GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

February 2025

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	6083.57	**0.71%**	**3.43%**	**3.43%**
Dow Jones Industrials	44747.63	**0.46%**	**5.18%**	**5.18%**
NASDAQ Composite	19179.99	**0.84%**	**2.49%**	**2.49%**
New York Stock Exchange	20150.31	**0.76%**	**5.52%**	**5.52%**

U.S. TREASURIES	YIELD
2-yr Treasury Note	4.21%
10-yr Treasury Bond	4.44%
30-yr Treasury Bond	4.65%

Information as of February 6, 2025 Source: FactSet

MARKET COMMENT

Lover's Month

We all know February as the month of love, with the celebration of Valentine's Day, but did you know this holiday dates to the Roman days. According to lore, a priest in 3rd century Rome encouraged Roman soldiers to marry their loves, but the Emperor Claudius forbid the exchange of nuptials due to the threat of the soldiers' loyalty changing from the Empire to their wives. The priest, Valentine, who encouraged the marriages was executed and, thus, Valentine's Day was created in his honor to celebrate love, friendship, and admiration that we enjoy today.

We wonder if the stock market loves investors who accumulate vast gains, or does it go out of its way to reduce their net worth, thus making successful investors cautious when gains are too "easily" obtained. The history suggests the later, and many investors felt the pain in some technology stocks recently, so are we now at a reflection point of future market declines or advances? The recent technology stock decline illustrates how quickly trends can change, but this recent move might just be a time-out, eventually leading to future advances in the sector. Also, the market is processing the recent Federal Reserve's attitude to "wait and see" on future interest rate cuts and where inflation may be headed. The market has a new consideration with President Trump moving into the White House, and his tendencies to make rapid decisions and frequent social media post. The economy, which really drives the direction of the stock market, seems to be humming along, and many believe it will continue in an upward direction. As always, we will continue to monitor "what the market is telling us." It would seem at present the glass is half full, but in a wait and see period.

Be sure to send your loved ones a Valentine's wish, but don't expect the stock market to send one!

Thank you for your continued trust, and confidence, it is highly valued.

PLANNING STRATEGY

Raymond James "Commentary & Insights" – M23 - 330271

Tax Efficient Strategies for Investment Properties

One of the benefits of purchasing property as an investment is the tax benefits that can come with it – both while you own it and after you sell. Applying tax-efficient strategies will help you make the most out of your investment property.

Most such strategies require planning and preparations to be put in place, so you'll want to do your due diligence and consult with your advisor and other professionals before you assume these strategies apply to your situation.

How to defer capital gains taxes

There are three strategies to consider if you're seeking ways to defer capital gains taxes upon the purchase or sale of your investment property.

Qualified opportunity zones (QOZ): QOZs are economically distressed communities where new investments, under certain conditions, may be eligible for preferential tax treatment. They're designed to spawn economic development by providing incentives to individual investors or businesses putting capital into the locality. There are more than 8,700 QOZs to invest in across the United States. To get the tax deferral, you must invest through a Qualified Opportunity Fund. Once the property is sold, the seller has 180 days to invest the gains in the fund, and the investment must not be in exchange for debt interest, only equity interest.

1031 like-kind exchange: A 1031 (as they're commonly called) is a strategy to defer taxes by reinvesting the capital in a "like-kind" property. Proceeds from the sale of a property are held in escrow by a third-party intermediary and used to buy a new property. There are several qualifications that must be met for this exchange. First, the new property must be within the United States and be of similar nature and character to the old property. It must also have a value that is equal to or greater than the old property for maximum benefit and to avoid capital gains taxes completely. The new property must be identified in writing to the intermediary within 45 days of the original property's sale and you must close on the new property within 180 days of the sale of the original property. These exchanges must be performed without error to avoid owing taxes, so consult your financial advisor and tax professionals.

Installment sales: Another way to help maximize tax efficiency on the sale of an investment property is a payment agreement with the buyer where the buyer makes payments in installments with interest over time. This breaks up the income earned and defers taxes until later years. Installment sales start with partial payment the year following the actual sale. Typically, you can get a higher selling price than you would with an all-cash sale and you'll be collecting interest. Of course, there are some risks for extending payments over time, like risk of default on the arrangement, capital being tied up for a period of time and market and interest rate fluctuations, which could lead to lost income. But the tax benefits may outweigh these risks.

Other investment property tax strategies

There are other opportunities to make your investment property purchase or sale tax efficient. A simple strategy with less formality is to sell your property during lower income years. This will allow you to be taxed in a lower tax bracket than usual, saving on capital gains taxes.

If charitable giving is in your heart and part of your financial strategy, you could contribute to a donor advised fund (DAF). You can make a contribution and enjoy the tax break immediately but decide which nonprofits to donate to later on.

