



## Spring 2018

### How Company Cash Decisions Impact the Market

By: Ryan Collier, Sr. Portfolio Manager &  
Director of Investment Management

After the election of President Trump in late 2016, people began to speculate about how a corporate tax overhaul would impact the stock market. You may not have thought about it, but how companies use their cash to benefit shareholders can affect the stock market. They can increase dividends or buy back stock. Here's how the market views each method.

#### Paying Out Dividends

Companies can choose to spend their cash by increasing the dividends they pay out to their shareholders. They typically do this in two ways. The first, and most widely used method is to increase the payout of the current dividend. Generally, this is viewed as a positive move. Why? It signals the stock market that management is confident about the future. Dividend increases are usually permanent. Companies decrease dividends only in dire situations since the stock market significantly punishes those that lower their dividends.

The second option is to pay out a special or "one-time" dividend to shareholders. These dividends are normally quite large. The stock market gives a "thumbs up" to this method as well, although it tends to have a limited impact on the price of a company's stock.

#### Buying Back Stock

Another option a company can employ is to use excess cash to buy back its own stock from existing shareholders. In theory, this automatically increases the value of the shares for remaining owners. Here's how it works:

*Prior to Buying Back Shares:* The company is worth \$100,000 and has 100 shares in the market. Each share is worth \$1,000, which represents 1 percent ownership in the company (1/100 shares).

*After Buying Back Shares:* The company buys back 20 shares for \$20,000. Now the company has only 80 shares in the stock market so each share now represents 1.25 percent ownership in the company (1/80 shares).

In this scenario, remaining shareholders should see their shares increase in value by roughly 25 percent since their ownership went from 1 percent to 1.25 percent with the buyback.

How the market views share buybacks is more complicated. Generally this move signals the company is bullish on its stock and the stock market views it as a positive. But it can backfire. In our example, the company bought back its shares at \$100. If stock prices plunge, the company now is worse off because it purchased shares at a higher price.

Here are some share buyback issues the market considers:

- **Is the company being prudent?** A company with a sound share buyback program is viewed more favorably. For example, Warren Buffett once stated that he's only willing to buy back his shares below a certain valuation level. He's not willing to buy the stock if the share price is too high.
- **Does the company have something better to do with its cash?** When a company uses its cash for a share buyback that might indicate it doesn't have internal projects to fund in the pipeline. This triggers doubt about the future growth potential of the stock.
- **Is the company attempting to manage earnings?** This can go hand-in-hand with the



second bullet point. Some companies may be perceived as using stock buybacks to make earnings look better. Remember, because there will be fewer shares in the market anything you look at "per share" appears better.

- **Is the company really reducing the shares in the market?** Many technology companies grant employees shares as incentives. Eventually those shares hit the market, increasing the number of shares outstanding. Some companies use share buybacks as a way to neutralize this impact. In this scenario, the company may not be reducing the number of shares in the market, which could inhibit stock price increases.

As you can see, the market can be influenced – either positively or negatively – by how individual companies use their cash to benefit shareholders. Next time you hear of a company increasing dividends or doing a cash buyback of its stocks, you'll have a better idea of how the stock market views it!

Contact Ryan if you have questions or would like additional information regarding this topic.

#### In This Issue

<b>Feature</b>	<b>1</b>
How Company Cash Decisions Impact the Market	
<b>BLT Corner</b>	<b>2</b>
Spring Into Action!	
<b>Industry News</b>	<b>2</b>
Tariffs and Trade Wars	
<b>GenerationNeXt</b>	<b>3</b>
Bedel Financial's Guide for First-Time Homebuyers	
<b>Q&amp;A</b>	<b>3</b>
Your Roth Account and the 2018 Rule Changes	

BFC is proud to be  
named one of  
Indiana's Best Places  
to Work for 2018!

# BLT Corner

## Spring Into Action!



As Leo Tolstoy stated in his novel, Anna Karenina, "Spring is the time of plans and projects." Bedel Financial not only excels at completing plans and projects for our clients, we are adept at completing our own plans and projects. For example, we hosted our annual Ladies Luncheon on April 19. It featured speaker Erin Fischer, who focused on "authentic confidence for women."

