

Quarterly Investment Trends

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IMPORTANT DATES

*Labor Day
(09-02-2024)
Federal Holiday/Banks &
Office Closed

*Columbus Day
(10-14-2024)
Federal Holiday/Banks
Closed

This Issue:

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- ◆ Roth IRA's to Convert or Not To Convert
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David E. Taylor, CPA, PFS, AIF
Registered Principal
David.taylor@raymondjames.com



Brandy Harrison, AIF
Registered Principal
Brandy.harrison@raymondjames.com
Brandyharrison.com

Third Quarter Newsletter 2024

It seems most everyone is worried about the Presidential election. With each passing day, there is more uncertainty surrounding the election. We tend to forget that our elected officials are human...they have families, loved ones, are parents, grandparents, husbands and wives. As such, none of them should be subjected to the insults, inciteful rhetoric and even threats on their lives. This is true to our local as well as our state and federal elected officials.

Nothing underscores this more than the recent assassination attempt on former President Trump's life and the impact it had, not only on his family but also those who were at the rally and the family of Corey Comperatore, the firefighter who was killed.

Know that we are praying that the assassination attempt will serve as a catalyst for our country to unite, not as Democrats or Republicans but as one nation under God, indivisible with liberty and justice for all. We encourage you to join with us in that prayer.

What If You Knew?

One question we are often asked is "What will the election do to the stock market?" The stock market hates uncertainty and there has not been another election in our lifetimes that has been more uncertain than this one.

The outcome may cause the market to have a short-term bounce up or down but it will not shape the long-term outcome of the market. It is the platform and principles of the elected party that will ultimately determine the long-term viability of the stock market. Why? Because the legislative mandates, executive orders, and judicial decisions will all affect corporate profits and corporate profits determine the value of the stock market.

What if you had the front page of tomorrow's newspaper of breaking news events today? Let's go back to November 21, 1963 and you are the only one that knows about the assassination of President Kennedy the very next day. The S&P 500 is trading at 60.81.

You would probably short the market. Just one problem though... The market never traded at or below 60.81. In fact, the market went on to rally significantly as it had already been doing. Nothing changed.

What if you had advance knowledge of one of the most devastating natural disasters in the history of the U.S., Hurricane Katrina? Katrina shut down 95% of crude oil production in the Gulf of Mexico. It should be a no-brainer the price of crude oil would skyrocket.

So let's go back to August 29, 2005 the day Katrina began devastating New Orleans. You buy up all the oil futures contracts you can wait for the trade play out. However, crude oil only went up in price for one day. Afterwards, crude declined almost 21%, eventually finding a bottom in November 2005. (1)

¹Jeff Clark's Market Minute 8/16/2023

All That Glitters Is Not Gold

Yes, gold is up 12.8% year to date. Silver, on the other hand, has gained 22.34% year to date. Since 2001, gold has gone from \$256 per ounce to \$2,426, up 848%. Silver has gone up 625% since but was up 1,138% when it reached its peak of \$49.50 on April 25, 2011.

Compare those increases with the Dow Jones Industrial Average (Dow) which is up 291.18% since 2001. Most of the stock market gains came from August 1982 when the Dow was 777 to earlier this year when the Dow hit 40,000. That equals a 42 year gain of 5,095%, not including dividend yields. (2)

Advice: stay diversified

Stock Market Returns

The S&P 500 (up 17.13% 07/22/2024) and the NASDAQ (up 17.11% 07/22/2024) have hit new high after new high this year. (3) However, more stocks are making new lows than new highs. (4)

Jason Zweig notes “in the second quarter 2024, as big Tech drove the S&P 500 up 4.28%, the Russell 2500 index – which tracks small and midsize stocks – was down 4.27%. Nvidia alone accounted for nearly 1/3 of the S&P 500’s total return in the first half, according to the S&P Dow Jones indices. Throw in Microsoft, Amazon, Meta and Eli Lilly and 55% of the markets return came from just those five stocks.” (5)

Interest Rates

Fed Chair Jerome Powell signals a rate cut coming into view but declines to say when. (6) The market seems to have taken his comments to mean a rate cut is forthcoming and the consensus is it will be in September. We have long posited that rate cuts would come prior to the presidential election.

Advice: Consider longer term C.D. and bond maturities

Mungerisms

You may have heard of Warren Buffett’s partner Charlie Munger who died at age 99 earlier last year. Here are a few of his best quotes:

- Mungers formula for success: “Spend less than you earn. Invest shrewdly. Avoid toxic people and toxic activities. Keep learning all your life.
- “Forget what you know about buying fair businesses at wonderful prices; instead, by wonderful businesses at fair prices.”
- “The best armor of old age is a well spent life preceding it.”
- “The world is not driven by greed, it’s driven by envy.

