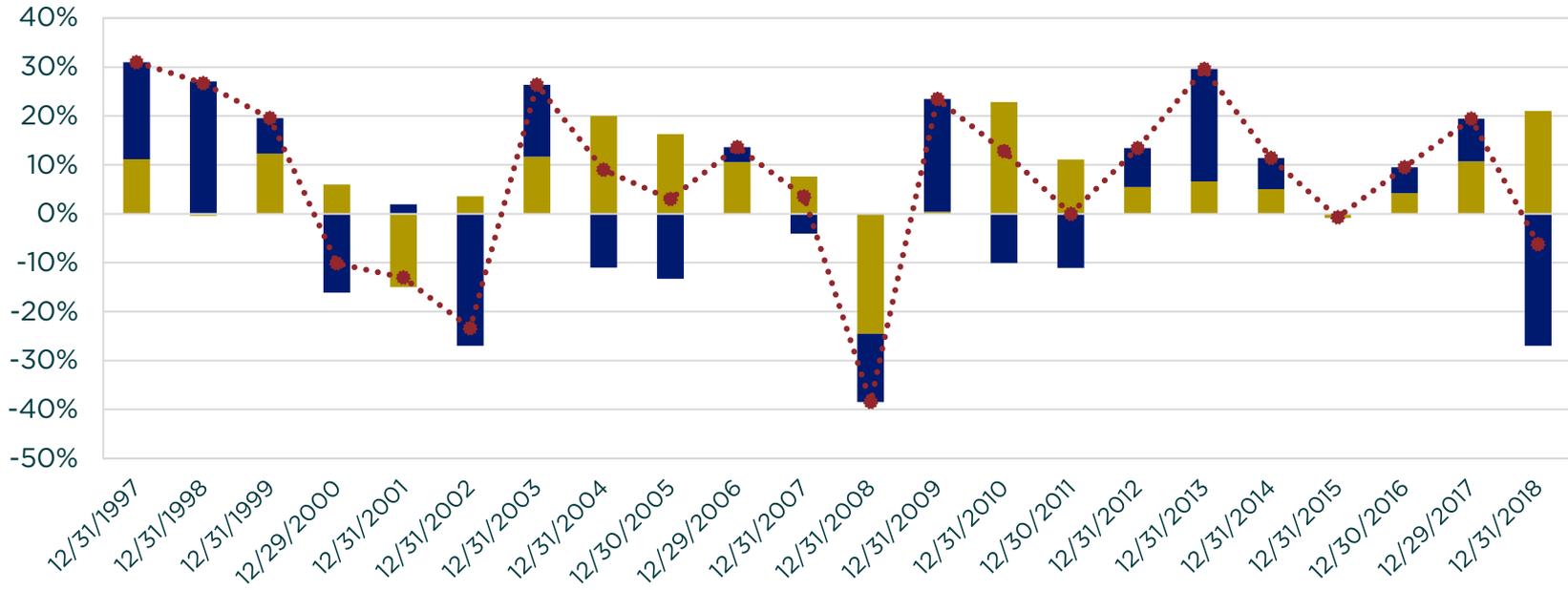
» SOURCE: BLOOMBERG

MARKET RECOVERIES DURING NON-RECESSIONARY CORRECTIONS

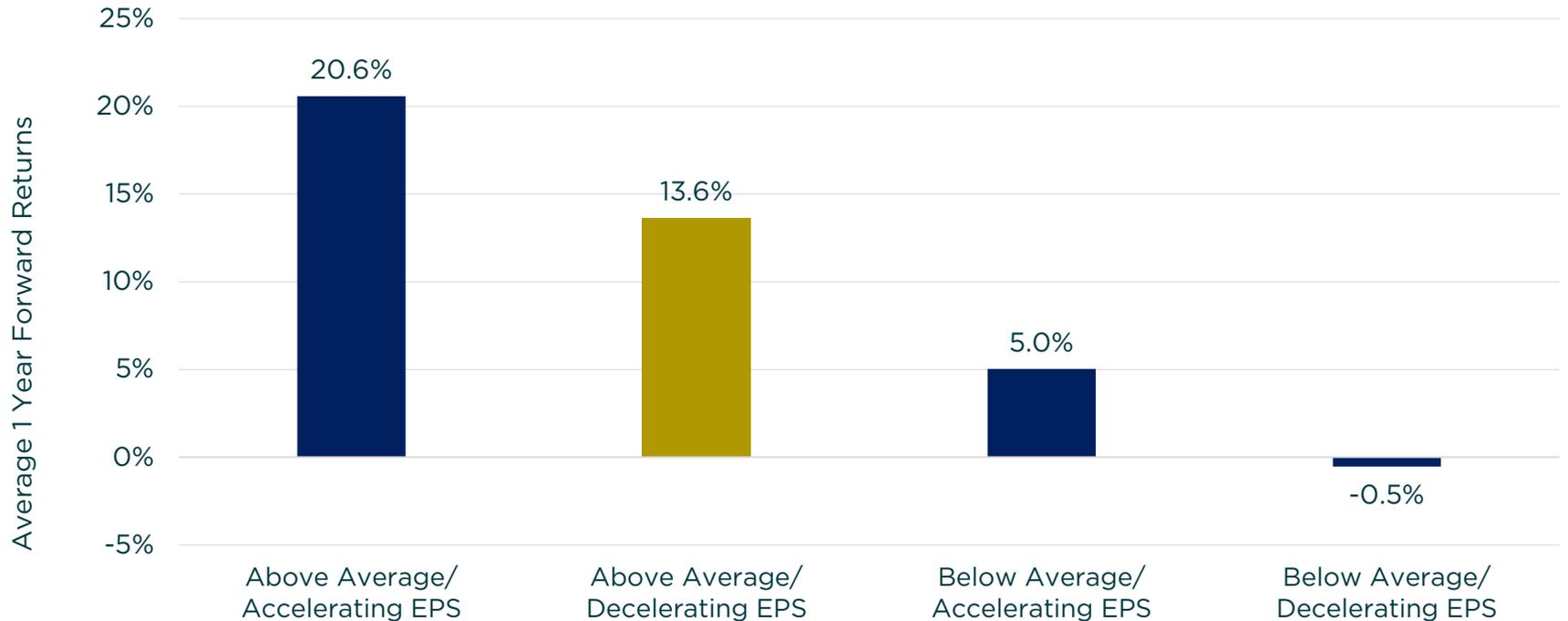


		MARKET CORRECTION	CENTRAL BANK RESPONSE	6 MONTHS AFTER LOW
1.	1984	-14%	Fed funds cut	20%
2.	1988	-34%	Fed funds cut	19%
3.	1998	-19%	Fed funds cut	40%