But our biggest project wrapped up on May 1, when we moved into our new office at 8940 River Crossing Boulevard. During the process, we did some spring cleaning and donated many items to Coburn Place and Goodwill. Coburn Place will use the donated items to furnish apartments for victims of domestic violence. Goodwill will use the proceeds from the items to fund their many worthwhile projects.

We are thrilled to be all together in one space that is welcoming and accommodating. Hopefully you will feel the same way. Come to our Open House on June 19 and see for yourself! But it's more than an Open House. We will also celebrate Bedel Financial's 30th Anniversary. (Look for your invitation soon!) Elaine officially started the firm on January 1, 1989 in her home office. Since then, Bedel Financial has enjoyed tremendous growth and success, and we are proud to be part of it.

On the topic of growing, the financial planning team added a new member, Mathew Ryan, CFP®. His role is to assist the team with research and intricate financial planning strategies. We also hired interns David Grandy, Kristen Wagner and Evan Peadody. They will assist our staff in completing outstanding projects so we can serve you better. Bedel Financial is excited to welcome Mat to the BFC family and to help college students learn more about the wealth management industry.

Do you have any outstanding financial plans or projects? "Spring" on in to our new office - your BFC team is up to the task!

With warmest regards,

*The Bedel Leadership Team*

**Evan Bedel, CFP®**

*GenNeXt Advisor, Director of Strategy & Finance*

**Meredith Carbrey, CFP®**

*Sr. Wealth Manager*

**Ryan Collier**

*Sr. Portfolio Manager, Director of Investment Management*

**Kathy Hower, CFP®**

*Sr. Wealth Manager, Director of Financial Planning*

**Cassi Vanderpool**

*Director of Administration, Chief Compliance Officer*

**Bill Wendling, CFA**

*Sr. Portfolio Manager, Chief Investment Officer*

**Be sure to follow us on social media for important industry updates, relevant articles, announcements and more!**



## Industry News

### Tariffs and Trade Wars

By: Mathew Ryan, CFP®  
Financial Planning Specialist

Governmental commentary, proposed legislation and executive orders can throw both domestic and global markets into a frenzy. Recently, President Trump bypassed Congress and, through executive order, signed proclamations that will impose tariffs on imported steel and aluminum (25 percent and 10 percent respectively). His stated goal was to create U.S. jobs in those industries and reduce the trade deficit. Those tariffs may be the tip of the iceberg. As of this writing, plans are in the works to levy additional tariffs on a variety of imports, mainly from China. That could have a significant impact on the market landscape.

#### The Potential Consequences of Trade Wars

Many experts have speculated that countries that export goods to the U.S. may retaliate by sanctioning their own round of tariffs – some countries have already done so. If they go through with it, we could become involved in a trade war. American consumers would feel the pain in their pocketbooks as prices rise on goods and materials from abroad. Negotiations

are still progressing, so we don't yet know the long-term benefits and ramifications to the U.S.

When the U.S. imposes tariffs, the likely benefactors will be U.S. aluminum and steel manufacturers. As their competitors are stifled at the global level, demand for domestic production will rise, giving these industries more flexibility in the prices they can charge. All else being equal, this will lead to increased profitability and potentially stronger performance in the short- and intermediate-term for these particular industries. Another benefit: The demand for labor will create new jobs.

Negative by-products of the U.S. tariffs are increased production expenses within other industries and decreases in down-stream jobs, such as automakers. As companies' unit costs spiral upward, the natural, and likely, response will be to pass the costs onto consumers or scale back their workforce. However, the long-term impacts in these scenarios are still speculative, at best.

#### Impact on North American Free Trade Agreement (NAFTA) Partners

Canada and Mexico are currently on the list

of those impacted by the tariffs, although both are currently on the temporary exempt list until May 31st. Canada is the United States' largest source of steel, and the U. S tariff could have a major impact on trade between our two countries. Although North American countries weren't the intended targets of these initial sanctions, the final outcome of this potential standoff will likely leave a lasting imprint on global trade.

#### The Bottom Line

What's important to remember is that the U.S. economy is currently on solid footing. The labor market is strong, inflation is well-contained, and corporate earnings are solid. When you hear about the possibility of a trade war, consider that there can be smoke without a fire.

