GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

July 2023

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	4439.26	-0.25%	-0.25%	15.62%
Dow Jones Industrials	34261.42	-0.42	-0.42	3.36%
NASDAQ Composite	13760.70	-0.20%	-0.20%	31.47%
New York Stock Exchange	15897.31	0.13%	0.13%	4.70%

U.S. TREASURIES	YIELD
2-yr Treasury Note	4.88%
10-yr Treasury Bond	3.97%
30-yr Treasury Bond	4.01%

Information as of July 11, 2023 Source: FactSet

MARKET COMMENT

A Revisit to the Inverted Yield Curve

It was this time last year when we discussed the inverted yield curve, and what it could potentially signal about our economy. As you may recall, an inverted yield curve occurs when short-term interest rates yield more than long-term rates. This typically occurs when the Federal Reserve raises their short-term interest rates (*i.e.* Federal Funds Rate) at the same time that the bond market thinks a possible economic slowdown (recession) may be on the horizon. Historically, recessions start 6-18 months after the initial inversion – so, where are we now.

This cycle of the inverted yield curve started back in March of 2022, when the 2-year Treasury yielded more than the 10-year Treasury. This initial inversion started the stock market's substantial decline in 2022, which ultimately bottomed in October 2022. Since the October low, the stock market has climbed back to recoup some of the losses, being approximately 7% below the previous high in December 2021. Although the market was volatile throughout 2022, losses were substantial in October 2022 (-16%) when the 10-year Treasury note rose above 4%. As the time of this newsletter, the 10-Year Treasury has once again touched 4% (with additional Federal Reserve interest rate increases likely over

the months ahead). As such, similar to October 2022, we may experience some new stock market declines in the future due to a slowing economy.

As we have commented in recent letters, the stock market rally has been concentrated in a small select group of stocks, and not the boarder market. A healthy market tends to be one where "the high tide raises all ships." However, the last couple of weeks have finally seen some boarder participation. Perhaps this is a positive indicator and additional signals will be coming forth to allow a more aggressive posture in the stock market. As of now, the stock market seems to offer continued higher risk than normal.

Additionally, from our perspective, the higher risk over these past 6-months has come from the Federal Reserve taking the most aggressive rate increase policy in 40-years. This has led to the demise of several regional banks and is causing many to raise a "yellow flag" regarding the commercial real estate market. These risks may cause bond investors to demand higher yields to compensate for these additional risks, which could trigger slower future economic times and declining stock prices.

Lastly, it appears that some in the stock market have forgotten the old adage by Marty Zweig, "don't fight the Fed," by which he meant that the Federal Reserve is the stock market's friend when rates decline (adding economic fuel), and its enemy when they raise rates (pulling out the economic fuel).

As always, we appreciate your trust and confidence. Thank you.

PLANNING STRATEGY

Raymond James "Commentary & Insights" M23 - 199732

Navigating Employer Retirement Plans

Gone are the days of staying at the same job with the same company for decades. In fact, people aren't even staying in the same line of work for a whole career anymore. According to research from the U.S. Department of Labor, the average American worker will change careers five to seven times throughout their life, and approximately 30% of the workforce now changes jobs every 12 months.

People are changing jobs for one reason or another – more money, less stress, more opportunity, more stability – and often their employer retirement account is not what's top of mind. But when you're switching jobs, you should always understand the status of your retirement account. Where is it held? How is it invested? What are the rules for transfers or withdrawals?

Here are some considerations to keep in mind as you embark on your new opportunity and leave the past in the rearview (except for your retirement account, of course).

Know your options

Before you start actioning a plan for your former employer retirement account, determine if any action needs to be taken in the first place. If your career move is between companies that are somehow related – as in a parent-subsidiary relationship, for example – they may be part of what's called a "controlled group," and no action on your part will be necessary. It's possible that the same plan is offered with all companies in a controlled group.

If that's not the case, there are a few options for you to think about.

Leave the funds where they are.

The path of least resistance is to leave your account where it is. But the first step is to ensure that your former employer allows you to do so. If you can leave your account with your old employer and choose to do so, how can you make sure you'll remember that money is there in 20, 30 or 40 years? An estimated 24.3 million 401(k) accounts with an average balance of over $55,000 were left behind by job changers in 2021.
The amount of money you have in the account may factor into whether you can keep it with your previous employer. Some employers require a transfer if there's less than $5,000 in an account, or even automatically cut the employee a check for the balance if it's under $1,000. (If your employer does this, you'll need to sock that money into another retirement account ASAP, or face paying taxes and possibly penalties on it.) Something else to note is that employer plans often have higher fees and fewer investment choices while an IRA has more investment options, potentially lower fees, or might also include the help of a financial advisor.

Roll funds into a new plan.

While keeping your balance with your previous employer plan can save you the trouble of a rollover, that might not always be the most beneficial move. Due diligence is important to avoid transferring funds from a former employer account to a more restrictive one. Some accounts have rules like not allowing you to access your funds until 65 years old, or not until you've been separated from the company for a certain number of years. You don't want it to be more difficult to access your funds.
If you decide to transfer your 401(k) balance to your new employer's plan, your top priority should be following the transfer rules to a T. A direct rollover orchestrated by your new employer's plan administrator is the most straightforward method. If you don't perform a direct rollover, you could face penalties and taxes on the transaction.

Cash out the plan.

If you're thinking about taking the money and making a run for it, think twice. If you don't meet a 10% penalty exception, you'll likely pay an early withdrawal penalty, plus income tax – state and federal – on the balance. You'll also sacrifice the potential growth your investments could've seen with more time in the account.

What happens when you retire?