4.	2010	-16%	QE2 & PBoC eased	24%
5.	2011	-19%	OT announced	29%
6.	2016	-13%	Fed paused	20%
	AVERAGE	-19%		25%

2018 EARNINGS GROWTH WAS COMPLETELY OFFSET BY VALUATION CONTRACTION



SLOWER GROWTH CAN STILL LEAD TO STRONG RETURNS

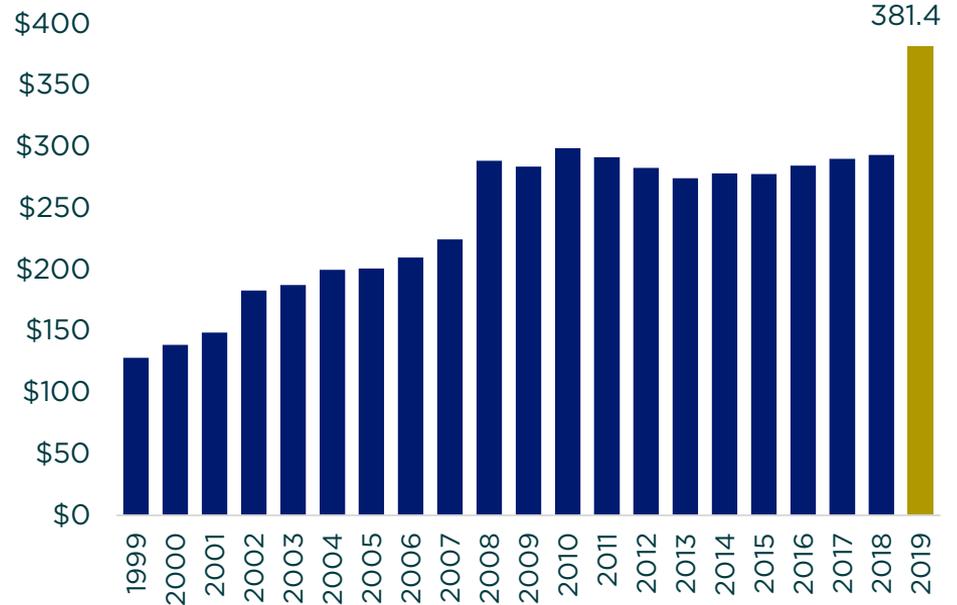


STILL SOME STIMULUS LEFT IN THE TANK

Average Hourly Earnings (Y/Y)

