GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

April 2023

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	4105.02	-0.10%	-0.10%	6.92%
Dow Jones Industrials	33485.29	0.63%	0.63%	1.02%
NASDAQ Composite	12087.96	-1.10%	-1.10%	15.49%

U.S. TREASURIES	YIELD
2-yr Treasury Note	3.83%
10-yr Treasury Bond	3.30%
30-yr Treasury Bond	3.55%

Information as of April 6, 2023

Source: FactSet

MARKET COMMENT

Aperio

This month's title is the Latin word meaning "to open or bud," and is the origin of our word "April". April is a month of new life, with beautiful flowers, trees budding, and nature awakening from winter's deep sleep. It can also be a month leading to transition in financial markets with the reporting of 1st quarter economic data and business activity, which can change the tone for the balance of the year. Because of the recent banking problems of Silicon Valley, and Credit Suisse, the question is, "has the tone changed from hopeful to uncertain … or worse?" We need not rehash the news on the former two banks, but rather inquire if their demise will lead to a continuing fall out in the banking sector – and, if so, what ramifications may that have on our economy, the financial markets, and especially the stock market.

Rising interest rates have been the cause of pain for many bank assets which were obtained back when interest rates were lower. As rates rose due to the Federal Reserve's action to reduce inflation, the bank's assets previously acquired at lower rates declined in value, which leads to losses, especially when depositors execute heavy withdrawals. Fortunately, Federal Regulators stepped in quickly to assure the public, and markets, that depositor's insurance coverage would prevent any major losses for depositors at Silicon Valley – which wasn't the case for the bank's investors. This action calmed the public and markets, but the gnawing question remains, "is Silicon the tip of the iceberg or a one-off situation?"

Current banking events has the Federal Reserve in a tight spot fighting inflation by raising interest rates, which has the potential to create more disruption in the banking sector. Also, there is some concern the increased rates could spill over into the commercial real estate market leading to loan defaults, especially with low occupancy rates in office buildings due to the Pandemic "work from home" environment.

Finally, these banking problems, and the possibility of additional regulations coming forth for small to midsize banks, may lead to tighter lending standards, which could cause a business slowdown and headwinds to our economy leading to higher unemployment, and a possible recession. Currently, the stock markets appear to have shaken off these concerns and finished the 1st quarter in positive territory, but as we enter April, will we see continued market strengthen or a changing tone?

Hopefully, we will see a continued calming in the bank sector and the Fed will exercise great care in its battle to reduce inflation, thus leading to a steady economy and markets displaying "Aperio" of new growth!

As always, we thank you for your trust and confidence. It is highly valued.

PLANNING STRATEGY

Raymond James "Commentary & Insights" M23-154447

When Markets Are Down, What Should You Do About RMDs?

To ensure that tax liabilities aren't deferred indefinitely, investors are obligated by the IRS to take required minimum distributions (RMDs) from most retirement accounts. As part of the SECURE Act 2.0, the RMD start age has increased to 73 for those born between 1951 and 1959. It will increase again to age 75 for those born in 1960 and later.

Volatile markets add a layer of complexity to taking these distributions. As the RMD amount is determined by the retirement account's value at prior year-end as well as your life expectancy, a quick downturn in the stock market at the beginning of the year can cause a lot of stress for individuals who are then required to take a distribution – and who face a missed RMD penalty if they don't.

It's not a simple topic. However, there are a few considerations and strategies to bear in mind when thinking about your RMDs amid volatile market conditions.

If this is your first RMD, you have the option to delay

Normally, RMDs must be taken by December 31. However, your first RMD can be delayed until April 1 of the year *after* you reach the RMD start age. Those extra months can provide a bit of flexibility in timing, allowing for market conditions to potentially stabilize or improve before you take a withdrawal from the account in question.

However, keep in mind that if you delay your first RMD into the year after reaching your age trigger, you'll still need to satisfy that second year's RMD before December 31 – meaning you'll be taking two distributions within the same calendar year. This means more taxable income, which may push you into a higher marginal tax bracket or increase certain costs, such as Medicare premiums.

Bottom line: A bit of flexibility in timing can be a positive, but be sure you've thought through the tax implications.

If you're still working, you may have the option to delay

If you've reached the age of taking RMDs but are still working, you may be able to defer taking the RMD from your current employer's retirement account. The IRS generally allows your first RMD from an employer's retirement plan – such as a 401(k), 403(b) or profit-sharing plan – to be taken by April 1 in the year after you retire, provided that your company allows you to delay past normal RMD age and you are not a 5% business owner of that company's plan.

Much like the first RMD-delay option noted above, you'll want to think through how taking two RMDs in the next calendar year might affect your tax situation.

