LET'S TALK MONEY®

January/February 2024

STOCKS AREN'T ONLY FOR GROWTH

The 2022-23 inflation spike and accompanying stock volatility spurred many investors toward high-yield fixed-income investments as risk protection for their portfolios. But with core inflation edging lower and stock volatility more in hand, you may want to look at another investment—value stocks—to diversify* your portfolio further in 2024.

Value Stock Basics

A value stock is a security trading at a lower price than what the company's performance may otherwise indicate. Investors in value stocks attempt to capitalize on market inefficiencies since the underlying equity price may not match the company's performance. Common characteristics of value stocks include high dividend yield, a low price-to-book (P/B) ratio, and a low price-to-earnings (P/E) ratio. This combination makes value stocks potentially less risky than growth stocks.

Value stocks are frequently linked to solid, well-established businesses that operate in dependable sectors. Although their development rates may be slower, they are seen as financially reliable and may be undervalued by the market. Growth stocks are often found in sectors with strong growth potential, such as emerging markets, healthcare, or technology. These businesses may have greater volatility because they are frequently in their early phases and reinvesting profits in growth.

Risk Factors

Generally, value stocks are more stable than growth stocks and have lower volatility (see accompanying graph). However, remember, for diversification purposes, value and growth stocks are equities and are usually considered riskier than other types of investments.

What reduces the volatility and risk of value stocks? While their potential for capital appreciation may be moderate, they often offer steady income through dividends. In addition, the issuing company is already established and may have overcome many risks start-up or infant companies face. Meanwhile, growth stocks carry higher risk due to their higher volatility and market expectations. *(continued on page 3)*

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High Net Worth Version

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CAN YOU BE TOO CONFIDENT ABOUT RETIREMENT?

Not that anyone should stay awake nights worrying about their retirement security, but overconfidence in the assets you project you'll have for retirement can be your disadvantage. A 2023 study from the Center for Retirement Research at Boston College examined households' self-assessed retirement preparedness and how it can influence retirement saving habits. The study used households in the National Retirement Risk Index.

Key Findings

Most households in the study had a good sense of whether they were on track for retirement, with 40% in good shape and knowing it and 20% in trouble and knowing it. That leaves another 40% in the "too worried" (mostly lower-income households) or "overconfident" categories. Both these groups aren't saving enough. And it may come as a surprise that a third of higher-income families fell in the "overconfident" group. Why? Primarily, they're misjudging how much their retirement income their assets can provide.

Mistakes Made by Higher Income Households

Relying too Heavily on Home Value—The mistake is looking at the rising value of their home without considering how much they still owe on it. This was especially true for higher-earning households with more expensive houses. 23.8% of high-income households were affected by this factor, compared to only 7.6% of middle-income households.

Discounting the Importance of Both Spouses Saving—If you and your spouse are employed and want to continue your standard of living into retirement, you'll have to replace both incomes. Even if one of you works part-time, both of you need to participate in a retirement plan—either at work, if eligible, or with a traditional IRA. This factor is most prevalent among high-income households. With the start of the new year, it may be a good time to contact your financial professional to review your retirement planning for overconfidence or retirement investment opportunities you may be missing.

THE BOON—TAX DIVERSIFICATION

Having a plan for retirement is great! But remember, you'll still have to pay income taxes. But tax-free retirement income from a Roth account could help offset some of the tax you'll pay on withdrawals from a tax-deferred retirement account.

How a Roth Can Help

1. Let's say you plan to retire to a state with lower taxes in the future. But what if something happens and you have to stay put? You'd pay a higher state tax on your traditional retirement plan withdrawals than expected.
2. When required minimum distributions (RMDs) from your tax-deferred retirement plan(s) kick in, the added RMD income could put you in a higher tax bracket.
3. A surviving spouse will likely have to switch to single-filer status, under which tax rates escalate more quickly. Also, RMDs rise with age.

Consult your tax and financial professionals to learn more about planning for taxes during retirement.

IT'S A NEW YEAR—NEW TAX RULES

And here's a bit of what you should be aware of for your 2024 financial planning.

