GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

January 2022

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	4778.73	4.64%	10.94%	27.23%
Dow Jones Industrials	36398.08	5.55%	7.55%	18.92%
NASDAQ Composite	15225.15	1.31%	8.95%	22.14%

U.S. TREASURIES	YIELD
5-yr Treasury Note	1.27%
10-yr Treasury Bond	1.51%
30-yr Treasury Bond	1.92%

Information as of December 30, 2021 Source: Thomson Reuter's Thomson One

MARKET COMMENT

2022

To ring in the New Year, we thought appropriate to share some market insights from Raymond James' Director of Equity Portfolio and Technical Strategy, Michael Gibbs, in his *2022 Equity Market Outlook*:

"The S&P 500 is poised to finish 2021 up over 20% as it has fed on very loose financial conditions and the re-opening of the economy. Despite inflation moving higher and ongoing supply chain issues, the U.S. consumer remains healthy and overall demand continues to be strong. With this backdrop, the macro environment is support for equities to continue to move higher in 2022 with our **year-end S&P 500 base case price target of 5,053**. GDP (FOMC is projected 4%) is expected to remain above trend in 2022, which we believe should drive sales growth to be in excess of inflation leading to margin expansion in excess of consensus expectations and EPS growth of double digits (**our 2022 EPS estimate is $235 vs. $205 for 2021**).

Overall, we see tapering and tightening as more of a process beginning with a transition from rapid expansion of the Fed's balance sheet to a slowing/stabilization period and eventually reducing the balance sheet and raising fed funds rates. At each step, stocks could see some added volatility, but unless other factors (macro slowdown, fears of runaway inflation, etc.)

evolve, we believe draw-downs should not be terminal for the bull market- although some may be deeper than "normal" and reach beyond 10%. We continue to have a **pro-cyclical bias, but believe it is prudent to remain balanced** with areas levered to the **pandemic recovery along with pandemic winners**. Secondly, we have a **bias towards small-caps** given the expectation for better growth and relative valuation is at a 27% discount (vs. the 15-year average of an 8% premium) to large-caps. Finally, we continue to believe **dividend paying stocks** offer an attractive alternative to bonds with the S&P 500 dividend yield roughly in-line with the 10-year yield. **However, it will be important to not get complacent and have a willingness to adapt to changes in 2022 as there continues to be a lot of wildcards, as supply chains remain in flux, inflation remains elevated, and the Fed begins to tighten. "**

We hope you all have a happy New Year and thank you for your continued trust and confidence in us – it is deeply valued.

PLANNING STRATEGY

Raymond James "Point of View" article. raymondjames.com/commentary-and-insights/estate-giving

Gifting in a Volatile Market

During times of market volatility, it's important to review your charitable options and opportunities.
The coronavirus has financially impacted individuals and businesses, and market volatility may leave you cautious about making gifts. However, lower valuations can offer certain tax advantages, and temporary pandemic relief legislation is designed to promote charitable giving as well.

Annual exclusion and lifetime gifts

This is a good time to make annual exclusion gifts (up to $15,000 per person). Using marketable securities when volatility is high and valuations are down can provide for extra tax advantages on these gifts.

Making larger gifts with low value securities allows a taxpayer to remove assets from the taxable estate while retaining more of the estate tax, gift tax, and generation skipping transfer tax exemptions (currently $11.7 million). Investors who have concerns that the exemption will be lowered with possible changes in legislation should consider consuming a larger portion of the exemptions sooner rather than later. The IRS will not recapture these gifts if the exemption is lowered.

Charitable giving

As in 2020, COVID-19 relief legislation provides incentives for charitable giving in 2021.

For taxpayers who itemize, the charitable cash contribution limit is still increased to 100% instead of the standard 60%. The taxpayer must make an election. The existing five-year carryover rule remains in place, and the election would allow an increased amount to be deducted in 2021 and less carried forward.

For corporations, the percentage limitation on the corporate income tax charitable deduction is still increased from 10% to 25% of the corporation's taxable income for 2021. In the case of charitable contributions by partnerships or S corporations, each partner or shareholder must separately elect to use the modified percentage limitations.

For taxpayers who take the standard deduction, the act allows an above-the-line deduction for cash contributions up to $600 for married couples filing jointly who aren't itemizing. In order for the contribution to be deductible, it must be given to a charitable organization described in Internal Revenue Code section 170(b)(1)(A).

These incentives are only available for cash contributions and are not available for contributions to private foundations, supporting organizations and donor advised funds.

Charitable remainder trusts (CRT): Funding a charitable remainder trust with highly appreciated stock can solve capital gain tax problems and allow tax-efficient investment diversification. The CRT can sell appreciated assets and the donor avoids capital gains tax. To the extent capital gain income is paid to the donor, it is spread out over time.

Retirement planning: The suspension for required minimum distributions under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) has expired, but the increased adjusted gross income (AGI) limitations for cash contributions provides an opportunity for individuals between 59½ and 70½ to have benefits similar to a qualified charitable contribution. They can take a cash distribution from their IRA and donate the cash to charity to offset a larger portion of their income taxes.

High-net-worth strategies: High-net-worth investors with appreciated assets should consider combining giving strategies to maximize gift tax benefits.

- Make larger donations in cash to charity.
- Consider gifting through a donor advised fund, donating long-term appreciated assets to minimize capital gains and maximize the 30% AGI limits for appreciated securities.
- Plan for future giving and take advantage of the increased AGI percentage limit by additional cash gifts to a donor advised fund.
- Use a combination of strategies to help take full advantage of the increased AGI percentage for gifts and receive tax savings on long-term appreciated assets.

The CARES Act has created a number of opportunities for charitable planning. Talk to your financial advisor to learn more about charitable opportunities during times of volatility.

Diversification does not guarantee a profit nor protect against loss. Raymond James does not provide tax or legal services. Please discuss these matters with the appropriate professional.

LIFE & LEISURE

Raymond James "Point of View" article. raymondjames.com/commentary-and-insights/retirement-longevity

Finesse Your Benefits & Contributions This Winter

Mark your calendar with important tax deadlines and market closures.
Start 2022 off right by fine-tuning your contributions to retirement and health accounts and preparing for tax filing.

Winter 2022 market closures

- **Jan. 17:** Martin Luther King Jr. Day
- **Feb. 21:** Presidents Day

Dates to remember

- **Jan. 18:** Fourth quarter 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 you have until mid-April to contribute for the current tax year. You also have the option to contribute early in the year toward the next tax year – so tell your IRA custodian which year the contribution applies to.

Quote of the Month: "For last year's words belong to last year's language. And next year's words await another voice."

— T.S. Eliot

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