

## The Capstone Quarterly

We hope you had a nice Summer with family and friends and were able to stay cool despite the record temperatures. In this newsletter, Bryce gives an update on the markets and our strategy for the next downturn, Casey discusses the laws for the mandatory withdrawals from retirement accounts, and we wrap up with a tip on how to find some lost money.

### Bryce's Point of View

-By Bryce Pease, CFP®, Chief Investment Officer



You've probably seen the news. On Wednesday, August 22, many media outlets reported the U.S. stock market had set a new bull market record of 3,453 days.<sup>1</sup> This incredible stretch, which by most estimates began on March 9, 2009, surpassed the previous record set in the 1990s.

But here's the thing about records. Sometimes they matter. Sometimes they don't. And the stories they tell can be very subjective. The definition of a "bull market" is rather nebulous – and whether or not this one is truly a record depends on which date you are using. The Wall Street Journal provided a good example in a recent article:

*"The widely accepted definition of a bear market is a drop of 20% from the last peak in this cycle, while bull markets are usually measured from the lowest point reached until the peak before the next bear market"*<sup>2</sup>

But is this really the longest bull market ever? Depends who you ask. Factors like using intraday prices versus closing prices, using price returns versus total returns, or even which indices to use can argue the point of whether this has really been the longest bull market in history. What matters is not whether this is the longest bull market ever, what matters is how we react to a long bull market like this one.

September is historically the worst month for stocks, nicknaming it the "banana peel" month. It is the only month with a negative average stock market performance, posting positive returns only 43% of the time.<sup>3</sup> Couple that with the midterm elections and the outlook is even worse. As of the editing of this newsletter (September 27, 2018), September has turned out to be a pretty good month for many of the US indices like the S&P, DOW and NASDAQ. One thing we do know about a bull market is that it will eventually end. When that will happen, I can't say. I can say every new market high can cause fresh anxieties.

It's not uncommon for investors to be taken by surprise when the bull market turns into a bear. Too many investors get complacent and think that the good times will last forever. The best time to prepare for a storm is before the storm.

With that said, we are continually brushing up on our research here at Capstone Pacific and have a number of funds on the bench ready to take the field when times turn around. For our advisory clients, we have a protective strategy in place that can adapt when necessary and follow a rules-based, systematic approach that can help manage downside risk. Despite the increased volatility this year, we have yet to see enough change in the markets and our indicators to merit a defensive stance against equity exposure. One of our main investment strategies helps us not to react at the first sign of market turbulence, but instead to respond to material changes in the markets and trends. Our strategies

attempt to remove some of the psychological factors out of the equation because it would be easy to make a knee-jerk reaction when the markets take a quick dive because of a news headline. Although nothing is perfect nor works all the time; but in the grand scheme our main investment strategy is focused on attempting to ride out corrections during market corrections and limiting losses in bear markets.

## Casey's Corner

-By Casey Morris, CFP®



### REQUIRED MINIMUM DISTRIBUTIONS

Federal law requires that all IRA (IRAs, SEP, SARSEP, SIMPLE) account owners take Required Minimum Distributions (RMDs) annually starting with the year that he or she reaches 70 ½ years of age. RMDs must also be taken on retirement plan accounts (401k, 403b, 457, TSP, profit sharing plans, Roth 401k) the age the owner reaches 70 ½ or retires, whichever is later. However, if the retirement plan account is an IRA or the account owner is a 5% owner of the business sponsoring the retirement plan, the RMDs must begin once the account holder is age 70 ½, regardless of whether he or she is retired.

You must take your first required minimum distribution for the year in which you turn age 70½. However, the first payment can be delayed until April 1 of the year following the year in which you turn 70½. For all subsequent years, including the year in which you were paid the first RMD by April 1, you must take the RMD by December 31 of the year.

Generally, a RMD is calculated for each account by dividing the prior December 31 balance of that IRA or retirement plan account by a life expectancy factor that the IRS publishes in Tables in Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs).

An IRA owner must calculate the RMD separately for each IRA that he or she owns, but can withdraw the total amount from one or more of the IRAs. Similarly, a 403(b) contract owner must calculate the RMD separately for each 403(b) contract that he or she owns, but can take the total amount from one or more of the 403(b) contracts. However, RMDs required from other types of retirement plans, such as 401(k) and 457(b) plans have to be taken separately from each of those plan accounts.

Of course, a person can always withdraw more than the minimum amount if they choose, but withdrawing less means being subject to a big penalty. Currently, the penalty is a tax equal to 50% of the amount that should have been withdrawn. That's a lot of money to lose to Uncle Sam...

Please don't hesitate to call with any questions.

## Did You Know?

You might be leaving money on the table. California law requires corporations, businesses, associations, financial institutions, and insurance companies to annually report and deliver property to the California State Controller's Office after there has been no activity on the account or contact with the owner for a period of time specified in the law - generally (3) three years or more. You can search for this unclaimed property on the California State Controllers website at: <https://ucpi.sco.ca.gov/UCP/>

This money can get routed to the unclaimed property website for a number of reasons including changes of address or even death. Be sure to check the website to claim any money that might be yours!

## Finally...

As always, if you have any questions about the markets, or any other financial concerns, please let us know. We love to hear from you. Feel free to share this report with others that may be interested.

Sincerely,

The Team at Capstone Pacific

P.S. If you ever run across anyone who could use our services, we always appreciate it when you pass on our name.

*Opinions expressed in this newsletter are general in nature, are not intended as investment advice tailored to any individual, do not represent the solicitation of a security, and are subject to change without notice. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's portfolio. Any securities mentioned in this newsletter are not a recommendation to buy, sell or hold. Capstone Pacific is not engaged in the practice of law or accounting. Please consult a qualified professional before making any investment, legal or tax related decisions. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Capstone Pacific Investment Strategies, Inc. is registered as an investment adviser and only transacts business in states where it is properly registered, or is excluded or exempted from registration requirements. Registration does not constitute an endorsement of the firm by securities regulators nor does it indicate that the adviser has attained a particular level of skill or ability.*

<sup>1</sup>Michael Wursthorn & Akane Otani, "US Stocks Poised to Enter Longest-Ever Bull Market," Wall Street Journal, August 21, 2018.

<sup>2</sup>James Mackintosh, "Calling Bull on the Longest Bull Market," Wall Street Journal, August 22, 2018. <https://www.wsj.com/articles/calling-bull-on-the-longest-bull-market-1534940689>.

<sup>3</sup>[www.dorseywright.com](http://www.dorseywright.com), August 27, 2018. Daily Equity Report.