

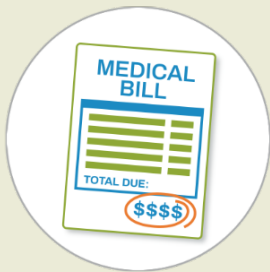


OnWealth

Financial Advice from Wealth Management Services



Craigen S. Schoen, CFP®
Managing Director
Raymond James & Associates, Inc.
112 Haywood Road
Greenville, SC 29607
864-289-2164
craigen.schoen@raymondjames.com



60%

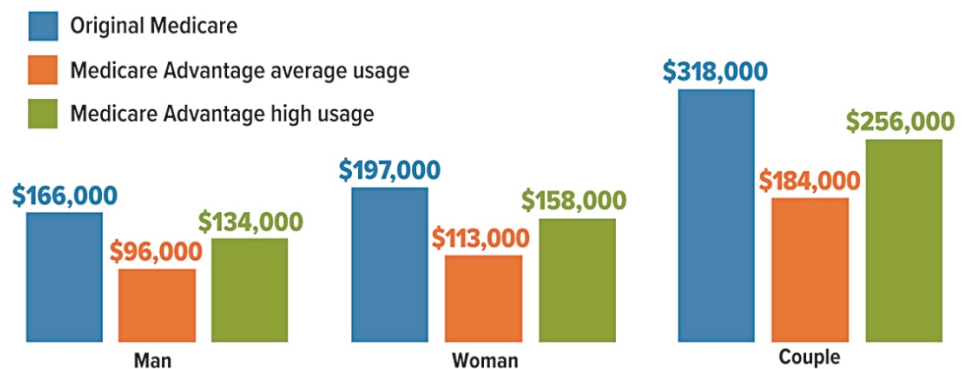
Share of health-care expenses for Medicare beneficiaries age 65 and older that was covered by Medicare in 2020 (most recent data available). Private insurance covered 17% and out-of-pocket spending accounted for 12%.

Source: Employee Benefit Research Institute, 2023

Saving for Retirement Health-Care Costs

The chart below shows the savings that a man, a woman, and a couple who retired at age 65 in 2022 might need to meet retirement health-care expenses, assuming median prescription drug expenses. The Original Medicare estimate includes premiums for Medicare Parts B and D, the Part B deductible, out-of-pocket prescription drug spending, and premiums for Medigap Plan G, which would pay most other out-of-pocket costs.

Medicare Advantage Plans — offered by private companies under Medicare oversight — require the Medicare Part B premium and typically combine hospital, medical, and prescription drug coverage. They often have limited networks and may require approval to cover certain medications and services.



Source: Employee Benefit Research Institute, 2023. Projections are based on a 90% chance of meeting expenses and assume savings earn a return of 7.32% from age 65 until expenditures are made. Does not include vision, hearing, dental, or long-term care expenses. Some Medicare Advantage Plans require additional premiums, which are not included.

REITs, Rates, and Income

Real estate investment trusts (REITs) can offer a consistent income stream that is typically higher than Treasury yields and other stock dividends (see chart).

A qualified REIT must pay at least 90% of its taxable income each year as shareholder dividends, and unlike many companies, REITs generally do not retain earnings, which is why they provide higher dividend yields than most other stock investments. You can buy shares in individual REITs, just as you might buy shares in any publicly traded company, or you can invest through mutual funds and exchange-traded funds (ETFs).

Share Price Volatility

While REITs may offer solid dividends, share prices tend to be volatile and are especially sensitive to rising interest rates. The most common type of REIT is an equity REIT, which uses capital from a large number of investors to buy and manage residential, commercial, and industrial income properties. These REITs derive most of their income from rents and may be directly affected by rising rates, because companies often depend on debt to acquire rent-producing properties — and higher rates can push real estate values downward. Also, as interest rates rise, REIT dividends may appear less appealing to investors relative to the stability of bonds offering similar yields.