Contact Mathew if you have questions or would like additional information regarding this topic.

**Don't forget - We've Moved!**

You can now visit us at:  
8940 River Crossing Blvd, Suite 120  
Indianapolis, IN 46240

# GenerationNeXt

## Bedel Financial's Guide for First-Time Homebuyers

By: Kate Arndt, CFP® Candidate  
Financial Planner

Spring is here! That means it's primetime for the housing market. According to NewHomeSource.com, the nation's largest new home search site, nearly twice as many home shoppers turn out in June than they do in January. It's exciting to shop for a new home – especially when it's your first! But keeping the following tips and guidelines in mind when you're shopping will help you get a better financial deal.

### Don't Get Caught in a Bidding War

Some housing markets are red hot. In a red hot housing market, sellers have a greater chance of receiving their asking price because buyers are competing with each other. Be careful when entering a bidding war. You may end up with the house of your dreams and the mortgage payment of your nightmares! According to CoreLogic, a real estate information provider, almost one in five mortgages originated over the past winter have monthly payments greater than or equal to 45 percent of monthly income. The rule of thumb is to keep mortgage payments no higher than 28 percent of your monthly income. Know what you can afford and stick to that price range!

### Avoid Private Mortgage Insurance

The age-old rule of home buying is to make a down payment of at least 20 percent of the purchase price. This shows your mortgage lender that you are serious about home ownership. If you fail to put 20 percent down, you are subject to private mortgage insurance (PMI), which is an additional amount added to your monthly mortgage payment. The PMI goes away once you have 20 percent equity in your home.

Fortunately, not all buying scenarios require 20 percent down. The Federal Housing Authority (FHA) insures loans in which the borrower needs just 3.5 percent for a down payment. Keep in mind that PMI is required throughout the life of the loan. Some lenders also offer special mortgages for certain types of borrowers, such as new medical doctors or veterans.

### Set Aside Dedicated Funds

Saving for a down payment takes diligence and commitment. Don't cut corners by dipping into your emergency fund or wiping out all of your savings to fund your down payment. Homeownership involves much more than making a mortgage payment. The property taxes, homeowners

insurance, repairs, lawn care and furnishings won't pay for themselves!

When it comes time to buy your first home, don't start without having a game plan. Make sure your savings account contains adequate money earmarked for a down payment, and stick with homes in your price range. Your wallet will thank you!

Contact Kate if you have questions or would like additional information regarding this topic.

As a reminder, our open house to celebrate our 30th anniversary and new offices will be on Tuesday, June 19<sup>th</sup>. Invitations were sent out in early May, so be sure to check your mail and email!

## Q&A

### Your Roth Account and the 2018 Rule Changes

By: Ryan Collier, Sr. Portfolio Manager &  
Director of Investment Management

The rules regarding Roth accounts received an overhaul as part of the tax law changes enacted this year. Here's what you'll need to know to keep from getting caught by surprise!

#### Q: What are the new Roth conversion rules?

A: Starting in 2018 you are no longer allowed to "unwind" or undo a conversion of dollars from an IRA to a Roth account once it's completed. Previously you could convert dollars from your IRA to your Roth at any time during the calendar year. You also had until your tax-filing deadline, including extensions, to unwind that transaction. The old rule gave you the flexibility to convert dollars to a Roth from your IRA and see the impact on your taxes. You could then decide to keep the conversion in place or unwind some or all of it.

#### Q: What is the tax impact?

A: You are allowed to convert dollars from your IRA to your Roth account at any time during the calendar year. As mentioned previously, once that conversion is completed you cannot undo it. It is permanent. You need to have a clear understanding of your tax situation and how the Roth conversion will impact the outcome before moving forward. Remember, any pre-tax money converted from an IRA to a Roth is considered taxable income and will be treated as such on your tax return.

#### Q: What about money you converted in 2017?

A: Any conversions made in 2017 fall under the previous Roth conversion rules. This means that for this year, at least, you have until your tax-filing extension deadline to unwind the 2017 transaction, if you wish.