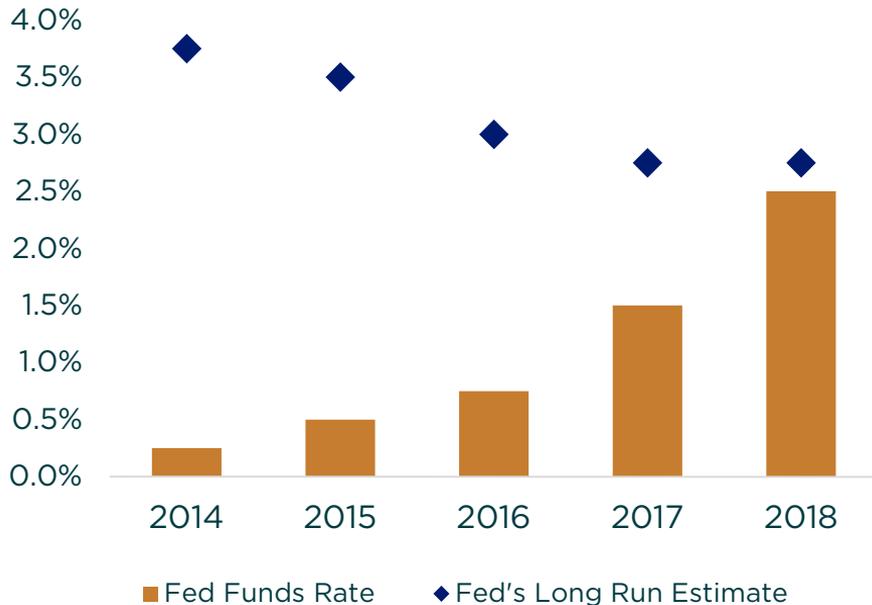


Tax Refunds - Year to Date Through May (Billions)

