STEWARDSHIP
Financial Advisors, LLC
A Member of the Pyke Family of Firms

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3rd Quarter Review

This summer has been a wild ride for markets, and for all the wrong reasons. The yield curve inverted, trade conflicts intensified and the U.S. economy showed more signs of its age. However, as the summer inevitably turns to fall, investors may be wondering if the economy is moving into its next stage too. Could a recession be on the horizon? Maybe. Maybe not. Recessions are very difficult to predict , even when signals from the economy are starting to flash red. But that doesn't mean investors should do nothing. Since the stock market tends to lead the economy by several months it's often better to be proactive. This late in the economic cycle leaves us re-evaluating portfolios, ensuring they are properly balanced and positioned for elevated volatility, global central bank policy changes, geopolitical uncertainty, and ongoing trade disputes.

Some think the best way to prepare portfolios for a recession is to drastically reduce stocks in favor of bonds. The problem with this approach is that it requires the ability to accurately time the markets. Oftentimes some of the strongest returns can occur during late stages of an economic cycle and immediately after a market bottom, so being wrong on either turning point can be devastating to long-term returns. A more realistic approach may be to maintain an appropriate balance between equities and fixed income but upgrade the quality of both.

As we look out at the global economy, this theme has become increasingly more important, with equity valuations looking stretched, growth slowing, and volatility increasing dramatically over the last few years. Reallocating into higher quality stocks has focused primarily on those companies that have fortress-like balance sheets with low debt, consistently increase earnings over time, exhibit high returns on equity, and often pay a dividend. Of course, those companies must also come at a reasonable price to be a worthwhile investment.

Review Your Investments!
Get A Second Opinion!

If you are not an SFA client and would like us to analyze your current portfolio, e-mail Traci Carver to schedule an appointment.

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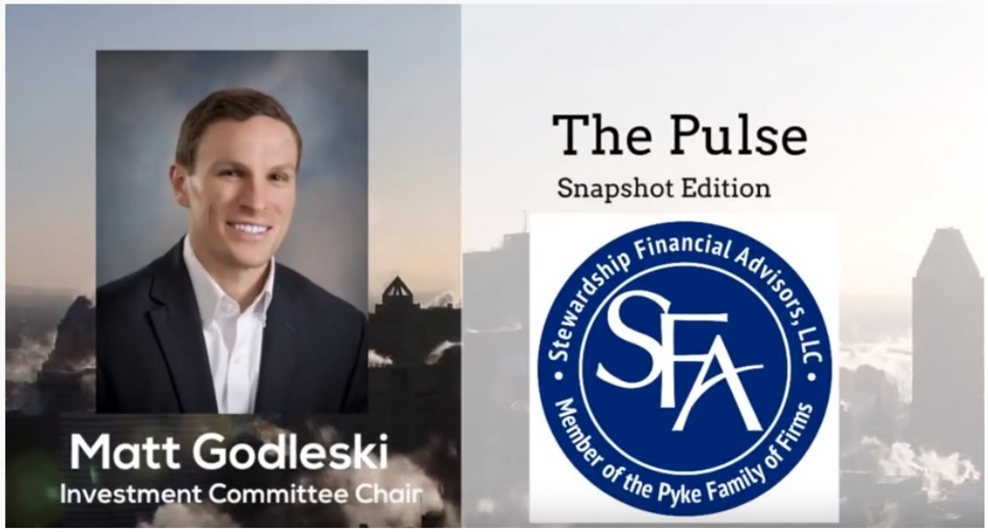
THINGS TO THINK ABOUT...

Don't go broke trying to look rich.

Wealth consists not of having great possessions, but of having few wants.

You might get 85 years on this planet. Don't spend 65 paying off a lifestyle you can't afford.



the pulse

For ongoing updates to our outlook and portfolios, please read Stewardship Financial Advisor's **The Pulse**. You can register at www.stewardshipfinancialadv.com. Scroll to the bottom of the page and enter your e-mail address to subscribe. Or like our Facebook page or visit www.stewardshipfinancialadv.com/pulse for past posts.

Alternatively, within the bond space, this means reducing exposure to higher-yielding, lower credit-worthy bonds and increasing ownership of high-quality US Treasury securities and corporate bonds. Further adding resiliency to portfolios, diversification into alternative assets and a focus on securities globally that experience less volatility than their overall markets has proven fruitful during stressed market environments.

While we continue to believe that a recession is not right around the corner, there are certainly several flashpoints we are keeping an eye on. The trade war has been a never-ending headwind for the global economy, central bank policy is looking increasingly ineffective, and manufacturing and other indicators seem to be moving in the wrong direction. However, ultimately the main drivers of economic growth and corporate profits, namely employment and the US consumer, appear to be in good shape for the time being, leading us to remain optimistic for the near-term future. Furthermore, a lack of exuberance in markets and no signs of an obvious financial bubble leave us remaining neutral in our stance to risk assets at this time.

Recessions can be painful, but investors who are well prepared and maintain a long-term investment horizon should be comforted that economic declines have been relatively small blips in economic history. Over the last 65 years, the U.S. has been in an official recession less than 15% of all months, with the average recession lasting just under a year. Maintaining a balanced, well-diversified portfolio can help investors avoid the pitfalls of market timing, while being prepared for the relative short-term volatility that comes with recessions.

Financial Strategies When Entering the Job Market

Do you have a child or grandchild about to enter the job market? There is more to think about than the salary, location, or if this will be their dream job. Please share this newsletter with them for some practical and financial recommendations to help them as they start this new chapter in their life.