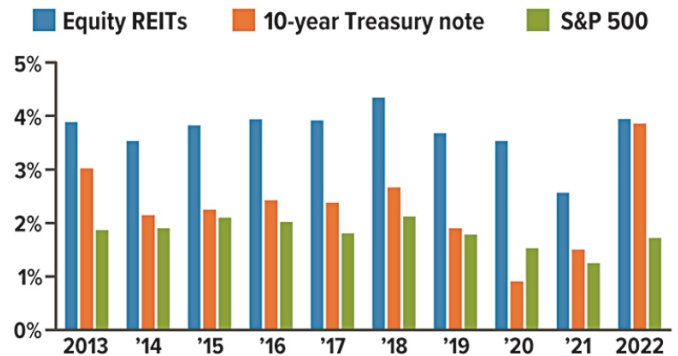
Considering these factors, it's not surprising that equity REIT shares struggled in 2022 — declining 25% in total returns — as the Federal Reserve raised rates to combat inflation. However, REITs soared in 2021, returning 41%, and may be poised for better performance in 2023 and beyond, as interest rates settle. In Q1 2023, REIT fundamentals such as funds from operation and net operating income were solid, and occupancy rates for industrial and retail properties surpassed pre-pandemic levels. (Apartment occupancy was down slightly, and office occupancy was still about 5% lower than before the pandemic.)¹

Diversification and Asset Allocation

Along with providing income, REITs can be a helpful tool to increase diversification and broaden asset allocation, because REIT shares do not always follow the movements of stocks or bonds. Over the 10-year period ending in 2022, equity REITs had a correlation of 72% with the S&P 500 and 50% with the corporate and government bond market. The correlation was even lower over 30 years.² As this suggests, REITs are in some respects a unique asset class. Diversification and asset allocation are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss.

Consistent Yields

Over the last decade, equity REITs maintained dividend yields that were higher than yields on the 10-year Treasury note and dividend yields on stocks in the S&P 500.



Sources: National Association of Real Estate Investment Trusts, 2023 (Equity REITs); Federal Reserve, 2023 (10-year Treasury note); S&P Dow Jones Indices (S&P 500). The S&P 500 Index is an unmanaged group of securities considered representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific security. Individuals cannot invest directly in an index. Past performance is not a guarantee of future results. Actual results will vary. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities fluctuates with market conditions. If not held to maturity, they could be worth more or less than the original amount paid.

Real Estate Risks

There are inherent risks associated with real estate investments and the real estate industry that could adversely affect the financial performance and value of a real estate investment. Some of these risks include a deterioration in national, regional, and local economies; tenant defaults; local real estate conditions, such as an oversupply of, or a reduction in demand for, rental space; property mismanagement; changes in operating costs and expenses, including increasing insurance costs, energy prices, real estate taxes, and the costs of compliance with laws, regulations, and government policies.

The return and principal value of all investments fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Investments seeking to achieve higher yields also involve a higher degree of risk.

Mutual funds and ETFs are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1–2) National Association of Real Estate Investment Trusts, 2023

Coming in 2024: New 529 Plan-to-Roth IRA Rollover Option

In December 2022, Congress passed the SECURE 2.0 Act. It introduced two new rules relating to 529 plans and student debt that will take effect in 2024.

The first provision allows for tax- and penalty-free rollovers from a 529 plan to a Roth IRA. The second provision allows student loan payments made by employees to qualify for employer retirement matching contributions.

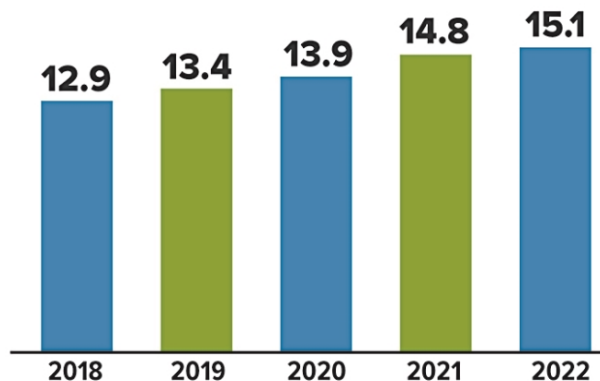
529 Plan to Roth IRA Rollover

529 plans are tax-advantaged savings accounts specifically geared to saving for college. In an effort to broaden their flexibility in situations where families have extra funds in an account, Congress created a new rollover option. Starting in 2024, 529 plan beneficiaries can roll over up to \$35,000 to a Roth IRA over their lifetime. Here are the specific rules:

- Any rollover is subject to annual Roth IRA contribution limits, so a beneficiary can't roll over \$35,000 all at once. For example, in 2023, the Roth IRA contribution limit is \$6,500 (for people under age 50) or earned income, whichever is less. If the limit remains the same in 2024, a beneficiary would be able to roll over up to \$6,500.
- In order for the rollover to be tax- and penalty-free, the 529 plan must have been open for at least 15 years. If the 529 account owner (typically a parent) changes the beneficiary of the 529 plan at any point, this could potentially restart the 15-year clock.
- Contributions to a 529 plan made within five years of the rollover date can't be rolled over — only 529 contributions made outside of the five-year window can be rolled over to the Roth IRA. For more information on determining the date of contributions, contact the 529 plan manager.