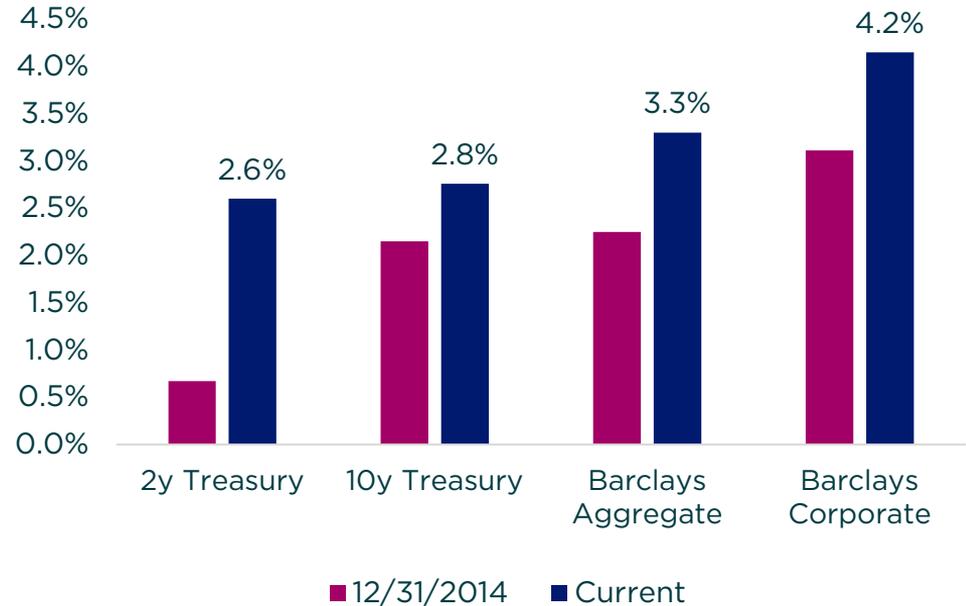


BOND YIELDS HIGHER WITH FED CYCLE NEARING ITS END

Fed Funds Rate



Bond Yields



TARIFF RECAP

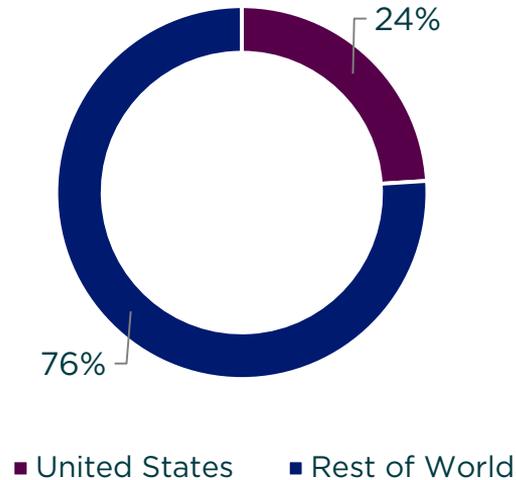
TOTAL IMPORTS FROM CHINA	
\$517,000,000,000	

TARIFF RECAP

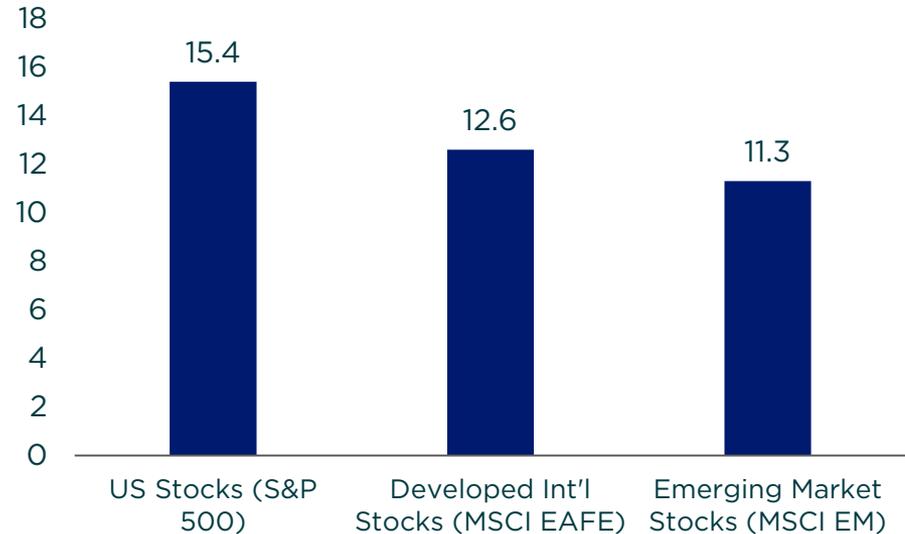
Threat at unknown rate on \$267B	10% on \$200B 9/24/2018	
	25% on \$34B 7/6/2018	25% on \$16B 8/23/2018

WHY INVEST IN INTERNATIONAL STOCKS?

% of Global Listed Companies



Price/Earnings Ratio
(Next 12 Months)



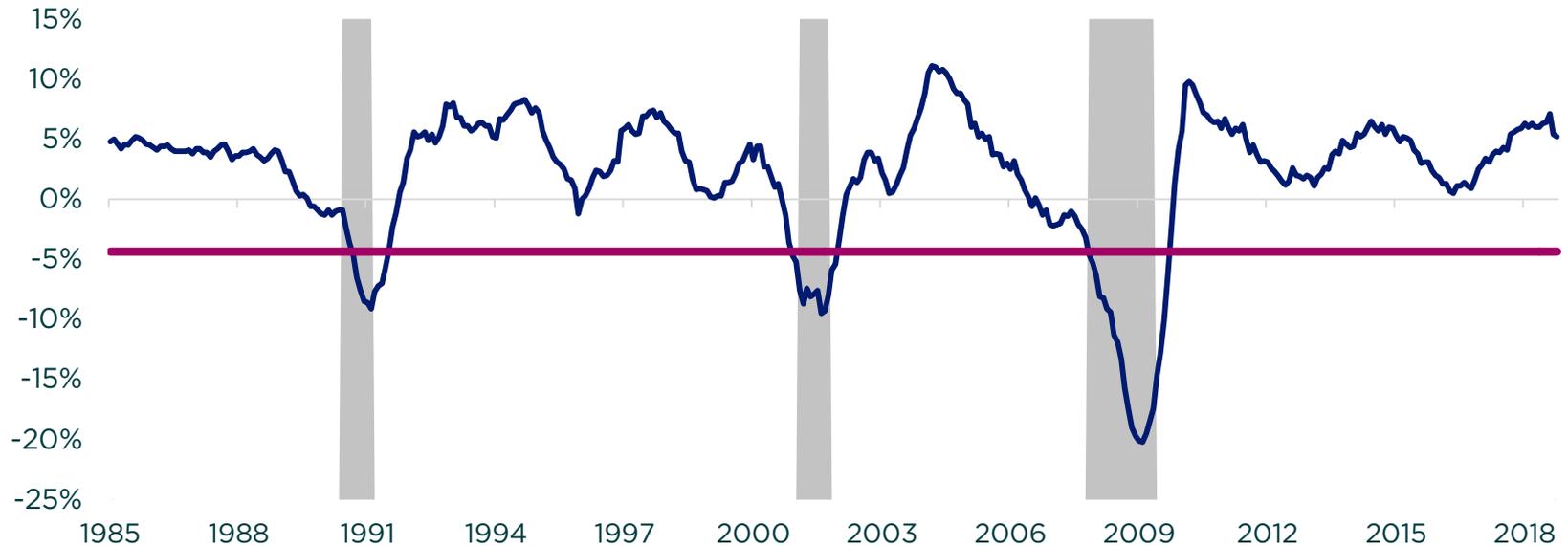
WHAT ARE WE WATCHING?

