

THE COMMUNIQUE

April 2022

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	4481.15	-1.09%	-1.09%	-5.98%
Dow Jones Industrials	34496.51	-0.52%	-0.52%	-5.07%
NASDAQ Composite	13888.82	-2.33%	-2.33%	-11.23%

U.S. TREASURIES	YIELD
5-yr Treasury Note	2.68%
10-yr Treasury Bond	2.59%
30-yr Treasury Bond	2.61%

Information as of April 6, 2022

Source: Thomson Reuter's Thomson One

MARKET COMMENT

Discovery

You may have noticed over the past few months that our market comments have taken a slightly negative tone, particularly regarding supply chain disruptions, monetary policy changes, consumer price increases, tighter energy supplies, declining stock market prices, and, recently, the Ukraine/Russian war. Yes, these are all serious factors that could lead to a bear/severe stock market decline, however, the market might be trying to discover a new path leading us to positive returns. So, let's take a positive approach to the possibility of a new era in our economy and the investment markets.

Due to inflation, the Federal Reserve will be ushering in a new era of interest rate increases that will affect consumer financing. For instance, demand within the housing market will likely fluctuate – likely seeing a temporary decline in purchases, but consumers tend to adjust to higher mortgage rates over time and demand may resume. The syllogism is never as simple as rates go up, buyers disappear, and home sales take a sizable hit. Rather, history suggests that it is more of a process of buyers adjusting to new finance costs over time. We purchased our family home in 1984 with a 13.5% mortgage rate – consumers always seems to adjust with time and a new normal takes hold of the consumer psyche.

Along with rising mortgage rates, consumers have also seen increases at the gas pump, super markets, and on most consumer products. This will lead consumers down a path of choices as their disposal income continues to shrink. So while consumers will have to pay more for their gasoline, which could lead to some sectors of the economy seeing declining demand, such as reduced dining at restaurants, today's rising incomes could offset some of these inflation-driven prices increases.

Declining stock market values have been uncomfortable through the early part of the year, but the process of discovery, which adjusts prices for the changing economic conditions, generally provides the pathway for future increases. So yesterday's winners might become today's loser and previously out-of-favor sectors may come into vogue. A great example thus far is some of the technology "darlings" of yesterday falling out-of-favor to oil companies. We may continue to see this type of rotation with other sectors and companies over the next several months. History does provide us with a template of prior discovery periods – where changes take place in the financial markets due to perceived negative factors, such as rising interest rates, inflation, wage increases, and unstable geopolitics. These perceived negatives, and the markets adjustment to them, frequently leads to future positive economic times. The proverbial "fly in the soup" typically starts the process, which is uncomfortable, but necessary for future positive times.

As always, time will tell, and we shall adjust no matter what's in store. Thank you for your continued trust, and confidence

PLANNING STRATEGY

Raymond James "Point of View" article. M21-3510883

Mitigating Surtaxes Faced by High-Income Earners

Every investor should have a thoughtful tax strategy, and for those that exceed certain income thresholds, proactive planning is all the more important.

Individual taxpayers with modified adjusted gross income (MAGI) of \$200,000 face a 3.8% **net investment income tax** on the lesser of their net investment income amount or the amount by which their MAGI exceeds that \$200,000 threshold. For couples filing jointly, the threshold is \$250,000. These taxpayers are also subject to a 0.9% **additional Medicare tax** on wages and self-employment income over the same amount.

Talk to us, along with your accountant or tax advisor, to identify and implement the strategies that are most advantageous for your situation.

Here are some options to consider.

Improve your portfolio's tax efficiency

To get a sense of your annual tax liability, review your portfolio's turnover ratio (the percentage of your holdings that have been replaced in a given year) and historical distributions. Then, work with your advisor to evaluate your investments, review your after-tax returns and consider opportunities to improve efficiencies.

Steps that may help to reduce taxes include tax-loss harvesting – selling securities at a loss to offset capital gains taxes – and rebalancing your portfolio to include more tax-advantaged investments, such as municipal bonds, in higher-taxed locations.

Capitalize on employer benefits

If your employer offers a salary deferral plan like a 401(k), SIMPLE IRA, 403(b) or 457 plan, maximize your contributions to reduce your adjusted gross income and taxes over the long term. Similarly, if you're eligible, maximize contributions to an employer Supplemental Employee Retirement Plan (SERP) to reduce your taxable income now and defer the compensation into later years when your tax rate may be lower.

