June Newsletter

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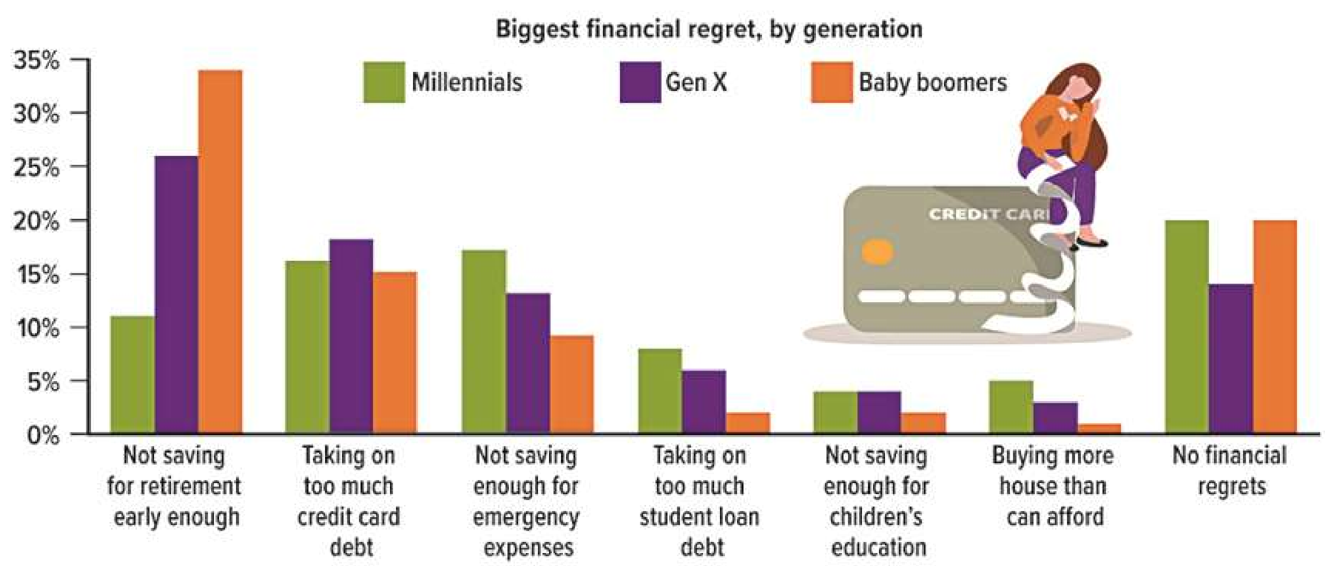
Financial Regrets

A 2023 survey found that about three out of four U.S. adults had a financial regret. The most common were not saving for retirement early enough, taking on too much credit card debt, and not saving enough for emergency expenses. It's probably not surprising that the weight that people placed on these and other regrets varied by generation — and regret about not saving early enough for retirement was higher for those closer to retirement age.



Source: Bankrate, July 19, 2023 (categories not shown include "something else" and "don't know")

Saving for College: 529 Plan vs. Roth IRA

529 plans were created in 1996 to give families a tax-advantaged way to save for college. Roth IRAs were created a year later to give people another tax-advantaged way to save for retirement. Along the way, some parents began using Roth IRAs as a college savings tool. And now, starting in 2024, extra funds in a 529 plan can be rolled over to a Roth IRA for the same beneficiary. Here's how the two options compare in a few key areas.

Contribution rules

529 plan: Anyone can open a 529 account. In 2024, individuals can contribute up to $18,000 ($36,000 for married couples) without triggering gift tax implications. And under a special accelerated gifting rule unique to 529 plans, individuals can make a lump sum contribution in 2024 up to $90,000 ($180,000 for married couples) with no gift tax implications if they elect to spread the gift over five years. Lifetime contribution limits for 529 plans are high — most plans have lifetime limits of $350,000 and up (limits vary by state).

Roth IRA: Not everyone can contribute to a Roth IRA. In 2024, single filers must have a modified adjusted gross income (MAGI) of $146,000 or less and joint filers must have a MAGI of $230,000 or less. (A partial contribution is allowed for single filers with a MAGI between $146,000 and $161,000, and joint filers with a MAGI between $230,000 and $240,000.) In 2024, the annual contribution limit is $7,000 ($8,000 for people age 50 and older).

