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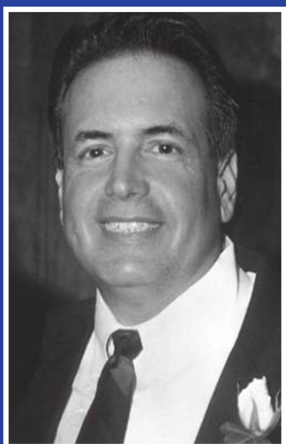
Success InSight®

Summer 2024



David W. Phillips
1947-2024

With heavy hearts, we announce the passing of our beloved President and CEO.

David's unwavering belief in you and his dedication to your financial success was unmatched. He will be greatly missed by all who had the privilege of knowing him. May his spirit live on inspiring us all to strive for greatness and make a positive impact in the world.

Roth IRA Conversion Basics

The difference between a Roth IRA and other types of IRAs is that the Roth account is funded with after-tax dollars. That means you pay taxes on funds before contributing them to the Roth, and you can't deduct contributions from your taxable income.

While choosing the Roth IRA gives you little or no benefit upfront, you will reap rewards when it is time to take your money out. The money in the Roth account grows tax-free and you can withdraw funds after you retire without paying taxes. So, let's say you put $7,500 in a Roth today and it grows to $27,500 by the time your retire in ten years. You could take the entire sum out and pay no taxes on the entire amount of $27,500.

I already opened a traditional IRA. Can I switch those funds to a Roth?

A: You can convert funds in pre-tax IRA accounts to a Roth IRA. This includes traditional IRAs, SEP IRAs and Simple IRAs. That sounds simple enough but the big drawback is when you convert pre-tax money in a regular IRA to a Roth IRA, you have to pay taxes on it at your current rate. The conversion amount is treated as regular income, which can bump you into a higher tax bracket and cause a high tax bill for the conversion year.

For example, if you are in the 22% tax bracket and convert $40,000. Your income for the tax year will increase by $40,000.

Assuming that this doesn't push you into a higher tax bracket, you could owe around $8,800 in taxes on the conversion.

Do I have to convert an entire account or can I do small amounts each year?

A: You can choose the amount you want to convert. There are no limits on conversions. A taxpayer with a pre-tax IRA can convert any amount of funds in a year to a Roth IRA. This can be helpful for higher-income taxpayers who are restricted from making new contributions. Most taxpayers can contribute up to $6,500 ($7,500 if you're age 50 or older), according to the IRS. But contribution limits are lower for higher-income taxpayers and, after a point, no Roth contributions are allowed at all.

Roth IRAs also are exempt from required minimum distributions (RMDs). These mandatory withdrawals from retirement accounts begin at age 73 and can create a tax burden on affluent retirees.

• *continued on page 7*

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Vanguard Long-Term Corporate Bond (VCLT)

Since we've only covered one Exchange Traded Fund in the past, the T. Rowe Price Capital Appreciation Equity ETF (TCAF) in July of 2023, lets first do a quick review of what an Exchange Traded Fund (ETF) is. Mutual funds and exchange-traded funds (ETFs) have much in common. Both mutual funds and ETFs are offered in many different varieties (stock funds, bond funds, sector funds, actively managed, indexed, etc.) and are popular, low-cost vehicles investors can use to diversify their investment holdings.

While mutual funds and ETFs are similar in many respects, there are some differences between the two. Perhaps the most notable difference between the two is that ETFs can be traded intra-day like stocks, while mutual funds can only be purchased at the end of each trading day based on a calculated price known as the net asset value (NAV).

Since ETFs trade intraday like stocks, years ago one obstacle to purchasing an ETF vs. a no-load mutual fund was the commission charged by the brokerage firm. However, in recent years almost all of the major brokerage firms serving individual investors (Charles Schwab, E-Trade, Fidelity, etc.) have moved to $0 commissions for most stock and ETF transactions. This has opened up the ever-growing number of ETFs to those investors reluctant to pay commissions and transaction fees.

The Vanguard Long-Term Corporate Bond ETF (VCLT) invests primarily in U.S. dollar-denominated investment-grade fixed income securities issued by industrial, utility, and financial companies with maturities greater than 10 years. In the bond market, there's an important measurement called "duration". Duration is a measure of the sensitivity of the price of a bond to a change in interest rates. Generally speaking, the higher the duration, the more a bond's price will increase if interest rates fall, or decrease if interest rates rise. And longer-term bonds generally have a higher duration than shorter-term bonds.

The Federal Reserve Board's (The Fed) ongoing fight to tame inflation appears to be making headway. Although still above the Fed's target, inflation has declined significantly since peaking and appears to be on a sustainable path lower. This unfolding development has led market participants to speculate that the Fed may begin lowering rates as early as September.

