GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

December 2022

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	3933.92	-3.58%	9.71%	-17.46%
Dow Jones Industrials	33597.92	-2.87%	16.96%	-7.54%
NASDAQ Composite	10958.55	-4.44%	3.62%	-29.95%

U.S. TREASURIES	YIELD
2-yr Treasury Note	4.27%
10-yr Treasury Bond	3.42%
30-yr Treasury Bond	3.43%

Information as of December 7, 2022 Source: Thomson Reuter's Thomson One

MARKET COMMENT

Riddle Me

One of my favorite magazines, *Country Life*, provides a weekly riddle in each publication. It's usually the first place that I turn when I start reading, but most of the time, I find myself stumped. My wife, Judy, however, is an expert at figuring out riddles, but I guess that's why she married me! So this month we would like to start the newsletter off with a riddle: **"I can't be saved, stopped, and my future is unknown, what am I?"** It is a concept used in investing, but it is also a fundamental element of life.

Well, if you guessed "time," then you are correct. There are many investment concepts that involve "time," such as time in the market, timing the market, time value of money, time-weighted return, time is money, timeless principles of investing, and timely patience. Try as we may, we can never master time, but only learn to work within its boundaries. The current market conditions brightly illuminate the practice of "timely patience," and, how markets consistently provide the mind with challenging riddles.

Timely patience has been critical over this past year, as we can see from the S&P500. With every new low comes the timely question, "is this the bottom and is a new rising (bull) market unfolding?"

As mentioned in the riddle, the future is unknown, so we must respect the negative trend of the past 11-months and assume that it will continue until stronger evidence points to a reversal. Most trend reversals occur when investors are extremely pessimistic, and it seems to us, that this might not be the case quite yet. Much will depend upon the U.S. economy's future growth and the Federal Reserve's ability to slow inflation through the labor market. To our knowledge, there has never been a recession without rising unemployment, but our current economy continues to experience a strong labor market despite the Fed's 4% rate hike in 2022. Cracks are starting to appear with the news of multiple layoffs in various industries, but watchful eyes will be needed to see if this progresses into an increasing trend causing our economy to slide into a recession. Much like Goldilocks, the Federal Reserve needs the labor market to slow the perfect amount. Too much, and consumers recede, and recession is inevitable. Too little, and inflation persist and becomes systemic.

2023 may prove to be the pivotal year for a recession, with rising unemployment, declining inflation, an easing of rising interest rate increases, and the stock market potentially "throwing in the towel." That would create the final bottom (capitulation) and a new future bull market. But we must use "timely patience," and continue adjust to the current times. As always, "time will tell us the future."

From Vickie, Hunter, and myself, we wish you a most blessed Christmas, happy holiday time, and prosperous New Year.

PLANNING STRATEGY

Raymond James "Point of View" M22-4867495

To Convert, or Not to Convert to a Roth IRA – Tax is the Question

Just like the labyrinth of legend, tax law is constantly changing with time and often seems purpose-built to instill confusion. With uncertainty on the horizon and potential rate increases looming, the question on many recent and future retirees' minds is whether to pay taxes now or pay them later.

The concept of a Roth IRA is nothing new. You pay taxes on income at the time of earning to avoid taxation upon withdrawal. For many, this is a decision that was made early on in their careers and has slowly become more impactful as savings continue to grow.

For those who made the decision to put their retirement savings into a Roth IRA from the start, there isn't too much to consider. Their taxes are paid, and the account balance they see upon withdrawal is what they get, plain and simple. But what about those who elected not to use a Roth IRA for some or all of their retirement savings? Should they consider conversion?

Should you convert to a Roth IRA?

If you chose not to pay income tax as you earn and are waiting until retirement, you might not have considered changing your mind. For many, this makes sense. Targeting a percentage of your pre-retirement income to live on throughout retirement is a very common strategy, after all. If your retirement income is less than your income while earning, you can pay a lower tax rate. However, that relies on the tax rate of your retirement income remaining lower than the rate you would pay as you're earning. And as any shrewd investor knows, nobody can predict the future.

That's not to say that there are no factors that are well within your control that are useful in making this decision. In fact, most Roth IRA conversions are the result of changes to one's personal financial situation, not a reaction to a potential change in the overall financial landscape.

Some of the reasons you might choose to convert to a Roth IRA are:

- **You expect your tax bracket to stay the same or go up in retirement** – Paying taxes up front when you expect they will be the same or higher when you withdraw can both save money in the long term and provide a clearer picture of your balances upon retirement.
- **You want to avoid being required to take minimum distributions (RMD)** – A Roth IRA conversion will eliminate the RMDs associated with a Traditional IRA.
- **You want to transfer unused tax-free funds to the beneficiaries of your estate** – A Roth IRA conversion can be a great estate planning tool if you intend to leave portions of your retirement savings to your beneficiaries since the funds will not be taxed upon distribution.
- **You want to make your retirement savings more diverse** – Having a tax-diverse retirement plan can help to add flexibility to your expense management and allow for more predictable income and cash flow.
- **You have the means to pay conversion tax without dipping into the savings themselves** – Having the ability to pay taxes now on your retirement savings without needing to rely on the savings themselves for that expense can add security and help reduce uncertainty regarding how much tax you may pay later.
  Similarly, there are also reasons to avoid a Roth IRA conversion. It might not be your best option if:

- **You need to access the converted funds within five years** – When converting to a Roth IRA, there is a five-year waiting period before you can begin to distribute funds without owing an additional 10% tax penalty.
- **You would be significantly burdened by the conversion taxes** – Just because you'll need to pay taxes on your retirement income eventually doesn't mean that now is the best time for you to do it, especially if doing so means depleting other assets that would otherwise serve as a source of income or appreciation.

