GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

June 2022

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	4017.82	-2.77%	-11.31%	-15.70%
Dow Jones Industrials	32272.79	-2.17%	-6.94%	-11.19%
NASDAQ Composite	11754.23	-2.71%	-17.34%	-24.87%

U.S. TREASURIES	YIELD
5-yr Treasury Note	3.07%
10-yr Treasury Bond	3.04%
30-yr Treasury Bond	3.17%

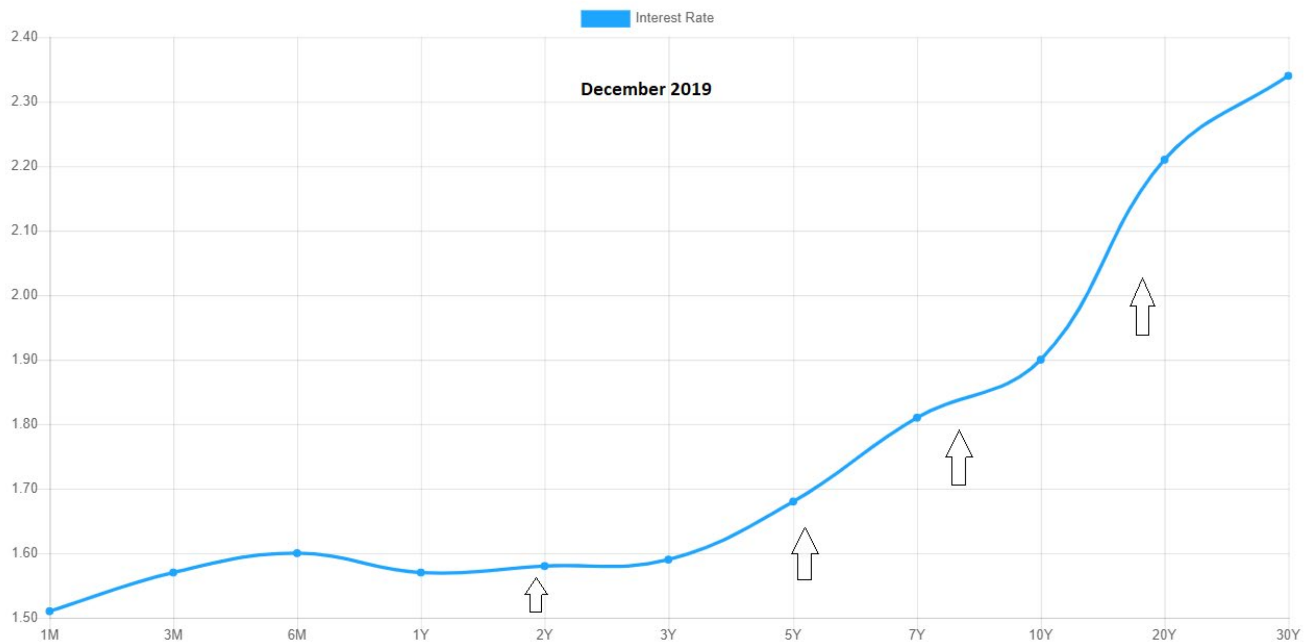
Information as of June 9, 2022 Source: Thomson Reuter's Thomson One

