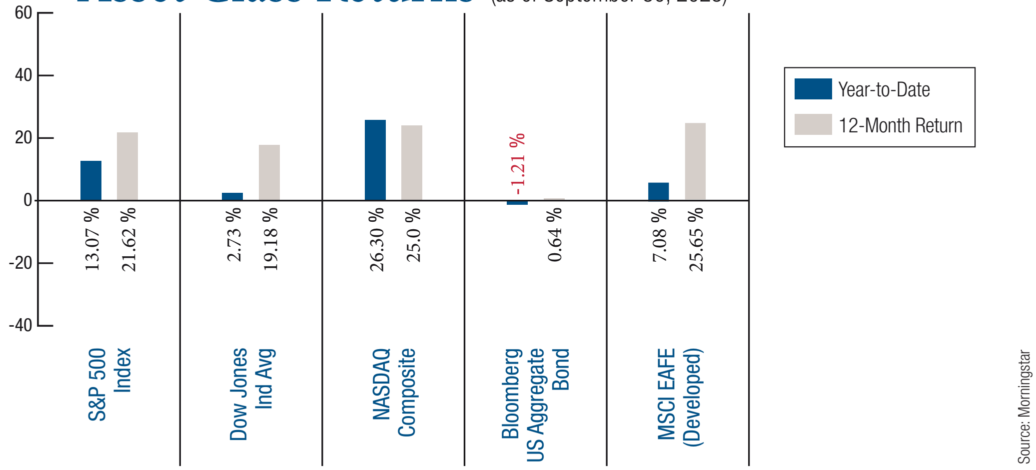
STONEGATE FINANCIAL

MARKET UPDATE

"If you aren't willing to own a stock for 10 years, don't even think about owning it for 10 minutes."

— *Warren Buffett*

Asset Class Returns (as of September 30, 2023)



MARKET/ECONOMIC SYNOPSIS

Terry Wiles, CRPC®, AWMA®
Branch Manager, RJFS
President, Stonegate Financial

We hope you've had a wonderful summer and are looking forward to ushering in some beautiful fall weather. Fall is my favorite season of the year. Someone recently mentioned how nice it is in North Carolina in the fall; I thought for a second and responded with, "It tends to be nice in most parts of this country in the fall." 😊 What a great time to get out and enjoy nature!

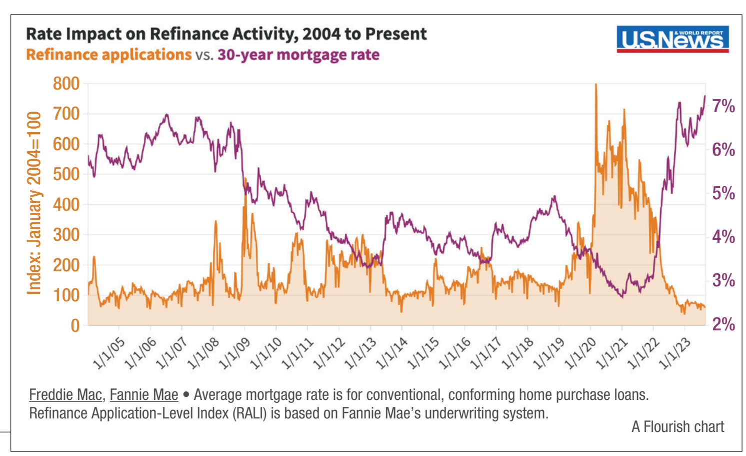
The photo above was one of my favorites taken during our trip to the Grand Tetons. Even though the clouds were very low that day, you can't block the sheer beauty of the Teton Mountains and enjoy the little time you have there. The photo reminds me of a lot of the stock markets. It can be very cloudy at times, especially in September and October, but it's hard to beat the long-term performance of investing in the stock market.

The stock and bond markets stalled this quarter after an amazing and surprising first two quarters of 2023. Remember, going into this year we were all hearing about the most telegraphed recession in history. Well, that hasn't happened to date, but there are plenty of reasons for us to remain cautious. We'll review a few of the red flags we are seeing which will help you understand why we have not been taking on more risk.

Stocks and bonds both saw a negative quarter, with the S&P 500 down 3.27% and the Bloomberg U.S. Aggregate Bond index down 3.23%. The consumer has been strong throughout the last 18 months when we have seen the Federal Reserve raise interest rates 11 times, for an increase of 5.25%. Interest rates are now the highest they have been in over 15 years and mortgage rates the highest in the last 22 years. Additionally, inflation has come down to 3.2% versus 8.5% a year ago. These interest rate hikes have helped drop the rate of inflation, but now we are starting to see these high rates affect the housing market and labor market. The question is how long can the consumer remain resilient with these high rates and household debt increasing due to inflation?

