



## Financial Planning Tips

### Health Savings Accounts and long-term care insurance

The IRS allows individuals to make premium payments for qualified long-term care insurance policies using tax-free funds from a Health Savings Account. The annual premium limit on these withdrawals depend on an individual's age at year end.

Age	41-50	51-60	61-70	71+
Annual Limit	\$780	\$1,560	\$4,160	\$5,200

### Virtual and digital assets

Effective July 1, 2018, Maine passed the Revised Uniform Fiduciary Access to Digital Assets Act, which sets forth the legal duties of a fiduciary relating to digital assets. While your virtual assets include social media accounts, your digital assets include your email account, virtual currency such as bitcoin and other online account registrations. We recommend that you address these items in your estate plan. You should also keep an updated list of accounts and passwords in a safe place for your Personal Representative/Trustee.

### Paying for college by gifting

You can "superfund" a 529 plan by contributing up to five years' worth of annual gift exclusions at one time, free of gift tax. This provision equates to a maximum one-time contribution of \$75,000 per individual (or \$150,000 for a married couple). Among other benefits, this strategy gives the funds more time to grow tax-free. It's also possible to avoid the gift tax by paying a child's college tuition directly to the institution.

## Market Perspectives from Our Investment Team

As markets make their way through the end of summer, investors are trying to anticipate what's to come during the remainder of 2019. Stocks hit new highs in July while simultaneously experiencing bouts of short-term volatility, causing market participants to question whether the bull market can continue. Volatile conditions combined with economic threats posed by escalating trade wars and softening economic indicators underscore the importance of a consistent, measured investment approach. As we enter the third quarter, here is how we see the major market questions at hand.

### Are markets overvalued?

One fundamental yardstick for market valuation is the price/earnings (P/E) ratio. A P/E ratio on a basket of stocks such as the S&P 500 can help investors decide whether the value the market places on companies is generally fair, too high or too low. While commentators may use language like "the market is rich" or "the market is overvalued," the numbers tell a different story. The market ended the second quarter of 2019 with a forward P/E of 16.74, only slightly higher than the 25-year average of 16.19. History tells us that P/E multiples can stay elevated as long as inflation remains in a range of 1-4%. With subdued inflation, low interest rates, modest earnings growth and an accommodative Fed, the market is not expensive in our view.

### Will the trade war stall economic growth and create a recession?

The recurring flare-ups in the trade war between the United States and China have given investors pause. Many believe that the U.S. economy is in the late stages of expansion and will deteriorate under the pressure of trade restrictions. However, research indicates that U.S. GDP growth could lose half of one percent of momentum for every year that trade tensions remain unresolved. U.S. growth in the first quarter was 3.1%, and consensus expectations for the full year are roughly 2.1%. Given these growth numbers, the potential impact of the trade war will not be enough to generate a recession on its own. We continue to monitor business confidence and its impact on capital expenditures. The longer the trade war remains unresolved, the greater the likelihood that companies will delay internal investments.

## Indicators We Are Watching Closely:

- **Interest Rates.** U.S. and global interest rates remain at historically low levels, supporting continued demand for stocks.
- **Inflation.** History shows that inflation levels of 1-4% have corresponded with elevated P/E multiples. Inflation is currently under 2%.
- **High-Yield Corporate Bond Spreads.** The difference between the yield on a Treasury bond and a lower-quality corporate bond is known as the “spread.” Widening spreads can signal that market participants are getting more concerned about default risk, which causes them to seek compensation in the form of higher interest rates. This situation can provide an early warning of market stress.
- **Business Confidence.** There is a direct correlation between business confidence and capital expenditures, and reinvestment creates positive economic momentum. Resolving trade issues will be an important driver of business confidence.
- **Consumer Confidence.** Since nearly 70% of economic growth is tied to consumer spending, consumer confidence is a critical component of continued economic growth. The University of Michigan’s consumer sentiment survey remains near 10-year highs.
- **Federal Reserve Policy.** The Fed cut its short-term interest target by .25% in July. The pace and size of additional cuts vs. investor expectations will continue to be key market drivers through year-end.

## Fixed Income Capabilities

Fixed income instruments, such as U.S. Treasuries, corporate bonds, certificates of deposit and preferred stock, play an important part in our clients’ portfolios. Kim Cullen, Senior Vice President and Director of Portfolio Management, plays a key role in selecting these instruments



Kimberly Cullen  
Senior Vice President,  
Director of Portfolio  
Management

through her work on the Fixed Income Committee. Kim holds the Chartered Financial Analyst (CFA) and Chartered Financial Consultant (ChFC) designations and brings over 30 years of experience to our clients.

## Prenuptial and Postnuptial Agreements: Not Just for the Young

Summer wedding season is now in full swing both here in New England and beyond. As the landscape of relationships, marriage, divorce and remarriage evolves, prenuptial and postnuptial agreements can play an important role in family financial planning—for couples of all ages and life stages.

A prenuptial agreement is executed before marriage. It spells out how assets should be divided in case of divorce or a spouse’s death. Postnuptial agreements, which are becoming more common, are made after marriage—sometimes years later. They are often triggered by major financial events, such as when one spouse or the other receives an unexpected inheritance or sells a business. These agreements typically outline how to divide marital assets, including future earnings, upon divorce.

Studies show that many couples are delaying marriage. A prenuptial or postnuptial agreement can be useful when both partners bring significant assets to the relationship or want to ensure that their assets get passed down to children from previous relationships.

Our team is here to understand your family’s unique situation. To ensure you don’t run into unexpected surprises down the road, please be sure to speak with your Relationship Manager about the pros and cons of any strategies you’re considering.

Camden National Wealth Management provides investment management, goals-based financial planning, and trust and estate services to individual and institutional clients in Maine and throughout the United States. Our highly credentialed team averages 25 years in the business and includes Chartered Financial Analysts, estate planning attorneys, CTFA trust specialists, and financial planners. Together, we bring a customized investment and planning approach to meet each client’s unique financial needs.



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