MARKET COMMENT

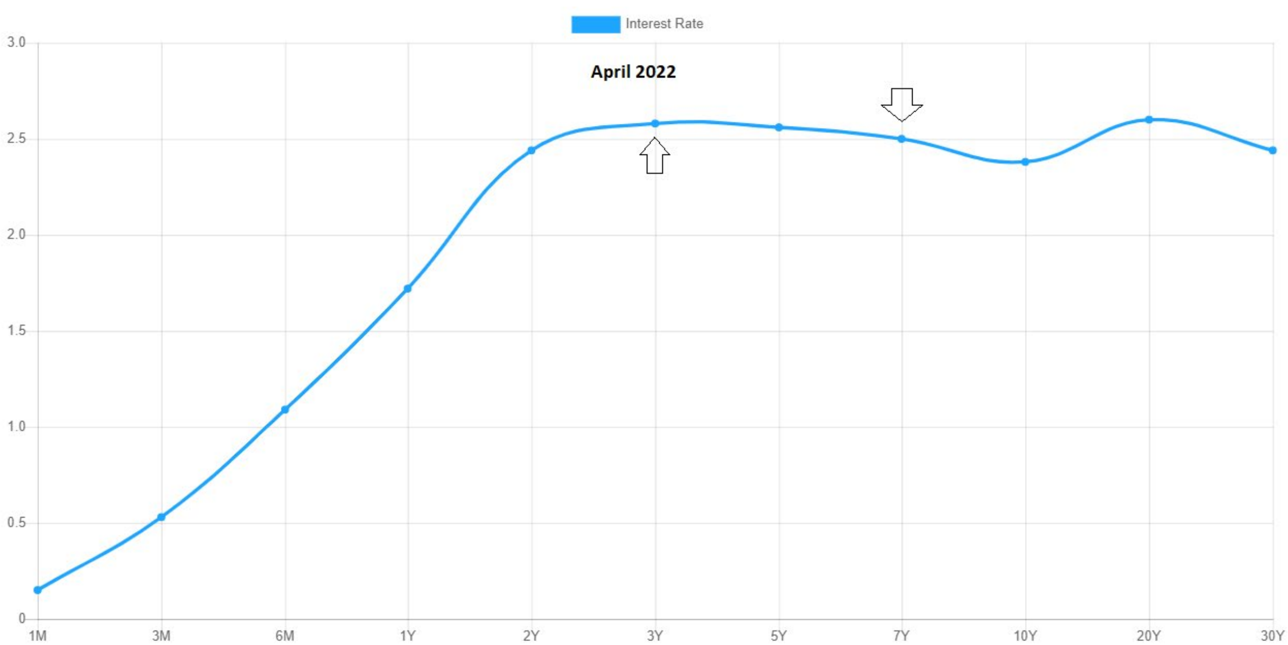
The Yield Curve

In April of 2022, the 2-year and 10-year Treasury Notes officially inverted. This occurs when the 2-year note pays a higher rate of interest than the 10-year note, which is uncommon considering longer term bonds usually require a higher rate of interest to compensate the investor for locking up their money for long. This inversion, like many in the past, sent up a yellow caution flag to investors warning of a future potential economic recession. However, I would venture to guess most investors have little knowledge of this well-documented economic indicator, so let's dig a little deeper into the nuances of how the yield curves works.

Who determines where rates are going? Well, the bond market is the primary indicator that everyone eyes to determine what the curve is doing based upon the future economic activity. If bond investors think inflation will be rising, they will want higher interest rates due to the increased risk of holding these longer dated bonds, as well as the risk that rising inflation will erode their purchasing power due to increasing prices. The Federal Reserve (Fed) is also a key player in this drama, affecting the short term rates by either increasing or decreasing the federal funds rate. As we now are experiencing, the Fed is telegraphing their intentions of raise the short term rates due to high inflation.



As you can see, short term rates typically pay less than the long term rates (for the reasons mentioned above). This curve can either be steep or flat, with the rates constantly changing based upon expected future economic activity. If the market is anticipating strong economic growth, the curve usually steepens with long rates going higher to anticipate higher inflation. However, if the market believes the economy will grow too fast, and inflation rise too quickly, flattening of the curve takes place and short-term rates rise and long rates decline – which is what we are seeing now in the bond market.



As an economic and market indicator, what is an inverted yield curve actually indicating? The Federal Reserve, as well as other economic research, has shown an inverted yield curve usually indicates that the economy will be going into a recession within four quarters after the initial inversion. While this is not always the case, the predictability of the record is quite robust based on previous occurrences. So, should we anticipate our economy falling into a recession next April and, if so, how is this going to affect our investment strategy. We'll cover that topic next month.

As always, we thank you for your continued trust and confidence. It is deeply valued.

PLANNING STRATEGY

Raymond James "Point of View" article. M22-4643674

Establishing a Trust? These States Have Favorable Legislation

You have your pick of where to establish a trust. While creators and beneficiaries can live anywhere, the trustee – whether friend, family or a corporation – generally must operate in the same state as the trust. Not a major hurdle to overcome.

Four states have laid solid groundwork for favorable trust legislation, namely **Alaska, Delaware, Nevada** and **South Dakota.** New Hampshire, Tennessee and Wyoming, among others, are striving to make a case as well.
So which state's the fairest of them all? That depends on the features you value most.

For flexibility

More than half the states allow trusts to last either indefinitely or hundreds of years. Extending the lifetime of trusts helps insulate trust assets from creditors, as well as transfer (e.g., gift and estate) taxes. Since this is a very complicated area and there are still limits and legal challenges to the idea of a "forever" trust, talk to your advisor and trust attorney to better understand the potential risks.

Pro tip: For even more flexibility, consider states that also have "decanting" statutes that allow a trustee to remove or modify trust provisions by "pouring" or distributing assets into a new trust.

For asset protection

A handful of states (19 at last count) have established asset protection trust statutes that may safeguard your property from liability, divorces, civil judgments and creditors. The laws vary, but it's worth considering one of these states when establishing your trust.

You may not be surprised that the big four made the list, along with Connecticut, Indiana, Hawaii, Michigan, Mississippi, Missouri, New Hampshire, Ohio, Oklahoma, Rhode Island, Tennessee, Utah, Virginia, West Virginia and Wyoming.

To mitigate taxes

Several states don't tax undistributed trust income: Alaska, Florida, New Hampshire, Nevada, South Dakota, Tennessee, Texas, Washington and Wyoming. However, other states offer more nuanced tax mitigation.

