MARKET INSIGHTS

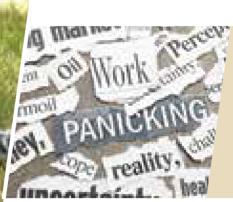
The global economy and financial markets could be entering a new era of change.

see page 2

ADVISER ACCOLADES

We are proud to announce that two of our advisers have been named to the *Forbes* Top Next-Gen Wealth list!

see page 3



DECODING THE HEADLINES

Breaking down the economic jargon in recent financial headlines.

see page 4

ADVANCE
CAPITAL MANAGEMENT

FINANCIAL LIVING

volume
Q3
2018

A QUARTERLY NEWSLETTER FOR THE CLIENTS AND FRIENDS OF ADVANCE CAPITAL MANAGEMENT

Student Loan Debt: Now a Multi-Generational Problem

People tend to think of student loan debt as a problem only for twenty-somethings. But, it's becoming a financial scourge that spans generations. According to the Consumer Financial Protection Bureau, the number of American consumers ages 60 and older with student loan debt quadrupled between 2005 and 2015, jumping from 700,000 to 2.8 million.

A majority of these older student loan borrowers (73%) are taking out loans to help pay for a child or grandchild's education.

The fact is, college costs keep rising and many students can't keep up. Older adults have increasingly stepped in to help. According to the most recent data from the Department of Education's National Center for Education Statistics, about two-thirds of federal parental loan (PLUS Loans) borrowers were taking loans out for undergraduate students who had reached their loan limit in their senior year.

There are two common ways older borrowers try to help out students: They may take out a private or federal student loan in their own name and then gift it to a child or grandchild. Or, they might co-sign a child or grandchild's loan.

Taking on student debt later in life is risky. It could take away much needed money from your own retirement. Further, if you default on a federal student loan, your Social Security benefit could be garnished.

There are several ways you can help without resorting to taking out a loan or acting as a co-signer.

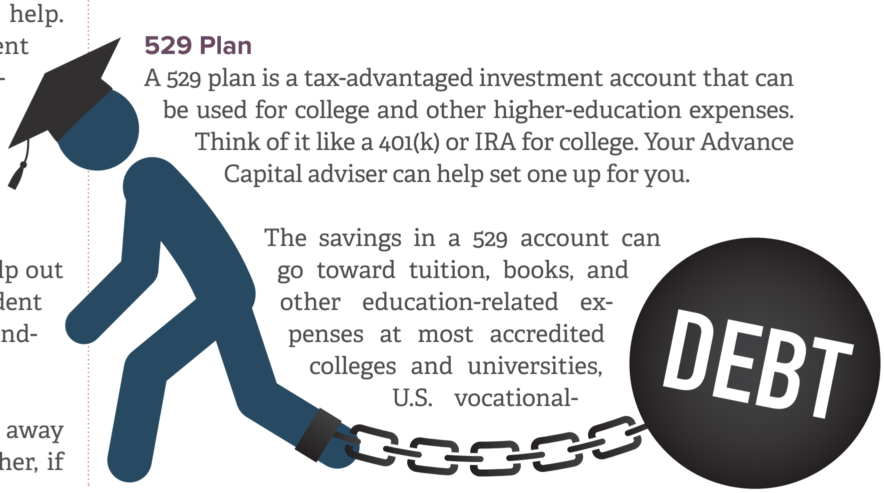
Scholarships

The first place to look for student aid is scholarships. There are a wide variety of scholarships and grant programs out there. Use sites such as StudentScholarshipSearch.com and Fastweb.com to search for scholarships related to your student's field of study, background and other attributes.

529 Plan

A 529 plan is a tax-advantaged investment account that can be used for college and other higher-education expenses. Think of it like a 401(k) or IRA for college. Your Advance Capital adviser can help set one up for you.

The savings in a 529 account can go toward tuition, books, and other education-related expenses at most accredited colleges and universities, U.S. vocational-



(Continued on page 3.)

Market Insights: Q2 2018

The global economy and financial markets could be entering a new era of change, which could make the next decade look very different from the last. The post-crisis global environment has been characterized by financial repression, as a result of regulation and dominant central bank policies, weak growth in productivity and real wages, subdued inflation, largely uninhibited trade policies, and low market volatility. At the same time, global debt levels have risen to all-time highs. Over the horizon, we see a potential "shift" in this economic landscape, which could bring significant changes, for better or worse.

Central banks continue to pull back

The monetary and fiscal policy mix is changing as central banks retreat and fiscal policy becomes more expansionary. Already, the Federal Reserve (Fed) has lifted short-term interest rates seven times since December 2015, including four times in the last twelve months. This is an effort to "normalize" short-term interest rates. Further, the Fed announced plans to shrink its balance sheet by $10 billion a month, starting last October. By the fourth quarter of this year, it will increase that amount to $50 billion per month and continue until the balance sheet returns to a more normal level, whatever that turns out to be.

These actions taken by the Fed have resulted in a quick and pronounced increase in U.S. Treasury yields over the past year. Since last September, the yield has risen about 1.0 percent, which translated into a significant decline in price.

