



## marketDATA

	Price	YTD	1 Month	3 Months
Dow Jones	25,325	8.56%	-4.12%	-0.85%
S&P 500	2,812	12.17%	-3.29%	2.14%
NASDAQ	7,647	15.25%	-4.22%	3.05%
Russell 2000	1,523	12.94%	-3.90%	-1.29%
Wilshire 5000	29,041	12.78%	-3.39%	1.73%

Data as of: May 15, 2019  
Source: FactSet

## quickSHARE

As the school year draws to a close, it's a great time to consider a college funding plan for your family. In this issue, we look at some funding options as well as current college costs. It's never too early to start. Call our office today!

Renewed trade concerns adjust the near-term narrative. Ongoing U.S.-China trade negotiations remain the dominant headline domestically, as investors continue to discount the potential for extended discussions and more comprehensive tariffs (through May 13, the S&P 500 declined 4.5% over the prior six trading sessions). Prior to the recent escalation in negative rhetoric, markets were still benefitting from mostly dovish interest rate commentary and a "catch-up" in valuation following December's late-year selloff (S&P 500 +12% YTD). In addition, Q1'19 corporate earnings growth, while certainly lower versus 2018, also proved modestly better than expected for many. According to FactSet, 76% of companies exceeded consensus earnings estimates for the quarter, while 59% beat on revenue (though May 10, with 90% reporting). Companies with higher international revenue exposure generally underperformed given slowing global growth metrics (in particular, Europe) and added trade concerns.

Threat of higher tariffs signal negative profit warnings. We believe an extended U.S.-China trade negotiation (to include rising June tariffs from both sides) bodes poorly for full-year projected earnings growth. Despite taking preventative measures (e.g., supply chain shifts, added insourcing, etc.), many U.S. companies importing from China could face higher costs, while added price inflation likely impacts both consumer spending and business investment, in our view. The broader market has already taken a more cautious tenor for Q2, with 65 of the S&P 500 companies issuing negative earnings guidance (projected results below consensus). As such, consensus estimates currently imply a 1.7% earnings decline on revenue growth of 4.3% (FactSet). AAPL, BA, and CAT- bellwether U.S. proxies for China investment- remain vulnerable, in our view, and have traded comparatively lower in recent sessions.

Where is market valuation now? The S&P 500 was priced at 16.2x forward earnings through May 13, just below the two-year (17x) and five-year (16.6x) average multiples. The bottom-up consensus price target for the index is approximately 3,211, which implies 14% growth one year from now (estimated forward EPS growth of 11% and a 3% decrease in the forward price/earnings multiple). Given the threat of extended trade discussions and further negative earnings revisions, we believe the current consensus estimate appears optimistic. When we enter into higher-volatility periods such as these we're reminded that a good investment strategy, which focuses on high-quality stocks, balanced sector allocations, and reasonable valuations is the best way to navigate the ups and downs.

Source: BB&T Scott & Stringfellow Private Client Research – May 15, 2019

## FOUR CONSIDERATIONS FOR COLLEGE PLANNING

There are several investment options to save for college, depending on timing, amount needed and investment risk tolerance. Are you planning for 10+ years from now or in the next 12 months? A public or private university? Is your investment strategy more conservative or more aggressive?

### How soon do I need to plan?

It's never too soon to start. Some families start college accounts for their infants and make monthly contributions, and additional contributions for birthdays and holidays. If your child is school-age, you may want to adjust your plan based on the amount of time left to save.

### How much will I need to save?

This will depend on how long you have to invest and the type of education. Plan to save more with a private university and/or a graduate degree than for a public in-state university or community college. You will also want to consider education type (e.g., secondary, undergraduate, post-grad) length of time (four to five years or longer for undergraduates) and annual tuition increases after adjustment for inflation.

### What is my investment risk tolerance?

In general, the risk is related to return. The higher the risk, the higher the potential return; the lower the risk, the lower the potential return. Investments meeting a long-term goal such as a child's college education are usually adjusted based on the amount of time left until it will be used. In general, the closer you are to your child's college timing, the more conservative the risk tolerance.

### What are my options?

Here are a few investment options to save for college. The rules vary from state to state and there are pros and cons for fees, features, benefits and investment and distribution requirements:

- Mutual funds
- UTMA/UGMA
- Coverdell ESA
- 529 Plan

Depending on the timing and amounts needed, you will also want to know the details of each option including contribution limits, tax benefits, distribution/withdrawal limitations and impact on financial aid awards.

### The bottom line:

Planning for funding your child's education can feel overwhelming and complicated. You will also have questions that will come up including tax considerations, investment options and the impact they will have on financial aid eligibility. Contact us and start planning today.

## AVERAGE COST OF COLLEGE

Average published annual tuition and fees at private nonprofit four-year institutions for 2017-2018 was \$35,830 versus \$10,230 for an in-state public institution or \$3,660 for in-district public two-year community college.<sup>1</sup> This also does not take into consideration room and board and annual price increases after adjusting for inflation.

**Public in-state universities:** 2.5% average increase in tuition and fees before inflation adjustment

- \$10,230/year for tuition and fees
  - \$11,140/year for room and board
  - \$21,370/year total
- x 5.1 years<sup>2</sup> = **\$108,987**

**Public out-of-state universities:** 2.4% average increase in tuition and fees before inflation adjustment

- \$26,290/year for tuition and fees
  - \$11,140/year for room and board
  - \$37,430/year total
- x 5.1 years<sup>2</sup> = **\$190,893**

**Private nonprofit universities:** 3.3% average increase in tuition and fees before inflation adjustment

- \$35,830/year for tuition and fees
  - \$12,680/year for room and board
  - \$48,510/year total
- x 5.1 years\* = **\$247,401**

It's never too early to start planning for your child's education. Call us today to discuss your education planning needs.

Source: <https://trends.collegeboard.org/college-pricing>

\* Based on a definition of 30 weeks as one year, students who completed bachelor's degrees in 2014-15 were enrolled for an average of 5.1 full-time academic years.