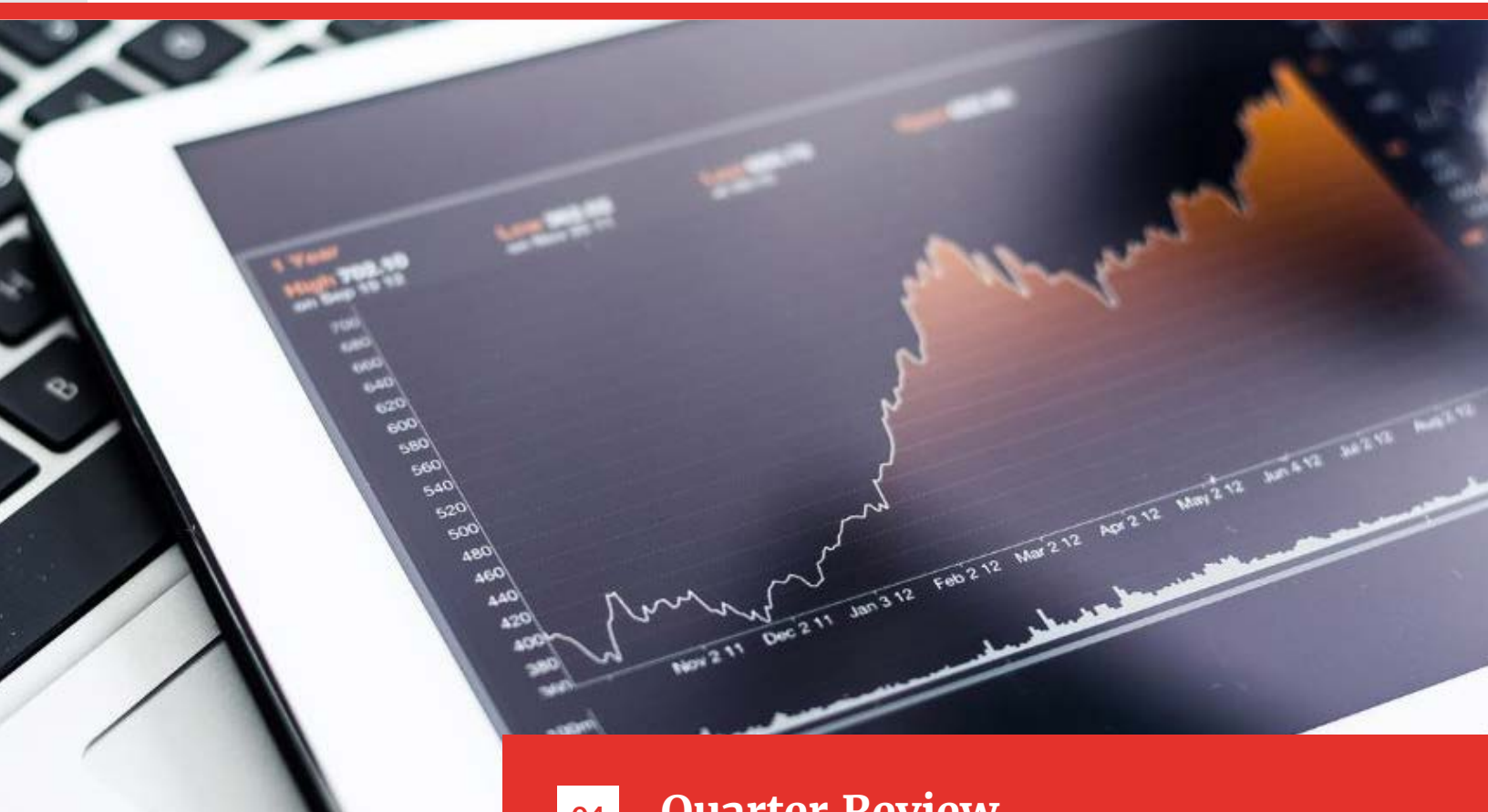


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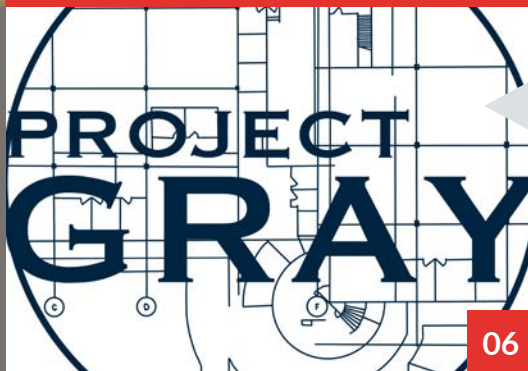


04 Quarter Review

How resilient is the stock market? Scott discusses the factors contributing to the increase in stock prices and navigating the new highs of the market.

Sneaky and Unexpected Rules

Myra highlights some often overlooked tax code rules to help you prevent unnecessary expenses.



What is Project Gray?

See page 6 for a special message from Managing Partner Nick Clay!



By Myra O'Dell

Sneaky and Unexpected Rules

Sometimes the devil is in the details. This statement can be particularly true when it comes to the complex tax code by which we are required to abide. When you don't know what you don't know, decisions and actions can come back to bite you. Here are a few rules that might trip you up if you aren't aware of them.

Qualified Charitable Distributions

The age requirement for a qualified charitable distribution (QCD) from an Individual Retirement Account (IRA) is a key factor in leveraging this tax-efficient charitable giving strategy. Specifically, individuals must be at least 70½ years old to qualify for a QCD, as mandated by Internal Revenue Service (IRS) regulations. Unlike many other IRS regulations where the criteria is simply that you must turn a certain age in the calendar year of, for this rule you actually have to be at least 70 years and 6 months on the day that the distribution is made. By adhering to this age requirement, individuals can make direct contributions from their IRA to eligible charities, ensuring that

the distribution is both tax-free and serves as a meaningful way to support charitable causes.

Separating From Service After Age 55

The rule of separating from service after age 55 refers to a provision in the U.S. tax code that allows individuals to avoid the 10% early withdrawal penalty on certain employer sponsored retirement accounts, such as 401(k)s. If an individual leaves their job or retires at or after the age of 55, they can access funds from their employer-sponsored retirement plan without incurring the usual 10% penalty for early withdrawals. This rule recognizes that individuals may choose to retire before the standard retirement age of 59½ and provides a financial benefit by allowing them to access their retirement savings earlier without facing additional penalties. However, there's a catch. If you roll those funds out of the employer-sponsored plan to an IRA, you can no longer take advantage of this provision. It's important for individuals to understand the specific requirements and conditions associated with this rule to make