Deficit spending rises

In May, the U.S. posted a $146.8 billion budget deficit, the largest month since 2009. The budget gap rose 66 percent from a year earlier as spending rose almost 11 percent and revenue fell about 10 percent. In addition, the government is facing increasing borrowing needs in the coming years, partly due to tax cuts enacted this year along with the strain on social and health spending from an aging population.

For the full year, the budget deficit is expected to hit $800 billion, then surpass $1 trillion by 2020. In moderation, a deficit can help stimulate economic growth and increase wealth for individuals and corporations. Concerns arise when the debt-to-GDP ratio exceeds 100 percent, a level we have currently reached. The act of reducing deficits necessitates painful spending cuts or tax hikes, not to mention the political will. It appears that deficit spending is here to stay, which could further push interest rates higher if investors demand more compensation amidst growing debt worries.

New trade policies raise concerns

Over the past 25 years, U.S. production and export of goods and services have flourished, while technological innovation and competition from imports have reduced employment in domestic manufacturing industries. In response to some of these issues, the Trump administration withdrew from the Trans-Pacific Partnership (TPP); repeatedly threatened to withdraw from the North American Free Trade Area (NAFTA); stated its strong preference for bilateral trade agreements; and announced tariff increases to protect U.S. producers of steel, aluminum and several other products.

Taken together, those actions threaten a reversal of traditional U.S. trade policies. But, Congress, federal and state governments, and corporations have failed to provide adequate support and retraining to the workers and communities adversely affected by the impact of technology and trade. Perhaps then, we should not be surprised by the growing hostility toward the current international trading system.

U.S. economy remains strong

Amidst these potential "pressure points", the domestic economy continues to show strength and sustainability of growth, highlighted by a robust jobs market, solid consumer spending and a rebound in business activity. The latest employment numbers show the lowest initial and continuing jobless claims since 1969, the highest jobs openings rate ever, and the lowest unemployment rate in nearly 20 years.

Not too surprising, the latest read on retail sales showed a significant upside surprise. Retail sales are now running at a 5.9 percent year-over-year pace, with broad distribution across sectors. Further, growth accelerated in the manufacturing sector during May, with order backlogs rising the most in 14 years.

Our take

Looking ahead, we expect stable, above-trend growth, balanced inflation risks and gradual removal of central bank accommodations. The latest estimates on second quarter GDP growth shows a very healthy 3-3.5 percent or better pace. Corporate earnings are growing at a rate not seen in many years, and the estimates look bright for the next year or two. In short, a very solid economy should help underpin returns in the equity markets, while higher interest rates and higher trending economic growth may continue to pressure interest rates to the detriment of core bond returns.

(Continued on page 4.)

It is not possible to invest directly into an index. The indices mentioned in this article are unmanaged and are not affiliated with Advance Capital Companies.

Fall Client Meetings - Save the Date!

THURSDAY, SEPTEMBER 6
Cadillac, MI

TUESDAY, SEPTEMBER 11
Traverse City, MI

WEDNESDAY, SEPTEMBER 12
Petoskey, MI

THURSDAY, SEPTEMBER 13
Port Huron, MI

TUESDAY, SEPTEMBER 18
Grand Rapids, MI

WEDNESDAY, SEPTEMBER 19
Independence, OH

THURSDAY, SEPTEMBER 20
Southfield, MI

MONDAY, SEPTEMBER 24
Kalamazoo, MI

TUESDAY, SEPTEMBER 25
Downers Grove, IL

WEDNESDAY, SEPTEMBER 26
Champaign, IL

THURSDAY, SEPTEMBER 27
Saginaw, MI & Brookfield, WI

TUESDAY, OCTOBER 2
Lansing, MI

Look for more information with venue locations and registration details in the next few weeks!

Happy Birthday to Us – and to You!

Advance Capital officially opened its doors on August 5, 1986. That means this is the time of year we celebrate our firm's birthday. We would also like to help you celebrate your birthday this year. Since there's no better gift than free food, here is a selected list of national chain restaurants that offer freebies on your birthday.

- Applebee's
- Buffalo Wild Wings
- Cheesecake Factory
- Dairy Queen
- Denny's
- Dunkin' Donuts
- Einstein Bros. Bagels
- IHOP
- Jersey Mike's
- Olive Garden
- Panera
- P.F. Chang's
- Qdoba
- Red Lobster
- Starbucks
- Steak 'n Shake

Just be sure to check out the website of your favorite restaurant(s) a few weeks before your birthday to read the fine print on these free birthday treats. Some require that you join their email list or their free rewards programs. Bon appetit!

Two ACM Financial Advisors Named to *Forbes* Top Next-Gen Wealth List

Hohf

We're pleased to announce that Michael Hohf and Daniel McHugh have been named as America's Top Next-Gen Wealth Advisors by *Forbes Magazine*. The list recognizes top-performing young advisors from across the country.