Yield Curve (10yr Treasury Less Fed Funds)



WHAT ARE WE WATCHING?

Conference Board Leading Indicators (Y/Y%)



CASH FLOW PLANNING STRATEGIES

Daniel A. Barnett, CFA
PORTFOLIO MANAGER

OUR APPROACH TO CASH FLOW PLANNING

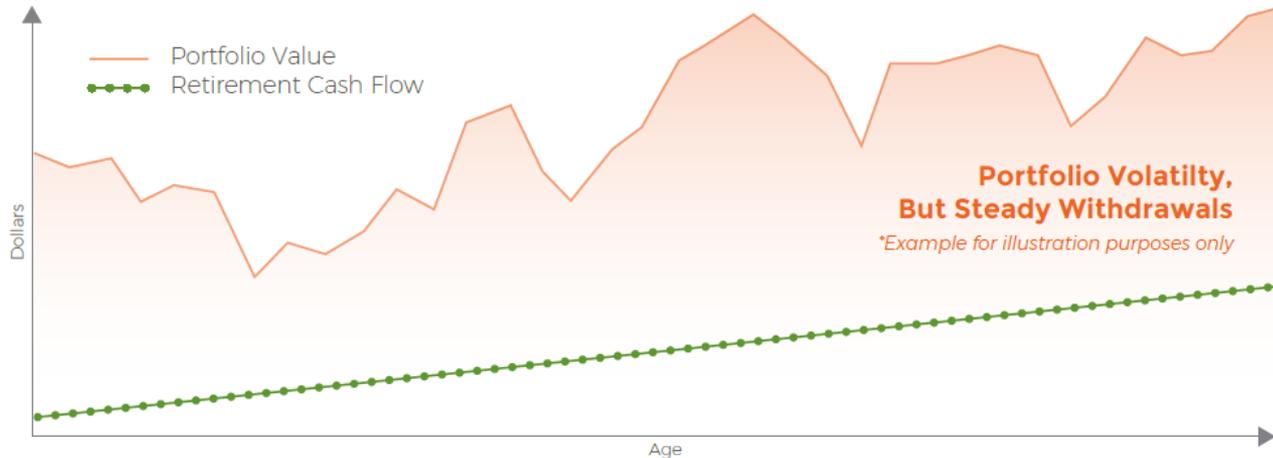
Fixed Income Sources

- Social Security
- Pensions
- Trust Income
- Rental Income
- Earnings and Wages

Investment Income Sources

- Dividends
- Interest
- Stock Sales
- Bond Maturities

YOUR Checking Account





Potential Cash Flow “Disruptions”	How to Plan For..
Poor Market Returns (sequence-of-returns risk)	<ul style="list-style-type: none">» Diversification across asset classes» Conservative asset allocation around retirement age» Flexible spending
Inflation Risk	<ul style="list-style-type: none">» Owning stocks and real assets» Healthy understanding of living expenses
Bad Behavior	<ul style="list-style-type: none">» CNBC Sabbatical» Limit frequency of checking account balances

