GATEWAY INVESTMENT MANAGEMENT OF RAYMOND JAMES®

THE COMMUNIQUE

September 2021

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	4528.79	3.04%	5.38%	20.57%
Dow Jones Industrials	35399.84	1.33%	2.60%	15.66%
NASDAQ Composite	15265.89	4.04%	5.25%	18.45%

U.S. TREASURIES	YIELD
5-yr Treasury Note	0.77%
10-yr Treasury Bond	1.28%
30-yr Treasury Bond	1.90%

Information as of August 30, 2021 Source: Thomson Reuter's Thomson One

MARKET COMMENT

Dog Days of Summer

The summer season is winding down, vacations are concluding, school is starting, and the stock market seems to be a bit lethargic. Albeit making new highs, the market has seen lower daily volume, fractional up and down days, and a tight trading range over the last month. Many attribute this type of laze in the market, which is typical in August, to the "Dog Days of Summer," but what is this period of time and what is the "September Effect" the market might experience?

This year, the official "Dog Days" were July 3rd to August 11th. While many assume that the term "Dog Days of Summer" has humble origins, mostly used on farms to explain the heat of summer causing dogs to be inactive and lie around, the actual story is many centuries old. The ancient Greeks were the first to notice summer's most intense heat occurred when Sirius, the brightest star in the sky, rose and set with the sun. Later, the Romans placed Sirius (the star) in the constellation Canis Major, which is Latin for "big dog," as an ode to the Greek mythological story of Sirius, who was Orion's hunting dog. Every year, as Sirius and sun converged in the sky, and the summer heat amplified, the Romans referred to that period of time as "dies caniculares" or "days of the dog star." By the 1500s, the English world began to call the same period of time the "Dog Days." Based on this story, the Greeks would attribute the current market sluggishness to the alinement of the stars and not the summer heat! While this is an interesting tale, the market does what it wants based on multiple sources of data and not the outside temperature or stars (although it does seem that seasons may affect people in different ways and contribute to their behavior, but that is another topic for a different time.)

So what about the "September Effect" on the stock markets? There is strong evidence that September historically leads to negative returns on average. This is based on global investors locking in some of their profits for the year (*i.e.* selling stock holdings) and many mutual funds establishing realized losses to offset some of their gains – all leading to more selling of stocks than buying. Naturally, this creates a declining stock market. Time will only tell whether 2021 will lead to a losing September, but with stocks richly valued, and major stock market indices hitting new highs, there could be some weakness in buying that leads to a sell-off. Plus, this past year has seen limited and shallow corrections. As always, we must wait and see what the market is telegraphing and respond appropriately. The market's glass seems to be half-full, with a growing economy, persistently low interest rates, and a Federal government that can't stop spending money – all which bodes well for continued growth and rising corporate earnings.

As always, we appreciate your trust and confidence. Enjoy the final warm days of summer because fall is right around the corner. Thank you.

PLANNING STRATEGY

Raymond James "Point of View" article. M21-3620785

Leaving Money to Your Kids? Consider These Inheritance Tips

Talking to family members about estate planning and legacies can be uncomfortable. These discussions, however, are an important way to share your choices with your children and prepare them for their financial futures.

Here are a few suggestions to help you broach this tricky topic and set your heirs up for better success.

Communicate your values about money in a larger context.

Build on the casual conversations you've already had with your kids about what matters to you most. When children are familiar with their parents' values, they're more likely to have a good idea of what to expect from their parents' estates.

A few ideas to get the discussion started: how do you feel about the value of education, hard work or integrity of character? What philanthropic causes are most important to you and why? What are some of the life experiences that have helped shape who you are?

Evaluate your children's money skills.

Kids who grew up in the same family don't always have the same knowledge and attitudes about money – while some may have a real interest (or education) in financial decision-making, others may not be at the same level of readiness and responsibility. Conversations about estate planning can become part of larger discussions designed to help teach them how to manage and become comfortable with their legacies.

Remember, you have flexibility around how and when you pass on your wealth. If your heirs are ready now, you might wish to share part of their inheritance while you're still alive, allowing you to provide guidance and enjoy their development as stewards of your wealth. If you're less confident in their financial responsibility, you might consider using a well-structured trust to better ensure your intentions for the wealth are abided by.

Dispel misguided expectations about what they'll inherit.

Perhaps you've quietly decided to leave all your assets to a charitable organization. Or, on the other end of the spectrum, you'd like your children to take ownership of substantial wealth you've kept under the radar – perhaps in the form of land or business ownership.

Whether your kids will be inheriting nothing, significant wealth, or something in between, providing a clearer understanding of what they'll be taking on will prevent misguided expectations. Though the conversation may be uncomfortable, discussing it now can help avoid further discord down the line.

If you are planning to leave your kids a large inheritance, consider including them in a conversation with your financial advisor, who can help heirs learn more about the financial and the emotional aspects of managing inherited wealth. They can also help you consider different options, such as giving more to your children during their lifetimes, to possibly reduce the impact of a sudden inheritance.

If your kids' inheritances will look very different, communicate it early.

Ultimately, how you choose to share your wealth – and with whom – is entirely up to you. But if your estate plan doesn't treat your children equitably, it's wise to share that information well in advance and communicate it privately to each child. If you can discuss these provisions and the reasons for them ahead of time, there's less likelihood of conflict between siblings after you're gone.

In addition to having an in-person conversation with your heirs, it may also be wise to include your rationale in your will. This can help safeguard against possible claims of attorney drafting errors or other grounds for contesting the document.

Set apprehension aside.

Perhaps the strongest reason for not discussing estate plans with family members is fear – fear that children will be angry or disappointed, that their expectations for their inheritance are inflated, or that they'll be resentful of other heirs. Although these conversations can be difficult, remind yourself that they're an important step in providing clarity about your financial legacy – which is ultimately in everyone's best interest.

Raymond James and its advisors do not offer legal advice. You should discuss any legal matters with the appropriate professional.

LIFE & LEISURE

Raymond James "Point of View" article. M21-3453451

Life-Changing Events Change Your Taxes, Too

Review how six major life events can impact your federal return.

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 2022, then you'd file as married filing single or married filing jointly for 2021 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

Quote of the Month: "Summer afternoon – summer afternoon; to me those have always been the two most beautiful words in the English language."

— Henry James

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Planning - [Leaving Money to Your Kids? Consider These Inheritance Tips (raymondjames.com)]
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