GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

April 2024

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	5202.39	-0.99%	-0.99%	9.07%
Dow Jones Industrials	38892.80	-2.30%	-2.30%	3.19%
NASDAQ Composite	16253.96	-0.77%	-0.77%	8.28%
New York Stock Exchange	18154.37	-0.86%	-0.86%	7.72%

U.S. TREASURIES	YIELD
2-yr Treasury Note	4.79%
10-yr Treasury Bond	4.42%
30-yr Treasury Bond	4.55%

Information as of April 8, 2024 Source: FactSet

MARKET COMMENT

Putting All the Pieces Together

As most know, the stock market is off to a roaring start in 2024 due to relatively good earnings in the 4th quarter of 2023, strong employment, a resilient consumer, declining inflation, and the anticipation of Federal Reserve interest rate cuts. But how do all these pieces fit together to propel the market onward?

According to the Bureau of Labor Statistics, inflation averaged an annual rate of 3.52% from 1960 to 2023. These 63 years include periods of high inflation (like the late 1970's into the early 1980's) and periods of very low inflation (like 2010 – 2017), offering a good representation of what our economy has and will experience in the future. The current inflation rate is running slightly below the long-term average at 3.2%. It seems to us that the high inflation experienced over the last few years was caused by excessive U.S. Government fiscal and monetary stimulus during the pandemic. The economy is now adjusting back down to its average due to the rising interest rates – and no additional stimulus.

This leads us to the potential upcoming Federal Reserve interest rate cuts that the stock market has anticipated for the past few quarters. This anticipation seems to be the main driver of the strong stock market rally that started back in November of 2023 and based upon the yield curve, which is still inverted, short-term rates really do need to decline to recalibrate the yield curve in a positive direction (where short-term rates are below long-term rates). However, some investors still have concerns that inflation remains "sticky" and may start to increase again, which would delay interest rates cuts and likely lead to a rather healthy stock market decline and potential slowing of our economy.

Finally, due to the strong U.S. employment picture, the consumer is still alive and well – even with the higher interest rates on autos, homes, and consumer debt. Consumers somehow adjust mentally and financially to higher interest rates. For instance, there may be pauses in purchasing, but they usually adjust and continue spending, which leads to continued rising earnings for corporate America. Also, if interest rates do decline, we may experience a rise in consumer demand, which would show up in corporate profits – the lifeblood of the stock market.

As always, we appreciate your continued trust and confidence. Thank you.

PLANNING STRATEGY

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RMD Rules Delayed for Inherited IRAs … Again?

If you've recently inherited an IRA or are set to inherit one soon, you need to know that the rules surrounding IRA inheritances have become more complicated for some designated beneficiaries. Most notably, a "10-year rule" applies to most non-spousal beneficiaries who receive inherited retirement accounts. This rule requires that beneficiaries of IRAs must liquidate the entire account by the end of the 10-year anniversary of the IRA owner's death. However, proposed Treasury regulations require that beneficiaries under this 10-year clock, who inherit from an IRA owner who died after their Required Beginning Date, to take annual Required Minimum Beneficiary Distributions (RMBDs) in years 1-9. These proposed regulations have left taxpayers unsure if they're required to follow them and take an annual RMBD.

What's going on

The 10-year rule went into effect for most non-spousal beneficiaries who inherit IRAs after December 31, 2019. Most industry professionals believed that the 10-year rule only required the account to be fully distributed by the end of the 10th year, without annual distributions. But a proposed 2022 regulation added a required minimum beneficiary distribution to the equation for a subset of IRA beneficiaries: specifically, designated beneficiaries who inherit from an IRA owner who died after their Required Beginning Date. These beneficiaries will have to make an annual RMBD. If you an inherit from an IRA owner who died before their Required Beginning Date, only the 10-year rule applies, but there's no RMBD.

RMBDs require you to withdraw funds at a specified amount and if not taken, penalties will apply. Since the 2022 proposed regulations took taxpayers and industry professionals by surprise, the IRS has issued penalty waivers for those individuals possibly affected by the proposed regulations, which also gives the IRS more time to issue final regulations.

How we got here

Beginning with the SECURE Act of 2019, the IRS applied stricter distribution rules on those inheriting IRA accounts by implementing a 10-year rule for most non-spouse beneficiaries, significantly reducing the distribution timeframe.

In February 2022, the IRS proposed an additional regulation that would impose both a 10-year rule and RMBDs on anyone who inherited an account from someone who was already past their own required beginning date.

