GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

March 2022

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	4328.86	-1.03%	-9.18%	-9.18%
Dow Jones Industrials	33614.80	-0.82%	-7.49%	-7.49%
NASDAQ Composite	13313.44	-3.18%	-14.90%	-14.90%

U.S. TREASURIES	YIELD
5-yr Treasury Note	1.64%
10-yr Treasury Bond	1.73%
30-yr Treasury Bond	2.16%

Information as of March 4, 2022 Source: Thomson Reuter's Thomson One

MARKET COMMENT

White Knuckle Times

Spring is around the corner bringing warmer temperatures, greener grass, blooming flowers, and budding trees, all of which are evidence of life's renewal. Yet, if you've been reading the news recently, you probably find that renewal hard to reconcile. We've seen horrible events in the Ukraine, 8-year highs in oil prices at $110.00 per barrel, consumers watching their purchasing power dissipate with rising with inflation at 7.5%, the Federal Reserve increasing interest rates, which could slow the economy, and global stock markets decline as investors watch their net worth drop. So, as investors, what are we to do? Hold on with white knuckles or head for the exit? The truth is, no one really knows how all these events will affect the remainder of 2022. However, using history, investment guidelines, and correctly matching investment risk and objectives to a particular portfolio, investors can establish the guardrails needed to sustain through challenging times like the present.

It seems modern history shows that military conflicts, like the one between Ukraine and Russia, will probably not spill over into difficulties for other nations. However, if this conflict escalates, and draws NATO troops to protect Western Europe, then investors may see more challenging times ahead. We have seen multiple periods of rising oil prices in the past, and have adjusted accordingly through raising oil production. However, difficulties could escalate if production doesn't increase due to political pressure from climate change and near-term goals of a "greener" environment.

Inflation, and corresponding rising interest rates, present a cloudy outlook for the markets based on history. It's been nearly 40 years since we've seen inflation this high and, the last time the Federal Reserve had a "full-cycle" of rate increases (2004 -2005), rates went from 1.00% to 5.25%. As we said, history is helpful, and we hate to say "this time is different," but it is important to watch events closely as they unfold, and adjust accordingly.

As for investment guidelines, many of you know that we use both technical and fundamental research to guide our investment decisions. The technical piece, comprised of underlying trends and momentum within the market, provides insight into *when* to buy and sell. The fundamental piece, which requires understanding of a company's current value relative to their growth potential and/or economic risks, helps to guide *what* to buy or sell. It sounds relatively simple, but in practice, there are many variables going into the decisions when managing portfolios – far too many for an article like this. If you would like to discuss those considerations in more detail, please let us know. We are always happy to answer questions or provide insight into our process and investment selections.

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

PLANNING STRATEGY

Raymond James "Point of View" article. M22-4098500

How a Dollar Can Add Up to More When it Comes to Taxes

Not only can an extra dollar of income push you into the next highest tax bracket (thankfully, with a progressive tax system, only those excess dollars will be subject to the higher incremental tax), but that dollar can mean you're paying more taxes in other ways. Let's take a look at two of them.

Medicare tax

If your wage or compensation exceed certain thresholds ($200,000 for those filing single or head of household in 2021 and $250,000 for those married filing jointly) by even $1, you'll be subject to the 0.9% additional Medicare surtax on the excess. While $1 over only means you'll pay an extra cent or so, it can add up quickly the further you are over the limit. Your employer will withhold the tax for you, but you'll still have to file Form 8959 to report the excess income that is subject to this tax. The calculations are a little more complicated if you have self-employment income in the mix, so be sure to discuss this with a qualified tax professional.

And speaking of Medicare and taxes, you'll pay an income-related adjustment in addition to your standard Medicare Part B premium if you made even a dollar over the applicable threshold, which is based on your income from **two years ago**. For example, those who made $91,000 or less (single) or $182,000 or less (married filing jointly) in 2020 paid $170.10 per month for this coverage in 2022. But those who made $91,001 (single) or $182,001 (joint) paid $238.10 per month, an extra $816 over the course of the year.

Net investment income tax

Certain individuals, trusts and estates may be subject to an additional 3.8% net investment income tax (NIIT) on the lesser of their net investment income or the amount by which their modified adjusted gross income exceeds the threshold based on their filing status. (Again, that's $200,000 for those filing single or head of household in 2022 and $250,000 for those married filing jointly.)