informed decisions about their retirement planning.

The Pro Rata Rule for Roth Conversions

The pro rata rule is a crucial aspect of Roth conversions and comes into play when an individual holds both pre-tax and after-tax contributions in their IRAs. When making a Roth conversion, the IRS considers the aggregate value of all IRA (including SIMPLE IRA and SEP IRA) accounts. The pro rata rule stipulates that the taxable amount converted is determined by the ratio of pre-tax contributions to the total IRA balance. Therefore, if a taxpayer has both pre-tax and after-tax funds, they cannot selectively convert only the after-tax portion without incurring taxes on the pre-tax portion. Understanding and navigating the pro rata rule is essential for individuals seeking to optimize their tax strategies during Roth conversions.

Inheriting an IRA as a Spouse

When a spouse inherits an IRA, they have two main options: treating it as their own or establishing it as an inherited IRA. If a spouse chooses to treat the IRA as their own, they can continue

contributions and follow the standard distribution rules based on their age. This option provides flexibility and allows the surviving spouse to integrate the inherited funds into their existing retirement strategy seamlessly. However, if the spouse is under 59½ and needs to take a distribution, the distribution will be subject to the 10% penalty. On the other hand, if the spouse opts for an inherited IRA, they must follow specific distribution rules based on their age and the original account owner's age at the time of death. This approach may have advantages in certain situations, such as allowing for distributions prior to age 59½ without penalty or delaying required minimum distributions. The choice between treating the IRA as one's own or maintaining it as an inherited IRA depends on factors like age, financial goals, and desired distribution flexibility. Make sure you consider the pros and cons of each before you decide.