529 Plan Snapshot (2023)

Source: ISS Market Intelligence, 529 Market Highlights, Q4 2023

Tax benefits

529 plan: Earnings in a 529 account accumulate tax-deferred and are tax-free when withdrawn if funds are used to pay the beneficiary's qualified education expenses, a broad term that includes tuition, fees, housing, food, and books. States generally follow this tax treatment, and some states may offer a tax deduction for 529 contributions. If funds in a 529 account are used for a non-qualified expense, the earnings portion of the withdrawal is subject to income tax and a 10% federal penalty.

Roth IRA: Earnings in a Roth IRA also accumulate tax-deferred and are tax-free if a distribution is qualified. A distribution is qualified if a five-year holding period is met *and* the distribution is made: (1) after age 59½, (2) due to a qualifying disability, (3) to pay certain first-time home buyer expenses, or (4) to your beneficiary after your death. If your distribution isn't qualified, the earnings portion of the withdrawal is subject to income tax and, if you're younger than 59½, a 10% early withdrawal penalty (unless an exception applies). One exception to this penalty is when the withdrawal is used to pay college expenses.

So, your age is key. Once you've met both the age 59½ and five-year holding requirements, money withdrawn from your Roth IRA to pay college expenses is tax-free. But even though withdrawing funds before age 59½ for college expenses won't trigger an early withdrawal penalty, you *may* owe income tax on the earnings. (Nonqualified distributions draw out contributions first and earnings last, so you could withdraw up to the amount of your contributions and not owe income tax.)

Investment options and flexibility

529 plan: You're limited to the investment options offered by the 529 plan. Plans typically offer a range of static and age-based portfolios (where the underlying investments automatically become more conservative as the beneficiary gets closer to college) with varying levels of risk, fees, and management goals. If you're unhappy with the investment performance of the options you've chosen, you can change the investment options on your *current* contributions only twice per year, per federal law.

Roth IRA: With a Roth IRA, you generally can choose from a wide range of investments, and you can typically buy and sell investments whenever you like (usually incurring transaction costs and fees), so they offer a lot of flexibility.

There are generally fees and expenses associated with investing in a 529 plan, as well as the risk that investments may lose money or not perform well enough to cover college costs as anticipated. The tax implications of a 529 plan can vary from state to state and should be discussed with a legal and/or tax professional. States offering their own 529 plans may provide their residents and taxpayers with exclusive advantages and benefits, which may include financial aid, scholarship funds, and protection from creditors. Before investing in a 529 plan, consider the investment objectives, risks, charges, expenses, investment options, underlying investments, and the investment company, which are available in the official disclosure statement and applicable prospectuses. Contact your financial professional to obtain a copy.

Should You Buy or Lease Your Next Vehicle?

New vehicle prices have skyrocketed these past few years, with the cost averaging well over $48,000 toward the end of 2023.[1] These increased costs, coupled with rising interest rates, mean that buying a vehicle can take a significant bite out of your budget. If you are in the market for a new vehicle, you might be wondering if leasing it would save you money.

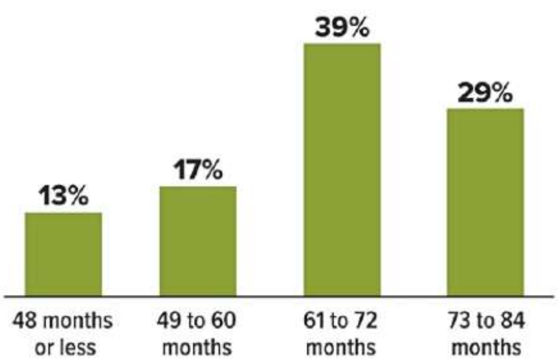
As a rule, if you plan on keeping a vehicle for a long period of time, it makes more sense to buy it. But if having the latest technology and safety features is important to you, leasing might be the best option, allowing you to drive a new vehicle every few years. To help you decide, you should also determine how each option fits into your lifestyle or budget. Here are some points to consider.