In general, net investment income includes but is not limited to interest, dividends, capital gains not offset by capital losses, rental and royalty income, and nonqualified annuities; it excludes wages, unemployment compensation, Social Security benefits, alimony, and most self-employment income. So it is possible to be subject to this tax and/or the Medicare surtax since they apply to different income pools.

Another difference is that your employer doesn't withhold anything for this tax. You may request that additional income tax be withheld if you think you'll owe come April. To determine if you are liable, you will use Form 8960 to compute the tax, and will report and pay the tax on the appropriate income tax return form.

For example, let's look at Debra, who files as head of household with $180,000 in wages. She is *not* subject to the Medicare surtax, but she received $90,000 from a passive partnership interest, which the IRS considers net investment income. Now her modified adjusted gross income is $270,000, exceeding the applicable threshold by $70,000. NIIT is based on the *lesser* of the amount that exceeds her modified gross income threshold or the actual net income ($70,000 is less than $90,000 in this case). So she owes $2,660 in NIIT this year ($70,000 x 3.8%).

Note: The real estate market is competitive in many areas of the country. If you've decided to sell your primary residence, please note that up to $250,000 in capital gains from the sale may be excluded from your gross income for regular income tax purposes (if you meet IRS qualifications) and, as a result, is also exempt from the net investment income tax.

Estates and trusts are liable for the tax if they have undistributed net investment income and adjusted gross income over the threshold. As with most tax-related calculations, professional help can be invaluable as computations get complicated for different types of trusts.

Sources: irs.gov; Centers for Medicare & Medicaid Services; Raymond James research

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. M22-4254929

How to Manage Caregiving While Working

Taking on a caregiving role for family members can be a taxing responsibility at any age or career level. However, Gen Xers, often dubbed the sandwich generation, are considered hardest hit as they're in their peak caregiving years. More than half of Gen X workers are caregivers and the number is expected to grow, according to a recent MetLife study. They still have children living under their roof and increasingly find themselves caring for aging parents. In fact, according to a report by the National Alliance for Caregiving and AARP, an estimated 42 million people in the U.S. provide unpaid care to those 50 and older, a 14% increase since 2015.

Mental wellness has taken a big hit, as caregivers report anxiety, depression and PTSD at rates much higher than those without caregiving roles. The financial impact on the caregiver is significant as well.

According to a study by AARP and the National Alliance for Caregiving (NAC), 78% of family caregivers incur out-of-pocket costs caring for a loved one.

What do caregivers need?

If you're not a caregiver yourself yet, you may still be in a position to effect change on their behalf. Companies will find their employees have unique needs. Encourage management to add caregiving questions to regular employee engagement or pulse surveys to gain further insight into what the workforce feels would be helpful. The caregivers in your organization should guide what caregiving policies to put in place. Encourage them to come to the table with ideas that would support their situation. Candidness in discussing the matter will ensure you're on the right track to supporting valuable talent.

But there is still a stigma felt by employees regarding openly talking about responsibilities that take their attention away from work (especially by millennials, who are less likely to report their caregiving commitments to a supervisor). According to The Caring Company report, only 24% of employers surveyed said caregiving influenced their performance, while more than 80% of employees with caregiving responsibilities said caregiving did, in fact, affect their ability to perform at their best. To boot, a third of employees surveyed said they've left a job due to caregiving obligations.

Honest dialogue in the workplace is a starting point that will help move caregiver – and employee – wellness in the right direction.

Congress might be providing some financial relief to unpaid family caregivers in the near future as it introduced The Credit for Caring Act this year. It's a tax credit of up to $5,000 for working family caregivers. This would be a small step toward alleviating the myriad of pressures employees feel trying to balance working and caregiving.

Next steps

If you're struggling to balance working and caregiving, don't be afraid to ask for help. Here's how:

- Tell your direct supervisor and HR business partner what your caregiving responsibilities entail so they can offer support, like flexible schedules or remote working.
- If your company has employee resource groups for caregivers or parents, join up! You'll build relationships with others in your position.
- If you're able, consider hiring help to take some of the responsibilities off your plate. Could you outsource grocery shopping or cleaning every week to free up time for yourself?

Sources:
aarp.org; forbes.com; joblist.com; shrm.org; aarp.org; npr.org; shrm.org; firstly.com; pbs.org; apnews.com; cnbc.com; congress.gov; wsj.com; longevity.stanford.edu

Quote of the Month: "In three words I can sum up everything that I've learned about life: it goes on."

— Robert Frost

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