Facts

- » Portfolio Value: \$1,000,000
- » 60% Stock/40% Bond Portfolio
- » Annual Withdrawals: \$40,000
- » Retire in 1966

How to Plan For

- » Portfolio Diversification
- » Conservative allocation around retirement years
- » Flexible Spending

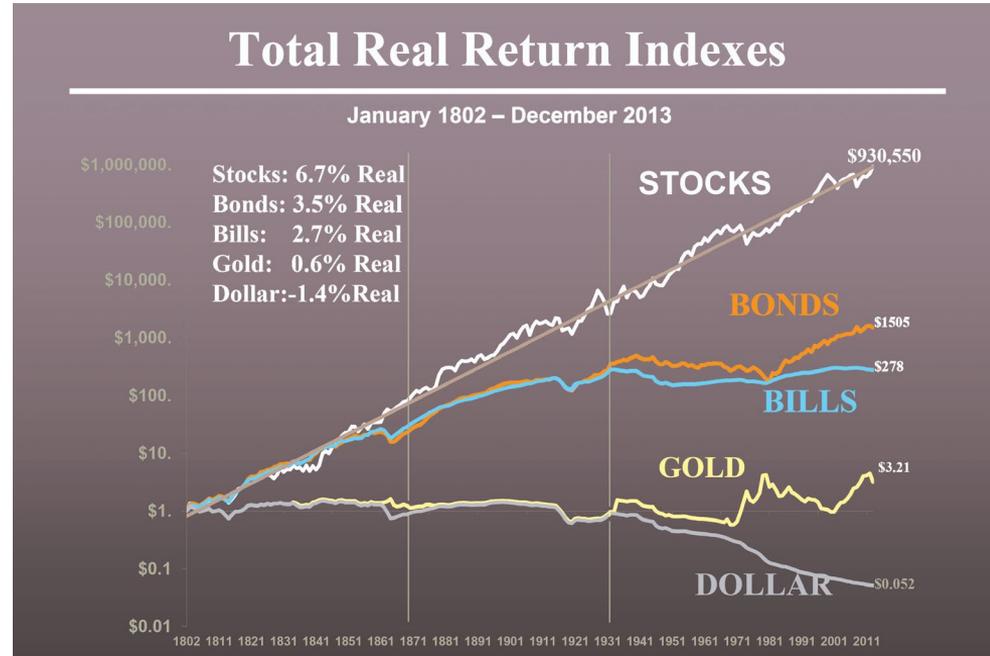
Mrs. Smith		
Year	Real Return	Value
1966	-5.2%	\$908,367
1967	11.4%	\$972,052
1968	3.6%	\$966,775
1969	-10.9%	\$821,237
1970	3.3%	\$808,512
1971	8.5%	\$837,451
1972	9.7%	\$879,020
1973	-14.9%	\$708,157
1974	-22.6%	\$507,967
1975	17.5%	\$556,909
1976	13.5%	\$592,368
1977	-9.2%	\$498,083
1978	-3.8%	\$438,993
1979	0.5%	\$401,075
1980	8.6%	\$395,437
1981	-6.9%	\$328,021
1982	18.5%	\$348,837
1983	12.6%	\$352,622
1984	5.3%	\$331,422
1985	21.6%	\$363,109
1986	15.2%	\$378,196
1987	0.2%	\$338,825
1988	7.8%	\$325,140
1989	18.6%	\$345,516
1990	-3.9%	\$291,995
1991	20.2%	\$311,012
1992	4.3%	\$284,461
1993	6.4%	\$262,639
1994	-2.5%	\$216,035
1995	25.2%	\$230,392
Average ROR	5.1%	

Mr. Button		
Year	Real Return	Value
1995	25.2%	\$1,211,613
1994	-2.5%	\$1,141,145
1993	6.4%	\$1,174,070
1992	4.3%	\$1,184,840
1991	20.2%	\$1,384,313
1990	-3.9%	\$1,290,141
1989	18.6%	\$1,489,711
1988	7.8%	\$1,565,410
1987	0.2%	\$1,528,013
1986	15.2%	\$1,719,827
1985	21.6%	\$2,051,829
1984	5.3%	\$2,121,221
1983	12.6%	\$2,347,473
1982	18.5%	\$2,742,703
1981	-6.9%	\$2,512,545
1980	8.6%	\$2,687,804
1979	0.5%	\$2,660,556
1978	-3.8%	\$2,518,585
1977	-9.2%	\$2,247,779
1976	13.5%	\$2,512,345
1975	17.5%	\$2,912,242
1974	-22.6%	\$2,213,473
1973	-14.9%	\$1,843,944
1972	9.7%	\$1,983,548
1971	8.5%	\$2,112,678
1970	3.3%	\$2,142,845
1969	-10.9%	\$1,868,920
1968	3.6%	\$1,895,680
1967	11.4%	\$2,072,062
1966	-5.2%	\$1,925,075
Average ROR	5.1%	