Ownership

When you buy a vehicle, you usually finance a portion of the purchase price and pay it back over time with interest. When the loan term ends and the vehicle is paid for, you own it. You can keep it as long as you like, and any retained value (equity) is also yours to keep.

When you lease a vehicle, you don't own it — the leasing company does — so you do not have any equity built up once the lease is over. At the end of the lease term, you can choose to either return the vehicle or buy it at its residual value, which is set forth in the lease. If you end up returning it early, the dealer may require you to pay a hefty fee. If you still need a vehicle at the end of the lease term, you'll need to start the leasing (or buying) process all over.

Share of new vehicle loans, by loan term



Source: Experian, 2023

Monthly payments

If you finance all or part of your new vehicle purchase, you will have a monthly payment that will vary based on the amount you finance, the interest rate, and the loan term. When comparing loans, it's important to look at the total amount of money you will end up paying over the life of the loan. While a longer loan term may give you a more affordable monthly payment, you will end up paying more money over the loan term.

In general, monthly lease payments are usually lower than monthly loan payments since you are mainly paying for the vehicle's depreciation during the lease term as opposed to the purchase price. This means that leasing may allow you to drive a more expensive vehicle than what you could otherwise afford.

Mileage

How much do you plan on driving? When you buy a vehicle, you can drive it as many miles as you want. However, a vehicle with higher mileage may be worth less if you plan to trade it in or sell it at some point down the road.

Vehicle leases come with up-front mileage limits, typically ranging from 12,000 to 15,000 miles per year. If you exceed these limits, you can end up incurring costly penalties in the form of excess mileage charges.

Maintenance

When you sell your vehicle, condition matters, so you may receive less if it hasn't been well maintained. As your vehicle ages, repair bills may be greater, something you typically won't encounter if you lease.

Generally, you will have to service a leased vehicle according to the manufacturer's recommendations. In addition, you'll need to return your vehicle with normal wear and tear (according to the leasing company's definition). Anything above normal wear and tear may result in excess charges.

Up-front costs

When you buy a vehicle, the up-front costs you incur may include the cash price or a down payment for the vehicle, taxes, title, and other fees.

The up-front costs associated with leasing a vehicle may include an acquisition fee, down payment, security deposit, first month's payment, taxes, title, and other fees.

Additional buying vs. leasing tips

Keep the following tips in mind when determining whether or not to buy or lease a vehicle:

- **Shop wisely.** Make sure you read the fine print and fully understand all terms or conditions.
- **Negotiate.** To get the best deal, be prepared to negotiate the price of the vehicle and the terms of any loan/lease offer.
- **Run the numbers.** Calculate both the short-term and long-term costs associated with each option.
- **Consider tax implications.** This is especially important if you use your vehicle for business and/or have an electric vehicle.

1) Kelley Blue Book, 2024

Birthday Benefits Quiz

Remember when you turned 16 and rushed to get your driver's license? Or earned the right to vote at 18 and enjoyed the privileges and responsibilities of adulthood at 21? There aren't many legal changes associated with birthdays after that until you turn 50, and then there are plenty.

Can you match these ages to the related federal benefits and tax responsibilities? One age will be used twice.

50 55 59½ 62 65 67 70 73 75

___ 1. Eligible for full Social Security benefits for those born in 1960 or later

___ 2. Earliest age to make catch-up contributions to a traditional IRA or an employer-sponsored retirement plan

___ 3. Eligible for maximum Social Security benefit

___ 4. Must begin taking required minimum distributions from most tax-deferred retirement plans, for those born from 1951 to 1959

___ 5. Eligible to enroll in Medicare

___ 6. Earliest age to make catch-up contributions to a health savings account

___ 7. Earliest eligibility age to begin taking reduced Social Security worker benefits

___ 8. Must begin taking required minimum distributions from most tax-deferred retirement plans, for those born in 1960 or later

___ 9. Eligible to withdraw money from a tax-deferred IRA or employer-sponsored retirement plan (for most employees) without incurring a 10% federal tax penalty

___ 10. Eligible to withdraw money from a tax-deferred employer-sponsored retirement plan without incurring a 10% federal tax penalty, for an employee who separates from service with the employer

For further information, visit irs.gov, socialsecurity.gov, and medicare.gov.