When it comes time to retire and you have retirement accounts scattered about, there's no need to panic. If you have a variety of employer-sponsored plans – like 401(k)s, Roth 401(k)s, 403(b)s, 457(b)s, IRAs and Roth IRAs – whether you want to withdraw from the taxable accounts first depends on factors such as your tax bracket, account balances and other income sources. Your advisor, who understands your entire financial picture, should be able to advise you on what will be the most beneficial order in which to take distributions.

With any employer-sponsored retirement plan, you'll be required to withdraw a minimum amount of money each year (a "required minimum distribution," or RMD) once you reach your Required Beginning Date. This might get a bit complicated to keep track of if you maintain multiple accounts.

Familiarize yourself with each plan's terms because each may include additional specifications for accessing your money.

Always remember you have options for what to do with your savings in retirement plans. When changing jobs, consider those options carefully to position your savings to do the most for you.

If you're about to make a career move:

- Assess what employer-sponsored retirement accounts you have, and how much money is in them.
- Look at each plan's terms and determine what your options are for transferring funds.
- If you have questions or concerns, give us a call to determine how best to move forward.

Sources: latimes.com; humaninterest.com; novoresume.com; zippia.com; raymondjames.com; fidelity.com; irs.gov; cnbc.com

LIFE & LEISURE

Raymond James "Commentary & Insights" M21 - 3510883

The Lasting Benefit of Financial Literacy

Talking to kids about money can be awkward, but it's important. That's the takeaway from a recent T. Rowe Price survey, which showed that parents consider topics like death and politics easier to discuss with kids than saving for a goal. A full 85% wanted to avoid the issue by signing their kid up for a personal finance course.

Though a class might help – and your advisor can be a valuable teacher's aide – your kids are still taking their cues from you.

"Parents are the number one influence on their children's financial behaviors," Beth Kobliner, author of "Make Your Kid a Money Genius," told Forbes. "It's up to us to raise a generation of mindful consumers, investors, savers and givers."

Here we offer essential financial lessons to teach your kids at each age and stage.

Ages 3-6

Don't underestimate them – at 3, your kids can grasp basic financial concepts, and by age 7, they have already formed money habits, according to a Cambridge University study. Start with the basics, including the idea that you work to earn money in order to pay for what you **want and need** – and help your kids understand the difference.

Create a wants vs. needs collage: divide a sheet of paper in half and have your child cut and paste photos from magazines into the two categories.

Other money milestones mapped out by the experts at the Consumer Financial Protection Bureau include the ability to **focus and persist through tasks**. Saving for retirement takes large amounts of patience and self-control, so we might as well start teaching them early.

Recognizing tradeoffs is another important early milestone. Try thinking aloud when you're grocery shopping about the amount of money you're exchanging for a product, or have them help you compare the unit price of similar goods. Whether a trade involves money, treats or time, discuss with your child how every decision has consequences.

Around age 5, it's important to give kids some cash to manage. A regular allowance allows them to start thinking in terms of financial tradeoffs, and you can offer them a three-part piggy bank (save, spend and share) so they begin to understand the different **functions of money**.

By age 6, your child should be able to focus on completing small chores to earn money and understand the value of different coins and bills well enough to **sort and count** them.

Ages 7-12

As your child grows, help them **develop values** such as empathy and gratitude. Knowing that some families live in poverty and need assistance is part of financial literacy. Using a site like Dollar Street that shows photos of different families around the world living on a variety of incomes can help. So can letting your child have a say in where the family's charitable dollars will go.

It's also a good idea to pass down **family stories** to the next generation – how your parents pitched in to help you build your business, your first big purchase, or how spending habits helped you weather the ups and downs of life. These tales can help them understand their place in the world and develop perspective on what has value in life.

These years are also a good time to have your child **open a bank account**, which can help them claim the identity as a "saver" and associate positive emotions with it. You should also help them track what they are earning in interest. "There's nothing like receiving an interest payment (even if it is a few cents) in your name for the first time," Asheesh Advani, CEO of Junior Achievement Worldwide, told *Inc.* magazine.

Ages 13-18+

Credit cards, investing, taxes: As your child becomes a young adult, it's time to step up your game to help them with these complex topics and more. You can help them get started with the SIFMA Foundation's annual Stock Market Game simulation, let them take control of buying their school supplies on a budget, or help them calculate credit card interest.

Before your teen racks up any credit card debt of their own, consider adding them as an authorized user on your card. Show them that interest accrues unless the balance is paid off – and that any late payment hurts your credit score.

Talk about which **data sources** can be trusted. Share how you vet financial decisions, and urge your teen to keep digging if what they're being told doesn't add up. For example, if your child is researching colleges, encourage them to do research beyond reading a school's brochure.

Many successful people trace their money skills back to a formative moment: **getting a job** as a teen. There's no better way to experience firsthand the effect of taxes, having a boss, being part of a team and managing your time to fit in schoolwork. A seasonal job during school holidays or a part-time gig could help your teen better grasp the working world – and how they picture themselves in it.

Finally, come up with a savings plan for **long-term goals**, like a car or college tuition. You can use a budgeting app (try Goalsetter or Mint) that helps them visualize their progress, keeps spending in check and gives them a sense of ownership and confidence in their future.

Start the conversation

Whether your kid is 7 or 17, they are ready to hear money talk from their parents and grandparents. After all, financial literacy is not just about dollars and cents. You're really showing them how to think for themselves, develop values and make sound decisions. In the space of a few teachable moments, you can empower them to take control of their future – a worthy investment.

Sources: T. Rowe Price 2019 Parents, Kids & Money Survey; Forbes; Inc. magazine; CNBC Millionaire Survey; U.S. Consumer Financial Protection Bureau; Sallie Mae's 2019 Majoring in Money report; mtmfec.org

Quote of the Month: "As far as the laws of mathematics refer to reality, they are not certain; and as far they are certain, they do not refer to reality." - Albert Einstein

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