GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

April 2021

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	4127.99	3.90%	3.90%	9.90%
Dow Jones Industrials	33745.40	2.32%	2.32%	10.26%
NASDAQ Composite	13850.00	4.55%	4.55%	7.46%

U.S. TREASURIES	YIELD
5-yr Treasury Note	0.88%
10-yr Treasury Bond	1.67%
30-yr Treasury Bond	2.35%

Information as of April 12, 2020 Source: Thomson Reuter's Thomson One

MARKET COMMENT

Emergence

It's official – spring is all around us with new growth emerging in the form of green sprouts, beautiful flowers, and warm sunny days. It is a "good feeling time," bringing a positive outlook toward the future as the new growth turns into an environment of green lush surrounds. The stock market also appears to be burgeoning into a new growth environment, producing positive returns for investors. Yet, with this emergence of substantial stock market increases from the past year's COVID pandemic low, the question that inquisitive investors are asking is "are stocks overvalued and due for a significant time-out?" We believe time-outs, consolidations, and corrections are part of a healthy process to the continued bull market advances, and it appears the stock market might be "marking time." Nonetheless, the long-term uptrend remains intact.

As we mentioned before, the unprecedented fiscal stimulus by the U.S. government, coupled with a commitment to "easy money" policies at the Federal Reserve, bodes well for "jolly green giant shoots" ahead for the economy and continued growth in the stock market. Many economists are predicting substantial economic growth, with strong employment in the coming months, which is a bit alarming when economists are so positive in their forecasts, but evidence does seems to agree.

Consumer spending is also positioned to depart the past pandemic hiatus and participate in the coming economic growth. Leisure spending could rise considerably due to pent up demand from the virus shut down, plus, with the housing market showing strength during the past year, new home owners could be doing lots of spring fixing-up. As more people become vaccinated, and regain comfortability with the "new normal" of masks and some social distancing, the social activities of the past will be reembraced and help push economic spending ahead.

So, with the economic ball teed-up on the green lush grass of springtime stimulus, low interest rates, and consumers spending, it appears the stock market trend will likely continue up as well – albeit rarely in a straight line and usually allowing for some time-outs.

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

PLANNING STRATEGY

Raymond James "Point of View" article. M21-3536565

How Different Types of Investment Income Are Taxed

The federal tax system is not exactly straightforward. There are myriad deductions and credits, various tax brackets, additional payroll and Medicare surtaxes, and a slew of different categories to help us define our income … for tax purposes.

You'd think there'd be only two: regular income and investment income. Regular income would be what you get in your paycheck, and investment income would be the money you earn from investments. But even something as seemingly simple as investment income has subcategories, each taxed differently from the next. Let's break it down.

Interest income

There are certificates of deposit and high-yield savings accounts (rare these days), and bonds. Interest income becomes part of your regular income and is generally taxed at your marginal rate during the year in which you receive it, even if it's reinvested. This is what gets reported on your 1099-INT forms.

Capital gains

When you sell a security, any positive difference between what you paid and what you earned is called a capital gain. If you bought 1,000 shares for example, at $14 each and sold them for $20,000, you'd have a $6,000 gain that would be subject to taxes. For most people, securities held over a year (long-term capital gains) will either incur a 0%, 15% or 20% tax. Short-term capital gains are taxed at your ordinary income tax rate.

Dividends

Dividend income is derived from equities that pay shareholders dividends on a regular basis. Qualified dividends are treated to the same preferred rates as long-term capital gains.

Retirement income

Withdrawals from traditional IRAs, 401(k)s or annuities and pension income are typically taxable, while withdrawals from Roth IRAs or employer-sponsored plans funded with after-tax contributions are not taxable. But some subcategories are trickier. If you make more than $25,000, or $32,000 if married filing jointly, up to 85% of your Social Security benefits will be taxed. Income from an immediate annuity is taxed if the annuity was purchased with money that has never been taxed, say in an IRA. Interest income from municipal bonds is generally exempt from federal taxes, but it could still be subject to state or local income taxes, alternative minimum tax, or partial taxation of the income in certain instances.

These examples are merely guidelines. It's important to remember that taxes aren't the only thing to consider. Your personal tax and financial advisors can help you select appropriate income-generating securities for your needs and determine your exact tax liability.

Raymond James does not provide tax services. Please discuss these matters with the appropriate professional.

