GATEWAY INVESTMENT MANAGEMENT OF RAYMOND JAMES®

THE COMMUNIQUE

November 2023

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	4358.34	**3.92%**	**1.64%**	**13.51%**
Dow Jones Industrials	34061.32	**3.05%**	**1.65%**	**2.76%**
NASDAQ Composite	13478.28	**4.88%**	**1.96%**	**28.78%**
New York Stock Exchange	15475.18	**3.73%**	**0.50%**	**1.92%**

U.S. TREASURIES	YIELD
2-yr Treasury Note	4.87%
10-yr Treasury Bond	4.52%
30-yr Treasury Bond	4.70%

Information as of November 3, 2023 Source: FactSet

MARKET COMMENT

Thankful

November is always a good time to reflect on the idea of gratitude – and we would like to extend our deepest thankfulness for you, our clients. Without you, your trust, and friendship, we would not be here writing this newsletter.

The stock market continues its downward bias that started in August – losing the necessary 10% by the end of October to qualify as a "correction." This decline broke some critical support barriers and left us with the thought, "is this decline more than a standard correction?" Over the past two days the stock market has been in rally mode, as stocks became oversold and due for a move up. However, the damage has been done and it will take more than a few positive days to reverse the negative trend. The question in our minds: "is this the start of a bear market signaling a mid-year recession for 2024?" It certainly appears to us that a recession may be a coming, but let's look at some of the facts currently available.

As we have mentioned multiple times in these past months, the yield curve inversion has the 3-month Treasury yielding more than the 10-year Treasury. This has historically always pointed to a future recession. However, it seems that this time it may be taking much longer due to the massive government stimulus in 2020 and 2021 (which included Economic Impact Payments, enhanced unemployment benefits, Paycheck Protection Payments, student loan moratorium, and the Federal

Reserve increasing the money supply by reducing interest rates to zero). This massive financial and monetary support created a very secure consumer with large savings and pent-up spending demands once COVID restrictions lifted, but after two years of excessive spending, these savings are close to being depleted. At the same time, the Federal Reserve has aggressively raised interest rates to over 5% to slow down inflation. The increased interest rates may now be filtering into the economy and slowing consumers and businesses. Also, very high employment levels maybe cooling as indicated by the recent slowdown in private job quits (e.g., the rate that private employees quit their jobs). So, consumers' excess savings continue to dwindle as economic headwinds continue to mount.

Another yellow flag flying in the stock market's face is that the "Magnificent 7" may be showing cracks in their strong year-to-date performance. These 7 stocks have been the main driver for the outsized performance of the S&P 500 this year, even though the average stock has posted negative returns year-to-date. The M7 includes Apple, Alphabet, Amazon, Meta, Microsoft, Nvida, and Telsa. In the past, when market leaders start to show signs of weakness, it can be a precursor to overall market weakness – especially when those leaders (M7) make up 30% of the S&P 500.

So, the stock market action over the next two months may prove critical in determining how next year unfolds. There are certainly other scenarios that may play out in the coming months, and we will address some of those in our next letter.

I hope you and your family have a most blessed Thanksgiving.

PLANNING STRATEGY

Raymond James "Commentary & Insights" M23-277348

The Ins and Outs of Non-Qualified Deferred Compensation

What is an NQDC plan?

While nonqualified deferred compensation (NQDC) plans can vary slightly from one another, they generally act as an agreement between employers and employees to defer a portion of the employees' annual income to a future date – that could be one year later or once the employee retires. Deferred compensation isn't counted as earned income, so it's not subject to taxes.

Who does an NQDC plan serve best?

NQDC plans are utilized by companies with a need to recruit, retain and reward key employees. They were created as a counteraction to the cap that high-earning employees face when it comes to government-sponsored retirement plans.

Highly compensated employees are often limited in retirement savings due to federal legislative limits. Participating in an NQDC plan can allow high earners to accrue additional pre-tax savings and tax-deferred growth. Employers can harness the tax deferring benefits of NQDC plans as an incentive to entice and retain top talent.

Nonqualified plans also offer more flexibility than qualified retirement plans in that savings can be accessed before an employee reaches retirement. While NQDCs are a popular component of a retirement planning strategy, deferred compensation can also be used in a variety of other situations: toward education expenses, to cover a home remodel, or even to supplement income during an extended period off from work. That said, nonqualified plans don't simply function like a savings account. They require the employee to pick the distribution date they will receive their funds in advance. The main benefit here for employers is that it affords the freedom to offer plans to a more specific subset of employees, such as higher earners.

SECURE 2.0 Act changes

The SECURE 2.0 Act is a recent regulatory update designed to encourage more employers to offer retirement plan benefits through practices such as automatically enrolling eligible employees and allowing catch-up contributions, among other measures.

Most highly compensated employees take advantage of catch-up contributions in their qualified retirement plans, but things are about to change.