Based on the composition of its holdings, VCLT has a high duration, meaning that it's quite sensitive to changes in interest rates. As such, the past several years of steadily higher rates has been rough sledding for the fund. However, if in fact rates have peaked and the next move is down, between its attractive current yield of 4.92% and the potential for price appreciation, this fund may be a viable addition to the bond portion of one's portfolio.

Performance annualized and updated through 06/30/2024: 1-Year: +2.12%; 3-Year: -6.92%; 5-Year: -0.84%. The gross annual expense ratio is 0.04%.

If you're interested in this fund, or would like a portfolio review to determine if this fund might be an appropriate addition to your portfolio, please call Ted Black, CFP® at 888-878-0001, extension 3.

Ted Black, CFP®
888-878-0001, extension 3
Advisory services offered through
Royal Palm Investment Advisors, Inc.,
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TAX CHANGES AHEAD

If Congress doesn't step in to extend, we are creeping closer to some major tax provisions expiring after 2025. Many of the tax breaks we have enjoyed from the 2017 Tax Cut and Jobs Act (TCJA) were temporary.

The individual income tax rates of 10%, 12%, 22%, 24%, 32%, 35% and 37% will return to 10%, 15%, 25%, 28%, 33%, 35% and 39.6%, and the accompanying income-level break points will change.

Currently the standard deduction for taxpayers under age 65 is $14,600 for single filers and $29,200 for married filing jointly. Beginning January 1, 2026, this would decline to $8,300 for singles and $16,600 for married.

The current Child Tax Credit is $2,000. It is set to return to $1000 in 2026.

Taxpayers currently have a lifetime gift and estate tax exclusion of $13,610,000. On January 1, 2026, that number resets back to $5,000 ($7,000 indexed for inflation).

The TCJA increased the amount that can be deducted for chartitable gifts to 60% of AGI, this will revert back to 50% in 2026.

The TCJA increased exemption amounts as well as the exemption phaseout threshold, lessening the AMT burden on taxpayers. In 2026, the AMT exemption will revert to pre-TCJA levels.

Loss of Qualified business income (QBI) 20% deduction (Sec. 199A). Owners of passthrough businesses, such as partnerships and S corporations, as well as sole proprietorships, may currently claim a deduction of up to 20% of QBI. Beginning in 2026, the Sec. 199A QBI deduction will no longer be available.

Currently, bonus depreciation on qualified property Sec. 168(k) allows an additional first-year depreciation deduction equal to an applicable percentage of the cost basis of qualified property placed in service during the year. The TCJA changed the applicable percentages and qualifying property. Used property currently qualifies for bonus depreciation, except for property purchased from related parties.

This was a major change for businesses, because, prior to the TCJA, only new property qualified for the additional first-year depreciation deduction. Starting with property purchased after Sept. 27, 2017, through 2022, taxpayers were allowed to take a 100% bonus depreciation deduction on qualified property (e.g., equipment, autos, furniture, and fixtures). In tax years starting in 2023 through 2026 the allowable percentage scales down until the provision sunsets.

2025 is also the last year for two tax breaks not in the 2017 law: The expansion of the Obamacare health premium credit to more individuals who buy insurance through a marketplace. Also most student loan debt forgiven from 2021 through 2025 is exempt from federal income tax, which is an exception to the general rule that income from the cancellation of indebtedness is taxable.

On a positive note for some, 2026 will bring back the personal exemption at $5,300 per individual and dependent child. The $10,000 cap on deducting state and local taxes on Schedule A of the 1040 will be eliminated which is a plus for folks paying high property tax and/or state income tax.

The current cap to deduct interest on up to $750,000 of home mortgage debt will reset back to $1,000,000.

The current restriction on miscellaneous itemized deductions to only be claimed if they exceed 2% of your AGI will be eliminated. This includes unreimbursed employee expenses (travel, meals, education, etc.), brokerage and IRA fees, hobby expenses, and tax return preparation fees.

Under TCJA, you cannot deduct theft losses and can only deduct casualty losses that result from a federally declared disaster. This expires on December 31, 2026.

Q ***Is there an energy credit for new home builders?***

A: Under the Inflation Reduction Act, construction contractors who build or rehab energy-efficient homes may be eligible for a federal tax credit of up to $5,000 per project. To claim the credit, builders are required to construct or substantially rehab a qualified home and own it during the construction process.

To be qualified, a home must be a U.S. single-family dwelling that's purchased or rented for use as a residence. It also must be certified to meet energy-saving requirements before it's sold or leased. The credit value is based on whether the contractor acquired the home before or after 2023, and the certification and standards the home meets following construction.

From the Financial Hotline

Call, fax or e-mail for answers to all your financial questions.