Inflation Risk

- » Owning Stocks and Real Assets
- » Healthy understanding of spending patterns
- » Prices double every 25 years (on average)

	Inflation Rate	Lifestyle Adjustment Factor at Age 65	Lifestyle Adjustment Factor at Age 75	Lifestyle Adjustment Factor at Age 85
Taxes	3%	0.5	1.0	1.0
Basic Living	3%	0.7	0.8	0.9
Health Care	7%	1.15	1.2	1.25
Leisure	7%	1.5	0.5	0.25



Bad Behavior

- » CNBC Sabbatical (media makes money selling headlines)
- » Limit frequency of checking account balances
- » You only lose money if you sell something at a loss!





What if you never had to worry about money for the rest of your life?



TAX PLANNING CONSIDERATION

Skye Barry, CFA
PORTFOLIO MANAGER

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2018** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing status: Single Married filing jointly Married filing separately Head of household Qualifying widow(er)

Your first name and initial _____ Last name _____ Your social security number _____

Your standard deduction: Someone can claim you as a dependent You were born before January 2, 1954 You are blind

If joint return, spouse's first name and initial _____ Last name _____ Spouse's social security number _____

Spouse standard deduction: Someone can claim your spouse as a dependent Spouse was born before January 2, 1954 Full-year health care coverage or exempt (see inst.)
 Spouse is blind Spouse itemizes on a separate return or you were dual-status alien

Home address (number and street). If you have a P.O. box, see instructions. _____ Apt. no. _____ Presidential Election Campaign (see inst.) You Spouse

City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6. _____ If more than four dependents, see inst. and ✓ here ▶

Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see inst.):	
(1) First name	Last name			Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

Sign Here
 Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records. ▶

Your signature _____ Date _____ Your occupation _____ If the IRS sent you an Identity Protection PIN, enter it here (see inst.) [] [] [] [] [] [] [] [] [] []

Spouse's signature. If a joint return, **both** must sign. _____ Date _____ Spouse's occupation _____ If the IRS sent you an Identity Protection PIN, enter it here (see inst.) [] [] [] [] [] [] [] [] [] []

Paid Preparer Use Only

Preparer's name _____ Preparer's signature _____ PTIN _____ Firm's EIN _____ Check if:
 3rd Party Designee
 Self-employed

Firm's name ▶ _____ Phone no. _____

Firm's address ▶ _____

STANDARD DEDUCTION

- » Under the old tax plan, 70% of filers used the standard deduction
- » Under the new tax plan, 90% of filers will use the standard deduction
- » Standard deduction doubled
 - Individuals: \$12,000 (\$13,300 over 65); Married filing jointly: \$24,000 (\$26,600 over 65) (2018)
 - Deductions increase with inflation
- » Personal exemptions eliminated
- » Child tax credit increased from \$1,000 to \$2,000 per child

ITEMIZED DEDUCTION

- » Property, state and local taxes – Limited to \$10,000 in 2018
- » Mortgage interest – Limited up to \$750,000
- » Home equity loan interest – Only if used to buy/build/improve home
- » Medical expenses – Deductible if over 7.5% of AGI in 2018, 10% in 2019
- » Miscellaneous deductions eliminated
- » Lower income tax rates across the board
- » Changes are temporary, due to revert back to prior law in 2026

CHARITABLE GIVING STRATEGIES

- » Qualified charitable distributions from an IRA
 - Those 70½ and older may transfer up to \$100,000 directly to charity, tax free

- » Gifts of appreciated stock
 - Consider concentrated positions given long bull market

- » Donor Advised Fund
 - Bunching gifts using a Johnson Charitable Gift Fund

ESTATE TAX CONSIDERATIONS

- » Estate tax exemption doubled to \$11.4 million / \$22.8 million
 - Reverts to prior law in 2026
- » Right assets to the right people at the right time in the right way
- » Johnson Trust Company continues to be a great resource

THANK YOU!

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