Answers

1. 67; 2. 50; 3. 70; 4. 73; 5. 65; 6. 55; 7. 62; 8. 75; 9. 59½; 10. 55 (50 or after 25 years of service for qualified public safety employees)

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Market Month: May 2024

The Markets (as of market close May 31, 2024)

Stocks rebounded from a sour April, closing higher in May. Investors spent the month focused on job gains, gross domestic product, corporate earnings reports, and inflation data in an attempt to determine when the Federal Reserve might cut interest rates. Each of the benchmark indexes listed here reversed the prior month's losses with notable gains in May. The tech-heavy Nasdaq led the way, followed by the Russell 2000, the S&P 500, the Global Dow, and the Dow. Consumer confidence (see below) exceeded expectations in May, outpacing April's reading. The labor market showed signs of slowing (see below), while wages inched lower since April 2023.

Inflationary data showed price pressures stabilized in April, with the Consumer Price Index and the Personal Consumption Expenditures Price Index each rising 0.3%. The CPI rose 3.4% for the 12 months ended in April (3.5% for the year ended in March), while the PCE price index was unchanged at 2.7% for the year ended in April. Growth slowed for the U.S. economy, as measured by gross domestic product, which increased 1.3% in the first quarter, following a 3.4% increase in the fourth quarter (see below). This is the weakest rate of growth since the second quarter of 2022. Consumer spending slowed more than expected, coming in at 2.0% in the first quarter compared to 3.3% in the fourth quarter. Spending on services rose 3.9% in the first quarter, following a 3.4% increase in the previous period. Spending on goods dipped 1.9%.

Job growth slowed notably in April (see below). In addition, a slight downward revision to the February estimate and an upward revision to January resulted in employment for those two months being 22,000 lower than previously reported. Wage growth slowed on an annual basis, increasing 3.9% over the last 12 months, down from 4.1% for the 12 months ended in March. New weekly unemployment claims decreased from a year ago, while total claims paid increased (see below).

Corporate profits declined for the first time in a year, falling 0.6%. Nevertheless, about halfway through first-quarter corporate earnings season, S&P 500 companies generally outperformed expectations. About 46% of the S&P 500 companies reported actual earnings, of which 77% have reported earnings per share above estimates. Several sectors have reported favorable earnings results, including communication services, financials, industrials, and information technology. Health care has lagged.

The housing market continued to be influenced by high mortgage rates. Sales of both existing homes and new homes declined in April. Selling prices for existing homes continued to climb, while prices for new homes declined.

Industrial production was flat in April, while manufacturing output declined (see below). According to the latest survey from the S&P Global US Manufacturing Purchasing Managers' Index™, the manufacturing sector saw its first decline of the year in April. The services sector saw business accelerate but at slower pace than in March as new orders declined for the first time since October.

Among the market sectors in April, information technology, utilities, communication services, and real estate outperformed, while energy lagged.

Bond yields gained as bond prices declined in April. Ten-year Treasury yields generally closed the month higher. The two-year Treasury yield rose nearly 35.0 basis points to about 5.05% on the last day of April. The dollar surged against a basket of world currencies. Gold prices climbed higher. Crude oil prices dipped lower. The retail price of regular gasoline was $3.577 per gallon on May 27, $0.076 below the price a

Key Dates/Data Releases

6/3: S&P Global Manufacturing PMI, FOMC meeting statement

6/4: JOLTS

6/5: S&P Global Services PMI

6/6: International trade in goods and services

6/7: Employment situation

6/12: Treasury statement, Consumer Price Index, FOMC meeting announcement

6/13: Producer Price Index

6/14: Import and export prices

6/18: Retail sales, industrial production

6/20: Housing starts

6/21: Existing home sales

6/26: New home sales

6/27: Durable goods orders, GDP, international trade in goods

6/28: Personal income and outlays

month earlier but $0.006 higher than the price a year ago.

