GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

December 2020

MAJOR INDICES	CLOSE	MTD	QTD	YTD
S&P 500	3702.25	2.23%	10.09%	14.59%
Dow Jones Industrials	30173.88	1.81%	8.61%	5.73%
NASDAQ Composite	12582.77	3.15%	12.67%	40.24%

U.S. TREASURIES	YIELD
5-yr Treasury Note	0.39%
10-yr Treasury Bond	0.92%
30-yr Treasury Bond	1.67%

Information as of December 8, 2020 Source: Thomson Reuter's Thomson One

MARKET COMMENT

We Need a Little Christmas

The lyrics from this song come from the Broadway musical, *Mame*. Originally written in 1966 by Jerry Herman, it has become a popular Christmas tune across the nation. The main character in the musical is Mame, who recently lost her fortune in the 1929 Stock Market Crash. To cope with her losses, she decides the week after Thanksgiving that she, along with her nephew and two servants, need "a little Christmas, right this very minute!" I thought with our past year, we also need a little Christmas balm to provide a new perspective from the months of the pandemic, economic challenges, political upheaval, social unrest, and wild stock market. The stock market has been nothing but breathtaking this year. From the start of the pandemic in March, bringing the fastest Bear (down) market in history, to the equally impressive Bull (rising) recovery of historic portions.

We've also seen unprecedented Federal Reserve and Congressional action, leading us to believe that the stage may be set for investors to *rely* upon future government interventions, thus stabilizing the stock market and creating a (potentially) false sense of reduced risk. It seems there is no longer a genuine discussion regarding government's involvement in economic facets and the unbounded creation of debt therefrom. So, should we expect future stock market declines to be "cushioned" and "abbreviated" by government intervention? Will that encourage investors to push-off risk and stay invested because there will always be proverbial Santa Claus to pass out free gifts? Only time will tell, but these questions do help us understand the potential impact the unprecedented intervention we saw in 2020.

In light of all that this year had brought, i thought you might enjoy reading/singing the lyrics of "We Need a Little Christmas."

> Haul out the holly, Put up the tree before my spirit falls again, Fill up the stocking, I may be rushing things, but deck the halls again now
> For we need a little Christmas, Right this very minute, Candles in the window, Carols at the spinet, Yes, we need a little Christmas, Right this very minute, Hasn't snowed a single Flurry, but Santa dear we're in a hurry
> Climb down the chimney, Turn on the brightest string of lights I've ever seen, Slice up the fruit cake, It's time we've hung some tinsel on the evergreen bough
> For I've grown a little leaner, Grown a little colder, Grown a little sadder, Grown a little older, And I need a little angel, Sitting on my shoulder, Need a little Christmas now
> For we need a little music, Need a little laughter, Need a little singing, ringing through the rafter, And we need a little snappy, Happy ever after, Need a little Christmas now.

We wish you, and your family the most beautiful Merry Christmas, Happy Holidays, and New Year!

PLANNING STRATEGY

Raymond James "Point of View" article. M20-3205417

Leaving Money to Your Kids? Consider These Inheritance Tips

Talking to family members about estate planning and legacies can be uncomfortable. These discussions, however, are an important way to share your choices with your children and prepare them for their financial futures.

Here are a few suggestions to help you broach this tricky topic and set your heirs up for better success.

Communicate your values about money in a larger context.

Build on the casual conversations you've already had with your kids about what matters to you most. When children are familiar with their parents' values, they're more likely to have a good idea of what to expect from their parents' estates.

A few ideas to get the discussion started: how do you feel about the value of education, hard work or integrity of character? What philanthropic causes are most important to you and why? What are some of the life experiences that have helped shape who you are?

Evaluate your children's money skills.

Kids who grew up in the same family don't always have the same knowledge and attitudes about money – while some may have a real interest (or education) in financial decision-making, others may not be at the same level of readiness and responsibility. Conversations about estate planning can become part of larger discussions designed to help teach them how to manage and become comfortable with their legacies.