Q *My son's employer switched his status from W-2 employee to independent contractor. How is that determined?*

A: Many businesses use independent contractors to help keep their costs down and provide flexibility for short-term needs. If a worker is an employee, the company must withhold federal income tax and the employee's share of Social Security and Medicare taxes, pay the employer's share of Social Security and Medicare taxes, and pay federal unemployment tax. State tax obligations may also apply. A business generally must also provide that worker with fringe benefits if it makes them available to other employees.

If a worker is an independent contractor, these obligations don't apply. In that case, the business simply sends the contractor a Form 1099-NEC for the year showing the amount paid (if it's $600 or more). The contractor is responsible for paying self-employment tax and, generally, making estimated tax payments for income tax purposes in relation to the amount paid.

The IRS and courts have generally ruled that one of the key factors that determines the difference between an employee and a contractor is the right to control and direct the person in the jobs they're performing, even if that control isn't exercised. The issue of control is evaluated by asking several questions, including:

- Who sets the worker's schedule?
- Are the worker's activities subject to supervision?
- Is the work technical in nature?
- Is the worker free to work for others?

Another important factor is whether the worker has the opportunity for profit or loss based on his or her managerial skills. That is, can the worker apply independent judgment and business acumen to affect the success or failure of the work being performed? If there's a lack of such opportunity, that's one indication of employee status.

Workers who want an official determination of their status can also file Form SS-8. Dissatisfied workers you've treated as independent contractors may do so because they feel entitled to employee benefits and want to eliminate their self-employment tax liabilities. If a worker files Form SS-8, the IRS will notify the business with a letter that identifies the worker and includes a blank Form SS-8. The business will be asked to complete and return the form to the IRS, which will render a classification decision.

Q *I can keep up with the demands of my small business but can not spend days collecting past due accounts. Do you have any suggestions to help?*

A: Chasing down slow payers isn't uncommon in today's economic environment where everyone is trying to preserve cash flow. Here are six tried-and-true strategies for increasing your chances of getting paid:

1. **Request payment up front.** For new customers or those with a documented history of collection issues, consider asking for a deposit on each order or a retainer fee for services.
2. **Charge fees.** Consider implementing fees or finance charges on past due accounts. Place extremely delinquent accounts on credit hold or adjust their payment terms to cash on delivery.
3. **Reward timely payments.** Crunch the numbers to determine the feasibility of giving discounts to customers with strong payment histories or to those who have improved the timeliness of payments over a given period.
4. **Communicate early and consistently.** The squeaky wheel does get more attention. Set up regular e-mail reminders and place live phone calls to customers who haven't settled their accounts. If necessary, consider executing a promissory note to prevent the customer from disputing the charges in the future.
5. **Offer alternative payment arrangements and methods.** Offer short term payment plans for delinquent accounts. For example, you can give clients options to split payments into two, four- or six-monthly payments. Making it easy to pay online through payment methods such as Zelle, Venmo or PayPal can motivate clients to prioritize paying your bill faster.
6. **Get external help.** If, after repeated tries, your collection efforts appear unsuccessful, as a last resort you might need to get outside help. Contact either an attorney who specializes in debt collection or a collections agency. But beware third-party fees may consume much of the collected amount and you will likely lose that customer.

If an outstanding debt is uncollectible, you may be able to write it off as a bad debt on your tax return. Be sure to document each customer's promises to pay, details of your collection efforts and why you believe the debt is worthless.

Understanding Medicare

Q: ***I turn 65 on January 3, 2025. When can I sign up for Medicare?***

A: The 7-month window of time when you can sign up for Medicare is called your Initial Enrollment Period (IEP). Your IEP includes your 65th birthday month, the 3 months before and the 3 months after.

Since your 65th birthday is January 3, 2025, your IEP begins October 1, 2024 and ends on April 30, 2025. For those whose birthday falls on the 1st of any month, the IEP is determined as though they were born the month before. Therefore, for anyone turning 65 on January 1, 2025, their IEP would begin September 1, 2024 and end on March 31, 2025.

If you currently receive Social Security, Railroad Retirement Board benefits or have been on disability for at least 24 months, you may be automatically enrolled. You'll receive your Medicare card in the mail before your 65th birthday but you'll still need to make note of your Initial Enrollment Period (IEP) during which you may make Medicare coverage decisions.

Q: ***What if I miss my IEP window?***

A: That could be a costly mistake. If you don't sign up during that seven-month window, you'll have another chance to enroll during Medicare's general enrollment period (GEP), which runs from Jan. 1 to March 31 each year. However, you may have to pay higher Medicare premiums for the rest of your life.

The late enrollment penalty could add 10 percent to your monthly Part B premium for every 12 months you delay. So if you wait two years to register and your monthly payment is $150, you would pay an extra $30 each month (20% penalty) resulting in a total payment of $190. There are some exceptions to this rule including the option to postpone signing up for Medicare without a penalty if you or your spouse are still working and you have health insurance based on that job.