Another often-overlooked benefit is an employer health savings plan or flexible spending account. Contributions use pre-tax dollars, reducing your taxable income.

Develop a charitable giving plan

Charitable giving can reduce your tax burden while benefitting your favorite causes. Consider:

- Giving appreciated securities to avoid capital gains, which increase your net investment income
- Bunching several years' worth of donations into one year to exceed the standard deduction, making itemizing advantageous, and taking the standard deduction in the years that follow
- Establishing a donor-advised fund to make future donations and claim the current income tax deduction
- Contributing highly appreciated assets to a charitable remainder trust (CRT) to defer recognition of income over time

While these tax planning strategies may help you to reduce your overall tax bill, don't lose sight of your risk tolerance and long-term financial goals.

The process of rebalancing may result in tax consequences. While interest on municipal bonds is generally exempt from federal income tax, it may be subject to the federal alternative minimum tax, or state or local taxes. Profits and losses on federally tax-exempt bonds may be subject to capital gains tax treatment. In addition, certain municipal bonds (such as Build America Bonds) are issued without a federal tax exemption, which subjects the related interest income to federal income tax. Withdrawals from qualified accounts may be subject to income taxes, and prior to age 59½ a 10% federal penalty tax may apply.

LIFE & LEISURE

Raymond James "Point of View" article. M22-4550431

10 Things Your Kids Don't Want When You Downsize

Between COVID-19 quarantine and spring cleaning, now is a popular time to organize and declutter. But if you're making a list of items for your kids or grandkids to pick up, you might want to establish a backup plan.

According to Elizabeth Stewart, author of "No Thanks, Mom," children of baby boomers aren't interested in upsizing as their parents downsize. If your kids tend to favor the phrase "less is more" when it comes to possessions, check out this list of 10 items they probably don't want – and learn what you can do with them.

1. Books

Check biblio.com for information about your books. If it's rare or valuable, call a book antiquarian. Otherwise, ask libraries, schools or charitable organizations like Ronald McDonald House if they can use them.

2. Paper

This includes old photos and greeting cards. Digitize family photos, but keep the prints for those that are linked to a celebrity or historical moment, Stewart suggests. There might be a market for your historical snapshots among greeting card publishers and image archive companies. Other options include your local historical museum or county archives. The Center for American War Letters at Chapman University might be interested in any war letters and memorabilia.

3. Trunks, sewing machines and film projectors

They're probably not valuable unless made by a renowned company. Consider donating these items.

4. Porcelain figures and decorative plates

Precious Moments figures may not be precious to your loved ones, but an assisted living facility may appreciate them for gift exchanges. Figurines that trigger fond memories may deserve a photo shoot with a professional photographer so you or your kids can continue to enjoy them without having to dust them.

5. Silver-plated objects

Unless your serving pieces and silverware are from a manufacturer along the lines of Tiffany or Cartier, consider donating them.

6. Sterling and crystal

Many families appreciate these as heirlooms. But if your family doesn't, check sites like replacements.com, which matches folks with pieces that will round out their collection.

7. Fancy dinnerware

The next generation likely isn't interested in hauling out a full service for holiday meals. Again, consider selling to a replacement matching service.

8. Dark brown furniture

There's still a market, likely secondhand stores or antique lovers who may look to upcycle your pieces for the modern aesthetic. But don't expect much if you choose to sell. Stewart suggests you'll receive about a quarter of the purchase price. Mid-century pieces should fetch higher prices if you decide to sell those.

9. Persian rugs

High-end pieces are still selling in high-end places, like Martha's Vineyard. Otherwise, your best bet may be to donate them.

10. Linens

If your children don't want the delicate textiles, see if you can find someone who repurposes hand-embroidered work into special-occasion garments, like christening gowns. Theaters and costume shops may also appreciate them.

It can be emotional to sort through a lifetime of where we've been, even when it means clearing a path for the future. Loved ones and friends might be willing to lend a more objective eye as you cull – consider setting up a video chat or having a visit to show your items, share stories and hear their opinion. Make sure you're willing to return the favor, too.

If you need even more objectivity, find a professional through the National Association of Senior Move Managers whose job it is to help people downsize. There are also companies that specialize in managing estate sales to help you manage the task.

Quote of the Month: "Man cannot discover new oceans unless he has the courage to lose sight of the shore" – Andre Gide

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Planning - [Mitigating surtaxes faced by high-income earners \(raymondjames.com\)](https://www.raymondjames.com)

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