Different accounts have different rules

If you are the owner of multiple IRAs, you have the option to withdraw the total RMD amount owed for all of your IRAs from one or more of them, rather than taking out each RMD from its specific account. A similar rule applies to 403(b) accounts. However, RMDs from other types of retirement plans like 401(k) and 457(b) plans have to be taken separately from each account. Furthermore, RMDs from beneficiary IRAs must be taken separately. Talk to your financial professional to determine where you have location flexibility and where you don't.

Use cash, if available

If you're already holding cash in an account you have to withdraw from, take advantage of it. Instead of selling investments at reduced values, simply request the cash out of the account to satisfy the RMD.

If there's not enough cash, sell thoughtfully

Hopefully, you have an appropriate asset allocation that has a mix of asset types – including stocks and bonds – tailored to your individual risk tolerance. If that's the case, you and your financial advisor can discuss which assets would be best to sell to satisfy the RMD amount, hopefully avoiding locking in losses on positions that have suffered the worst.

For the charitably minded, QCDs are an option

If you don't need the income and have a cause close to your heart, you can take a qualified charitable distribution (QCD), which allows you to donate up to $100,000 to a qualified charity from your IRA and have it count toward your RMD. This strategy can help with taxes, as the gift won't be included in your taxable income (even though it fulfills your RMD).

If you don’t need the income, consider an in-kind distribution

Another option if you don’t need the cash flow – an “in-kind distribution.” This involves requesting that securities in your IRA be transferred to your after-tax brokerage account – which is particularly beneficial if you’re holding a position you don’t want to sell. This strategy doesn’t avoid taxes on the RMD, but it can help during down markets if you think the stock will make a comeback going forward. Bear in mind that an in-kind IRA distribution will affect the cost basis of your holding.

Remember, you can reinvest

Regardless of which strategy you decide to use, keep in mind that you can choose to reinvest any money you withdrew to satisfy RMDs by moving it to an after-tax brokerage account. This can help provide an opportunity for that money to grow if markets recover. If you’re already happy with your specific holdings, however, consider the in-kind distribution strategy mentioned above.

Turn to a professional for tailored guidance

Everyone’s situation is unique, and there are nuanced strategies for satisfying RMDs that go beyond the approaches covered here. Your tax professional and financial advisor are the best sources for information that’s personalized to your specific situation and future goals.

Please note, changes in tax laws may occur at any time and could have a substantial impact on each person’s situation. RMDs are generally subject to federal income tax and may be subject to state taxes. Raymond James and its advisors do not offer tax advice. You should discuss any tax matters with the appropriate professional.

LIFE & LEISURE

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Pay Off Debt With A Plan In Mind

If you’ve accumulated more credit card debt than you can pay off in a few months, how can you quickly eliminate that debt while minimizing your interest payments?

The particular strategy you should follow will depend on many factors, including the total amount of debt, the nature of the debt, your credit score, your income and your financial plans. Because there are so many factors to consider, it’s best to talk to your advisor about the specifics of your situation, but below we share some general guidance.

A small amount of debt

If you’ve accrued a few thousand dollars in credit card debt, but you will be able to pay it off in 12 to 21 months, consider applying for a credit card with an introductory 0% APR period as well as a 0% balance transfer fee. The length of the 0% APR period can range from 15 to 21 months. If approved for the card, you could transfer your debt to it and pay it off during the 0% APR period, thereby avoiding any interest charges. The money you save can grow significantly, given the power of compounding.

However, before applying for the card, consider whether you plan on purchasing a home in the near future or applying for another type of loan. Applying for a new credit card might lower your credit score enough to negatively impact your loan application or the loan interest rate.

A significant amount of debt

If your debt is so substantial that you won't be able to pay it off during the introductory period on a new credit card, you may want to seek a personal loan with a fixed interest rate. This interest rate is likely to be lower than the variable interest rate on your credit cards, and you can use the loan to pay off all the credit cards.

To choose the most favorable loan terms, you would want to use a debt consolidation calculator to compare different loan term options and the amount of savings each provides. Your advisor can also help you with the back-of-the-envelope calculations and parse your options (e.g., a securities-based line of credit).

Before seeking a loan, speak to your financial advisor about the specifics of your situation. They have likely helped others in the past who are battling debt issues and can help you find an objective way forward. If part of the debt is for medical bills, for example, your advisor may counsel you to first pursue having the medical debt forgiven. Your advisor may also recommend a nonprofit debt relief program, with counselors who will help you devise a debt reduction strategy for a small monthly service fee.

These counselors, along with other trusted financial professionals, can also recommend strategies that may help you avoid future debt problems.

Next steps

- Speak to your advisor about the details of your debt situation.
- Use online calculators to explore various debt reduction strategies.
- Compare nonprofit debt management program offerings and fees.

Sources: incharge.org; debt.org; nerdwallet.com; bankrate.com

Quote of the Month: "April hath put a spirit of youth in everything" – William Shakespeare

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