Tax-free Gifts—You and your spouse can each make gifts of up to $18,000 tax-free in 2024, increased from $17,000 in 2023.**

Overfunded 529 College Savings Plans—Starting this year, you may roll over unused 529 Plan assets to a Roth IRA for your child's or grandchild's benefit. The plan must have been created at least 15 years before the rollover. The maximum amount that may be rolled over each year is the lesser of the annual IRA contribution limit or the child/grandchild's earned income.*

Alternative Minimum Tax—Depending on income, you must calculate any AMT you might owe (at 26% or 28%) if your adjusted gross income (AGI) exceeds the ATM exemption level. You must pay that tax or your regular income tax, whichever is more. For 2024, exemption levels are increased to $133,300 (joint filers) and $85,700 (single) from $126,500 and $81.300 in 2023.**

NOTE: The numbers are the base exemption where the AMT becomes applicable, not where the 28% rate kicks in.

Social Security—This year, you'll be paying a 6.2% social security tax on up to $168,600. of your earned income, increased from $160,200 in 2023. You'll pay the 1.4% Medicare tax on all earned income, and an extra .9% tax is applied to earnings above $250,000 (joint filer), $125,000 (single), and $200,000 (other filing statuses). Also for retirees, Social Security benefits will be going up by 3.2%, with an increased top benefit of $45,864, which could mean more of your benefits will be subject to income tax.

** Additional requirements may apply. Discuss 529 tax rules with your tax professional.*

*** As estimated using US Bureau of Labor Statistics at the time of publication (Bloomberg Tax)*

HNW individuals work as hard to transfer wealth as they do creating it

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While they offer the potential for significant capital appreciation, they may also experience greater price fluctuations and have a higher chance of underperforming during market downturns.

Are Value Stocks a Good Investment for Me?

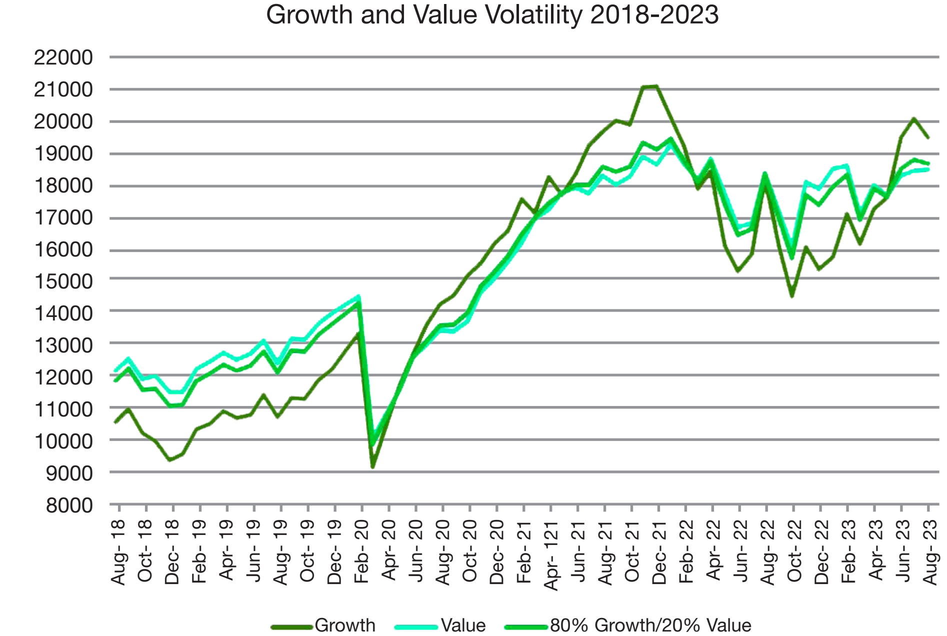
They may be if your portfolio is well-diversified in bonds and fixed-income investments yet would like to mitigate further some of the risk of your high-growth stock investments. You can best benefit from a value stock by buying shares and holding them instead of trading to attempt to profit from upswings in the stock market. A value stock may take longer to appreciate as the market comes to realize its value fully. These stocks aren't for investors looking for quick capital appreciation. In addition, you can make money from value stocks as they generally issue dividends, allowing for cash proceeds during this holding period.

