GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

November 2021

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	4660.57	1.20%	8.20%	24.08%
Dow Jones Industrials	36157.58	0.94%	6.84%	18.14%
NASDAQ Composite	15811.58	2.02%	9.43%	22.68%

U.S. TREASURIES	YIELD
5-yr Treasury Note	1.18%
10-yr Treasury Bond	1.60%
30-yr Treasury Bond	2.02%

Information as of November 3, 2021 Source: Thomson Reuter's Thomson One

MARKET COMMENT

Waiting

Last month we discussed the concept of transition – the shifting of present market action based on future economic activity. The transition in October produced a (mild) stock market correction, leading to the recent advancement to new market highs on the major indices. The market climbed the proverbial "wall of worry" as inflation, future Federal Reserve action, supply chain disruptions, and 3rd quarter earnings dominated headlines, but the question remains, what will be the market's response as we approach year-end? Will Wall Street treat us to a Santa Claus rally or will the Grinch deliver us a lump of coal?

After transitioning in October, November may evolve into more of a waiting month for the markets – with the possibility of some profit taking (declining prices) due to the recent rally up. That could set the stage for Santa's arrival on Wall Street, however, some issues may bring gloomy winter skies and the possibility of a lump of coal in our Christmas stockings. First, we have the Federal Reserve Bank who recently indicated that economic inflation may not be as transitory as originally thought. This could require a downshift in monetary policy, effectively withdrawing money from the economy in the form of rising interest rates into 2022. The Fed has a terrible record of navigating "smooth landings" in the economy and have initiated many of our past recessions. Hopefully that will not be the case this time. To their credit, the Federal Reserve has greatly enhanced their level of communication over the last decade, so expectations may be better priced into the market this time around. However, December of 2018 remains vividly in our minds of an example the Fed misreading the economy – resulting in a major stock market correction and rapid back-peddling of monetary policy. We will be waiting and watching over the coming months.

Secondly, the markets will have to wait on Congress to work through coming show down on the debt ceiling. Hopefully, we will see a timely conclusion of raising the ceiling and/or reducing spending (Does that really ever happen?), but if we again look back at 2018, we remember a government that shut down for several weeks and caused much angst for markets and the public. Yes, we must again wait and see how it plays out.

Lastly, we will be waiting to if and/or how the supply chain disruptions affect the upcoming Christmas season (and the first part of 2022). Corporate America positively worked through this disruption during the 3rd quarter and many companies provided the market with good earnings reports. But will the 4th quarter be more disruptive and reduce products and services to the point where we see slower economic growth? My guess is that businesses will continue to adjust and push to provide the products and services needed to continue positive economic growth. However, those adjustments may be accompanied by rising prices and, thus, continued rising of inflation. This could result in the Federal Reserve tapping on the economic brakes, but that will probably come in 2022.

So, let's enjoy the waiting, but keep our antennas alert for changes in the coming weeks. Hopefully 2021 ends in a jolly holiday season for all.

PLANNING STRATEGY

Raymond James "Point of View" article. M20-3251884

Five Benefits of Gifting Appreciated Stock

Donating appreciated equity can be a gift for both you and your favorite charity.

For many of us, the end-of-year holidays are a time to connect with loved ones, make family memories and give back to the charities that mean the most to us. It's often an appropriate time to get your portfolio in shape and diversify where necessary as well.

Consider this: donating long-term appreciated securities has the potential to help you realign your portfolio *and* give back tax-efficiently to the causes you care about. When done right, your donation may have an even greater impact for the causes you care most about.

A gift for them, a (tax) break for you

Donating appreciated stock offers several benefits – chief among them, the ability to make a larger value donation than giving cash after liquidating. You can avoid capital gains tax on the appreciated amount that you would have incurred had you sold the stock, and you get a tax deduction for the full fair market value of your long-term capital gain asset – up to 30% of your adjusted gross income. Plus, as mentioned earlier, it's a way to reduce a concentrated equity position and help bring your portfolio back in line with your goals.

Here are five benefits of donating appreciated stock:

- The tax deduction for the market value of the donation

- Federal capital gains taxes savings in the amount you otherwise would have incurred from selling the stock outright
- An opportunity to rebalance your portfolio in line with your financial plan
- As an alternative to gifting cash, you can donate stock and then repurchase identical shares, often resulting in a step up in cost basis
- The ability to benefit a charity by the full appreciated amount of the stock

Gifting stock to a donor advised fund (DAF)

Donating to a charitable DAF tacks on another great benefit: the potential to grow your donation, tax-free. Donors use the fund as a financial planning tool to enhance their charitable giving. According to your recommendations, the fund – a charity in and of itself – then distributes the contributions to approved 501(c)(3) organizations over time. Additional benefits of DAFs include the ability to contribute to the fund (and claim the accompanying tax deduction) when it works best for you and your financial plan, as well as providing an easy and cost-efficient way to get multiple generations involved in your family's philanthropic endeavors.

A bunching strategy can also work particularly well with DAFs. If you're charitably inclined but won't have sufficient itemized deductions to exceed the increased standard deduction, you may wish to bunch deductions by making a large charitable gift during a single year, equal to the total donations you would have made over several years. This can help you take advantage of itemizing in the year of your large donation, while taking the standard deduction in future years.