²Rogue Economics – weber report 7/01/24

³slickcharts.com

⁴pro.thestreet.com

⁵WSJ 7/5/24

⁶WSJ 07/15/24

Remember,
a dead fish
can float
down-
stream, but
it takes a
live one to
swim up
stream.

~W.C
Fields

Roth IRA's—To Convert Or Not To Convert

After-tax contributions to a Roth IRA grow tax-free. Withdrawals are tax-free, as long as certain requirements are met. Here are some key takeaways:

- Contributions can be withdrawn any time for any reason without incurring taxes or penalties.
- People over 59 ½ who have held their accounts for at least five years can withdraw contributions and earnings with no tax or penalty. There are no Required Minimum Distributions for Roth IRAs during your lifetime.
- Special exceptions apply for those who are under 59 1/2 or who do not meet the five-year rule if they make withdrawals for first-time home purchase, college expenses, or other situations.

Five-year rule—You can generally withdraw your earnings without owing any taxes or penalties if you are at least 59 ½ years old and it has been at least five years since you first contributed to your Roth IRA.

Eligibility Phase-Out Income Ranges—2024

Single – \$146,000 – \$161,000

Married filing jointly – \$230,000 – \$240,000 (7)

Roth Conversion—Is converting a Traditional IRA to a Roth IRA worth it? You always want to pay taxes at the lowest rate. Rates are historically low right now. For perspective, baby boomers were born in 1946 – 1964. In every year except 1964 the top federal tax rate was 90% plus. In 1964 the top tax rate was lowered to “only” 77%.

Traditional IRAs will be taxed. Not if, but when. An IRA is just an IOU to the IRS. You can control tax rates now but you cannot after age 73 when you have to begin taking Required Minimum Distributions.

If you are leaving these funds to your children, they may be in their highest earning years. The Secure Act 2.0 says everything must be withdrawn by the last day of the 10th year. Even if it is a Roth, it is still subject to the 10 year rule but it can grow tax-free until the last day of the 10th year.

If a 529 plan is overfunded, you can convert it to a Roth via a rollover. The rollover must go to the beneficiary's Roth IRA. The limit is \$35,000 and the Roth must be open for 15 years. Contributions must be in the account for least 5 years before they are eligible for rollover. The annual Roth contribution rollover limit is currently \$7,000 per year or \$8,000 if over 50. (8) With a lifetime maximum of \$35,000.

⁷ Investopedia

⁸ Ed Slott - 2024 Tax Season Conversations Retirement Savings May 2024

Stock Index Performance

DOW JONES

YTD	2023	5yr
8.01%	16.18%	10.50%

S&P 500

YTD	2023	5yr
16.30%	26.26%	14.92%

NASDAQ 100

YTD	2023	5yr
16.54%	55.13%	21.03%

Source: Bloomberg. Returns are total returns. 5-yr. return is an average annual. One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 07/19/24. An index cannot be purchased directly by investors. Past performance is no guarantee of future results.

Bond Index Performance

U.S. Treasury: Intermediate

YTD	2023	5yr
-1.13%	4.28%	0.48%

U.S. Corporate High Yield

YTD	2023	5yr
4.01%	13.45%	4.19%

Municipal Bond: Long Bond (22+)

YTD	2023	5yr
0.91%	9.35%	0.94%

Source: Bloomberg Barclays. Returns are total returns. 5-yr. return is an average annual. One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 07/19/24. An index cannot be purchased directly by investors. Past performance is no guarantee of future results.

“Try not to become a person of success, but rather try to become a person of value.”

~Albert Einstein

FDIC-INSURED PREDICTABLE INCOME

3 MONTH CD	6 MONTH CD	9MONTH CD	1YEAR CD
5.25%	5.15%	4.95%	4.85%

Annual Percentage yields (APYs) as of **07/24/2024**. Rates are subject to change and availability. Minimum quantity may apply.

ABOUT FDIC INSURANCE

Currently, the FDIC limits the insured amount (including principal and interest) for all deposits held in the same capacity to \$250,000 per depositor, per insured depository institution and \$250,000 for certain retirement accounts. The FDIC has permanently increased insurance coverage to \$250,000 for deposits held in all ownership categories, including single accounts, joint accounts and trust accounts. Therefore, excess holdings may not be insured. IRAs and certain other retirement accounts will maintain the \$250,000 insurance coverage.

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Please contact your financial advisor for complete information about brokered CDs, including charges and expenses.

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Contact Us

Give us a call for more information about our services and products:

122 South 12th Street
Suite 101

Corsicana, Texas 75110

T: (903) 872-8381 / T: (800) 256-8998
F: (903) 872-5501

David.taylor@raymondjames.com
Brandy.harrison@raymondjames.com
[www.raymondjames.com/
taylorharrisonwealthmanagement](http://www.raymondjames.com/taylorharrisonwealthmanagement)

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Corsicana, Texas 75110

122 South 12th Street, Suite 101

RAYMOND JAMES®