

As unpredictable as the weather

Many of us have been following the active hurricane season over the past two months. Our thoughts and prayers go out to the families who have suffered the devastation from multiple storms in the Caribbean, Florida and Texas. In watching Hurricane Irma's path toward the east coast of Florida shift in one day to the west coast of Florida, we thought about the massive effort of our friends who evacuated their homes in Ft. Lauderdale to move to a "safer" west coast, only to find themselves in harm's way again in Naples. We also would like for everyone to remember all of the victims of the devastating tragedy in Las Vegas which further reminds us of the fragility of life.

As hurricanes can be unpredictable, so can our lives. To prepare for the unpredictable nature of living in a storm-prone area, it's good practice to have a supply of water, flashlights, a first aid kit and extra food. Life events can sometimes be as unpredictable as the weather. Sudden illness, death of a family member, child births, unexpected job loss or failure of a business can all take us by surprise. Having your financial lives organized will help prepare you for the unexpected.

Among the items to have in your "tool kit" for the unexpected, we think you should have:

- A financial plan that considers alternatives for the future
- A will and health care directive
- A life insurance policy appropriate for your stage of life
- Sufficient liquid funds for unexpected loss of income for you or your spouse

At Lucas Capital we can help with the organization of your financial "toolkit" so you can be as prepared for the unpredictable as possible.

The Stock Market remains strong

The US and world economies continue to grow at reasonable rates. The World Bank forecasts world economic growth at 2.7% in 2017 and slightly higher in 2018 and 2019. The fastest growth regions are in Asia with China expected to post a 6.9% GDP growth in 2017 (1). Though the US is slower growing than China, our 2% growth rate, good employment data and anticipation of a new tax code provide a backdrop for a strong stock market. The S&P 500 continues the uptrend with gains in the 3rd quarter making 2017 the second straight year of positive stock market gains (2).

On the interest rate front, the FED announced that they will keep the short term interest rates steady in September but start reducing their bond holdings in October. As the FED stops being a buyer of bonds, we may finally see longer term interest rates start to increase above the

historically low levels that we have lived with over the past 4 years. Some criticize the FED for too much stimulus (low rates and quantitative easing) for too long, but we believe that this accommodate policy has been a key underpinning for the slow glide-path to recovery that we have seen over the past 6 years. Since we fully believe that stock market growth is tied to economic growth, we can thank Chair Yellen for the nice gains we see in our investment accounts.

When will the Market Correction happen?

No market will move up forever. We have seen a steady rise in the stock market with the S&P 500 hitting 2,519 at the end of the 3rd quarter up from a low of 677 on March 9, 2009 (3). Over these past 8 years we have suffered four corrections where the market dropped more than 10%. In mid-2015 there was a 12.4% decline, and then again at the end of 2015 we suffered a 13.3% drop (4). Smaller downturns over the past 18 months have not deterred the general direction being up. We do not know when the next stock market decline will come. For as many pundits who are calling for short-term market corrections, as many are saying that stocks could continue to go for another 2 years before we see a major downturn. Our view is that short term market moves are unpredictable, while longer-term the stock market moves with the economy. Having a reasonably good economic backdrop, we remain optimistic that the US stock market will continue to grow. However, since it's been 2 years since we have seen the last correction, it wouldn't be surprising to us to see some sort of pull back in the coming year.

Roll Over IRAs

If you have changed jobs, retired, or left part of your savings at a former employer's 401(k) or 403(b), we can help simplify your finances by consolidating them into a Rollover IRA. Your IRA can accept rollover contributions from most other retirement programs which you may have accumulated over the years. There are benefits to managing the investments as one larger pool of capital rather than smaller individual accounts. Also, when it's time to make Required Minimum Distributions, there is streamlining by having the payment come from one account. We would be happy to help simplify your life by consolidating accounts for you.

As year-end approaches we can help with your tax strategy

Tax Reform is one of the hottest topics in Washington with the recent release of the President's tax reform proposal. It's likely to be months before we see legislation or a new tax code but there is a possibility that 2018 tax rates will be different than 2017. From our understanding, changes to capital gains tax rates are not in the proposal. As we approach year end, we will care-

fully evaluate any tax loss harvesting that we can complete to minimize your 2017 taxable income. Please feel free to give us a call if you would like to discuss your tax situation, or if we can help with your tax planning.

We appreciate your continued trust in Lucas Capital Management and look forward to helping you in any way we can.

Ralf, Rob, Brett, and Bruce

Sources:

1. <https://www.reuters.com/article/us-china-economy-imf/imf-raises-china-2017-growth-forecast-again-partly-due-to-policy-support-idUSKBN1950KR>
2. Morningstar. <http://performance.morningstar.com/Performance/index-c/performance-return.action?t=SPX>
3. Reuters
4. <https://www.yardeni.com/pub/sp500corrbeartables.pdf>

Be sure to let us know if your family circumstances have changed in a way that could alter your investment profile and objectives. We welcome your questions or comments, or would be happy to review your financial situation or portfolio at your convenience. A copy of Lucas Capital Management, LLC's ADV Part II is always available upon request.

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