It's not difficult to see the problem: The IRS released proposed regulations in 2022 that applied to a group of beneficiaries that inherited them in 2020 and later. It also left taxpayers wondering if they need to follow proposed regulations or wait until final regulations are issued. This resulted in the IRS waiving penalties for RMBDs not taken in 2021 and 2022. On July 14, 2023, the IRS announced that inheritors who didn't take RMBDs in 2023 will also receive penalty waivers, since the proposed regulation hasn't been finalized yet as we head into 2024.

What you should do

If this all sounds confusing, that's because it is. If you inherited an IRA after December 31, 2019 and you're unsure if or how this applies to you, meet with your financial advisor – and perhaps also a tax professional – to review your situation. They can tell you how to comply with the new rules and how to factor those pesky RMBDs into your long-term financial plan.

Sources: keiter; kiplinger; kitces; putnam wealth management

Raymond James does not provide tax advice. Please discuss these matters with your tax professional. RMD rules delayed for inherited

LIFE & LEISURE

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What Time is the Right Time for Retirement?

Retirement is a time meant for enjoying life without the pressure of work. For some, that means rediscovering life with their partner. For others, it means room to dig deeper into a neglected hobby (or find a new one), or traveling to places in your own backyard or abroad. Maybe it's a little bit of all these things.

A recent survey by the Employee Benefit Research Institute found that only 11% of workers plan to retire before the age of 60. But with the right preparation, you can create a retirement plan that will provide you with financial resources and the freedom to pursue your passions, whether you flip the switch at 65, 60 or sooner.

Anything before the age of 60 is considered an "early" retirement.

Prepare financially

Meeting with your financial advisor can help you evaluate your situation and create a plan for managing your assets and liabilities. Your advisor can also help you understand your income sources in retirement – such as Social Security, pensions or investments – and help ensure you're on track to meet your retirement goals.

Getting clear on the kind of retirement you want, helps create the groundwork for getting a financial plan that's aligned with your end goal. Do you envision traveling, pursuing hobbies or spending time with family? What kind of lifestyle do you want to maintain? If you plan to travel extensively or pursue expensive hobbies for example, you may need to save more than someone who plans to live a more modest lifestyle.

Gear up emotionally

Not only does assessing your retirement readiness involve evaluating your financial situation, but also it requires an honest assessment of your emotional readiness to leave the workforce.

Retirement can be an emotional time, particularly for those who have spent their entire lives focused on their career or building a business. It's important to think about how you'll adjust to find fulfillment and fill your time in retirement. Will you miss the social interaction and sense of purpose that comes with work? What activities will you pursue?

Find a sense of purpose

One of the keys to redefining retirement is to approach it with a sense of purpose. Retirement provides the freedom to explore new interests, take risks and make a difference in the world. Especially if you're retiring early, there's more opportunity and more time to try new things. By focusing on what matters most to you, you can create a retirement that's fulfilling and meaningful – which is important for overall happiness and well-being.

Prioritize your well-being

Being proactive with your health through regular exercise, wise eating habits and getting enough sleep can help prevent the need for costly medical interventions down the road and help ensure you get the most out of your retirement. Retiring early if your situation allows may also give you more time to work with your healthcare providers to create a plan to improve or maintain your health.

While physical health is important, finding a creative outlet can help you support your mental health as well. Consider activities that you don't have as much time or energy for while working full-time. What do you wish you could do during your day?

The COVID-19 pandemic and gradual labor market recovery has been accompanied by an increase in retirement among adults ages 55 and older.

Plan for healthcare costs

Once you reach the age of 65, Medicare becomes available to you. But if you retire sooner, healthcare insurance to tide you over to 65 can be quite expensive. Healthcare options for early retirees include COBRA, government health insurance marketplace plans, private policies and keeping some form of employment that offers health insurance. There are also services which can assist with finding a health insurance plan that is right for you. Each option comes with its own costs and benefits, so it's essential to weigh your options carefully. For example, if you opt for a private policy, you may have more from which to choose, but the costs can be high.

It's also important to consider the potential healthcare costs or insurance options associated with caring for an ill spouse or adult children.

Enjoy a golden opportunity

By taking the time to rediscover yourself, assess your situation and plan accordingly, you can retire on your own terms whether you're at retirement age or not – and feel confident doing so.

When we retire from work, we don't retire from life – we're simply moving on to another phase. One with opportunities to redefine your purpose, find causes that light you up and embark on adventures that remind you age is indeed just a number.

Sources: aarp.org; cnbc.com; raymondjames.com

Quote of the Month: "Stories change people while statistics give them something to argue about." – Bernie Siegel

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