



A NEWSLETTER FROM THE INDIANAPOLIS WEALTH MANAGEMENT & TRUST TEAM

Q2: 2018



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Spring Cleaning



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Finally, spring has sprung. We've left behind the cold, gray days and have entered the time of year that embodies growth and renewal. The green grass, blossoming trees, and fresh breezes reawak-

en an energy that nearly all of us seem to lack during the winter months. This weather-induced pep in our step drives us to garden, travel, hike, et cetera. But I want to focus on another springtime activity. The time-honored, sometimes dreaded but always satisfying ritual that is Spring Cleaning.

It's unlikely that most of you can claim to actually look forward to this yearly chore, especially if you have no one to help you. Tackling it alone can be laborious and tedious

work. Sweeping the cobwebs from the corners, scrubbing baseboards, cleaning out closets and organizing the garage is not how most of us want to spend a pretty spring day. But once it's done, once everything has been cleaned and the excess "stuff" has been tossed or given away, there's a feeling of real accomplishment that you've completed this fundamental task.

Your financial strategy and portfolio also needs a yearly "scrubbing." But the good news is we're here to assist with the work and the sometimes difficult decisions of what to keep and what to let go. Sitting down with our team of advisors allows you to review your goals and current circumstances to see if anything needs to be thrown out, replaced, gifted, or simply polished to bring out the shine.

Whether your financial strategy requires a light dusting or a deep clean, contact us today. We do windows! 🧼

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Economic & Market Outlook: Q2, 2018



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During the first quarter of 2018, investors became reacquainted with volatile financial markets. The Standard & Poor's 500 Index delivered a total return of -0.76%. International stocks as measured by the MSCI EAFE Index declined 1.53%. Bond investors also experienced negative returns with the Bloomberg Barclays U.S. Aggregate Index falling 1.46% during the first quarter of the year. (Bond prices fall as prevailing interest rates rise.) Price volatility increased as a result of uncertainty surrounding rising interest rates, turmoil in Washington D.C., and tariffs.

Late last year, most analysts believed that we should expect two and possibly three increases in rates from the Federal Reserve

during 2018. That expectation is now up to four increases based on the strength of the economy and renewed inflation fears related to full employment. Full employ-

ment generally brings increasing wage pressure and has historically been an omen of future inflation. Increasing interest rates, while helpful in taming inflation, are a threat to economic activity, increase costs for companies that borrow, and pose competition to stocks for new investment dollars.

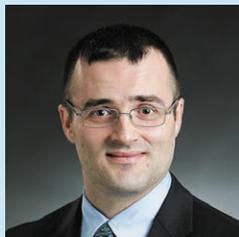
Political turmoil in Washington has added to uncertainty. The high rate of turnover in key areas of the Trump advisory team, including Secretary of State and Chairman of the Economic Advisors, has rattled markets. The failure of Congress to pass an acceptable budget also added to the feeling of political dysfunction.

The third and most important cause of the recent volatility is the discussion of tariffs, which could lead to a trade war and slower global growth. Tariffs are essentially taxes on imported goods. Remembering our economic history, tariffs were one of the reasons the Great Depression was so severe and prolonged. We can only hope that discussion of tariffs is part of the "art of the deal" and that the new administration is trying to force our trading partners back to the negotiating table.

Market volatility can be traumatic for investors who forget that, while prices may be erratic, the fundamental value of quality businesses is actually quite stable. Over time, price and value tend to converge. Alert investors can take advantage of opportunities that price volatility provides.

We are encouraged by the growth in corporate profits that we are seeing this year and remind ourselves that stock valuations are reasonable in the context of history.

Next-Gen Family Wealth and the Softer Side of Planning



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What do you want to pass on to future generations? As the old saying about money goes, "You can't take it with you." Money is important though, undoubtedly. Of course, so are family, friends, and our social, cultural and intellectual pursuits. Recent research from Purdue

University has even found that money can increase people's emotional well-being, as well as their overall satisfaction with life – to a point.¹ According to the

researchers, money alone can actually lower a person's well-being if it is not handled properly. The research goes on to conclude that "money is only a part of what really makes us happy. . . ."