Q: ***What is the difference between Medicare A, B, C and D?***

A: Medicare A and B are traditional Medicare. Medicare A covers hospitalization and Medicare B covers a wide range of what's left including doctor and outpatient visits, tests and preventative healthcare. Medicare C (also known as Medicare Advantage) is offered by private companies that must follow Medicare rules. This coverage combines all the benefits of traditional Medicare (A and B) with a supplement plan that helps limit your out of pocket cost and covers extra benefits. Medicare Part D is prescription drug coverage.

Q: ***What will Medicare cost me?***

A: You don't pay a monthly premium for Part A if you (or another qualifying person, like your current or former spouse) paid Medicare taxes while working ten years or longer. If you worked less than ten years but more than 7.5 years, your premium in 2024 is $278. If your work record is less than 7.5 years, your premium this year is $505.
Currently, with traditional part A, you will pay a deductible of $1,632 for each inpatient hospital benefit period, before Original Medicare starts to pay. You may have to pay multiple deductibles since here's not a limit to the number of benefit periods you can have in one year. Part A also pays for inpatient care such as a skilled nursing home as follows:

- Days 1-60: $0 after you pay your Part A deductible.
- Days 61-90: $408 each day.
- Days 91-150: $816 each day while using your 60 lifetime reserve days.
- After day 150: You pay all costs.

The standard monthly premium for **Medicare Part B** enrollees in 2024 is $174.70, but some people may have to pay more depending on their income. There is a $240 annual deductible for Medicare Part B in 2024 . After the deductible, you'll pay a 20% copay for most doctor services while hospitalized, as well as for durable medical equipment (DME) and outpatient therapy . There is a 20% copay of the Medicare-approved amount for doctor visits to diagnose a mental health condition after the deductible.

Medicare Advantage (Part C) plans are required by law to provide—at minimum—the same coverage, benefits and rights provided by Original Medicare Part A and Part B, with the exception of hospice care but most offer significantly more coverage and many include a prescription drug benefit. The average cost for Part C is low but since it's offered by private insurance companies the plans vary in cost, coverage, deductibles and copays.

In 2024, the average cost of **Medicare Part D** is $55.50. Part D can be purchased with traditional Medicare and can also be included in a Medicare Advantage (C) plan.

Q: *What are Medigap plans?*

A: If you choose to purchase traditional Medicare (part A and B) you can buy a separate Medigap policy to help cover out of pocket costs and extra services. The difference between Medigap and Medicare Advantage (C) is that you must have traditional Medicare (A and B) to purchase Medigap. These plans may also be known as Part F, G , K or other letters according to your state.

Q: *Medicare decisions can be overwhelming. What are some mistakes to avoid?*

A: A frequent complaint is not being financially prepared for the services Medicare Parts A and B do not cover. Here are more points to look out for:

- Determine your Initial Enrollment Period now and do not miss it. Not signing up in time could cost you a monthly penalty for the rest of your life.
- Don't make assumptions or ignore enrollment just because you are still employed, or you have insurance already. You need to know all your options and possible penalties.
- Don't treat prescription drug coverage as an afterthought. Medicine can be your largest expense. Check the covered drug list and make sure your medications are covered.
- Do not choose a Medicare Advantage plan without verifying that it includes your health care providers
- Waiting too long to buy Medigap coverage
- Don't assume traditional Medicare is your cheapest option. You may find a Medicare Advantage plan is more affordable.

Q: *I have an HSA to help with medical costs but can I also consider this account as retirement savings?*

A: In general, Health Savings Accounts (HSAs) are tax-advantaged savings vehicles for funding health care expenses not covered by insurance. And for those in relatively good health, they also may serve as attractive retirement savings vehicles.

To be eligible to contribute, an individual must be covered by a high-deductible health plan (HDHP). In 2024, an HDHP must have a deductible of at least $1,600 for individual coverage or $3,200 for family coverage. For 2024, you can contribute up to $4,150 to an HSA, $8,300 if you have family coverage (plus an additional $1,000 if you'll be 55 or older this year). Contributions are tax-deductible and withdrawals used to pay for qualified unreimbursed medical expenses are tax-free.

Any funds you don't need for medical expenses will continue to grow on a tax-deferred basis, providing a valuable supplement to your other retirement accounts. In general, once you reach age 65, you can use your HSA funds to pay for anything. Amounts spent that aren't for qualified medical expenses will be subject to state and federal taxes, but not subject to a penalty.

Roth IRA

• *continued from page 1*

But Roth owners don't have to take RMDs for as long as they live, which makes the Roth IRA particularly useful for leaving inheritances.

What are the downsides to a Roth Conversion?

