JadeSpeak

SUMMER: Third Quarter 2024

Keeping tabs on interest rates

By TIMOTHY A. PHILLIPS

Financial Advisor, RJFS

We are flying through the summer it feels to me. I hope you all had a great Independence Day holiday, and if you had -- or have -- a summer vacation planned, may it be a great re-charging of the batteries and quality family time.

With 2024 now passing halfway through the year, I want to look at what has transpired through the first half of the year. The first place to start is, of course, The Federal Reserve and interest rates.

In December of 2023, the Fed forecasted three interest rate cuts for 2024. This was music to the markets' ears. However, by April we received March's Consumer Price Index (CPI) report, and it marked the third straight month of inflation increasing. This was not music to the Fed governors' ears. In interviews with some of these governors, they stated interest rate hikes couldn't be ruled out if this uptick continued.

Consequently, the Federal Reserve has kept interest rates at 5.25-5.5 percent.

CONTINUED ON BACK PAGE

Jade Investments & Retirement Solutions

The MyMoney Five

The U.S. Financial Literacy and Education Commission (U.S. FLEC) identifies five key principles as the building blocks for financial literacy.

The "MyMoney Five" are Earn, Spend, Save & Invest, Borrow, and Protect.

Learn more at MyMoney.gov.

Markets will be closed:

Monday, September 2

Labor Day

IRS suspends missed RMD penalty for some inherited IRAs

The IRS extended its forgiveness period of not expecting required minimum distributions (RMDs) to be made from an inherited retirement account by another year to 2025.

If you inherited a retirement account in 2020, 2021, 2022 or 2023, you may be affected by this IRS decision. The IRS may not expect RMDs to be made from that account for tax year 2024 for a subset of IRA beneficiaries that are subject to the 10-year payout, according to Notice 2024-35. Requests for "transition relief" from new proposed regulations for people who inherited IRAs recently led the IRS to suspend penalties on RMDs from those accounts until 2025. This decision may affect you if you are the beneficiary of an IRA owner who died between 2020 and 2023 after their required beginning date and are required to take RMDs under the 10-year rule.

Designated beneficiaries (heirs who are not one of the following: a spouse, minor child, disabled, chronically ill or not more than 10 years younger than the original IRA owner) who inherited an IRA from 2023 and are subject to the 10-year rule will not face any RMD withdrawal penalties until 2025. The 10-year rule results from the SECURE Act of 2019, which requires beneficiaries to deplete an inherited IRA by December 31 of the 10-year anniversary of the original IRA owner's death. Normally, a 50% penalty is applied to the required withdrawal when those RMDs are not taken.

It should be noted that RMDs are not being fully waived – rather, penalties for not taking them are being suspended for the time being. The IRS has stated that new guidance from proposed regulations will apply no earlier than 2025.

Individuals who inherited an IRA before 2020 and eligible designated beneficiaries or IRA owners are still required to take distributions, and the penalty waiver does not apply to them.

Please consult your tax professional for more information. Raymond James and its advisors do not offer tax or legal advice.

Source: IRS Notice 2024-35

Keeping tabs on interest rates

FROM FRONT PAGE

In the June gathering, the Fed had its dot plots forecast as well. After this meeting, it forecasted only one rate cut in 2024.

On July 11, we received CPI numbers for June, which marked the second consecutive month (May-June) of disinflation. April was flat.

Federal Reserve Chair Jerome Powell said on July 15, "The three U.S inflation readings over the second quarter of this year add somewhat to confidence that the pace of price increases is returning to the Fed's target in sustainable fashion."

According to the CME Group's FedWatch tool, which forecasts rate movements based on fed funds futures trading data, traders are pricing in a 100 percent chance that the Fed will begin cutting rates in September.

So, if that one forecasted rate cut does happen in September, will the Federal Reserve make more rate cuts before the end of the year? That remains to be seen.

One economic indicator that may play a role in this is the unemployment rate. From January through June of 2024, the rate has gone from 3.7 to 4.1 percent. This is the first time the rate has crossed over the 4 percent mark since January of 2022.

Since unemployment is considered a lagging indicator, the fact that rates have gone up is a good sign that the Federal Reserve's efforts are working: The economy is cooling, and inflation should follow suit. The pace of unemployment rate increases may even factor into future decisions the Fed makes regarding more interest rate cuts. It is such a delicate balancing act.

Looking forward to year-end, we have the months of September and October, which carry the stigma of being poor months. According to the Stock Trader's Almanac, on average, September is the worst month, when the stock market's three leading indexes usually perform the most poorly.

And no one can forget we are less than three months from a Presidential election. Sometimes, there can be heightened volatility in the markets as we draw near election day.

All in all, the Federal Reserve's decisions will depend on the data generated each month. If the current cooling trend continues, it is possible the Fed could achieve a "soft landing," which means the U.S. may avoid a recession. Still, recession or not, we should be prepared for a slowdown in the economy.

JADE INVESTMENTS
& RETIREMENT SOLUTIONS

HOME OF THE JADESPEED PROCESS

Timothy A. Phillips
Financial Advisor, RJFS

130 E 10th St
Mount Carmel, IL 62863
Ph: 618-263-4400
F: 618-262-7444

620 N Main St Apt 3
Evansville, IN 47711
Ph: 812-480-4955

Email:
Tim.Phillips
@RaymondJames.com

Visit us online at jaderetirement.com