GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

June 2024

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	5283.40	0.11%	0.55%	10.77%
Dow Jones Industrials	38517.01	-0.30%	-3.11%	2.34%
NASDAQ Composite	16828.67	0.56%	2.74%	12.11%
New York Stock Exchange	18006.96	-0.42%	-1.67%	6.59%

U.S. TREASURIES	YIELD
2-yr Treasury Note	4.81%
10-yr Treasury Bond	4.39%
30-yr Treasury Bond	4.54%

Information as of June, 2024 Source: FactSet

MARKET COMMENT

Facts vs Noise

Professional investors have long realized the importance of separating *facts* from *noise* in the financial markets and tend to invest based upon statistical probabilities around the relevant facts, while also discounting noise. Of course, new information is always available, and the relevant facts can change, so good investors keep a sharp eye out and adjust their analysis when facts deem it necessary.

Today's financial markets are *noisier* than ever – which can make it difficult to ascertain exactly what is fact from the 24-hour news sources, suggestive search engines, and targeted advertising on social media. It seems all these sources have an embedded agenda to capture your attention and interest – not supply factual information. So, with our focus on the financial markets, let's see if we can parse out some of the current facts, along with some of the noise.

Many believed the Federal Reserve would start lowering interest rates in 2024, but that certainly hasn't happened yet. It seems the Fed continues to take a more "wait and see" approach due to inflation still sticking around our economy. Yet, everything seems to be humming along okay in the economy – despite some *noisy* pundits clamoring for lower interest rates to stave off a recession. The current *facts* support the probable avoidance of recession, which we feel is supported by strong employment, a resilient consumer, and strong corporate profits thus far in 2024. Moreover, May's consumer sentiment reading was better than expected and April measured the 3rd straight monthly increase for durable goods orders.

Another *very noisy* area is the upcoming Presidential election. Although the fevered level of rhetoric hasn't registered yet, this election could be one of the *noisiest* in history! It will take real resolve to filter out all the facts from the noise. If history is any guide, studies show that the stock market and economies are generally equally positive/negative no matter what party is elected. The economy, businesses, and consumers all adjust over time to the current administration, which is needed to prosper our lives. Unfortunately, you won't find those *facts* on your nightly news programming.

Lastly, there is the *constant noise* of all the things that could go wrong! This list is usually very long, highly unquantifiable, and based upon fear. The *noise* of today includes wars in Ukraine and Israel, a potential conflict with China over Taiwan, recession if Federal Reserve doesn't lower interest rates soon, Congress's inability to govern, and, a fan favorite: "America isn't what it used to be!" Yet, investors have persevered. In *fact*, the stock market is historically positive 2/3 of the time … we just need to keep a sharp eye out for the other 1/3 of declines!

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

PLANNING STRATEGY

Raymond James "Commentary & Insights"- raymondjamees.com

Life - Changing Event Change Your Taxes, Too

Legislation and life – two things guaranteed to change your federal tax situation. Here are a few major milestones you'll need to tell your tax pro and your advisor about as soon as possible. The former can find credits you qualify for and dig up deductions, while the latter can help you come up with flexible solutions, like lines of credit, to pay an unexpected tax bill from the IRS.

You say "I do"

For married couples, filing jointly tends to yield lower taxes and higher deductions, but not always. Make sure the name you use to file matches your Social Security card and update your W-4s.

… or, "I don't anymore"

The end of a marriage means your filing status will change to single or head of household. If your divorce is finalized in 2024, then you'd file as married filing single or married filing jointly for 2023 even though you'll be divorced come tax day. Dependents can only be claimed by one of you; if you have two children, each spouse could claim one, for example. If you have an odd number of children or can't agree how to claim dependents, the IRS tends to favor the custodial parent. Plus, only the custodial parent can claim the child tax credit.

You welcome a bundle of joy

Kids – whether adopted, biological, step or foster children – come with a bundle of tax breaks for qualifying care costs, education and the child tax credit. Single parents can file as head of household, which offers better tax rates and a higher standard deduction. New parents may want to consider a 529 college-savings plan as well; savings grow tax-deferred and many states offer deductions or credits.

