GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

January 2025

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	5918.25	0.62%	0.62%	0.62%
Dow Jones Industrials	42635.20	0.21%	0.21%	0.21%
NASDAQ Composite	19478.88	0.87%	0.87%	0.87%
New York Stock Exchange	19240.58	0.75%	0.75%	0.75%

U.S. TREASURIES	YIELD
2-yr Treasury Note	4.27%
10-yr Treasury Bond	4.68%
30-yr Treasury Bond	4.92%

Information as of January 8, 2025   Source: FactSet

MARKET COMMENT

New Year, New Era

It has been about 25-years since Y2K and the ensuing collapse of the "tech bubble." In September, it will be 24 years since the tragedy of 9/11. These events, along many other major events, affected our economy and the financial markets over the last 25-years and, as always, investors remained resilient, weathering the storm, and basking in the victories of rising markets. But does this year mark a new era of change for investor resilience? The backdrop certainly looks different than it did in Y2K with the potential for the Federal Reserve to successfully navigate a soft landing for our economy, the promises of Artificial Intelligence, and a new President promising sweeping changes with our global economic partners. Add in (not so) subtle changes in our national culture and you get something very different than what existed 25 years ago (especially if you are over the age of 40). But before we yell from the mountain top about the threatening impact of these changes, it might be wise to remember a verse written in the Bible by Solomon, from the book of Ecclesiastes (1.9), "What has been will be again, and what has been done will be done again: there is nothing new under the sun." As investors, we can wring our anxious hands trying to predict the future, or we can carefully observe what the financial markets are saying about this future. We choose to listen to the markets and let others try to predict the unknown future – futilely.

The stock market is coming off two consecutive years of decent returns, so many thought a strong sell-off might begin after January 1st, but so far, no major selling has materialized. Some form of a correction/sell-off is likely this year (with the S&P Equal Weight Index down 7.88% since December), but if the economy remains in an upward trend, employment strong, and inflation remains steady or down, the Federal Reserve should be able to maintain an accommodative view of interest rates, which should aid a growing economy and upward moving stock market. *If* this pans out, the key to the markets will be determining who will provide the strongest returns. Will stocks remain status quo with the tech sector leading the way, or will the market participation finally broaden out to other stocks?

As always, the next 12-months will be interesting and we look forward to sharing this time with you, our valued clients. We truly appreciate your trust and confidence, and we wish you a very blessed New Year.

PLANNING STRATEGY

Raymond James "Commentary & Insights" – M24-665197

The 10-year Rule for Retirement Account: How New Guidelines Could Impact Your IRA Beneficiaries

In 2020, The SECURE Act changed the IRA inheritance landscape – terrain that would shift again in 2022 with the passage of the SECURE Act 2.0. Over the summer, that new ground was firmed up as the IRS finalized regulations that will go into effect January 1, 2025. Here's a look at the rules and how they could impact your wealth and wealth transfer planning.

One of the biggest changes brought by the original SECURE Act was the introduction of the "10-year rule" for designated beneficiaries, which sought to stem the amount of time inherited money could grow tax-free.

Implemented in January 2020, the 10-year rule requires most non-spouse beneficiaries to withdraw the entire balance of an inherited IRA within 10 years. It also set parameters around timing, distributions and beneficiary categories.

SECURE Act 1.0:
Required with some exceptions, that the entire balance of an inherited retirement account be distributed within 10 years of the owner's death; raised the age when RMDs must be taken:
RMDs begin at **72** for those born between **July 1, 1949 and 1950**.

SECURE Act 2.0:
Maintained the 10-year rule; further raised the age at which RMDs must be taken:
RMDs begin at **73** for those born between **1951 and 1959**
and at **75** for those born **after 1960**.

Key guidelines

Required minimum distributions (RMDs)
The minimum amount that must be withdrawn from a retirement account each year after the account owner reaches the designated age.

Required beginning date (RBD)
The date by/on which the first RMD must be taken. This date is April 1 of the year after an IRA owner reaches their applicable RMD start age (currently 73).

Eligible designated beneficiaries (EDBs)
Beneficiaries who may take distributions over their life expectancy – but may also choose to apply the 10-year rule, depending on their situation, including:

- Spouses
- Individuals not more than 10 years younger than the retirement plan account or IRA owner (this includes an individual older than the IRA owner)
- Minor children of the retirement plan account or IRA owner only (note: these must be children of the account owner – not a grandchild, niece, nephew, etc. – and after they reach age 21, the account must be depleted within 10 years)
- Disabled individuals
- Chronically ill individuals
  Non-eligible designated beneficiaries (NEDBs)

  Beneficiaries who are subject to the 10-year rule, including:

- Those not falling into any of the above groups, who inherited from someone who died *before* their RBD.
- Those not falling into any of the above groups, who inherited from someone who died *after* their RBD.

"The changes will have the biggest impact for beneficiaries of larger accounts, further exacerbated if those beneficiaries are successful themselves and taxed at higher rates. This compressed time period could force distributions into higher taxer brackets," said Jim Kidney, CPA®, CPWA®, who supervises the financial planning consulting practice at Raymond James. "Before the 10-year rule, the 'stretch IRA' strategy enabled inheritors to spread distributions – and the tax impact – across their life expectancies."