A: The biggest obstacle for most is having to pay a large amount of taxes on the converted amount. Another potential drawback is that you can't just transfer pre-tax money and immediately start withdrawing tax free. The Roth is still subject to a 10% penalty for early (before age 59.5) withdrawals. Roth accounts also must be open for five years to avoid paying taxes on withdrawals. Finally, the process of converting a regular IRA to a Roth IRA can't be undone. A taxpayer who is not certain post-retirement income taxes will be lower than they are today might want to think twice about a conversion.

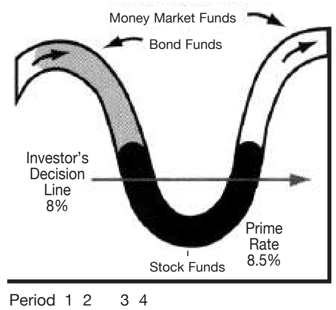
What steps do I take to convert my pre-tax IRA to Roth?

A: A first step is to determine how a conversion will affect your tax liability. You may want to limit the amount according to how it affects your tax bracket. It is also important to know how much you will pay in taxes. Next contact your current IRA holder for advice on how to initiate the process. There are different ways you can accomplish this including a rollover or a trustee-to-trustee transfer. For a rollover, you would simply request a check from your traditional IRA and deposit it into your Roth IRA within 60 days. That can be a little risky because if you miss that deadline for some unforeseen reason you would be taxed for a regular withdrawal.

The more common route is to ask your traditional IRA provider to move the money directly to your Roth IRA provider at another financial institution. If both IRAs are at the same firm, you simply request a specific amount to be transferred.

The Money Movement Strategy

Prime Rate Chart for Money Movement Strategy



Long-Term Direction: Level
Monthly Change: 0.00%

How It Works

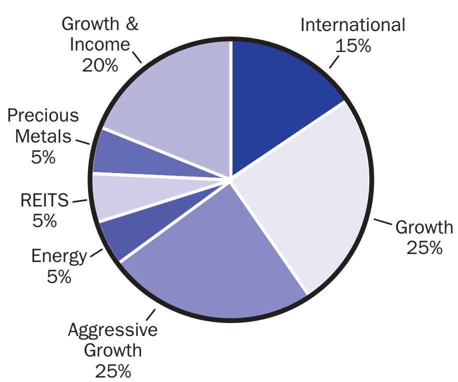
Long-term increases or decreases in the value of stocks, bonds and money market instruments are caused by changes in interest rates, primarily the Prime Rate. Of the three categories of mutual funds — stock, bond, or money market, there is only one type of investment that will give you above-average returns at any given time.

The Money Movement chart represents typical changes of interest rates smoothed out over time. The Investor's Decision Line (IDL) indicates the point at which you should move your money from one type of fund to another. Contact the Stock and Mutual Hotline or Investment Holine for the best evaluation of how the Money Movement Strategy will work for your specific circumstances.

Models For Portfolio Management

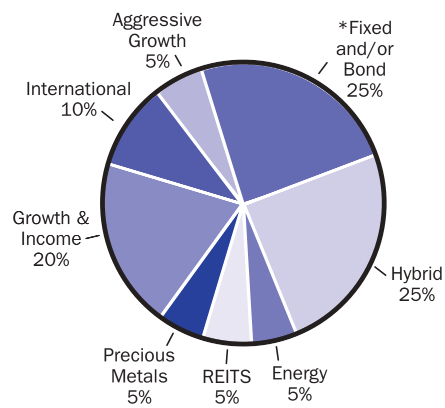
Aggressive

Keep all mutual funds and retirement money in stock funds.



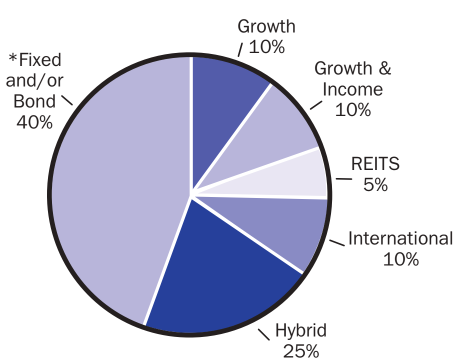
Moderate

Keep most mutual funds and retirement money in stock funds.



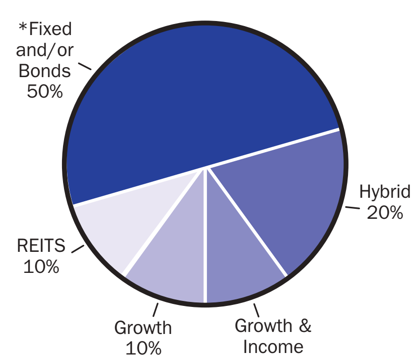
Conservative

Keep most mutual funds and retirement money in stock funds.



Retirees

Note: This portfolio does not follow the Money Movement Strategy! Create the proper mix of Stock, Bond, and money market funds.



