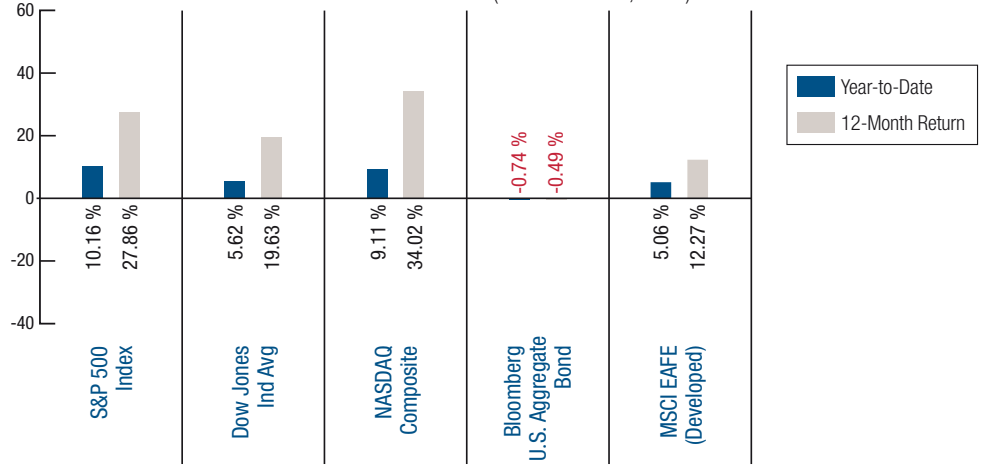




“The individual investor should act consistently as an investor and not as a speculator.”
— Benjamin Graham

Asset Class Returns (as of March 31, 2024)



Source: Morningstar



MARKET/ECONOMIC SYNOPSIS

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

What many people worry about on a day-to-day basis, we don't worry about when selecting investments for the long-term:

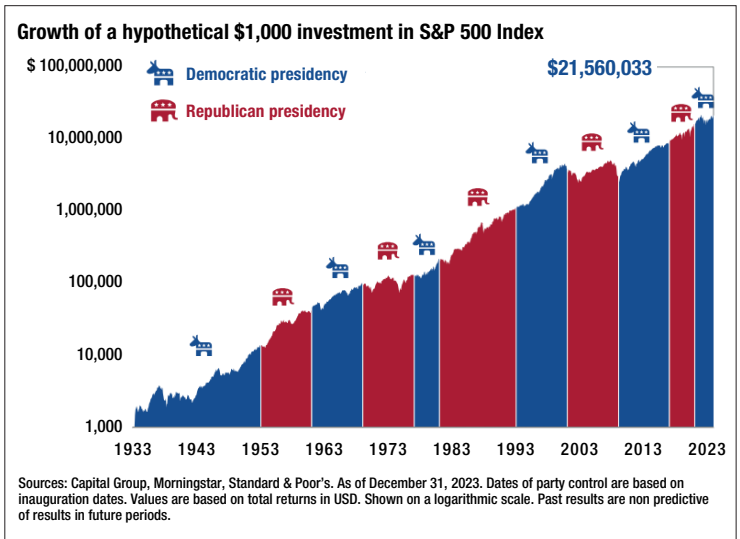
1. Presidential Elections
2. Predicting Wars
3. The Price of Gold and Whether Bitcoin Will Become a Global Currency
4. What the Next Fad Will Be

During any year, let alone a contentious election year, we are fed a diet of negative news. All this negativity can lead us to making poor investment decisions. Many individuals are swayed by the bad news surrounding them, and the more favorable events get cloudy. I feel we are currently living in an era of constant positive change that will transform our lives for the better. There are so many fascinating innovations happening right now in the fields of Artificial Intelligence (AI), technology, and healthcare. These are very long-term trends that we are following closely.

The Elections:

Our friends at the Capital Group put out some wonderful research relating to how the markets have historically performed regardless of which party has been in office. *Darrell Spence of the Capital Group says*

“Presidents get far too much credit, and far too much blame, for the health of the U.S. economy and the state of the financial markets. There are many other variables that determine economic growth and market returns and, frankly, presidents have very little influence over them.”



The bottom line is that U.S. stocks have trended up regardless of whether a Democrat or Republican has the White House.