Remember, you have flexibility around how and when you pass on your wealth. If your heirs are ready now, you might wish to share part of their inheritance while you're still alive, allowing you to provide guidance and enjoy their development as stewards of your wealth. If you're less confident in their financial responsibility, you might consider using a well-structured trust to better ensure your intentions for the wealth are abided by.

Dispel misguided expectations about what they'll inherit.

Perhaps you've quietly decided to leave all your assets to a charitable organization. Or, on the other end of the spectrum, you'd like your children to take ownership of substantial wealth you've kept under the radar – perhaps in the form of land or business ownership.

Whether your kids will be inheriting nothing, significant wealth, or something in between, providing a clearer understanding of what they'll be taking on will prevent misguided expectations. Though the conversation may be uncomfortable, discussing it now can help avoid further discord down the line.

If you are planning to leave your kids a large inheritance, consider including them in a conversation with your financial advisor, who can help heirs learn more about the financial and the emotional aspects of managing inherited wealth. They can also help you consider different options, such as giving more to your children during their lifetimes, to possibly reduce the impact of a sudden inheritance.

If your kids' inheritances will look very different, communicate it early.

Ultimately, how you choose to share your wealth – and with whom – is entirely up to you. But if your estate plan doesn't treat your children equitably, it's wise to share that information well in advance and communicate it privately to each child. If you can discuss these provisions and the reasons for them ahead of time, there's less likelihood of conflict between siblings after you're gone.

In addition to having an in-person conversation with your heirs, it may also be wise to include your rationale in your will. This can help safeguard against possible claims of attorney drafting errors or other grounds for contesting the document.

Set apprehension aside.

Perhaps the strongest reason for not discussing estate plans with family members is fear – fear that children will be angry or disappointed, that their expectations for their inheritance are inflated, or that they'll be resentful of other heirs. Although these conversations can be difficult, remind yourself that they're an important step in providing clarity about your financial legacy – which is ultimately in everyone's best interest.

Raymond James and its advisors do not offer legal advice. You should discuss any legal matters with the appropriate professional.

Raymond James "Point of View" article. M20-3333912

Three Ways to Help Loved Ones During Uncertain Times

World events can strike different chords for different people, even within our own families.

If you find yourself wanting to help your loved one through economic uncertainty, you're not alone. CNBC's Millionaire Study, a recurring survey, found that 22% of millionaires had provided assistance to their adult children since the start of the COVID-19 pandemic and 21% had given help to other family members.

It goes the other way, too. Among millennials, the oldest of whom are approaching 40, 19% provided some level of support to a parent even before the pandemic, CNBC reported. In total, about 13% of Americans provide financial assistance to a parent.

Luckily, recent changes to tax laws surrounding gifts, in conjunction with historically low interest rates, make it easier now than almost ever to help your family members in the short term – and set them up for the long term – once the economic volatility settles. The following strategies may help you meet your goals.

1. Simply cash

Few solutions can quell an immediate financial hardship like the U.S. Mint's finest. Since 2018, individuals have been permitted to give a person up to $15,000 annually without accruing a tax liability. These annual limits generally apply to single gifter-giftee pairs, so if you are married, your spouse could give an additional $15,000 and remain below the annual exclusion limit. Further, if you want to share your generosity with the recipient's spouse, partner, child or other trusted relation, you could gift them $15,000 as well.

Giving over $15,000 per recipient won't necessarily bring you new tax liabilities, at least not now. You will be expected to file the gift form with your tax return and it will count against your lifetime gift limit, currently $11,580,000 for an individual and double that for a married couple, which has implications when it comes to your estate. Tax laws change, of course, and this lifetime limit is set to expire by the end of 2025, so consult your financial advisor and tax professional to run through scenarios that might be more advantageous in the current climate.

2. A loan between friends (or family)

While you may want to loan your family member what they need and have them pay it back when it's convenient for them, the IRS is a bit more rigid when it comes to transactions that could look like gifts, so it's best to have the appropriate documentation in place.