You upsize or downsize

A house purchase opens up potential deductions on paid points, mortgage interest and property taxes if you itemize. In some cases, there are credits or deductions for home improvements and energy-efficient upgrades. Selling? If you meet certain conditions, you may exclude the first $250,000 of gain from the sale of your home from your income and avoid paying taxes on it. The exclusion is increased to $500,000 for a married couple filing jointly.

You lose a loved one

The dearly departed still need someone to file a final tax return (perhaps also an estate tax return) on their behalf. Money left to heirs generally is income-tax-free at the federal level, with the exception of money withdrawn from an inherited IRA or 401(k) plan account (distributions from qualified accounts have their own rules).

Heirs may also have to pay taxes on gains earned after selling bequeathed stocks and other property. When you inherit property, you get the benefit of what's called a "stepped-up basis," which means if you sell the asset, you'll be taxed only on the gain since the deceased's date of death, not the gain from the original purchase price. Note: Surviving spouses may still be able to file jointly up to two years afterward, provided they haven't remarried and meet the other requirements.

Your job changes

New gig? Rethink your W-4. Lose an old one? Unemployment benefits are taxable. Promoted? A raise may mean a higher tax bracket and a chance to adjust your withholdings, as well as dial up your contributions to tax-advantaged retirement accounts. Double-check that the higher income didn't phase you out of Roth contributions or out of the ability to deduct contributions to a traditional IRA, which changes based on your modified adjusted gross income. Retiring? Distributions from qualified accounts are taxable, so talk to your finance professionals before you make any distribution decisions.

Sources: tldraccounting.com; turbotax.intuit.com; irs.gov; creditkarma.com; fool.com; debt.com; cnbc.com; thebalance.com; alllaw.com; 1040.com

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LIFE & LEISURE

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More Retirees Crossing State Lines – here's where they're going

Florida drew more retirees than any other state.

More than 338,000 Americans relocated for retirement last year – a 44% increase from 2022 – and about a quarter of those retirees moved to a different state.

According to the online moving-services marketplace Hire A Helper's latest annual report, Florida is the number one destination for retirees, claiming 11% of movers across state lines. South Carolina comes in at a close second and New Jersey third, with Texas and Washington rounding out the top five. Let's explore what's drawing retirees to these destinations.

Tax benefits a key consideration

Three of the five states – Florida, Texas and Washington – don't tax residents' income, which is an obvious draw for people whose earnings will decrease significantly in retirement. While many states don't tax Social Security benefits, these three also won't tax investment income or 401(k) distributions.

But what about New Jersey, with its notoriously high income and property tax rates? It's also the sixth-most likely state for older adults to leave. California and New York are the top two, originating almost 30% of interstate retirement moves between them.

With a cost-of-living index of 114, New Jersey is a more affordable destination for retirees leaving New York, with its index of 125. Cost of living indexes are pulled from a variety of factors, including housing, groceries, transportation and health care. A score over 100 means the state has a higher cost of living than the national average. But even for people moving from other locales, the Garden State has its benefits.

Not only does New Jersey not tax Social Security distributions, it also boasts generous pension exclusions that enable retirees to shield up to $100,000 from state income taxes, as well as property-tax relief programs for seniors and people with disabilities.

Climate and topography also factor in

Washington also has a relatively high cost of living (index 115.10), but boasts some of the country's leading healthcare systems, as well as a strong economy, scenic diversity and a variety of recreational activities.

While Florida was long known for its affordability, its cost-of-living index has steadily increased to 102.3 as more people flock to its warm climate and white-sand beaches – including younger people who, thanks to remote working, can live in the climate of their choosing.

South Carolina and Texas both offer miles of beachfront and mild temperatures, but with a significantly lower cost of living (94.3 and 92.5, respectively).

Finances are less of a concern

Financial worries were less of a factor for retiree moves in 2023 than the year before. Just 6% of retirees reported moving to find more affordable housing, down from 12% in 2022. It makes sense, considering the median household income of retirees who relocated last year was $88,347 – 35% higher than 2022 and 17% higher than the typical U.S. household.

If you're considering moving for retirement, talk to us about which factors are most important for you and developing a plan.

Sources: HireAHelper.com, Worldpopulationreview.com, AARP.com

Quote of the Month: "Stories change people while statistics give them something to argue about." – Bernie Siegel

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