Wars and Conflict:

During my lifetime, the United States has been involved in the following wars and conflicts: the Vietnam War,

Tonkin Gulf Resolution, military operations in Lebanon, Grenada and Panama, the Persian Gulf War, War in Afghanistan, and the War in Iraq. Yes, we have also been involved in dozens of other global conflicts and as history has proven, we always will have confrontations. The fact is that the markets have been volatile throughout times of conflict but have historically finished higher. The graph below from LPL Research is a long-term study of 21 geopolitical events since 1941. What you'll find is that the market reacted negatively on day one, the average total market drawdown was (-5.0%), the market took an average of 22 days to reach bottom from the start of the event, and it took an average of 47 days to recover its losses. The most interesting thing to me is that Large Cap Stocks averaged 11.4% returns for All Wars.

Source: <https://endowus.com/insights/market-performance-in-times-of-war>

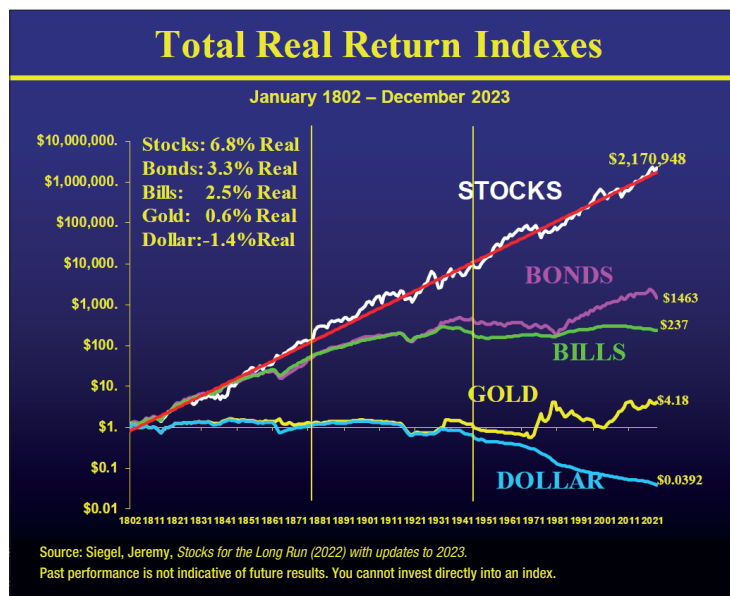
How markets have reacted to wars and geopolitical events				
	Large Cap Stocks	Small Cap Stocks	Long Term Bonds	Inflation
1926-2013 Market returns	10.0%	11.6%	5.6%	3.0%
Avg of All Wars	11.4%	13.8%	2.2%	4.4%
World War II	16.9%	32.8%	3.2%	5.2%
Korean War	18.7%	15.4%	-1.1%	3.8%
Vietnam War	6.4%	7.3%	1.9%	4.1%
Gulf War	11.7%	-1.2%	12.5%	4.7%
	One Day Fall	Total Drawdown	Days to Bottom	Days to Recovery
All Geopolitical Events	-1.2%	-5.0%	22 Days	47 Days

Note: S&P 500 index for geopolitical events. Large cap and small cap indexes in the US market for the wars.
Source: LPL Research, CFA Institute, Bloomberg, Endowus Research

Gold and Bitcoin:

The chart in the right column has always been one of my favorite investment research charts produced by my former Professor, Jeremy Siegel, from the Wharton School. The clear takeaway here is that stocks tend to outperform other assets over time. Another key point is that stocks are one of the best long-term inflation hedges that you can own. From 1802 through December 2023, stocks have provided a 6.8% real return (after inflation), more than doubling the average real return of bonds and trouncing Treasury bills and gold. Remember that gold and bitcoin can be extremely volatile and neither provide dividends, nor have they proven to be non-correlated to equity returns.

Professor Siegel speaks of risks as follows: “Stocks are typically subject to increased risks compared to U.S. Treasury Bills while bonds are subject to adverse consequences associated with rising interest rates that cause a decline in a bond’s price. A U.S. treasury bill has less risk than bonds because of its very short-term nature and the U.S. government is considered a good creditor. Gold is often invested in as a hedge for inflation, but there is market risk that gold prices fluctuate widely. The value of the U.S. dollar depreciates over time with inflation, so the primary risk is inflation risk.”



Investing in Fads:

Fads come and go. Very few people make money investing in fads, and those that do rarely get out of the investment in a timely fashion before it crashes. Fads tend to create self-induced bubbles and a FOMO (Fear-Of-Missing-Out) frenzy, which tends to lure investors in late to the game, and then unfortunately they get hurt and lose their hard-earned money. Most recently we saw this speculation from 2020 into 2022 with SPACs (Special Purpose Acquisition Companies) that were basically blank check entities looking for companies to buy. Many investors in these companies lost 80-90% of their value during the 2022 market downturn and most have not recovered much, if any. We like to stick with plain vanilla investing.