Budgeting:

The transition from college to the real world is arguably one of the most exciting, yet most difficult, transitions in life. The first step to a successful transition is planning! Set aside some time to budget your new lifestyle. Consider car payments, phone bills, insurance premiums, savings, groceries, living arrangements, and more. This can help prevent over-spending and can lay the groundwork for a successful financial future. Charles' best advice for Christians is to budget these items in this order: give first (tithe), save second, spend last. If you do this you will live with much financial peace.

Picking out the right health insurance (if your company doesn't offer a plan):

If your employer does not provide a group health insurance plan, you may be responsible for finding your own plan. Before you Google search, "health care plans for me ASAP," first consider that you can remain on your parent's health insurance plan until age 26. If you want to venture out on your own or if this option is not available to you, a good resource to start with is HealthCare.gov. This website outlines different health plans and can compare plans instantly. Different plans work for different individuals based on budget, health conditions, and risk propensity, so comparing plans through a little research may be beneficial.
https://www.healthcare.gov/choose-a-plan/comparing-plans/

HSA:

If you choose a High Deductible Health Plan (a common plan for healthy, young individuals), consider enrolling in a Health Savings Account (HSA). An HSA is an account that allocates money, on a tax-deferred basis, towards medical expenses. When money is pulled out of the account to pay for medical expenses, the withdrawn amount is tax-free and the remaining funds within the account roll over from year to year. This account not only helps with present medical expenses, but may also be used as a retirement supplement in the future, providing a two-fold advantage.

Paying off student loans:

If you graduated with student loans, you may be itching to pay them off as soon as possible. To do this, first check if your loan is public or private and if it is subsidized or unsubsidized. If the loan is public, it may be eligible for certain repayment or loan forgiveness plans. If the loan is subsidized, that means that the loan interest was

LAUGH FACTORY

My financial advisor was crunching the numbers for my retirement. He said it was time to figure out who will be wearing the mask and who will be driving the getaway car.

It's a shame daylight savings is over. It turns out, that was the only savings I had left!

covered by the government during the loan deferment period, or a period of time in which interest does not accrue. Once you have categorized your student loan, payment comes into play. Do not feel the need to pay off the loan in a lump sum. Diversity in your credit, or having different types of loans, makes up 10% of your credit score. Therefore, by having a student loan, it may help your overall credit score by providing credit diversity. Another student loan benefit is if you make timely payments, you may be able to deduct up to $2,500 worth of student loan interest on your tax return. By paying the minimum amount on your student loan, and by stretching out the payments, you can take advantage of these benefits overtime. However, if you would prefer to pay off your loan faster, to put yourself at psychological ease, consider meeting with a financial advisor or referring to the link below to establish a payment plan that is right for you.
https://studentaid.ed.gov/sa/repay-loans/understand/plans

Establish an emergency fund:

If you already have savings set aside, fantastic! Now consider another account that provides more saving opportunities: the Emergency Fund. Should anything happen to you, funds in this account cover 3-6 months worth of expenses, providing you with protection that doesn't affect your primary savings. Certain banks have structured emergency funding plans, while others do not. Feel free to call your bank or your trusted financial advisor to construct a plan that works with your timeline and budget.

401(k):

If your employer has a retirement plan with an employer match, contribute as much as you can to take advantage of the match. A match means that for every dollar you contribute to your retirement plan, your company will contribute a percentage to your plan on your behalf. The terms of this match should be outlined in your offer letter. As a rule of thumb, you should save 25% of your earned income on an annual basis during your 20s. By the time you're 30, you should have an annual salary's worth of income saved in your retirement plan. To reach these benchmarks, contribute to your employer matching plan to accumulate the maximum amount of retirement funds.

Roth IRAs:

If you have a Roth IRA, consider yourself ahead of the game. A Roth IRA is a great retirement vehicle that provides tax-deferred growth for retirement funds. You can contribute up to $5,500 a year to your Roth IRA[1]. To contribute, you must have a modified adjusted gross income under $135,000 if you are single and $199,000 if you are married filing jointly.

Tip: If you have the opportunity to contribute to a 401 (k) with an employer match, contribute money to that account first (to take advantage of the match) and then contribute to your Roth IRA.

General Spending:

Ok big spender, you finally have a "grown-up" job with "grown-up" income, but do not be tempted to spend all of your money at once. Do not spend over your means and keep in line with your budget. This practice will ultimately prepare you for your future. Keep in mind that the transitional period you are entering is a difficult one, but it isn't impossible if you follow the tips above.

[1]Some IRAs have contribution limitations and tax consequences for early withdrawals. Distributions from traditional IRAs and employer sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59½, may be subject to an additional 10% IRS tax penalty. For complete details, consult your tax advisor or attorney. A Roth IRA offers tax free withdrawals on taxable contributions. To qualify for the tax-free and penalty-free withdrawal of earnings, a Roth IRA must be in place for at least five tax years, and the distribution must take place after age 59½ or due to death, disability, or a first time home purchase (up to a $10,000 lifetime maximum). Depending on state law, Roth IRA distributions may be subject to state taxes.

Pyke Family News

Interesting fact about Charles - He loves the outdoors and is into wildlife and land use conservation. It's one of his pastimes and has been nominated as Jasper County Conservationist of the year. At his farm he has run into a new challenge: feral hogs! These wild hogs are destroying his crops, food plots, carry disease and are downright mean and nasty. So he's been hunting and/or trapping them. Him and his buddies have already removed about 18 in the last 12 months! One weighed close to 200 lbs! He still has a long way to go to gain the upper hand, but over time hopes to eradicate this nuisance. Anyone want any bacon?