#### Q: How do the new rules affect my Roth contributions?

A: The rules remain the same for Roth contributions. You are still allowed to unwind a Roth contribution up until your tax-filing deadline, including extensions. If you make a Roth contribution in 2018 and later realize you didn't qualify, you can unwind that transaction. The income limitations to make direct Roth contributions in 2018 are modified adjusted gross income up to \$189,000 for married filing jointly and \$120,000, for filing single or head of household.

Contact Ryan if you have questions or would like additional information regarding this topic.

- **Save the Date! Our annual Shred Day will take place on Saturday, September 22<sup>nd</sup>, from 9:00 a.m. - 12:00 p.m. Details will follow by email early this summer, so be sure to check your inbox!**



Presorted  
First Class  
U.S. Postage Paid  
INDIANAPOLIS, IN  
Permit No. 9395

### Contact Us!

8940 River Crossing Blvd., Suite 120  
Indianapolis, IN 46240

**Phone:** (317) 843-1358

**Toll Free:** (888) 843-1358

**Fax:** (317) 574-5999

**Web:** BedelFinancial.com

Twitter: Twitter.com/BedelFinancial

FB: Facebook.com/BedelFinancial

LinkedIn: Bedel Financial Consulting, Inc.

### Corporate Calendar

**Bedel Financial Consulting will be closed  
for business on the upcoming days:**

<b>May 28</b>	<b>Memorial Day</b>
<b>July 4</b>	<b>4th of July</b>
<b>Sept. 3</b>	<b>Labor Day</b>
<b>Nov. 22</b>	<b>Thanksgiving Day</b>
<b>Nov. 23</b>	<b>Day After Thanksgiving</b>
<b>Dec. 25</b>	<b>Christmas Day</b>

Please remember that past performance may not be indicative of future results. You should not assume that any information or any corresponding discussions serves as the receipt of, or as a substitute for, personalized investment advice from Bedel Financial Consulting, Inc. Portfolio Managers. The opinions expressed are those of Bedel Financial Consulting, Inc. and are subject to change at any time due to changes in market or economic conditions.

## Our Staff

### Kate Arndt, CFP® Candidate

Financial Planner  
karndt@bedelfinancial.com

### Elaine E. Bedel, CFP®

CEO & President  
"Executive On Loan"  
ebedel@bedelfinancial.com

### Evan D. Bedel, CFP®

GenNeXt Advisor &  
Director of Strategy and Finance  
evbedel@bedelfinancial.com

### Meredith Carbrey, CFP®

Sr. Wealth Advisor  
mcarbrey@bedelfinancial.com

### Ryan Collier

Sr. Portfolio Manager & Director  
of Investment Management  
rcollier@bedelfinancial.com

### Dave Crossman, CFA

Sr. Portfolio Manager  
dcrossman@bedelfinancial.com

### Kristina Dougan

Operations Specialist and  
Investment Assistant  
kdougan@bedelfinancial.com

### Cindy Garman

Administrative Coordinator  
cgarman@bedelfinancial.com

### Alex Golding

Operations Specialist and  
Investment Assistant  
agolding@bedelfinancial.com

### Anthony Harcourt

Portfolio Manager  
aharcourt@bedelfinancial.com

### Amy K. House

IT & Digital Marketing Specialist  
ahouse@bedelfinancial.com

### Kathryn J. Hower, CFP®

Sr. Wealth Advisor &  
Director of Financial Planning  
khower@bedelfinancial.com

### Jonathan Koop, CFA Candidate

Portfolio Manager  
jkoop@bedelfinancial.com

### Sarah Mahaffa, CFP®

Sr. Wealth Advisor  
smahaffa@bedelfinancial.com

### Patricia Norton

Receptionist/  
Administrative Assistant  
pnorton@bedelfinancial.com

### Mathew Ryan, CFP®

Financial Planning Specialist  
mryan@bedelfinancial.com

### Austin Stagman

Investment Analyst  
astagman@bedelfinancial.com

### Deanna Turner

Client Relations & Marketing Specialist  
dturner@bedelfinancial.com

### Cassi Vanderpool

Director of Administration, CCO  
cvanderpool@bedelfinancial.com

### Abby VanDerHeyden, CFP®

Financial Planner  
avanderheyden@bedelfinancial.com

### William J. Wendling, CFA

Sr. Portfolio Manager, CIO  
bwendling@bedelfinancial.com