Stock Market Indexes

Market/Index	2023 Close	Prior Month	As of May 31	Monthly Change	YTD Change
DJIA	37,689.54	37,815.92	38,686.32	2.30%	2.64%
Nasdaq	15,011.35	15,657.82	16,735.02	6.88%	11.48%
S&P 500	4,769.83	5,035.69	5,277.51	4.80%	10.64%
Russell 2000	2,027.07	1,973.91	2,070.13	4.87%	2.12%
Global Dow	4,355.28	4,552.50	4,712.83	3.52%	8.21%
fed. funds target rate	5.25%-5.50%	5.25%-5.50%	5.25%-5.50%	0 bps	0 bps
10-year Treasuries	3.86%	4.68%	4.51%	-17 bps	65 bps
US Dollar-DXY	101.39	106.30	104.61	-1.59%	3.18%
Crude Oil-CL=F	$71.30	$81.58	$77.23	-5.33%	8.32%
Gold-GC=F	$2,072.50	$2,302.10	$2,348.50	2.02%	13.32%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark the performance of specific investments.

Latest Economic Reports

- **Employment:** Total employment increased by 175,000 in April, following an upwardly revised March total of 315,000 new jobs. The April jobs increase was well below the average monthly gain of 242,000 over the prior 12 months. Employment trended up in health care, social assistance, and transportation and warehousing. In April, the unemployment rate increased 0.1 percentage point to 3.9% and was 0.5 percentage point higher than the rate a year earlier. The number of unemployed persons was relatively unchanged at 6.5 million. In April, the number of long-term unemployed (those jobless for 27 weeks or more), at 1.2 million, accounted for 19.6% of all unemployed people. The labor force participation rate, at 62.7%, was unchanged from the prior month, while the employment-population ratio, at 60.2%, decreased 0.1 percentage point from March. In April, average hourly earnings increased by $0.07 to $34.75. Since April 2023, average hourly earnings rose by 3.9%, which is down from the March figure of 4.1%. The average workweek edged down by 0.1 hour to 34.3 hours in April.
- There were 219,000 initial claims for unemployment insurance for the week ended May 25, 2024. During the same period, the total number of workers receiving unemployment insurance was 1,791,000. A year ago, there were 231,000 initial claims, while the total number of workers receiving unemployment insurance was 1,729,000.
- **FOMC/interest rates:** The Federal Open Market Committee met at the beginning of the month, the result of which was that interest rates remained unchanged. The Committee noted that there had been a lack of progress toward reaching its inflation goal of 2.0%. Overall, the FOMC maintained its hawkish stance toward lowering interest rates, with no date set for a reduction in the offing.
- **GDP/budget:** The economy, as measured by gross domestic product, accelerated at an annualized rate of 1.3% in the first quarter of 2024, according to the second estimate from the Bureau of Economic Analysis. GDP increased 3.4% in the fourth quarter. Personal consumption expenditures rose 2.0% in the first quarter compared to a 3.3% increase in the previous quarter. Consumer spending on goods dipped 1.9%, while spending on services rose 3.9%. Gross domestic investment rose 3.2% in the first quarter, well above the 0.7% increase in the fourth quarter. Nonresidential fixed investment advanced 3.3% in the first quarter (3.7% in the fourth quarter), while residential fixed investment increased 15.4% in the first quarter compared to a 2.8% increase in the fourth quarter. Exports inched up 1.2%, while imports, which are a negative in the calculation of GDP, increased 7.7%. Consumer prices increased 3.3% in the first quarter, compared with an increase of 1.8% in the previous quarter. Excluding food and energy prices, the PCE price index increased 3.6%, compared with an increase of 2.0% in the fourth quarter.
- April saw the federal budget enjoy a surplus of $236.0 billion, well below the $210.0 billion from a year earlier. This is up from the April 2023 surplus of $176.0 billion. Government receipts totaled $776.0 billion, of which individual income tax receipts and corporate tax receipts accounted for about $574.0 billion. Through the first seven months of fiscal year 2024, the total deficit sits at $855.0 billion, which is

roughly $70.0 billion lower than the deficit through the first seven months of the previous fiscal year. So far in fiscal year 2024, total government receipts were $3.0 trillion ($2.7 trillion in 2023), while government outlays were $3.8 trillion, compared to $3.6 trillion over the same period in the previous fiscal year.