There are several factors to take into account when deciding how best to share your wealth. We can walk you through the many options to find the best path for you, your family and your financial plan.

Sources: forbes.com; wsj.com; jasandiego.org; investopedia.com

Diversification does not guarantee a profit nor protect against loss. The process of rebalancing may result in tax consequences. This material is not intended as tax advice. Please consult your tax advisor for further information. Donors are urged to consult their attorneys, accountants or tax advisors with respect to questions relating to the deductibility of various types of contributions to a donor advised fund for federal and state tax purposes. To learn more about the potential risks and benefits of donor advised funds, please contact Raymond James.

LIFE & LEISURE

Raymond James "Point of View" article. M21-3682000

Make Final Tax Savings Moves Before Dec. 31

While keeping in mind your long-term investment goals, meet with your advisor and coordinate with your tax professional to examine nuances and changes that could impact your typical year-end planning.

Mind your RMDs

Be thoughtful about required minimum distributions (RMDs) to ensure that you comply with the rules – especially as some of those rules have shifted throughout the course of the pandemic.

Last year, the CARES Act waived all RMD obligations. But **for 2021, requirements are back to normal.** Investors that reach a certain age – 70 1/2 for those born before July 1, 1949; 72 for those born after – are required to take RMDs from their IRAs. You'll face a hefty 50% tax penalty on amounts not withdrawn from your IRA to meet the RMD, so be sure to speak with your advisor to ensure you've met your obligations.

A few reminders for future distribution planning:

- RMDs can be automated with your advisor to help ensure you don't miss applicable deadlines.
- Your first RMD can be delayed until April 1 of the year after you turn 72. If you delay, however, you must also take your second RMD in the same tax year. This can inflate your income, which may affect your tax bracket.
- Subsequent RMDs must be taken no later than December 31 of each calendar year.
- Qualified charitable distributions allow traditional IRA owners who transfer RMDs to qualified charities to exclude the amount donated from their adjusted gross incomes, up to $100,000.
- Be mindful of how taking a distribution will impact your taxable income or tax bracket. If you have space left in your bracket or a down income year, you may want to consider taking additional distributions.

To harvest or not to harvest

Evaluate whether you could benefit from tax-loss harvesting – selling a losing investment to offset gains. The first $3,000 (single or married filing jointly) offsets ordinary income. Excess losses also can be carried forward to future years. With your advisor, examine the following subtleties when aiming to decrease your tax bill:

- Short-term gains are taxed at a higher marginal rate; aim to reduce those first.
- Don't disrupt your long-term investment strategy when harvesting losses.
- Be aware of "wash sale" rules that affect new purchases before and after the sale of a security. If you sell a security at a loss but purchase another "substantially identical" security – within 30 days before or after the sale date – the IRS likely will consider that a wash sale and disallow the loss deduction. The IRS will look at all your accounts – 401(k), IRA, etc. – when determining if a wash sale occurred.

Manage your income and deductions

Those at or near the next tax bracket should pay close attention to anything that might bump them up and plan to reduce taxable income before the end of the year.

- Determine if it makes sense to accelerate deductions or defer income, potentially allowing you to minimize your current tax liability. Some companies may give you an opportunity to defer bonuses and so forth into a future year as well.
- Certain retirement plans also can help you defer taxes. Contributing to a traditional 401(k) allows you to pay income tax only when you withdraw money from the plan in the future, at which point your income and tax rate may be lower or you may have more deductions available to offset the income.*
- Evaluate your income sources – earned income, corporate bonds, municipal bonds, qualified dividends, etc. – to help reduce the overall tax impact.

Evaluate life changes

From welcoming a new family member to moving to a new state, any number of life changes may have impacted your circumstances over the past year. Bring your financial advisor up to speed on major life changes and ask how they could affect your year-end planning.

- Moving can significantly impact tax and estate planning, especially if you've relocated from a high income tax state to a low income tax state, from a state with a state income tax to one without (or vice versa), or if you've moved to a state with increased asset protection. Note that moving expenses themselves are no longer deductible for most taxpayers.
- Give thought to your family members' life changes as well as your own – job changes, births, deaths, weddings and divorces, for example, can all necessitate changes – and consider updating your estate documents accordingly.

Next steps

Consider these to-dos as you prepare to make the most of year-end financial moves, and discuss with us and tax professional:

- Manage your income and deductions, paying close attention to your marginal tax bracket.
- Evaluate your investments, keeping in mind whether you could benefit from tax-loss harvesting.
- Make a list of the life changes you and your family have experienced during the year.

**Withdrawals prior to age 59 1/2 may also be subject to a 10% federal penalty tax. RMDs are generally subject to federal income tax and may be subject to state taxes. Consult your tax advisor to assess your situation. Raymond James does not provide tax or legal services. Please discuss these matters with the appropriate professional.*

Quote of the Month: "Patience is not simply the ability to wait – it's how we behave while we're waiting"
— Joyce Meyer

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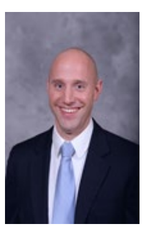

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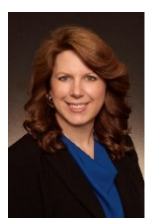

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