While that possibility is much more limited now, there are alternative strategies for maximizing IRA funds in line with current regulations.

Considerations for IRA owners

Roth conversion
Converting a traditional IRA to a Roth IRA before an account owner reaches their RBD can keep those converted dollars at a lower tax bracket compared to if they were forced to take it as an RMD from the Traditional IRA later. Furthermore, the converted dollars and associated earnings will be tax free to the owner and ultimately to a beneficiary, provided several conditions are met.

Life insurance
A somewhat more involved planning strategy is to consider using distributions from a pre-tax retirement account to purchase life insurance, allowing the policy holder to name as beneficiary the same person they intended to inherit their retirement account.

Considerations for IRA beneficiaries

Inheritance circumstances
The finer points of how a beneficiary inherits an account will impact how the 10-year rule is applied and how RMDs are managed.

If the account owner dies before their RBD:

A non-eligible beneficiary **will need to deplete the account** by December 31 of the tenth year following the owner's death **but will not have to take RMDs**.

If the account owner dies after their RBD:

A non-eligible designated beneficiary **will need to take RMDs in years one through nine, with a final distribution in year 10**. This RMD requirement is generally based on the single life expectancy of the beneficiary.

Missed RMDs

Because final guidance regarding the 10-year rule has been shared four years after the rule's introduction, some beneficiaries could have needed to take RMDs in the intervening period. In many of these cases, the IRS is issuing waivers for missed RMDs. This waiver only applies to non-eligible designated beneficiaries under the 10-year rule who inherited from an IRA owner who died after their RBD.

Distribution timing

For beneficiaries in high tax brackets, it's important to weigh strategic timing options for distribution. For example, if a beneficiary plans to retire five years after inheriting, it may be most efficient to take minimum distributions while they're still working and increase payments to deplete the account in their first five years of retirement.

While this rule is settled, the climate is sure to change again, inviting new tax and financial planning implications. To keep your footing, work closely with your financial advisor and, when appropriate, experienced estate planning and tax professionals.

LIFE & LEISURE

Raymond James "Commentary & Insights" M24-631342

Tech Nostalgia: In With The Old

Everything old is new again – even the dusty tech in your junk drawer. Millennials and Gen Zers are resurrecting vintage technology, and not just for the novelty kick. Tech nostalgia can save consumers money, or help them unplug. The trend reflects a simple truth: Newer isn't always better.

Though popular, e-books offer a clear demonstration of what so much new technology lacks – a sensory experience. The smell of an old book and the sound of a turning page largely explain why print books still dominate the market. Retro junkies seek tech that delivers a physical encounter. And with physical connection so often replaced by virtual connection today, it's easy to understand a desire to turn back time.

Let's talk about some of the reasons tech nostalgia is in – and why old tech might be here to stay.

Money, money, money.

Tangle-prone or not, wired headphones have upsides. Losing old-school headphones won't ding your wallet as badly as losing their wireless counterparts – and wires are more difficult to lose in the first place. Flip phones are another popular retro tech product with a consumer-friendly price tag. Why buy the latest iPhone – which will be outdated soon enough – when you could opt for a fun, funky and cheaper flip phone and sock away the difference for a vacation?

Quality counts!

Vinyl records aren't as affordable – or as mobile – as Spotify, and you can't play a record in your car. And yet, vinyl sales now outpace CD sales. Besides offering retro-appeal, vinyl records sound better than their digital descendants, according to vinyl enthusiasts. Records capture all analog waves in the original performance, which digital music can't do, making vinyl more faithful to the original studio performance. And for those who appreciate the romance of clicks, pops and white noise, digital music simply can't compete.

Memory lane is good for the brain.

According to Psychology Today, the affection for retro devices is "inextricably linked to the simpler times they belong to." Between artificial intelligence and automation, you might think times would be simpler now, but it seems the opposite is true. "Doom-scrolling" and nonstop news alerts can be bad for mental and physical health. Old tech can take us back, and calm us down.

Repurposing the past.

Some trending tech is more vintage-inspired than vintage. Phones with foldable screens are both old and new. With smartphone capabilities but the pocketable size of flip phones, models like the Samsung Galaxy Z Flip 4 are experiencing a surge in popularity. Motorola has also entered the foldable screen game, hinting at a growing market for new tech with an old vibe.

From e-learning to remote work, online shopping to contact-free delivery, much of the face-to-face interaction we need in order to feel connected has been stripped from our day-to-day. There's wisdom in a yen for vinyl records and Polaroid cameras. Unlike their digital alternatives, these items offer something tangible to collect, to hold, to share. Over time, a beloved book or photo becomes an heirloom, something to pass down to children and grandchildren. And so it goes.

Sources: harpersbazaar.com.au; psychologytoday.com; thehustle.co; digitaltrends.com; wsj.com; theguardian.com; cnn.com; sciencefocus.com

Quote of the Month: "Be at war with your vices, at peace with your neighbors, and let every new year find you a better man." - Benjamin Franklin

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