What we do focus on:

1. Future Innovation That Will Positively Impact How We Live
2. A Company’s Return on Invested Capital
3. A Company’s Management Team and Personal Stock Ownership
4. Investing for Rising Dividends

In Summary: Bad news seems to be the only news our media stations make money on. We have always had, and always will have, challenges to overcome. But, as with the U.S. conflicts in the past, there has been initial volatility, followed by immense growth. We prefer stocks to any other long-term investment vehicle due to their uncanny historical ability to hedge your bet against longevity and inflation. Whether we like it or not, we are living longer, and I believe we are on the cutting edge of living much longer and healthier lives due to the extreme advancements we are all witnessing through technology and healthcare.

Please don’t ever let short-term events drive your long-term investment philosophy. I can assure you, we won’t.



FINANCIAL PLANNING CORNER

Tax Strategies in Every Stage of Life

Landon Mundell
Client Service Associate, RJFS

Whether starting your career, nearing retirement, or no longer working, there are tax efficient strategies you can employ to make the most of your hard-earned resources. In this edition of the Planning Corner, we’ll explore tactics that can be useful in your Early Career and Peak Earning Years. As we consider these, remember that your overall goals should be the primary driver of the strategies you put in place.

Stay tuned for next quarter, when we’ll discuss strategies for Early Retirement and your Golden Years.

Early Career:

• **Roth Funding**

- o There are two primary tax “buckets” when it comes to retirement accounts, pre-tax and

Roth. With a pre-tax account, you receive a tax deduction for your contributions, then pay income taxes on distributions down the road. Roth accounts work differently in that while you forego the up-front tax deduction, distributions (of your contributions and account growth!) can be entirely tax free.

- o Early in your career, your long investment time horizon provides the opportunity for decades of tax-free compounding growth in a Roth account. In addition to this, you could be in a lower tax bracket now than you will be down the road as your income rises – so foregoing the current tax deduction can make sense.
- o Roth funding can take place in a Roth IRA and/or an employer-sponsored plan if offered. The Roth IRA contribution limit in 2024 is \$7,000 for those under age 50, and income must be below certain limits to qualify. The Roth 401(k) contribution limit in 2024 is \$23,000.

• **Health Savings Account (HSA) Funding**

- o A Health Savings Account is a savings vehicle designated specifically for medical expenses. HSAs combine the best of pre-tax and Roth accounts – contributions are tax deductible, account growth is tax deferred, and distributions used for medical expenses are tax-free.
- o You must be enrolled in a High Deductible Health Plan to contribute to an HSA. It is first and foremost important to get the health coverage you need based on your personal circumstances. If a high deductible plan meets your needs, then an HSA could be a powerful tool for you.
- o Some HSA plans allow you to invest the funds in a diversified portfolio, instead of holding them in cash, and this is where we see the HSA’s real power on display. Rather than using the account for current health expenses, you can use savings/cash flow and leave the HSA funds invested. This can provide decades of tax-free growth to pay for medical expenses in retirement.

- o The HSA contribution limit in 2024 is \$4,150 (self-only coverage) or \$8,300 (family coverage), which includes any employer contributions.

Peak Earning Years:

- **Building Tax Diversification**

- o As you approach retirement, it is important to accumulate wealth in different tax “buckets”. This will provide flexibility when taking distributions in retirement, helping you manage your taxes.
- o Pre-tax contributions can be beneficial while you are in a high tax bracket. We often see clients split their contributions to an employer-sponsored plan between pre-tax and Roth to obtain some current tax benefit and build tax diversification in their portfolio.
- o Another tax bucket you can build wealth in is a taxable account, which can be thought of as a general investment account (non-retirement). You do not receive a tax deduction for contributions to a taxable account, but you only owe taxes on the investment income and appreciation. These taxes often qualify for preferential rates lower than income tax rates.

- **“Bunching” Charitable Gifts**

- o With the increased standard deductions following the Tax Cuts and Jobs Act, most people do not regularly itemize their tax deductions and therefore do not receive a tax benefit for their annual charitable giving.
- o If it aligns with your charitable goals, one strategy to receive a tax benefit for your giving is to “bunch” several years’ worth of gifts into one tax year. This enables you to itemize your deductions in the year of the gift, then take the standard deduction in the years following. Bunching gifts while in a higher tax bracket enhances the benefit of the tax deduction.
- o If you don’t wish for several years’ worth of gifts to be distributed to charity all at once, you can utilize a Donor Advised Fund. Assets are contributed to a Donor Advised Fund at once, and you receive a charitable deduction in the year of contribution, but you can then

distribute the funds to the charities of your choice over time.