There's also an opportunity to qualify for a low-income housing tax credit (LIHTC) by developing housing targeted at lower income tenants. LIHTC gives investors a dollar-for-dollar reduction in their federal tax liability for providing financing to develop affordable housing for low-income individuals.

One of the benefits of owning investment property is flexibility when it comes to taxes. With a bit of preparation and knowledge, you can decrease your tax burden and maximize your investment. It's wise to speak with your advisor and other professionals to determine which tax strategies make the most sense for your situation.

Sources: opportunityzones.hud.gov; irs.gov; investopedia.com; seracapital.com; forbes.com; novoco.com

LIFE & LEISURE

Raymond James "Commentary & Insights" – M25 - 709267

How An HSA Can Be a Powerful Investment and Retirement Tool

Retirement is an exciting time and a new phase of life worth celebrating with family and friends; however, planning for retirement can sometimes bring uncertainty. Things like changes in your personal life, market fluctuations and uncertainty around Social Security can raise questions in even the most detailed plan.

Although Medicare covers a variety of medical expenses, it isn't the all-encompassing healthcare coverage many people assume. Fortunately, you can leverage the benefits of a health savings account (HSA) to accumulate additional savings for medical and healthcare-related expenses.

An HSA can help cover healthcare costs that Medicare doesn't, along with dental, hearing and vision expenses. With comparable – and, in some cases, better – perks than a 401(k) or IRA, your HSA can help you save and prepare.

Who is eligible for an HSA and what are some other requirements?

- Anyone with a high-deductible health policy can qualify for an HSA. It is not limited to employees.
- There are no income limits affecting eligibility.
- You do not need earned income to contribute to an HSA.
- The HSA belongs to you, not to your employer. If you have a qualified high-deductible health policy through your employer but your employer does not offer an HSA, you can still open an HSA.
- An HSA can be set up through any qualified trustee or custodian.
- You may sign up for and contribute to an HSA as long as you have not yet enrolled in Medicare Part A or B. Once you enroll in Medicare, however, you may no longer make contributions to your HSA.

An HSA is a tax-advantaged medical savings account that allows you to set money aside and withdraw funds to pay for qualified medical expenses. HSA accounts are unique in that they are triple tax advantaged. Contributions to an HSA are tax deductible, earnings are tax free, and distributions from HSA accounts are tax and penalty free if the funds are used to pay for or reimburse yourself for qualified medical expenses.

HSAs can be especially useful because they are not "use it or lose it" accounts. Unlike flexible spending accounts, unused HSA dollars roll over every year.

The annual amount you can contribute to an HSA depends on whether you have single or family health coverage, if you have continual coverage throughout the year, and if you are eligible to make a catch-up contribution (for age 55 and older). For 2025, HSA contribution limits are $4,300 for an individual or $8,550 for a family. Individuals 55 and older can contribute an additional $1,000 catch-up contribution for a total of $5,300 per year.

Distributions that are used for other purposes beyond qualified medical expenses are subject to tax and a 20% penalty if you are under age 65. If you are 65 or older, you can use your HSA much like a 401(k) and withdraw funds for any purpose but will have to pay income taxes on withdrawals made for nonmedical purposes.

Thinking ahead

If you or your spouse have creditable health insurance from a group employer, then you could consider delaying Medicare enrollment and continuing to contribute to your HSA, even once you turn 65. Something to consider is that if you decide to delay enrolling in Medicare beyond age 65, when you do eventually enroll, Medicare will automatically give you six months of retroactive benefits. This means if you decide to delay enrollment, you'll need to stop contributing to an HSA six months before you do decide to enroll in Medicare. If you do delay enrollment, this may also impact how much you can contribute in that final year, depending on when in the year you eventually enroll.

Your decision to delay may depend on the benefits coverage between Medicare and your employer, plan costs or your current tax picture and the tax advantages you gain by contributing to an HSA. No two individuals face the same situation when it comes to their healthcare benefits. Depending on your personal circumstances, goals and budget, an HSA may help you to maximize your benefits.

Quote of the Month: "Love has no age, no limit, and no death" John Galsworthy

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Keep in mind that indexes are unmanaged, and individuals cannot invest directly in any index. Index performance does not include transaction costs or other fees, which will affect the actual investment performance. Individual investor results will vary. Gross Domestic Product (GDP) is the annual market value of all goods and services produced domestically by the US. The Consumer Price Index (CPI) is a measure of the average change in consumer prices over time of goods and services purchased by households; it is determined monthly by the U.S. Bureau of Labor Statistics.

Changes in tax laws may occur at any time and could have a substantial impact upon each person's situation. While we are familiar with the tax provisions of the issues presented herein, as Financial Advisors of Raymond James & Associates we are not qualified to render advice on tax or legal matters.

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RMD's are generally subject to federal income tax and may be subject to state taxes. Consult your tax advisor to assess your situation.
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.