*Fixed Market-Linked CDs

No-Load Mutual Funds*

Fund Name/Type	Stock Symbol	Buy, Sell or Hold	3 Month % Change	Average Annual Returns as of to 06/30/24 1 Year % Change	5 Year % Change	10 Year/ % Change	Expense Ratio
Aggressive Growth							
BNY Mellon Small Cap Index	DISSX	Buy	-3.24	8.19	7.58	7.74	0.50
Kinetics Paradigm No Load	WWNPX	Buy	12.55	47.66	14.69	12.50	1.64
Needham Growth	NEEGX	Buy	-0.65	31.27	17.16	11.47	1.75
Schwab Health Care	SWHFX	Buy	0.88	13.51	9.84	9.25	0.79
Value Line Small Cap Opp	VLEOX	Buy	-1.63	13.49	9.84	10.07	1.18
Growth							
American Century Mid Cap	ACMVX	Buy	-3.77	4.14	7.72	7.73	0.98
BNY Mellon MidCap Index	PESPX	Buy	-3.56	13.06	9.73	8.62	0.50
Harbor Disruptive Innovation Inv	HIMGX	Buy	-4.52	14.43	5.42	8.42	1.19
Janus MidCap Value T	JMCVX	Buy	-3.44	13.76	7.54	7.01	0.74
Neuberger Berman Partners Inv	NPRTX	Buy	-0.09	5.49	10.31	9.40	0.76
Selected American Shares	SLASX	Buy	1.36	27.94	12.15	9.83	0.99
American Century Small Cap Value	ASVIX	Hold	-4.57	9.24	9.97	8.34	1.09
Growth & Income							
American Century Equity	TWEIX	Buy	-1.30	5.20	5.85	7.59	0.93
American Century Large Value	ALVIX	Buy	-2.62	6.86	8.24	7.45	0.84
Fairholme	FAIRX	Hold	-4.14	14.31	12.51	5.07	1.00
Parnassus Equity Income Inv	PRBLX	Buy	1.86	21.10	13.87	12.01	0.82
Janus Contrarian T	JSVAX	Buy	-1.92	12.03	11.96	8.50	0.87
T. Rowe Price Equity Income	PRFDX	Buy	-0.76	15.47	9.78	8.17	0.68
Hybrid							
American Century Balanced	TWBIX	Buy	1.56	14.39	7.45	6.74	0.91
James Balanced Golden Rainbow	GLRBX	Buy	2.13	13.58	4.64	2.98	1.25
Oakmark Equity & Income	OAKBX	Buy	-2.19	10.71	7.99	6.45	0.86
Impax Sustainable Allocation Inv	PAXWX	Buy	-0.30	9.85	7.30	6.51	0.92
Permanent Portfolio	PRPFX	Buy	3.83	19.02	10.14	6.17	0.82
Value Line Asset Allocation Inv	VLAAX	Buy	-0.09	14.10	7.68	8.38	1.06
International							
American Century Intl Growth	TWIEX	Buy	-2.17	3.60	5.45	4.12	1.26
Artisan International Inv	ARTIX	Buy	-1.43	13.21	4.78	3.88	1.19
Matthews China Investor	MCHFX	Hold	2.39	-7.88	-3.43	2.33	1.15
William Blair Intl. Growth	WBIGX	Buy	-1.83	8.23	6.08	4.44	1.24
T. Rowe Price Emerging	PRMSX	Buy	0.44	-1.72	-2.09	1.56	1.16
Sector Funds							
American Century Real Estate Inv	REACX	Buy	0.22	7.35	3.26	5.33	1.15
Cohen & Steers Realy Shares	CSRSX	Buy	0.61	6.85	5.15	7.00	0.88
T. Rowe Price Health Sciences	PRHSX	Buy	-0.01	10.10	9.61	11.27	0.80
USAA Precious Metals/Minerals	USAGX	Sell	6.35	11.52	6.06	1.86	1.18
US Global Investors Global Res	PSPFX	Hold	-0.25	-6.60	5.04	-4.28	1.69
Bond Funds							
American Century Infl-Adj Bond	ACITX	Buy	0.79	2.21	1.65	1.45	0.51
Fidelity Capital & Income	FAGIX	Buy	1.37	12.70	6.72	5.97	0.93
Janus Flexible Bond	JAFIX	Buy	0.23	3.59	0.49	1.41	0.70
Loomis Sayles Bond Retail	LSBRX	Buy	0.19	6.25	0.54	1.27	0.91
Impax High Yield Bond Indv Inv	PAXHX	Buy	1.02	8.60	2.66	2.64	0.93
American Century Sh-Dur Bd fund	APOIX	Buy	1.33	4.87	2.81	1.80	0.63
Western Asset Core Bond	WATFX	Buy	-0.10	2.38	-0.08	1.46	0.45

* Some funds may be closed to New investors due to demand.