The tax picture is based on a multitude of factors, so professional tax advice is the way to go here. States that tax trusts on factors other than the creator's legal domicile provide much more flexibility in changing the trust's residence for state income tax purposes. Keep in mind, too, that dynasty trusts can limit estate taxes as long as the assets remain in trust.

Pro tip: Since the laws and rankings change often, consider giving your trustee the flexibility to change the trust *situs* (domicile) to a more state-tax friendly location at some point in the future.

*State rankings**

This chart, based on research from estate attorney Steven Oshins, provides a good summary of favorable trust legislation, but there's no substitute for professional advice as you navigate complicated waters.

Rank	Asset protection	Decanting	Dynasty trust
1	Nevada	South Dakota	South Dakota
2	South Dakota	Nevada	Nevada
3	Ohio	Delaware	Tennessee
4	Missouri	Tennessee	Alaska
5	Connecticut	New Hampshire	Wyoming

Shaded states have no state income tax.

Sources: retirementwatch.co; ultimateestateplanner.com; fdic.gov; The New York Times; oshins.com; Raymond James research

**As of September 2020. 11th Annual Domestic Asset Protection Trust State Rankings Chart; 8th Annual Dynasty Trust State Rankings Chart; 7th Annual Trust Decanting State Rankings Chart; 6th Annual Non-Grantor Trust State Income Tax Chart.*

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. www.raymondjames.com

Homebuyer in a Seller's Market? Focus On Your Preparation

First things first

The first step most prospective homebuyers take when searching for a new property is to contact a reputable real estate agent. These professionals have valuable insight into homes in your desired area and can tap into their networks to expand the options available to you.

Still, finding a real estate agent is just the beginning. And it doesn't mean you can skimp on doing your own research. Browsing the market on websites like zillow.com can give you a better idea of home prices in your target neighborhood as well as the types of houses and features you're likely to find. This preliminary research will help you prioritize your wants and needs, as well as streamline the search process with your realtor.

On the hunt

Keeping in mind your budget for the purchase, you'll need to work with a lender to get prequalified for a mortgage – a key move that will allow you to act quickly when you do find a house you love. If you're not sure how to start this process, begin by contacting your financial advisor. Not only can they provide you with a comprehensive overview of your financial landscape, they can also connect you with a mortgage lender to guide you through the homebuying process.

Once you've identified a lender, the next step is usually to get a prequalification letter stating the amount they are tentatively willing to lend to you. This will help distinguish you as a more serious buyer to sellers. Here are a few additional points to discuss with your lender:

- How much you want to allocate for a down payment
- Your credit score, which will affect the interest rate you receive
- The price range for your new home

  As soon as you've ironed out these details, you'll be ready to explore your mortgage options, including:

    - The type of mortgage best suited to you (options include adjustable rate, fixed rate, interest-only payments, jumbo and pledged securities mortgages)
    - The duration of your loan
    - Your estimated monthly mortgage payment
    - The interest rate of your mortgage

The negotiation

You prequalified for a mortgage and found a home that checks all your boxes. Now it's time to make an offer. This is when all of your research can prove particularly handy.

There's often a sense of urgency during the negotiation process. Your real estate agent might encourage you to make a competitive offer and to act fast so another buyer doesn't beat you to it. But before committing to an offer, it's crucial to thoughtfully consider the value of the house by taking into account details such as:

- The price of similar homes in the area
- How much repair or renovation you will need or want to put into the home

  While weighing these factors, you might feel pressured to meet the seller in the middle, particularly if their asking price is overinflated. You might also hear pointed questions like, "Is losing this house really worth saving $2,000?" But consider how those points can apply to the seller as well.

Whether you feel pressure from your realtor, the seller or other buyers, resist the urge to act hastily. Instead, lean on what you learned from your initial research so you can confidently negotiate a fair price.

Securing "the one"

Once your offer for a home is accepted, you'll need to schedule an inspection and an appraisal to ensure you're getting the home and the value you're seeking.

While some people have mixed feelings about appraisals, and some buyers are tempted to rush through this step, appraisals have become standard procedure to confirm a home's value. This protects both your mortgage lender and you, the buyer.

Ultimately, appraisals, which are ordered by the lender on behalf of the borrower, can help you negotiate a fair price. And a thorough inspection can help you avoid costly surprises down the road.

Closing time

You've finally reached the last stretch of the lengthy homebuying process. Here, you'll work with your bank to finalize all of the necessary paperwork to close on your house.

Worth the effort

Buying a home can be a time-consuming and emotional process. But being prepared without cutting corners is the best way to ensure you get the home you've always envisioned – one where you can put down roots for years to come.

> **Quote of the Month:** "Inflation is when you pay fifteen dollars for the ten-dollar haircut you used to for five dollars when you had hair." - Sam Ewing

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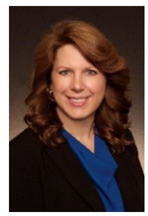

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Planning - [Establishing a trust? These states have favorable legislation (raymondjames.com)]
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