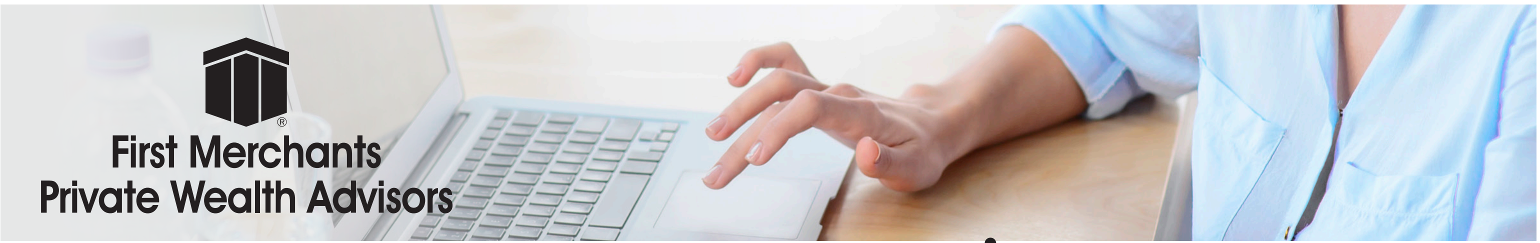

PRIVATE WEALTH *perspectives*

VERSION 18.3

I hope this edition of Private Wealth Perspectives finds you immersed in the joys of summer. It has been a busy few months for our practice as we have completed our data integration with the iAB Wealth management team and now have fully integrated Fort Wayne. The value they have brought to our team at First Merchants is commensurate with the value they have delivered for their clients for decades. We are very excited to be so well represented in Fort Wayne.

It has been an interesting few months in the world of wealth management. We are dealing with a rising rate environment, although measured, for the first time in many years. Tax law changes are driving a re-visit of client's financial and estate plans, while equity and bond markets continue to search for momentum one way or another. Hopefully a few of the articles this month demonstrate how our team continues to stay focused on the forces affecting our client's financial future. From Estate Planning in the Digital Age, Revisiting 2012 Fee Disclosures for 401(k) plans and The Importance of Free Trade, this issue promises to provide relevant information for everyone.

Thanks for choosing us as your partner.

INVESTMENT MANAGEMENT

The Importance of Trade

An important part of our jobs is to separate noise and biased nonsense from the underlying truths and realities that might make a difference in how we view the near future. In the daily tug-of-war between the objective and subjective, we almost always side with the objective, and only maybe will allow our collective experience in this business to regard and entertain the subjective. We prefer accurate data and statistics as opposed to innuendo and a runaway case of cause-and-effect.

Much has been made in the media regarding a trade war. Last Friday at 12:00 midnight the United States imposed 25% tariffs on $34 billion of Chinese goods, which was quickly matched by the Chinese in retaliation. Discussion and debate with my colleagues here over the years leads me to believe we are all free market oriented, and this is certainly a disappointment to us. Economic history clearly reveals that mankind's ascent into the Middle Ages and beyond was greatly aided by open markets and trade, and remains so to this day.

At the same time we'd like to put a few things in perspective, starting with scale. In 2017 Nominal Gross Domestic Product in the U.S. was $19.4 trillion, while China weighed in at $12.2 trillion. Assuming my zeroes are correct, we could impose tariffs on China 357.8 times, while China could retaliate 569.6 times over. Our economy produces approximately $53 billion per day. While the goal here is not to make light of a potentially serious issue, the reality is that size-wise this isn't even a shot across the bow. When we read articles attempting to relate this to the Smoot-Hawley Tariff Act of 1930 we can only roll our eyes. These writers have a political axe to grind, have never seriously studied the Great Depression, and/or believe their audience possesses very little intellectual firepower.

Thus far, real-time indicators are not reflecting any disquieting evidence. Shipping rates (aside from crude oil shipping rates) and ship charters are still high, container board demand is still very high, and the supply-demand imbalance that haunted crude oil the past few years has abated as demand has steadily increased. Copper prices are now in the mid-$2.80's per pound, but they have struggled with the $3.00 area for months now. Other commodity prices are still holding their own.

Our GDP for the 2nd quarter is expected to grow by 3.8%, with many believing it could be above 4%. While this is a number based on the past, it would indicate positive momentum. As well, where European statistics started to get weaker two months ago, they again have picked up, particularly in Germany.

Since the tariffs began three trading days ago, the S&P 500 has risen 2.09%, one of the best three-trading-day sequences this year. Interest rates remain steady in the face of the Fed's tightening plans, and the US Dollar continues to strengthen, counter to predictions at the beginning of the year.