The performance data quoted represents past performance and the principal value and investment return will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Returns shown, unless otherwise indicated, are total returns, with dividends and income reinvested. Past performance is no guarantee of future results.

Since it purchases equity securities, including common stocks, the Fund is subject to the risk that stock prices will fall over short or extended periods of time. The Fund may buy and sell securities frequently as part of its investment strategy. This may result in higher transaction costs and additional tax liabilities.

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Statistics and information provided by Morningstar.

** IAS Owners and employees may hold a position in any of the listed funds.

REAL ESTATE UPDATE

According to the National Association of Realtors (NAR) pending home sales are down slightly from 2023. The Midwest and South posted monthly losses in transactions while the Northeast and West recorded gains. Year-over-year, all U.S. regions registered reductions.

The Pending Home Sales Index (PHSI) – a forward-looking indicator of home sales based on contract signings – decreased to 70.8 in May. Year over year, pending transactions were down 6.6%. An index of 100 is equal to the level of contract activity in 2001.

"The market is at an interesting point with rising inventory and lower demand," said NAR Chief Economist Lawrence Yun. "Supply and demand movements suggest easing home price appreciation in upcoming months. Inevitably, more inventory in a job-creating economy will lead to greater home buying, especially when mortgage rates descend."

NAR predicts mortgage rates will remain above 6% in 2024 and 2025, even with the Federal Reserve cuts to the Fed Funds rate. The association forecasts that existing-home sales will rise to 4.26 million in 2024 (from 4.09 million 2023) and to 4.92 million in 2025 (from 2024). Housing starts are expected to rise to 1.382 million in 2024 (from 1.413 million in 2023) and to 1.492 million in 2025 (from 2024).

While the first half of the year was lower in sales, the price of an average home is going up more than expected. NAR anticipates the median existing-home price will increase to a record annual high of $405,300 in 2024 (from $389,800 in 2023) and to $412,000 in 2025 (from 2024). NAR forecasts increases in the median new home price to $434,100 in 2024 (from $428,600 in 2023) and $441,200 in 2025 (from 2024).

Low inventory, high interest rates and the change in compensation for realtors are key factors contributing to a tougher year for real estate but analysts are predicting the market should stabilize through the rest of the year.

International buyers purchased $42 billion worth of U.S. residential properties from April 2023 to March 2024, down 21.2% from the prior year. The 54,300 existing homes sold – the lowest since NAR began tracking in 2009 – slid 36% from the previous year.

The average ($780,300) and median ($475,000) purchase prices for foreign buyers were the highest ever recorded by NAR.

Canada, China, Mexico and India were the top countries of origin by number of U.S. existing homes purchased. The top U.S. destinations for foreign buyers were Florida (20%), Texas (13%), California (11%), Arizona (5%), Georgia, New Jersey, New York and North Carolina (4% each).

"The strong U.S. dollar makes international travel cheaper for Americans but makes U.S. homes much more expensive for foreigners," said NAR Chief Economist Lawrence Yun. "Therefore, it's not surprising to see a pullback in U.S. home sales from foreign buyers. Historically low housing inventory and escalating prices remain significant factors in constraining home sales for American and international buyers alike,"

The average ($780,300) and median ($475,000) existing-home sales prices among international buyers were the highest ever recorded by NAR – and 21.9% and 19.8% higher, respectively, than the prior year. The increase in prices for foreign buyers reflected the overall price increase for all U.S. existing homes, which climbed to $392,600. At $1.3 million, Chinese buyers had the highest average purchase price, with 25% purchasing property in California. In total, 18% of international buyers purchased properties worth more than $1 million from April 2023 to March 2024.

What is a REIT?

A: REIT stands for Real Estate Investment Trust. These are companies that own, manage or finance income-producing real estate and are required to pass 90% of their income onto investors as dividends.

You can purchase shares on the public versions of REITs on the stock market exchanges but these can also be privately traded. Just like any other commodity, each REIT is unique. You need to research each one. For example, they may have different investment strategies, focus on different segments of the market or maybe based on one single project.

Under the NAR Settlement regarding commissions, do buyers have to pay that cost now?

A: In general, NAR has agreed to put in place a new rule prohibiting offers of compensation on an MLS. Offers of compensation could continue to be an option consumers can pursue off-MLS through negotiation and consultation with real estate professionals. And sellers can offer buyer concessions on an MLS (for example—concessions for buyer closing costs). This change will go into effect August 17, 2024.

NAR has also agreed to require MLS Participants working with buyers to enter into written agreements with their buyers before touring a home. This change will also go into effect August 17, 2024.