Starting in 2024, if the employee has income of at least $145,000 for the year, the catch-up contributions under 401(k), 403(b) or governmental 457(b) plans must be treated as a Roth contribution, which is a change to the current pre-tax contribution. That means these funds will be saved as after-tax dollars, no longer reducing taxable income but allowing for tax-free withdrawals in the future. Note that the $145,000 income threshold will also be indexed for inflation in future years.

An NQDC plan gives highly compensated employees the option to defer an unlimited amount of their income on both a pre-tax and tax deferred basis – providing greater flexibility with distributions.

For people with access to a nonqualified deferred compensation plan there's a bigger question: Is it more beneficial to contribute the catch-up amount to the NQDC plan for the pre-tax deferral or a Roth contribution to the qualified retirement plan? Everyone's circumstances are different, but a financial advisor can offer guidance.

What can business leaders do to prepare?

Recent legislative changes mean that, for companies and business leaders, now is a great time to review your benefit packages. If an NQDC plan is the right fit for your needs, it's worth considering implementing one to help highly compensated employees effectively prepare for retirement.

Before you begin to leverage the flexibility NQDC plans offer, it's important to weigh your options. NQDC plans can be a useful tax deferral tool, but there's a strong likelihood that employees who qualify have maxed out their employer-sponsored retirement plan contributions. Therefore, offering different investment options from those typically found in a standard retirement plan can diversify employee retirement holdings and differentiate your NQDC plan as an enticing benefit.

LIFE & LEISURE

Raymond James "Commentary & Insights" M23 - 321412

What To Do When a Loved One Passes Away

When someone close to you dies, the whirlwind of emotions and planning can be paralyzing. And if you're the heir in charge or executor of your loved one's will, decision-making and to-dos are a heavy weight on your shoulders.

You'll need to be up for this huge undertaking, often described as a second job. Don't be afraid to share concerns if you aren't the best fit for the job. Even if you're ready, find helpers such as your loved one's financial advisor and attorney to guide you and put the estate plan into action.

If you accept the role, check in with yourself. What support will you need? Support could look like grief counseling through a therapist or having meals delivered. You may need to include more free time in your schedule for space to cope. Prioritize sleep, healthy foods, and movement to make sure your physical self can keep up with the extra stress you're putting on your body, mind, and soul.

One step at a time

Breaking down to-dos into steps can help you move forward. First, you'll want to get multiple copies of the death certificate. Typically, the funeral home will order this. You'll need the certificates to notify various institutions, such as insurance companies, of your loved one's death.

Locate the will to determine if probate is necessary. If there's a will, file a petition for probate. If there isn't a will, the court will select an administrator (You can reach out to family and friends to gauge interest) to manage the estate.

Notify beneficiaries and interested parties of the death as soon as possible. Executors need to let family, friends, heirs, beneficiaries, and any others know. When you find pockets of time, cancel subscriptions and services – phone plans, internet and utilities, car insurance, credit cards and other accounts and services will need to be canceled.

You'll want to gather estate asset records such as bank accounts, vehicle information, retirement accounts, life insurance, investments and stocks, trusts, property titles, business interests, and personal belongings. Recent tax returns can help. Debts and taxes of the estate will need to be paid, including funeral expenses. Once debts are paid, the executor can distribute assets to the beneficiaries according to the will or the laws of the state.

Even the strongest person may need a helping hand. The passing of a loved one is emotional, and executing an estate plan is highly administrative. The help of financial advisors, accountants, insurance agents, attorneys and supportive family and friends can make the process smoother and less stressful.

Next steps

Action items for those first few weeks.

- Notify beneficiaries and gather important documents such as the will, death certificate, and financial statements.
- File death certificates with the Social Security Administration, other government agencies, and financial institutions as required by the state. Apply for veteran benefits, if applicable.
- Open a bank account for the estate. Contact creditors and other debtors. Begin paying the deceased's final expenses, such as funeral costs and medical bills.
  Raymond James and its advisors do not offer tax or legal advice. You should discuss any tax or legal matters with the appropriate professional.

Quote of the Month: "Opening your eyes to more of the world around you can deeply enhance your gratitude practice." - Derrick Carpenter

For questions or additional information please contact:
Raymond James & Associates
9900 Clayton Road, Saint Louis, Missouri 63124

Hunter Martiniere, J.D.
Financial Advisor
hunter.martiniere@raymondjames.com
T 314-214-2152

Jim Pohlman
Senior Vice President, Investments
james.pohlman@raymondjames.com
T 314-214-2122

Vickie Bollinger
Senior Registered Sales Assistant
vickie.bollinger@raymondjames.com
T 314-214-2175

Planning - https://www.raymondjames.com/commentary-and-insights/retirement-longevity/2023/10/23/the-ins-and-outs-of-nonqualified-deferred-compensation

Life & Leisure - https://www.raymondjames.com/commentary-and-insights/family-life-events/2023/11/01/what-to-do-after-a-loved-one-passes-away