

THE COMMUNIQUE

February 2023

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	4111.08	0.85%	7.07%	7.07%
Dow Jones Industrials	33891.02	-0.57%	2.24%	2.24%
NASDAQ Composite	10386.98	2.61%	13.58%	13.58%

U.S. TREASURIES	YIELD
2-yr Treasury Note	4.48%
10-yr Treasury Bond	3.65%
30-yr Treasury Bond	3.68%

Information as of February 6, 2023

Source: Thomson Reuter's Thomson One

MARKET COMMENT

The Stock Market Has Spoken

The Federal Reserve announced on February 1st that they are raising the Federal Funds Rate 0.25%, and that additional increases are likely warranted to bring inflation back to their target of 2%. The stock market jumped up on the news and seemed to be telegraphing a strong probability of a “soft” economic landing, thus avoiding a recession. The final economic results will be determined in the months ahead, but presently the stock market is comfortable with continued 0.25% increases in interest rates and the view that our economy will not collapse into a major recession. But is this recent market rally correct or is it “just whistling pass the graveyard?” Perhaps looking at a few contributing factors will help us sort out the recent market actions.

If there is one thing for certain, the stock market hates uncertainty. So the recent rally suggest that investors are okay with the more measured approach of 0.25% raises to keep a lid on the inflation – especially compared to the larger increases that could drive the economy into a major recession. At the moment, the Fed seems to have the formula “just right” for this economic baby. But the fly in the formula could arrive if inflation does not moderate, as it has in past months, leading the Fed back to larger, more rapid, and more unpredictable increases. As of now, the market is comfortable with the Fed’s action and outlook.

Consumers represent the lion share of the U.S. economy and access to credit is an important part of their purchasing power. This include credit cards, auto loans, and home mortgages. The past months of rising interest rates, and increasing prices due to inflation, has tempered consumer demand for housing, yet car sales are up and retail sales seem to be selective, yet relatively firm. Consumers' "ace in the hole" is strong employment and steadily increasing wages. The combination seems to have softened the blow of rising interest rates and inflation for the time being. If employment remains strong (currently 3.5% unemployment), and wage growth steady, then the consumer might weather the Fed's attempt to reduce inflation through on-going interest rates increases. However, past economic cycles have not been so fortunate and history suggest that rising unemployment is needed to break the inflationary cycle. The coming months will likely provide the answer, but for the time being, the labor market continues to be bright spot in the economy.

Lastly, the old Wall Street adage, "as goes January, so goes the year," is another fair wind in the market's sails. According to Raymond James Research, a positive return for the "January Barometer" leads to a year end positive return for the stock market 70% of the time since 1929.¹ So, with the current Fed action, a resilient consumer, strong employment, and a half-full stock market outlook, it seems investors are turning more bullish. But, as always, we will keep our eyes fully open for future changes.

PLANNING STRATEGY

Raymond James "Commentary & Insights" M22 - 30162

The Three T's of an Effective Trustee

Choosing a trustee – the person or entity who'll manage the assets within your trust – is no easy task. This important role comes with a number of responsibilities and liabilities, and it can be a challenge to find a loved one who's able and willing to take on the task – which is one reason many investors use a corporate trustee.

Whichever type of trustee you choose – individual or corporate – you'll want to keep a keen eye out for a few particular characteristics. Look for a trustee that fits the "three T's" – time, temperament and tenure. Here's why:

Time

Managing a trust takes a notable time commitment. Your trustee will need the availability to manage a multitude of tasks and liabilities like disbursing income to beneficiaries, filing the trust's income tax return, maintaining records of all transactions and countless more, so consider whether their current schedule allows for these additional responsibilities. Time also refers to their longer-term ability to hold this important position – will they still have the capacity and ability to serve as your trustee in years to come?

¹ Raymond James Research, *Charts of the Week – January 31, 2023* pg. 3

Temperament

Your trustee needs to display the right degree of impartiality. Family dynamics can add an emotional layer of complexity to estate planning, and your trustee will need to make decisions without exhibiting bias or bending to external influence. In fact, your trustee has a legal duty to manage the trust in the best interests of both its current and future beneficiaries. They'll be held liable for a number of duties such as ensuring all beneficiaries are informed of the trust and its administration, identifying conflicts of interest, and complying with all specific trust document provisions as well as state and federal governing laws. You'll want to confirm that they both understand these responsibilities and can carry them out with professionalism.