Now may be an opportune time to issue a loan to a family member without feeling the point of the taxman's sharpest pencil (and his rules regarding below-market loans). The reason? The minimum interest rate, known as the Applicable Federal Rate (AFR), is historically low. In July 2020, the short-term AFR hit 0.18%, which applies to loans with a term shorter than three years. For mid-term loans – which will be paid back between three and nine years – the rate was 0.45%, and for long-term loans with a repayment schedule longer than nine years the rate was 1.17%, lower than what you'd expect to see from a commercial lender.

Just make sure the loan is a bona fide creditor-debtor agreement with payment schedules, record-keeping, a promissory note and, optionally, a collateral agreement, *Forbes* magazine recommends. Consult with your attorney to draw up the documents and oversee the process.

3. Transferring with equities

If market volatility has taken a bite out of your investments but not your lifestyle, there's another way to offer your family members a long-term opportunity, especially if they've had to dig into their retirement support.

During volatile market periods, there could be moments when your good stocks are facing the same kind of downward pressure as all the others. On the bright side, though they may have higher value later, they could serve as an undervalued gift. This means the annual gift exclusion limit of $15,000, and lifetime limit of $11,580,000, could go a lot further than it did at the hottest point in the market.

For example, say Bradley bought XYZ for $20/share a few years ago. In December, it was priced at $50/share but hovers around $35 now. If Bradley gifts his adult daughter Mary those potentially undervalued shares, he can remove the current value from his estate and Mary will get time to, hopefully, benefit from the stock's future growth.*

Gift recipients rarely need to worry about paying gift taxes, but they may need to pay income taxes depending on the change in value of a gifted equity when they sell. Many times it makes sense to gift appreciated assets instead to avoid rules around dual basis. The IRS also has particular rules around gifting to those in negligible tax brackets (like minors or children in college), which could trigger the so-called kiddie tax. Because this area can get a little complicated, it's best to consult a tax professional and your financial advisor first.

Family money matters

Even with a number of practical options, as the adage states: The mixing of money and family should be treated with care. But open communication, well-defined limits and expectations, and third-party advice can help slacken the natural tension of the situation. Here are some tips from professionals:

- **Know what you can give.** Though it might feel worth it to delay your own retirement to help your family member, for example, know that you may be giving up years when your health, wealth and time are at their peak.
- **Be clear.** Setting terms, goals and timelines up front clears up confusion and creates expectations. For some types of financial assistance, like an intra-family loan, these terms will be in writing – but have a plan if things don't work out as expected. For less structured assistance, like cash, it will be up to both sides to prevent future resentment.
- **Bring in a professional.** When it comes to decisions like these, it's always best to have a cool-headed, objective third party to help out. Consult your financial advisor, tax professional and/or attorney to get things started.

**This is a hypothetical example for illustration purpose only and does not represent an actual investment.*
Raymond James does not provide tax or legal services. Please discuss these matters with the appropriate professional.
Sources: CNBC; IRS; Kiplinger; NerdWallet; NPR; U.S. Treasury; Forbes.com; RaymondJames.com

Quote of the Month: "It is Christmas in the heart that puts Christmas in the air." WT Ellis

For questions or additional information please contact:

Raymond James & Associates

9900 Clayton Road, Saint Louis, Missouri 63124

Jim Pohlman, CFP®
Senior Vice President, Investments
James.Pohlman@raymondjames.com
T 314-214-2122

Hunter Martiniere, J.D
Financial Advisor
Hunter.Martiniere@raymondjames.com
T 314-214-2152

Vickie Bollinger
Senior Registered Sales Assistant
vickie.bollinger@raymondjames.com
T 314-214-2175

Planning - [Leaving Money to Your Kids? Consider These Inheritance Tips (raymondjames.com)]
Life & Leisure - [3 Ways to Help Loved Ones During Uncertain Times (raymondjames.com)]