No 60-Day Rollovers for Inherited IRAs

The 60-day rollover rule allows account holders to withdraw funds from a 401(k), IRA, or other qualified retirement plan, then redeposit them within 60 days without facing taxes or penalties. However, no such rule exists for Inherited IRAs. If you've inherited an IRA, you cannot do a 60-day rollover. Instead, beneficiaries typically have to transfer the funds via a trustee-to-trustee transfer to avoid tax consequences. It's important to consult with a financial advisor or tax professional for personalized guidance based on your specific situation.

Income-Related Monthly Adjustment Amount (IRMAA)

Medicare Part B and Part D premiums can be higher for individuals with higher incomes. This is known as the Income-Related Monthly Adjustment Amount (IRMAA). It applies to beneficiaries with modified adjusted gross incomes above a certain

threshold. This adjustment to your premiums can add up to hundreds or thousands of dollars of extra premium expenses throughout the year. When making financial decisions that will cause extra income during the year, don't forget to consider how this extra income might affect your situation when comes to IRMAA.

These are a few rules that are often unknown or overlooked, yet they can cause unnecessary and avoidable tax consequences or expenses. We are here to help if you have questions or need professional advice navigating financial decisions.



Trade Settlement Changes Coming Next Month

Starting May 28, 2024, there will be an industry-wide change with respect to trade settlement periods for most security transactions. The current settlement requirement of trade date plus two days (T+2), will be reduced to trade plus one day (T+1). This change applies to stocks, bonds, municipals, exchange-traded products, unit investment trusts, certain mutual funds, and limited partnerships that trade on U.S. exchanges.

According to the Securities and Exchange Commission, this amendment was designed to benefit investors. Shortening the settlement cycle helps reduce credit, market, and liquidity risks for securities transactions.

Give us a call if you have questions.





By Scott Linn

Quarter Review

How about a little Jeopardy trivia to start off our quarterly market update? If you are not familiar with the popular gameshow, a contestant is given the answer and must come up with the question. So here it goes. The answer: The fourth quarter of 2021. Cue the Jeopardy music in your head as you think of the question. If you came up with the question, "When is the last time we have been able to write about new all-time market highs?" you would be correct!

Yes, the first quarter of 2024 brought new all-time highs in U.S. stock market indices for the first time in over two years. After an inflation-induced bear market in

2022 and a resilient market in 2023, the S&P 500, Dow Jones Industrial Average, and Nasdaq Composite all recently achieved new all-time highs, with both the S&P and Dow closing the quarter at all-time highs.

Major Stock Indexes	1st Quarter 2024	Year End 2023
DJIA	5.6%	13.7%
Nasdaq Composite	9.1%	43.4%
S&P 500	10.2%	24.2%
Russell 2000	4.8%	15.1%
Global Dow	7.4%	17.8%
Japan: Nikkei 225	20.6%	28.2%
Stoxx Europe 600	7.0%	12.7%
UK: FTSE 100	2.8%	3.8%
Major Bond Index	1st Quarter 2024	Year End 2023
Bloomberg US Aggregate (Total Return)	-0.8%	5.5%

There are several contributing factors to recent increases in stock prices. The economy has been far more robust than many expected in the face of inflation and rapidly increasing interest rates. Recent data shows the U.S.

economy grew at a rate of 3.4% in 2024 while consumer spending, which accounts for nearly 70% of the U.S. economy, was up 3.3% over that same timeframe.

The enthusiasm and recent developments around artificial intelligence, or AI, has also helped spur on the markets. Investors

believe further advancements in this technology will drive new efficiencies, which help improve corporate earnings and increase stock prices.