LIFE & LEISURE

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

Raising Smart Spenders & Savers

Talking to kids about money can be awkward, but it's important. That's the takeaway from a recent T. Rowe Price survey, which showed that parents consider topics like death and politics easier to discuss with kids than saving for a goal. A full 85% wanted to avoid the issue by signing their kid up for a personal finance course.

Though a class might help – and your advisor can be a valuable teacher's aide – your kids are still taking their cues from you.

"Parents are the number one influence on their children's financial behaviors," Beth Kobliner, author of "Make Your Kid a Money Genius," told Forbes. "It's up to us to raise a generation of mindful consumers, investors, savers and givers."

Here we offer essential financial lessons to teach your kids at each age and stage.

Ages 3-6

Don't underestimate them – at 3, your kids can grasp basic financial concepts, and by age 7, they have already formed money habits, according to a Cambridge University study. Start with the basics, including the idea that you work to earn money in order to pay for what you **want and need** – and help your kids understand the difference.

Create a wants vs. needs collage: divide a sheet of paper in half and have your child cut and paste photos from magazines into the two categories.

Other money milestones mapped out by the experts at the Consumer Financial Protection Bureau include the ability to **focus and persist through tasks**. Saving for retirement takes large amounts of patience and self-control, so we might as well start teaching them early.

Recognizing tradeoffs is another important early milestone. Try thinking aloud when you're grocery shopping about the amount of money you're exchanging for a product, or have them help you compare the unit price of similar goods. Whether a trade involves money, treats or time, discuss with your child how every decision has consequences.

Around age 5, it's important to give kids some cash to manage. A regular allowance allows them to start thinking in terms of financial tradeoffs, and you can offer them a three-part piggy bank (save, spend and share) so they begin to understand the different **functions of money**.

By age 6, your child should be able to focus on completing small chores to earn money and understand the value of different coins and bills well enough to **sort and count** them.

Ages 7-12

As your child grows, help them **develop values** such as empathy and gratitude. Knowing that some families live in poverty and need assistance is part of financial literacy. Using a site like Dollar Street that shows photos of different families around the world living on a variety of incomes can help. So can letting your child have a say in where the family's charitable dollars will go.

It's also a good idea to pass down **family stories** to the next generation – how your parents pitched in to help you build your business, your first big purchase, or how spending habits helped you weather the ups and downs of life. These tales can help them understand their place in the world and develop perspective on what has value in life.

These years are also a good time to have your child **open a bank account**, which can help them claim the identity as a "saver" and associate positive emotions with it. You should also help them track what they are earning in interest. "There's nothing like receiving an interest payment (even if it is a few cents) in your name for the first time," Asheesh Advani, CEO of Junior Achievement Worldwide, told *Inc.* magazine.

Ages 13-18+

Credit cards, investing, taxes: As your child becomes a young adult, it's time to step up your game to help them with these complex topics and more. You can help them get started with the SIFMA Foundation's annual Stock Market Game simulation, let them take control of buying their school supplies on a budget, or help them calculate credit card interest.

Before your teen racks up any credit card debt of their own, consider adding them as an authorized user on your card. Show them that interest accrues unless the balance is paid off – and that any late payment hurts your credit score.

Talk about which **data sources** can be trusted. Share how you vet financial decisions, and urge your teen to keep digging if what they're being told doesn't add up. For example, if your child is researching colleges, encourage them to do research beyond reading a school's brochure.

Many successful people trace their money skills back to a formative moment: **getting a job** as a teen. There's no better way to experience firsthand the effect of taxes, having a boss, being part of a team and managing your time to fit in schoolwork. A seasonal job during school holidays or a part-time gig could help your teen better grasp the working world – and how they picture themselves in it.

Finally, come up with a savings plan for **long-term goals**, like a car or college tuition. You can use a budgeting app (try Goalsetter or Mint) that helps them visualize their progress, keeps spending in check and gives them a sense of ownership and confidence in their future.

Start the conversation

Whether your kid is 7 or 17, they are ready to hear money talk from their parents and grandparents. After all, financial literacy is not just about dollars and cents. You're really showing them how to think for themselves, develop values and make sound decisions. In the space of a few teachable moments, you can empower them to take control of their future – a worthy investment.

Sources: *T. Rowe Price 2019 Parents, Kids & Money Survey; Forbes; Inc. magazine; CNBC Millionaire Survey; U.S. Consumer Financial Protection Bureau; Sallie Mae's 2019 Majoring in Money report; mtmfec.org*

> **Quote of the Month:** "No winter last forever – no spring skips its turn."
> **— Hal Borland**

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