If you are a buyer and your agent is using an MLS, you will need to sign a written agreement with your agent before touring a home so you understand exactly what services will be provided, and for how much.Written agreements are required for both in-person and live virtual home tours. You do not need a written agreement if you are just speaking to an agent at an open house or asking them about their services.

Agent compensation for home buyers and sellers continues to be fully negotiable. When finding an agent to work with, ask questions about their services, compensation and these written agreements. Contributing source: National Association of Realtors.

Is there a national rent cap coming? What does that mean for tenants and landlords?

A: I think what you are referring to is a proposal from the current administration to restrict increasing rent prices. Our current president is calling on Congress to pass legislation giving corporate landlords a choice to either cap rent increases at 5% or risk losing federal tax breaks. The proposal also includes taking action to make more public land available for housing.

The proposed cap would last two years and affect landlords that lease more than 50 rental units which would account for more than half of all rental properties in the United States.

National Association of Realtors® President Kevin Sears issued the following statement in response to the Biden Administration’s rent control plan: “NAR opposes misguided attempts to cap or control rental rates. Price controls may seem appealing, but they have backfired on local governments and harmed the people we need to help the most. Developers are reluctant to build in areas where the government imposes rent controls on new buildings, and these policies actually decrease the supply of low- to mid-range housing units. We can protect the most vulnerable by supporting targeted assistance to renters and housing providers when there is a gap between rising wages and rising rent. But the long-term solution remains increasing supply. We need more than 328,000 new apartment units each year just to keep up with demand — that’s 4.3 million units by 2035.”

“Rent control is a rare instance where the research is fairly conclusive: It doesn’t work. These measures fail to improve most renters’ financial situation and shift the burden of economic difficulties, inflation, and other costs onto the housing provider with no counterbalance.”

Economic Outlook

–By Russ Colbert

The Federal Reserve left rates unchanged at the last meeting as expected. The Federal Reserve has recently mentioned that they anticipate one rate cut this year, down from three mentioned earlier in the year. The start of the first-rate cut will depend on the incoming data. They still want to see further improvement in the inflation data to be sure a rate cut will not spark an increase in inflation. The first quarter of this year showed strong labor markets and higher inflation, but conditions have moderated in recent months. We should continue to see further deceleration in growth, which should produce a lower inflation rate. We have seen slow and steady progress since the higher readings on inflation during the start of the year. The twelve-month average is coming in at around 3.0 percent. That is over and above the twenty plus percent increase we have experienced over the past few years.

The labor market seems to remain strong coming in this year at a healthy average of around 250,000 jobs per month along with steady wage growth. We cannot prove it, but it is believed that some of the lower-level jobs are being filled by the recent surge in immigration. Unfortunately, the unemployment rate has moved a little higher to 4.0%. The number of job openings has fallen recently. The most recent retail sales data has shown flat spending and a contraction when removing volatile products like gasoline.

First quarter GDP was revised down to an annual rate of 1.4%. We have experienced modest growth during the 2nd quarter of the year, currently estimated to be over 2.0%. We are estimating more growth and improvement in the U.S. economy and in the global economy throughout the rest of this year as interest rates are forecasted to start to come down. We see the U.S. economy improving in the second half of the year. Currently the bond yields, CD's, and other types of fixed rate instruments remain near their highest interest rate levels for the past 17 years. We believe with today's elevated yields they continue to offer an attractive investment for the conservative and moderate risk portion of an investor's portfolio. The stock market should also continue to be attractive, as well as volatile, as interest rates are reduced by the Federal Reserve over the next year or two.

The economy should continue to grow over the next few years as interest rates come down. With inflation slowly coming down and the job market improving, some forecasts that the Federal Reserve will keep rates steady before a quarter point cut in September or during the last quarter of 2024. Consumer spending is expected to pick up. Real disposable income is expected to grow nearly 3 % next year. Also forecast of solid job gains, wage growth. Investment in artificial intelligence is rising and recessionary fears are fading making business leaders more confident. Business investment is expected to grow by nearly 2.0% by the end of 2024.

Existing home sales are expected to be very weak next year as mortgage rates remain high. Residential investment is ending the year flat. The current low affordability and tight supply of existing homes should generate a modest home price growth of about 1% this year. Federal government spending is forecast to be flat and the state and local government spending should have an increase of around one-half of one percent. U.S. imports have eased from the elevated levels (fueled by pandemic stimulus), but the U.S. exports remain depressed. The experts predict a recovery in foreign economic growth next year that will boost demand for U.S. exports. That is expected to narrow the trade deficit enough to contribute significantly to our GDP. I feel the elections in November are significant to the economy performing very well or slowly. Especially should we have an increase in taxes as well as excess spending by our government.

If you have any questions or need a portfolio review to keep you on track with your investments or retirement plan, please call me.

Russ Colbert
Senior Portfolio Manager
1-888-878-0001

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