But perhaps one of the biggest drivers of markets over the last few years comes from inflation and interest rates. If increasing inflation and interest rates spooked markets in 2022, lower inflation and expectations of lower rates in the future have been a boon to stocks over the last several quarters.

The Federal Reserve's (Fed) preferred measure of inflation peaked at 7.1% in June 2022 (other measures showed it peaked at 9.0%).

The most recent data as of February showed inflation has slowed to 2.5%, nearing the Fed's target of 2%. As inflation approaches the Fed's inflation target, investors, and the Fed itself, are anticipating lower interest rates.

All other things equal, lower rates tend to benefit stock prices as the cost of capital is reduced for companies.

If we think of a well-diversified portfolio including both stocks and bonds, higher rates have also provided more yield from the bond side of a portfolio. Higher bond rates should support a more normalized bond market going forward compared to what we experienced when rates were near zero and the Fed began aggressively increasing rates.

With equity markets near all-time highs, one might be tempted to think this is a good time to exit stocks, or at least a poor time to enter the markets. After all, aren't we taught to buy low and sell high? We recently published a Podcast titled "Financial Myth Busters" where we tackled this

very topic, among many others. This chart from JP Morgan has been making the rounds in our office lately and is somewhat mind-boggling. They found that investing at all-time highs was not a major detriment to longer-term returns. In fact, their data shows, on average, only investing on days when markets achieved all-time highs outperformed investing on any random day. Wow! Now, I'm not suggesting one should only invest on days where markets make new highs. However, as Nick mentioned in last quarter's market update, good years in the market tend to cluster, and new highs have historically led to more new highs.

This chart is not meant as a prediction of where we think markets will go in the short-term. Rather, it is a reminder that stocks have a strong upward bias over the long-term regardless of when one invests. I mentioned the word "resilient" earlier in this article, and that is certainly a word you can apply to the stock market. Headlines around day-to-day market moves, the economy, elections, geopolitics, and the like can cause panic and worry, and markets can be volatile in the short-term.

The markets have seen it all including world wars, a depression, inflation, bubbles (or what Alan Greenspan referred to as "irrational exuberance"), terrorist attacks, a financial crisis, a pandemic, and about everything in between.

In an election year, it's also a good reminder that markets have survived

**Average cumulative S&P 500 total returns
January 1, 1988 - present**



Source: FactSet, J.P. Morgan Private Bank. Data is as of August 27, 2020.

anyone's most despised and most beloved president. Through it all, investing in a well-diversified portfolio of stocks has historically proven to grow wealth over a long timeframe.

Ultimately, we believe investing starts with a plan. The appropriate asset allocation varies by an individual's or household's goals, timeframe, and risk tolerance. Diversification, rebalancing, and investing in stocks for the long-term is a successful time-tested, proven strategy. We adjust our strategy not to the markets but to our goals. As such, please let us know if there have been any changes in your financial situation or investment objectives. Also, please inform us if you wish to modify existing restrictions or impose new restrictions on the management of your account(s).

It is a privilege and blessing to continue to serve you.



Project Gray!

I am thrilled to share some exciting news with you. As you may have heard through the grapevine, our wealth management firm, alongside our strategic partners, Blackburn Childers and Steagall and First Covenant Trust and Advisors, are embarking on a new chapter together. In line with our commitment to foster growth and innovation, we have decided to co-locate our businesses in Gray. We have purchased the former Citi building that will serve as the headquarters for each entity.

This move represents a strategic opportunity for all of us. By centralizing our operations in the ever-growing Tri-Cities region, we aim to create a dynamic environment that fosters our culture and collaboration.

Maintaining our independence and professional relationships within the community remains paramount to us. While we will be under one roof with our partners, we are in the process of renovating and building out our own, separate office spaces. For BCS Wealth Management this strategic decision will allow for continued growth and expansion while catering to our unique business, clients, and culture. Rest assured that each firm will continue to operate independently, upholding the high standards of service and integrity that you have come to expect from us.