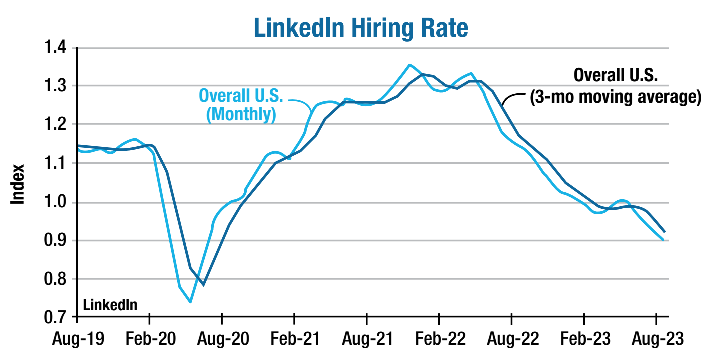
Mortgage Refinancing Has All But Dried Up

With mortgage rates over 7% on a 30-year mortgage, most homebuyers are not looking for a new home if they currently own a home and would need to finance to buy a new one. Not many folks want to incur a mortgage at twice the rate they currently have. This is affecting the mortgage refinancing market as you can see in the chart below. How long will these high rates take to affect new home sales?



A Worsening Labor Market

We are beginning to hear rumblings that major employers are doing something they term as “Quiet Cutting”, laying off employees without making major announcements. We heard all about employees “Quiet Quitting” during the pandemic when work from home jobs were plentiful and corporations were trying to keep employees happy. But now we are starting to see job openings ratchet down slightly, as indicated in this chart from LinkedIn below.



As for the Consumer

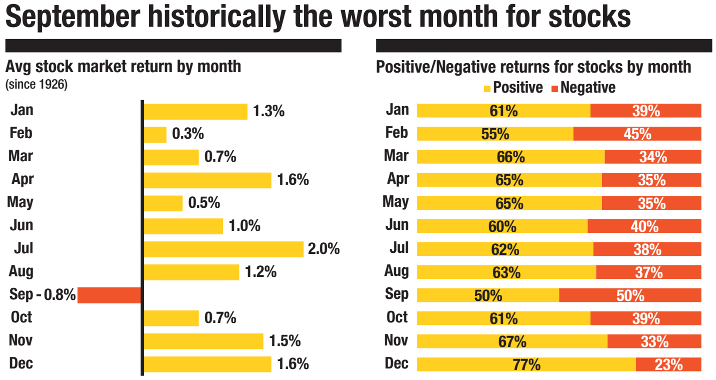
We are starting to see credit card and auto loan delinquencies go up and credit standards are getting tighter, making it harder for the average consumer to borrow. However, we saw consumer spending increase this summer. The question is, how long will that last?

As for the Stock Market

The chart below highlights that September has historically been the worst month for stocks, and yet we made it through this September basically unscathed with the major equity indexes being close to flat. November & December historically have been good months for equities.

SEPTEMBER IS A TOUGH MONTH FOR STOCKS

September historically the worst month for stocks



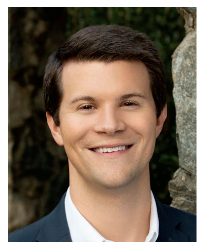
Source: Morningstar as of 8/31/23. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 8/31/23 and the IA SBBI U.S. LrgStock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. **Past performance does not gurantee or indicate future results.** Index performance is for illustrative purposes only. You can not invest directly in the index.

We often get the Crystal Ball question: Is this a good time to be invested in stocks?

The simple answer goes back to the Warren Buffett quote on the first page, *“If you aren’t willing to own a stock for 10 years, don’t even think about owning it for 10 minutes.”*

Here at Stonegate Financial, we invest our clients’ hard-earned savings with a Win More by Losing Less motto. We take fewer risks, and we try our hardest to build portfolios utilizing investments that can grow over time while also exemplifying downside resiliency, versus only doing well in a great market environment. We never advocate market-timing, but it’s a good idea to align an investor’s risk tolerance with their portfolio allocation within the context of a long-term investment strategy.

FINANCIAL PLANNING CORNER



Elevating Your Charitable Giving!

Alex Greene, CFP®, AAMS®, AWMA®
Financial Advisor, RJFS
Partner, Stonegate Financial

In this edition of the Planning Corner, I would like to remind readers with charitable inclinations about three great charitable giving strategies. As an added bonus, I will cover a fourth option that includes a new twist on an existing strategy, a charitable gift annuity. This new “twist” emerged after Congress passed a spending bill at the end of 2022 which included something we lovingly refer to as the Secure Act 2.0. This legislation introduced the opportunity to fund charitable gift annuities with an IRA. Let’s delve into these strategies with a high-level overview of how they work and their potential benefits for your charitable giving plans!