Example: Kate opens a 529 account for her son Joe when he is three years old. Kate contributes to the account for 15 years. At age 18, Joe enters college. Kate continues to contribute to the account while Joe is in college. Joe graduates, and there is money left over in the 529 account. Because the account has been open for at least 15 years, Joe is eligible to roll over funds from the 529 account to a Roth IRA in his name. He can roll over an amount up to the annual Roth IRA contribution limit, provided he doesn't transfer any contributions made to the 529 account in the past five years. Joe can continue rolling over funds from the 529 plan to the Roth IRA (consecutive years or intermittent years) until he has reached the \$35,000 lifetime limit.

Number of 529 college savings plan accounts, 2018–2022, in millions



Source: ISS Market Intelligence, 529 Market Highlights, 4Q 2019–2023

Student Loan Payments Can Qualify for Employer Retirement Match

Employees with student debt often have to prioritize repaying their loans over contributing to their workplace retirement plan, which can mean missing out on any potential employer retirement matching contributions. Starting in 2024, the SECURE 2.0 Act gives employers the option to treat an employee's student loan payments as payments made to a qualified retirement plan (student loan payments will be considered an "elective deferral"), which would make those contributions eligible for an employer retirement match (if an employer offers this benefit).

There are generally fees and expenses associated with participation in a 529 plan. There is also the risk that the investments may lose money or not perform well enough to cover college costs as anticipated. The tax implications of a 529 plan should be discussed with your legal and/or tax professionals because they can vary significantly from state to state. Most states offering their own 529 plans may provide advantages and benefits exclusively for their residents and taxpayers, which may include financial aid, scholarship funds, and protection from creditors. Before investing in a 529 plan, consider the investment objectives, risks, charges, and expenses, which are available in the issuer's official statement and should be read carefully. The official disclosure statements and applicable prospectuses, which contain this and other information about the investment options, underlying investments, and investment company, can be obtained by contacting your financial professional.

Leave a Lasting Gift with an Ethical Will

A legal will describes how you want your material assets to be distributed, but how do you leave behind your values? Using an ethical will, also called a legacy letter, you can tell your personal story and communicate your beliefs and life lessons to your family, friends, or community. You can opt to share it during your lifetime or leave it as a special gift for your loved ones to cherish after you're gone.

Despite the name, an ethical will isn't a legal document, and though often written, it can be in any creative format you choose. You might make a video or audio recording, create a photo album or a scrapbook, write and record a song, or put together a collection of recipes.

There are no rules that dictate what to include. For example, you might decide to write a few pages recounting meaningful family stories, while adding personal notes of love and gratitude. You might share challenges you've overcome or explain why you made certain decisions. You could tell your children how they have enriched your life or simply record a brief message to inspire future generations.

No matter which format you choose and what you decide to say, consider keeping the tone positive and helpful. Think about how your message might be received, and how future generations might benefit from what you have to say.

The process of writing an ethical will may seem daunting, but it can also be rewarding as you reflect on your experiences and what you truly value. Here are a few questions to help you get started.

- What principles guide your life?
- What are you most grateful for?
- How would you like to be remembered?
- How have specific experiences or events shaped you?
- What are some important choices you've made?
- How have you treated others, and how have others treated you?
- What have you not had the chance to say?
- Who were the most influential or admirable people in your life?
- Which charitable organizations are most important to you and why?
- What are your hopes for future generations?

If you need further information and inspiration, you can find samples, templates, books, and workshops online. Your attorney may also help guide you.

Once you've crafted your ethical will, make sure it's preserved in digital or printed form, or both. Share it now, or keep it with other estate documents, such as a copy of your legal will and advance care directives, and tell others where to find it.

Raymond James & Associates, Inc., member New York Stock Exchange/SIPC

This information, developed by an independent third party, has been obtained from sources considered to be reliable, but Raymond James does not guarantee that the foregoing material is accurate or complete. This information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material. This information is not intended as a solicitation or an offer to buy or sell any security referred to herein. Investments mentioned may not be suitable for all investors. The material is general in nature. Past performance may not be indicative of future results. Raymond James does not provide advice on tax, legal or mortgage issues. These matters should be discussed with the appropriate professional.