Your trust and loyalty mean the world to us. We are committed to continually enhancing your experience with us. We believe that this co-

location will not only provide more expertise under one roof, but also enable us to offer a new and improved experience for our clients.

We call it “Project Gray,” and it is exactly that: a project that will require professional work and time to bring our vision to reality. We will remain in our current office location through 2024. We will keep our clients updated as we progress in the renovation and have a better idea of when we will formally move to the new location.

As we embark on this exciting journey, we want to express our sincere gratitude for your continued support and trust in our team. We are grateful to partner with so many individuals, families, and businesses. We do not take your trust lightly. Stay tuned!

*Nick Clay, CFP®, CPWA®, AIF®, AAMS®
Managing Partner & Senior Financial Advisor*



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Wisdom from the Life of Charlie Munger

It's hard to find someone who hasn't heard of Warren Buffet, even outside of the finance world. The legendary investor and billionaire started Berkshire Hathaway and through meticulous analysis and patience, has managed to beat the S&P 500 for decades. Not nearly as famous, however, was Buffet's right-hand man, Charlie Munger, who passed away on November 28, 2023 at age 99.

Munger was Vice Chairman of Berkshire Hathaway and a legend in his own right. A large part of the success of Berkshire Hathaway can be attributed to Munger, who was known for his intellect, wit, and his commitment to value investing, which is essentially looking for strong companies trading at a discount to their true value. These value stocks would then be held long-term, with no exit plan needed.

Munger had many great quotes that encompassed this philosophy. I have always appreciated how he expressed wisdom through common sense thoughts. Here are some examples:

"The first rule of compounding: Never interrupt it unnecessarily."

Munger emphasizes the power of compound interest, highlighting the importance of letting investments grow over time without unnecessary interference. This quote

underscores the value of patience and long-term thinking in investing.

"It's waiting that helps you as an investor, and a lot of people just can't stand to wait."

In a world focused on instant gratification and short-term thinking, Munger reminds investors of the virtues of patience. Successful investing often requires the discipline to stay the course, even when faced with uncertainty or market fluctuations. Many times the best course of action is no action at all. Stick to your plan!

"The big money is not in the buying or selling, but in the waiting."

Munger's focus on patience is evident in this quote, emphasizing that the real profits are made by holding onto quality investments for extended periods. It's a reminder to investors to resist the temptation to constantly trade and instead focus on the long-term value of their holdings.

"It is remarkable how much long-term advantage people like us have gotten by trying to be consistently not stupid, instead of trying to be very intelligent."

Munger advocates for a mindset focused on avoiding costly mistakes rather than seeking brilliance. This quote highlights the importance of humility, rationality, and avoiding unnecessary risks in decision-making. For the vast majority, market returns are more than enough to reach your goals. Again, stick to your plan.

These are simple yet powerful thoughts. Overthinking can lead to rash decisions and taking unnecessary risks. Take a lesson from one of the best to ever do it, and simplify your investing philosophy.

Munger will be missed at Berkshire Hathaway and beyond, but his wisdom will continue to shape how we think about investing and success for years to come.

*Nathan Goodwin,
JD, CFP®,
Partner & Senior
Financial Advisor*



BCS Wealth Management is an independent financial planning firm in Johnson City, TN. We help individuals, families, and businesses reach goals important to their financial wellbeing. We provide investments and financial planning, insurance, and group benefits.

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Welcome, Christine Roberson!

We are excited to welcome Christine Roberson as a new team member at BCS Wealth Management. Christine, or Cricket as she's known by most people, was born and raised in Elizabethton, where she still resides. She has two golden doodles named Willie and Waylon that get lots of love. She enjoys photography, going to concerts, being outdoors, and spending time with friends and family. Christine joins us as a Client Service Associate, and we look forward to introducing her to our clients and friends.

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