Donation of Appreciated Stock

Instead of giving cash to a charity, consider donating shares of stock, mutual funds, or other investments directly to a charitable organization. This strategy allows you, as the donor, to bypass capital gains taxes that you would otherwise owe on the sale of the investment. For example, you could give $5,000 of cash to XYZ charity OR you could donate $5,000 worth of stock that you only paid $1,000 for many years ago. By doing so, you fulfill your charitable goals and avoid capital gains tax on the stock’s appreciation!

Who may be interested:

Those that are looking to donate substantial sums of funds and have investments in a taxable investment account (non-retirement account) with sizable gains.

Donor Advised Fund (DAF)

A donor advised fund is a great way to take the idea of donating appreciated assets as described, but "pooling" your donations into a charitable giving fund of your own. I'll illustrate this by sharing that Lane and I decided to make this our charitable giving strategy of choice several years ago. Each year around November or December, we pick out a few investments in our joint investment account that currently have the largest gains and donate enough shares of those investments to hit whatever charitable giving amount we have in mind. Typically, we simply deposit cash equivalent to the amount we donated and purchase those same investments back. Those donated shares land in our DAF, get reinvested in an allocation of our choice (potentially increasing our charitable impact over time), and then are available to be donated on our terms - whatever charities at whatever time we choose. Although this method may not work for everyone depending on your gifting "routine", it works well for us because we make a decision once a year on how much we want to donate and what investments, then the granting of funds to charities can happen over time. Additionally, a DAF can facilitate a lasting charitable legacy, even beyond your lifetime, by appointing a "successor advisor" to continue your philanthropic efforts.

Who may be interested:

Those that are looking to donate more significant sums of funds, have investments in a taxable investment account with sizable gains, have interest in a charitable giving legacy, and feel a DAF fits into their gifting "routine".

Qualified Charitable Distributions (QCDs)

This charitable giving strategy is specifically designed for individuals with IRAs who are at least 70.5 years old (Congress loves ½ birthdays). QCDs enable you to donate up to $100,000 annually directly from your IRA to qualified charities. The benefits?

- The amount is excluded from taxable income.
- The amount counts toward fulfilling your Required Minimum Distribution (RMD)! For example, if you are required to take a $20,000 RMD but you normally give $10,000 to charity - you can make a $10,000 QCD, only leaving $10,000 that you must take as a taxable distribution from your IRA.

Who may be interested:

Those over age 70.5 that have an IRA and are charitably inclined. This strategy is especially attractive for those who are subject to RMDs but don't need all of their RMD to live off of.

Charitable Gift Annuity via IRA

This strategy allows you to fund a Charitable Gift Annuity with IRA assets. A Charitable Gift Annuity is a contract with a charity in which you receive lifetime income payments in exchange for a charitable donation. This is the most nuanced of the giving strategies, so let's dive into a quick overview of the basics:

Key benefits and requirements:

- You receive a fixed income stream (amount depends on size of donation and age) paid out over your lifetime (or joint life with a spouse depending on what options you choose). Income payments are counted as taxable income each year that you receive them. The charity keeps any remaining funds at your passing.
- The donation limit for this strategy is $50,000 (one or across multiple charities) and can only be done once in your lifetime. IRA assets are used to make the donation, and you must be at least age 70.5. The donation is excluded from taxable income and counts towards your Required Minimum Distribution.

Who may be interested:

Those that have an IRA, are currently subject to RMDs, plan to make more sizable charitable donations, and are interesting in receiving an annual income stream. Receiving gift annuity payments over time can help "spread out" the tax impact of IRA distributions.

Charitable giving is first and foremost driven by a desire to support causes close to your heart. As financial advisors, we are dedicated to helping you explore these options and find the right strategy to elevate your charitable giving goals. Please don't hesitate to reach out to us if you would like to talk more about these ideas or revisit your charitable giving plans!

Sources: https://giving.duke.edu/blueprints/establish-cga-with-qcd/

https://www.kitces.com/blog/charitable-gift-annuity-cga-legacy-ira-rollover-secure-act/

TEAM MEMBER SPOTLIGHT

Q & A with Landon Mundell
Client Services Associate

In this section, we give you the chance to get to know one of our team members a little better. This quarter we will hear from Landon Mundell!

Q: Tell us a bit about yourself!

A: Hello everyone! It has been so great to meet many of you already, and I am looking forward to getting to know the rest of you soon. I was led to a career in personal financial planning by my desire to invest in the lives of others. It is such a privilege to walk alongside clients as we navigate their financial and life journey together.