We do not wish to make light of current events. One American financially damaged by them is one too many, and I have clients in manufacturing who have already been hurt. Likewise, our agrarian State is exposed to retaliation. The bulk carrier Peak Pegasus, laden with soybeans was 45 miles from port in China when the tariffs went in place. On Monday it was idle offshore, and will now be subject to a 25% tariff, or be forced to another port.

So far, sticking to what we know to be true, rather than paying attention to blatant headlines, has worked well, as we have stayed the course. We have concerns, especially as time passes and bad feelings fester. But for now we'll pay attention to the economy and watch real-time indicators, which tend to tell a truer story. As always, please call or email with any questions or concerns.

PERSONAL TRUST

Happy New (Tax) Year!

A generation ago, a postman delivered your mail, you kept photos in albums, documents in file cabinets, and your money was generally in an account at the local bank. For most people today, a good part of their life is digital and online. This can include digital photographs, electronic investment and bank account statements, e-mails, social media accounts and so on. For many, their primary means of communication is e-mail or instant messaging, often through multiple accounts. They tweet about the latest happenings and they keep in touch with friends and colleagues through social networking sites. They store important information and family photos online and they pay their bills electronically. These so called Digital Assets have become a large part of most people's day to day lives.

Because individuals protect their digital assets with passwords often known only to themselves, this can create problems when the account holder dies or becomes disabled because no one has a way to access these accounts. As a result, digital assets, including online accounts, information, documents, or media stored on one's computer, can be either unavailable or totally lost. Some service providers like Apple and Google have explicit policies on what will happen when an individual dies, but most do not. Even when these policies are included in the terms of service, most people click-through these agreements without ever reading them.

While estate planning has traditionally not been an area where modern technology has had much impact, Indiana has in the last few years jumped to the forefront in adopting its legal system to work in an increasingly digital world. In 2016 Indiana enacted the Uniform Fiduciary Access to Digital Assets act. This law basically gives a guardian, executor, trustee or other person charged with responsibility for managing the affairs of another, with the right to access that persons digital assets when the owner dies or becomes disabled.

Effective July 1st of this year Indiana has amended it probate, trust and power of attorney statutes to allow for the electronic signing of will's, trust agreements and powers of attorney. While pen and paper documents can still be drafted, this law allows for the electronic signing, witnessing and storage of these important estate planning documents. Indiana is now one of only two states that have addressed this issue which is starting to spread nationwide.

As the world becomes more and more digital and electronic, the need to adapt your estate planning to modern technology is ever more vital. First Merchants Private Wealth Advisors can help you navigate these new digital rules in your pursuit of a secure financial future. Please feel free to contact us if you have questions about managing your digital assets.

David Forbes

RETIREMENT PLAN

Revisiting 2012's Retirement Plan Fee Disclosure Rules

Are your retirement plan fees clearly identified and understandable? They should be. Thanks to the not-so-new 2012 fee disclosure rules, the curtain was pulled on all retirement plan related fees. Knowing exactly what you were paying was sometimes a mystery, so disclosure reform was needed. Having the newly disclosed information fixed the confusion, right? Not exactly. Taking a fee schedule and applying it to your plan can still prove to be a challenge. I call it "scuba diving in the 401k fee swamp".

When doing a plan review for a client, we show each itemized fee totaled into an all-in cost. What's the bottom line? When shopping for a car, your eye immediately finds the bottom line price when looking at the window sticker, and retirement plans are no different. An all-in cost makes it easier to compare your fees against a competing quote or a benchmark.

Why is periodically benchmarking your plan fees important? Simple; the retirement plan business is competitive and fees can widely vary. So, if you've had the same fee schedule for the last 3+ years, it's likely your current provider has revised their current fee schedule more favorably. Their new clients may be getting a better deal than you.

EXAMPLE:

Using our current pricing model, we would quote a plan with 50 participants and $1.25 million in assets at 0.85% all-in. This is based on the industry's most common investment allocation.

Annual 5500 Preparation	$	500.00	0.04%
Annual 3(21) or 3(38) Fiduciary Services		WAIVED	0.00%
Annual FMPWA Asset Charge: 0.55%	$	6,875.00	0.55%
Annual RK Cost ($50 x per participant)	$	1,250.00	0.10%
Annual investment Expense	$	2,932.85	0.23%
Estimated Annual Sub-Ta Rebate	$	(875.00)	-0.07%
All-In Plan Cost	**$**	**10,682.85**	**0.85%**

By comparison, www.401ksource.com shows the average all-in fee being 1.51% for the same plan. (a difference of $8,250 annual savings).

If you haven't reviewed your current retirement plan in the last 3 to 5 years, now may be the time. Contact one of our Retirement Plan Advisors to get started on a review today.

Source: 401k Average Book – 2018 Edition