McHugh

For Mike, this marks the second year in a row on the list. "I'm extremely honored and grateful to be listed again as a top advisor in the U.S.," he said. "I see this though not as a measure of success, but rather as a directive to keep working hard for our clients."

Dan shared similar sentiments, saying, "Recognition as a top advisor is the direct result of the tremendous support from our clients and our firm. That only comes from always putting our clients' interests first."

Congratulations, Mike and Dan!

More Honors for Advance Capital Management

ACM received recognition for the second year in a row from *Financial Times* as one of the "Top 300 RIAs in 2018." Additionally, we have been named a "Top Fee-Only RIA 2018" by *Investment News*.

As always, we thank you, our clients, for continuing to put your trust in us for the past 30 years. We continue to be honored to serve you!

Student Loan Debt *(Continued from page 1.)*

technical schools, and eligible foreign institutions. Keep in mind, funds distributed from a 529 plan can reduce a student's eligibility for federal student aid.

Coverdell Education Savings Account (ESA)

A Coverdell ESA is a tax-deferred trust designed to help meet education expenses. Unlike 529 plans, contributions are tax-deferred. The beneficiary will pay taxes when they withdraw funds.

Like other trusts, funds will become available when beneficiaries reach a specified age. They can then use the money to meet any expense they want. However, similar to 529 plans, contributions may affect a student's federal financial eligibility.

If you have questions about how to fund a student's education, reach out to your adviser. He or she can help determine what options may be best for you. ■

Decoding the Headlines

Financial news is often full of hyperbole and economic jargon. It can be hard to understand what it all means for you and your money. Here, we breakdown a few of the most recent financial events making headlines.

The Economist

A full-blown trade war between America and China looks likely

One, two, three, four, let's have a **trade war**. Or not. A trade war is when countries try to attack each other's trade with taxes and quotas. One country will raise **tariffs**, a type of tax, causing the other to respond, in a tit-for-tat escalation. This can hurt other nations' economies and lead to rising political tensions between them.

So, what would a U.S.-China trade war mean for you and your money? Well, it's still uncertain how things will play out. (As of this writing, the U.S. and China have agreed to restart talks in order to avoid a trade war.) For now, markets have generally shrugged off trade tensions. Therefore, it's difficult to predict how badly some stock prices will be affected. We can say there probably won't be an immediate downturn in the economy and the market based on trade talks alone. But, if a trade war escalates or lingers, it would put the brakes on economic growth and stocks over time.

The New York Times

What's the Yield Curve? 'A Powerful Signal of Recessions' Has Wall Street's Attention

The **yield curve** is the difference between interest rates on short-term United States government bonds (ex., two-year Treasury notes) and long-term government bonds (ex., 10-year Treasury notes). Typically, long-term bonds have higher yields than short-term bonds because they are more volatile. But sometimes, the curve turns upside down, with long-term bonds yielding less than short-term bonds. This is called an inverted yield curve, and historically it has been a relatively reliable predictor of future recessions and bear markets in stocks. Recently, the curve has been flattening, which means the gap between short-term and long-term rates is shrinking. This has raised some concerns of a potential recession.

However, nothing is always true in capital markets. A strong case can be made that in today's unusual global financial environment – with central banks lowering long-term interest rates by buying trillions of dollars in bonds while raising short-term interest rates – the yield curve may be less of a reliable predictor than in the past. Rest assured, the Advance Capital investment team is monitoring this and other market indicators in an effort to achieve positive risk-adjusted returns for you.

THE WALL STREET JOURNAL.

U.S. Economy Grew at 4.1% Rate in Second Quarter

The U.S. economy grew at the fastest pace in nearly four years this spring. **Economic growth** is traditionally measured by changes in **gross domestic product** – the value of all goods and services produced across the economy.

It's reasonable to assume that with a growing economy, the **bull market** – a market in which share prices are rising – we are currently experiencing should continue. But, the economy and the stock market are not bedfellows. The stock market is not the economy, and they do not always move in tandem. That's why it's important as an investor to exercise caution, even when times are good. Stick to your investment plan. Don't get too excited when things are up, and don't get too worried when things are down.

Market Insights *(Continued from page 2.)*

At the same time, concerns about trade and geopolitics will likely remain. Any significant escalation could severely impact global financial markets until there is a resolution.

As always, investing in the capital markets comes with some risk and uncertainty. We thank you for your continued support of our investment process as we work hard to deliver positive risk-adjusted portfolio returns to our clients. Should you have any questions, please do not hesitate to reach out to your financial adviser. ■

HEADQUARTERS
One Towne Square
Suite 444
Southfield, MI 48076
(800) 345-4783
(248) 350-0115 Fax

GRAND RAPIDS, MI
625 Kenmoor Avenue SE
Suite 307
Grand Rapids, MI 49546
(800) 444-1053
(616) 954-2499 Fax

LISLE, IL
4225 Naperville Road
Suite 160
Lisle, IL 60532
(800) 327-3770
(630) 955-3404 Fax

INDEPENDENCE, OH
Crown Centre
5005 Rockside Road, Suite 215
Independence, OH 44131
(800) 457-4304
(216) 520-1535 Fax