Though my wife, Karlee, and I were in school together since 6th grade, it took us until college to finally get to know each other! We started dating during our freshman year and got married shortly after graduating. After spending the first few years of our careers in Indianapolis, we decided to embark on a new journey here in Raleigh! Since moving down in June, we have enjoyed meeting so many wonderful people and experiencing all the area has to offer. Durham Bulls games have become a favorite of ours, and we are looking forward to attending some Canes games this hockey season! After hearing so many great things, we are excited for our first trip to the NC State Fair this month – please send any food recommendations our way!

Q: Why did you choose to join the team at Stonegate Financial?

A: The people and the mission – enriching lives by stewarding the use of valuable resources. Upon meeting the Stonegate team, it was clear to me that this is a group who genuinely care about each other and those we serve. My number one priority when evaluating firms was finding somewhere the clients' interests always come first, and I found that here at Stonegate. The holistic approach to financial planning sealed the deal. Financial planning entails far more than only managing a portfolio of assets, and you must really know a client to serve them best – this is a team that understands and embraces that.

AROUND THE OFFICE

October Client Appreciation

We are excited to host our
Annual Client Appreciation Dinner at
Prestonwood Country Club on
Wednesday, October 25th from 5:30-8PM.

At Stonegate, we love a game plan. An essential part of any great game plan is knowing what you are setting out to accomplish. Sometimes it is critical to step back and reevaluate your life's mission with a fresh perspective. At this year's special event, we will do exactly that. Our goal is for you to leave with a renewed passion, purpose, and vision for life!

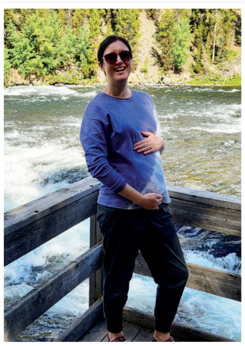
To take us on that journey, we are thrilled to have partnered with Ross Bernstein, the best-selling author of nearly 50 sports books and an award-winning peak-performance business speaker who's keynoted conferences on ALL SEVEN continents for audiences as small as 10 and as large as 10,000. His program is high energy, funny, and packed with valuable content intended to help you think and perform differently… like a champion!

With such an inspiring program, we are expecting an exceptional turnout and hope to be able to accommodate as many guest requests as possible. As space is limited, please **RSVP for you and any guests ASAP and no later than Thursday, October 19th.**

This is one you will not want to miss!

At the end of September, **Terry and Becky Wiles** took their first "real" vacation in a while with a trip to Europe to enjoy a river cruise along the Rhine! Usually, their time away from the office is a mix of work and fun, but this time they turned off their phones and emails, confident that the team back at the office would handle any pressing client needs. At the time of this newsletter distribution, they were somewhere over the Atlantic making their way home!

Cherishing the first few days of Fall, **Megan Long** has been spending time with her family who visited her in Raleigh. What made the trip extra special was taking them to the farmers market, where they explored the fresh seasonal produce, and picked up classic pumpkin and gourd decorations for around the house. She is looking forward to pulling out her fluffy sweaters and watching the leaves change as the weather gets cooler.



Heather and Thomas Rickenbaker were able to check off a bucket list destination in early September by taking a week to explore Yellowstone National Park. Heather's pregnancy prevented them from going on any strenuous hikes, but they were pleasantly surprised at the trail accessibility and felt they were still able to explore a good amount of the park as well as view a ton of wildlife (mostly bison and elk)! It was a fabulous getaway and the rest of the year will be focused on getting their house ready for baby Rickenbaker who is due in January!

Landon and Karlee Mundell used the summer months to spend some time at the pool and beach, highlighted by a recent weekend trip to Atlantic Beach. They are looking forward to seeing family and friends in the next few weeks as they travel to Bradenton, FL for vacation and Indianapolis, IN for a friend's wedding.

In September, **Alex and Lane Greene** enjoyed their first extended "getaway" since becoming parents with a trip to Charlottesville, Virginia! They wanted to go somewhere they could relax, but not be too far away at the same time – they were happy with their choice! They enjoyed visits to several wineries, driving and hiking through Shenandoah National Park, as well as taking some time to relax and read books! They enjoyed their time away but were very excited to get home Lyra who is nearly 18 months old!

This summer **Trey and Ann Garrett Stilley** enjoyed more time at the beach. Their boys love the sand and the waves! Trey attended a Raymond James conference at the Homestead in Hot Springs, VA in September. This was an opportunity to learn and share ideas with others in the industry. He and Ann Garrett were also able to enjoy some of the amenities during their stay.

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Landon Mundell - Client Service Associate, RJFS | **Megan Long** - Client Service Associate, RJFS