Tenure

Your trustee should have the knowledge, background and skillset to efficiently manage a trust account. Not every family member or friend will have experience with the financial and administrative responsibilities involved, which can include principal and income trust accounting, investing and tax reporting. Be sure your selected trustee is familiar with the tasks they'll need to handle – and that you're confident in their ability to complete them correctly and in a timely manner.

Selecting a trustee is an important decision – one that deserves thoughtful consideration. If you want to discuss your options with us, we can help walk through the decision-making considerations involved – and may also be able to recommend an experienced, reputable corporate trustee, should you decide to use one.

LIFE & LEISURE

Raymond James "Commentary & Insights" M21 - 3420063

Don't Allow Boredom in Retirement to Get the Best of You

You've made a financial plan for retirement, but what about a fun plan? According to an article by The Senior, "Your Retirement | Don't be a bored Baby Boomer," two in three people enter retirement with little or no thought about what they want to actually do in retirement. But professionals agree it's a key component to a satisfying "after-party."

It's not too soon to think through how you plan to keep yourself busy with all those extra hours in the day – and recognize the options are endless. Without a purpose, you may find yourself bored and unfulfilled. A little preparation will not only help you avoid this but also contribute to the happy retirement you've always envisioned.

These tips will help you explore the possibilities.

Dig deep

Many of us identify with our careers and titles, but how will we feel once those are part of our past? You're still the same person, after all. It may take some deep thought about your true passions and the legacy you want leave, but this preparation will lead you on a path to fill your time with things that mean the most to you.

Maybe these will get your juices flowing.

What did you want to do as a child? Were there any missed opportunities in your career journey that you'd like to learn more about? Did you lack the time you wanted to volunteer when you had a career and young family to balance? Or maybe your friends are always telling you you're so good at [insert skill here], but you never harnessed it? These are all hints that'll steer you to a satisfactory retirement.

Get inspired

There are some pretty incredible examples of those fully embracing their encore years by doing extraordinary things. People in retirement are learning to surf, completing doctorate degrees and starting charitable organizations. Picture the possibilities. This is the time to think about trying something new and leaving regrets behind.

Case in point: Jimmy Carter. While he never intended to start an annual project, he and his wife helped Habitat for Humanity volunteers build and renovate homes for the less fortunate in 1984 – and have continued their efforts well into retirement.

Want to set a Guinness World Record instead? A Japanese woman who goes by DJ Sumirock earned the title of oldest professional club DJ at 83 years of age. She started DJ school when she was 77, thinking it might be a fun endeavor.

Does a physical pursuit suit you better? There's no shortage of boomer-aged skateboarders. Both Lena Salmi and Neal Unger have gained notoriety as beginners in their 60s.

You won't know if you don't try.

While keeping active staves off issues like unhappiness and physical decline, it's also OK to want to relax. Just do it purposely. According to U.S. News & World Report's "The Art of Doing Nothing in Retirement," there are a few steps to take to adjust to this new pace of life. First, let go of any guilt you may feel about making yourself a priority. But don't let go of a routine altogether – instead, create one that helps you appreciate your slower lifestyle, and enjoy being in the moment.

Grow your bucket list

Creating a so-called bucket list is a good start to having something to always look forward to. But your list should continue to grow, not dwindle. When you check off one thing, add another. It should be an evolution of your wants and wishes. Don't be afraid to reinvent yourself – then re-reinvent yourself. You may just surprise yourself with a new passion.

Say you decided to take yoga classes – and now you love it so much you want to become an instructor. Let your level of enjoyment guide you to your next endeavor. You may also do so much traveling one year (should circumstances allow) that staying closer to home the next is what you crave. The most important part is being honest with yourself and what's making you happy.

It's easy to slide into expectations from your family and retired peers – but it's your life. You can include your children and spouse in your plans without letting your wishes be overruled. And be sure to bring your financial advisor into retirement planning conversations. They can help you put together the financial pieces of the puzzle as well as ensure your insurance coverage fits your new hobbies and lifestyle.

Remember, this is your retirement. It's a chapter you won't get to rewrite, so follow your heart and your passion. You won't regret giving it a try.

Sources: Guinness World Records; hypebae.com; theseniorlist.com; usnews.com; thesenior.com.au; makeagingwork.com; habitat.org

Quote of the Month: "To lose patience is to lose the battle" – Mahatma Gandhi

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Planning - <https://www.raymondjames.com/commentary-and-insights/estate-giving/2023/01/31/the-three-ts-of-effective-trustees>

Life & Leisure - <https://www.raymondjames.com/commentary-and-insights/retirement-longevity/2023/02/01/dont-allow-boredom-in-retirement-to-get-the-best-of-you>

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