- o Donating appreciated securities, rather than cash, adds even more tax benefit. You can receive a tax deduction for the market value of the securities donated, and neither you nor the charity pay taxes on the appreciation.

Each person’s financial situation is different, and no strategy is one-size fits all. Determining what makes sense for you requires an analysis of your individual circumstances and goals. We would be delighted to discuss any of these strategies with you and urge you to consult your accountant prior to implementation.

AROUND THE OFFICE



Our biggest news for the quarter was the **arrival of Lily Matilda Rickenbaker** on January 10, 2024! She is such a precious little thing who has brought lots of love and happiness to the Rickenbaker family (along with some sleepless nights 😊). As one would expect, motherhood suits Heather incredibly well. Over the last few

months, she and Thomas have been settling into their new routines, and we can’t wait to have Heather back in the office next week!

They say, “You don’t know how much you’ll miss someone until they are gone”. Well, we sure did miss Heather! Please join us in welcoming Heather back, and keep checking Facebook for monthly updates on Lily!



Even with Heather on maternity leave, **Terry and Becky Wiles** were able to sneak out to Utah in March for some skiing which included several days with fresh snow! They continue to play a lot of pickleball

(particularly Terry) and went to Naples, FL for the long Easter weekend to stay with some friends and participate in a pickleball clinic.

Speaking of pickleball, for those in the Cary area who love the sport (or who'd like to learn more) the Carvana PPA Tour is coming to the Cary Tennis Park the first week in April! For more information, you can check out this website: <https://www.ppatour.com/tournament/north-carolina/>. Terry and Becky plan to attend and will be watching their son, Kevin, who has decided to enter the amateur tournament! Maybe they will see you there!



This year has brought lots of exciting adventures for **Megan Long!** From running in a 5k for charity to exploring the charming streets of Charleston, SC, Megan has had quite a journey. During her trip to Charleston, she experienced her first Oyster roast, visited the historical parts of the city, and enjoyed the coastal beauty of the area. Another highlight of the quarter was a delightful getaway to Blowing Rock, NC, where she reunited with lifelong friends and went skiing at Sugar Mountain in Banner Elk. She is looking forward to the warmer weather that spring brings and the new adventures that await!



The Stilley family has stayed close to Raleigh so far in 2024. They remain busy with their growing boys! They participated in a couple of egg hunts around the Easter holiday and enjoyed time with family. They have also had a

blast supporting their beloved NC State Wolfpack after an improbable ACC Tournament championship and a great run in the NCAA tournament!

Landon and Karlee Mundell have had an eventful start to 2024, including trips to Philadelphia, Charlotte, and Indianapolis! The highlight was meeting their new niece, Adelyn, in February while visiting Landon's family. As a big basketball fan, Landon was able to check two items off his bucket list recently by attending games at UNC and Duke. He and Karlee have enjoyed watching March Madness, though it doesn't appear their brackets will be earning them any hardware. They look forward to hosting some friends and family in the coming weeks and showing them around the Triangle!



Alex and Lane Greene are excited to celebrate Lyra's second birthday in April! Amazing how the time flies! Lyra continues to flourish and recently began transitioning into a new daycare setting where she is doing great and making new friends!

Thanks to everyone who attended our **Annual Shredding Event** on Saturday, March 23rd! With the transition to a more paperless world, **we may switch to a bi-annual schedule moving forward but would like to hear your thoughts on this before changing the frequency.** Also remember that if you ever have documents that you'd prefer to shred on a timelier basis, you can always bring them to our office to use our shredder!



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If you would like to catch monthly updates and pictures of our littlest family members, be sure to follow us on Facebook!

<https://www.facebook.com/sgfnc>

- OR -

Just search for Stonegate Financial!

Terence Wiles - Branch Manager, RJFS | Alex Greene - Financial Advisor, RJFS | Trey Stilley - Financial Advisor, RJFS | Becky Wiles - Office Manager, RJFS | Heather Rickenbaker - Client Services Manager, RJFS
Landon Mundell - Client Service Associate, RJFS | Megan Long - Client Service Associate, RJFS

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Investing involves risk and you may incur a profit or loss regardless of strategy selected, including diversification and asset allocation.

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Bond prices and yields are subject to change based upon market conditions and availability. If bonds are sold prior to maturity, you may receive more or less than your initial investment. Holding bonds to term allows redemption at par value. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise.

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