- **You are not completely sure about the decision** – One of the most important things to consider when contemplating a Roth IRA conversion is that it cannot be undone, so it is crucial to work with your trusted financial advisor and weigh the pros and cons for your own personal situation.

What we know about the unknown

Recently, there has been a spike in interest among retirees regarding Roth IRA conversion resulting from rumors, reports, promises and other speculation about the future of taxation on retirement wealth. The reality of the situation is that only you and your financial advisor can determine the right path for your retirement. Make sure that if you do decide on a Roth IRA conversion, it's for the right reasons. Changes in the system are only one factor in your financial situation, your retirement and your choices.

Next steps

- Let us know if you would like to discuss whether a Roth IRA conversion is right for you
- Do some research and gain insight into the future of taxation so you can best decide for yourself if you need to make changes to your retirement plan
- Don't make any hasty decisions that will affect your retirement and remember that any changes to taxation will take time, which you can use to make a solid and stable plan
- Consider the implications a Roth IRA conversion could have on your estate, especially if you intend to leave a significant portion of your retirement savings behind to your beneficiaries

Raymond James and its advisors do not offer tax advice. You should discuss any tax matters with the appropriate professional. Unless certain criteria are met, Roth IRA owners must be 59 ½ or older and have held the IRA for five years before tax-free withdrawals are permitted. Additionally, each converted amount may be subject to its own five-year holding period. Converting a traditional IRA into a Roth IRA has tax implications. Investors should consult a tax advisor before deciding to do a conversion.

LIFE & LEISURE

Raymond James "Point of View" article. M22-18151

Start Fresh with Your Financial Planning This Winter

Winter 2023 Market Closures

Jan. 16: Martin Luther King Jr. Day
Feb. 20: Presidents Day

Dates to Remember

For deadlines that fall on a weekend, action may need to be taken by the preceding weekday.

Jan. 18: Fourth quarter 2022 estimated tax payments are due, if required.
Jan. 31: Raymond James mails year-end retirement tax forms for 1099-R and 5498, if applicable.
Feb. 15: Raymond James begins mailing 1099 tax statements.

Feb. 28: Raymond James mails amended 1099s and those delayed due to specific holdings and/or income reallocation.
March 15 is the final day to mail any original 1099s and continued amended 1099s as needed.

Things to Do

- Organize for tax time: Prepare for smooth filing: By early February, you should have tax forms in hand. Make sure to organize them in a dedicated spot, as well as any receipts if you itemize. To ensure all is in order, talk to your advisor about coordinating with your tax professional.
- Get set for 65: This is the age you become eligible for Medicare; a 10% premium penalty applies for each year you go without Part B coverage beyond this birthday in most cases. You have seven months to enroll, starting from three months before your birth month. Ask your advisor about healthcare planning resources that can guide you.
- Become a benefits whiz: Research your company's open enrollment schedule and decide if you need to make changes.
- Fine-tune your health spending: If you participate in a flexible spending account (FSA) or health savings account (HSA), review contribution levels to take full advantage – without exceeding limits, which are adjusted regularly for inflation. If you have an FSA, use available funds before your plan's use-it-or-lose-it deadline.
- Finesse your bonus: Plan how you want to use your year-end bonus before it hits your checking account. Consider paying down high-interest debt, shoring up your emergency fund or increasing your 401(k) contribution.
- Pay yourself first: If you haven't automated retirement contributions, start now. It's also a good time to reconfirm your employer match and increase your contributions to allow more time to generate tax-deferred gains.
- Revisit an IRA: Pre-tax contributions to IRAs can reduce taxable income, and Roth IRAs might be the answer if you're above income thresholds to make a tax-deductible traditional IRA contribution. You have until tax filing deadline (not including extensions) to contribute for the current tax year.

Quote of the Month: "Time is what we want the most, but use the worst" – William Penn

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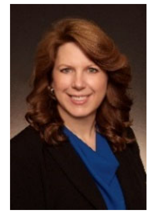
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Planning - https://www.raymondjames.com/commentary-and-insights/retirement-longevity/2022/11/23/to-convert-or-not-to-convert-to-roth-ira-tax-is-the-question

Life & Leisure - https://www.raymondjames.com/commentary-and-insights/family-life-events/2022/12/05/start-fresh-with-your-financial-planning-this-winter

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