So, what else makes us happy? Well, that depends on what makes you and your family unique. What's your family's story? Do your children and grandchildren know it?

Traditional financial advisors are good at tackling the technical challenges, such as the legal and financial planning that families must address. A modern estate plan, however, is not all there is to consider when creating a legacy. After all, most family interactions

We still believe that we are in a secular bull market for common stocks. A secular bull market is a market in a general uptrend with higher highs and higher lows in absolute index price levels. This does not mean that there will not be corrections. The attached chart shows that stock market declines of 5%, 10%, or even 20% should be expected during secular bull markets. Larger declines have only happened during recessionary periods. There are no signs that the economy is heading for a recession in the near future. In fact, economic growth is accelerating.

Remember, no one can time the market. It is against human nature and too many consecutive, quick, and correct decisions must be made to be successful. As the attached chart shows, many times bounce-backs happen immediately after a bad day on Wall Street. It is important to keep things in perspective, too. The 500 point drop in 1987 represented a 21% decline. A 500 point rally or drop at this time is only a 2% change from today's much higher market level. It is also important to stay invested for those good days that make all the difference in portfolio performance.

Thank you for the confidence you have placed in our Wealth Management & Trust team at Stock Yards Bank & Trust. Please contact us directly by phone or by email at any time to discuss our outlook or to review your portfolio in light of your objectives. 🌿

Stock Market Volatility

The deeper the stock market decline, the longer the recovery.

DECLINE RANGE	NUMBER OF DECLINES	AVG. DECLINE	AVG. LENGTH OF DECLINE (IN MONTHS)	AVG. TIME TO RECOVER (IN MONTHS)
5-10%	77	(6%)	1	1
10-20%	27	(14%)	4	4
20-40%	8	(27%)	11	14
>40%	3	(51%)	22	57

Declines in the S&P 500 Index (Since Dec. 31, 1945)

are not technical discussions about taxes or investment returns – they are far more interesting than that!

When is the last time you discussed the importance of community involvement, professional development, or shared family goals and expectations? What non-monetary goals are important for your loved ones to achieve in their lives? What values should their lives reflect? Philanthropy? Entrepreneurship? The arts?

We frequently have clients who express their concerns about how loved ones would manage an inheritance, and those concerns are well-founded. Often, however, clients have not told the story of how she or he earned those resources. The story behind the assets is interesting, and extremely important to the choices that

are made by succeeding generations. If assets become part of the “family legacy” instead of just money in an account, there is a higher likelihood that they will be used wisely. The story also becomes part of who the family members are, not just what is in their bank accounts.

Telling the family story does not mean telling younger generations every last detail about your finances. Instead, it means dedicating time and attention to preparing family members for a future inheritance in a meaningful way, and doing that more than once. It also means sharing with younger generations the intellectual, social, human and spiritual responsibilities they will take on as future family leaders – and as beneficiaries.

CONTINUES, PG. 4

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CONTINUED FROM PG. 3

Next-Gen Family Wealth and the Softer Side of Planning

By Neil Byrne, J.D., LLM, CPA

Mark Twain has been quoted as saying, "The difference between the right word and the almost right word is the difference between lightning and the lightning bug." A singular focus on technical details without discussion about the larger family legacy can be detrimental to a family and a family's wealth.

We are inviting you to consider some of the less obvious, but incredibly important discussions and plans you may need to have with your family. Please contact your advisor to talk more about your family's legacy, or me at neil.byrne@syb.com or (502) 625-2459. 🐞

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MARK TWAIN

1. See: <https://www.futurity.org/money-can-buy-happiness-1685132/> "Money can buy happiness. Here's how much it takes," February 21, 2018.