How to Choose Value Stocks

The best advice about choosing value stocks or any other investment to diversify your portfolio is to talk with your tax and financial professional. You may want to use the "Dogs of the Dow" investing strategy to get an idea of stocks to discuss with your advisor. The strategy entails looking at the ten highest dividend-yielding stocks on the Dow Jones at the beginning of each year for potential buys and adjusting your choices annually.

**Diversification cannot eliminate the risk of investment losses. Past performance won't guarantee future results. Investing in stocks or mutual funds can result in a loss of principal.*

Growth and Value Volatility 2018-2023



Source: Wiltshire Growth and Value Total Market Indices, Economic Research Division of the Federal Reserve Bank of St. Louis and LTM Marketing. Note that you cannot invest directly in an index.

THE HIGH COST OF SENIOR CARE

Do you care for a senior parent or another loved one? According to The National Alliance for Caregiving (NAC) and AARP, more than 50 million Americans are unpaid caregivers. On average, these caregivers pay 26% of their income and give 24 hours a week to help loved ones—often to their own financial and health detriment.*

Dual Problems

One financial problem many middle-income families face is that their loved one's income disqualifies them from Medicaid services, and Medicare falls short on coverage for everything the person needs. Another is that caregivers ignore their own finances and jeopardize their continuing financial security. Some exhaust leave and vacation time and have to take unpaid time from work. Others quit working altogether. In addition, they may reduce or even stop retirement plan contributions to pay for their loved one's care. The second problem is the mental stress and the physical exhaustion of caregiving.

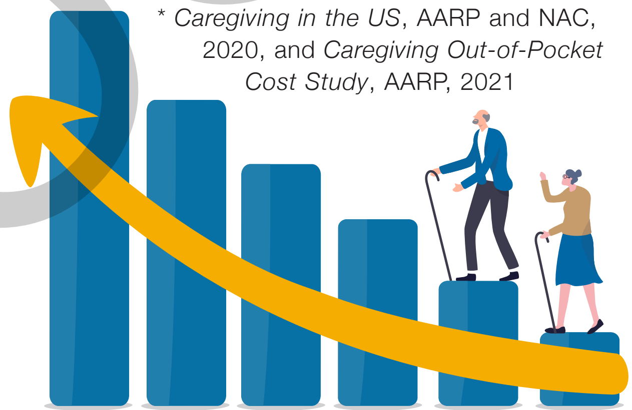
Possible Solutions

Tax Breaks — If your loved one lives with you, you may be able to claim them as a dependent on your tax return. Even if you can't claim them as a dependent, you may be able to deduct the out-of-pocket care expenses you pay for them. To claim the deduction, those expenses, and your medical expenses, much exceed 7.5% of your adjusted gross income, and you must provide more than half your loved one's support. Talk with your tax advisor.

Employer Help — Talk to your employer about programs or benefits it may offer, such as flexible schedules, working from home, family leave programs, and dependent care flexible spending accounts. Each household may contribute up to $5,000 a year in 2024 ($2,500 married filing separately) to a dependent care account to use for the costs of caring for a dependent loved one. Your contribution is free from income tax, Social Security and Medicare taxes, and some states' income tax.

Other Assistance — If your parent is a veteran, the U.S. Department of Veterans Affairs may help pay for some home health care following hospitalization. For your mental health and well-being, the Family Caregiving Alliance provides a guide to respite services in each state.

* *Caregiving in the US*, AARP and NAC, 2020, and *Caregiving Out-of-Pocket Cost Study*, AARP, 2021



We Value Your Input...

Your feedback is very important to us. If you have any questions about the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

October 24, 2023

Reference: **FR2023-1010-0123/E**
Link Reference : FR2023-0714-0059

Org Id: 23568

1. LTM Jan-Feb 2024 High Net Worth
   Rule: FIN 2210

Our review is based on your representation that the final version of this communication will prominently disclose the name of the member, pursuant to FINRA Rule 2210(d)(3)(A).

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

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