- **Inflation/consumer spending:** According to the latest Personal Income and Outlays report, personal income rose 0.3% in April (0.5% in March), while disposable personal income increased 0.2%, down from 0.5% in March. Consumer prices climbed 0.3% in April for the third straight month. Consumer prices excluding food and energy (core prices), rose 0.2% in April, 0.1 percentage point lower than the March increase. Consumer prices rose 2.7% since April 2023, unchanged from the advance for 12 months ended in March. Core prices increased 2.8% over the same period, unchanged from the 12 months ended in March. Consumer spending rose 0.2% in April, well below the 0.7% increase in both February and March.
- The Consumer Price Index rose 0.3% in April, 0.1 percentage point lower than the March increase. Over the 12 months ended in April, the CPI rose 3.4%, down 0.1 percentage point from the period ended in March. Excluding food and energy, the CPI rose 0.3% in April, (0.4% in March), and 3.6% from April 2023. Increases in prices for shelter (0.4%) and gasoline (2.8%) accounted for over 70.0% of the overall increase in the CPI. rose in March. Energy prices rose 1.1% over the month. Food prices were unchanged.
- Prices that producers received for goods and services rose 0.5% in April after falling 0.1% (revised) in March. Producer prices increased 2.2% for the 12 months ended in April, up from the 1.8% increase for the 12 months ended in March. Producer prices less foods, energy, and trade services advanced 0.4% in April (0.2% in March), while prices excluding food and energy increased 0.5%. For the 12 months ended in April, prices less foods, energy, and trade services moved up 3.1%., up from 2.8% for the 12 months ended in March. Prices less foods and energy increased 2.4% for the year ended in April, unchanged from the period ended in March.
- **Housing:** Sales of existing homes fell 1.9% in April and 1.9% over the last 12 months. According to the National Association of Realtors®, existing home sales have stagnated because interest rates have not moved lower. The median existing-home price was $407,600 in April, up from the March price of $392,900 and well above the April 2023 price of $385,800. Unsold inventory of existing homes represented a 3.5-month supply at the current sales pace, up slightly from 3.2 months in March. Sales of existing single-family homes decreased 2.1% in April and 1.3% from the prior year. The median existing single-family home price was $412,100 in April, up from $396,600 in March and up 5.6% from March 2023. According to Freddie Mac, the 30-year fixed-rate mortgage averaged 7.02% as of May 16, down from 7.09% the previous week and up from 6.39% one year ago.
- New single-family home sales also declined in April, falling 4.7% below the March pace and 7.7% under the April 2023 rate. The median sales price of new single-family houses sold in April was $433,500 ($439,500 in March). The April average sales price was $505,700 ($527,400 in March). The inventory of new single-family homes for sale in April represented a supply of 9.1 months at the current sales pace, up from 6.9 months in March.
- **Manufacturing:** Industrial production was unchanged in April, after inching up 0.1% in March. Manufacturing output decreased 0.3% in April. Mining decreased 0.6% in April, while utilities increased 2.8%. For the 12 months ended in April, total industrial production fell 0.4% from its year-earlier level. For the 12 months ended in April, manufacturing fell 0.5%, mining decreased 1.3%, while utilities increased 2.3%.
- New orders for durable goods rose 0.7% in April following a 0.8% March increase, marking the third consecutive monthly increase. Excluding transportation, new orders increased 0.4% in April. Excluding defense, new orders were flat. New orders for transportation equipment advanced 1.2% in April, contributing to the overall increase in new orders. New orders for nondefense capital goods in April decreased 1.5%, while new orders for defense capital goods increased 15.2%.
- **Imports and exports:** U.S. import prices advanced 0.9% in April following a 0.6% advance in the previous month. The April increase was the largest one-month jump since March 2022. Import prices last declined in December 2023. Import prices advanced 1.1% over the last 12 months, the largest yearly increase since December 2022. Import fuel prices rose 2.4% in April. Import prices excluding fuel ticked up 0.7% in April. Export prices rose 0.5% in April after advancing 0.1% in March. Export prices have not decreased since December 2023. Higher nonagricultural prices in April more than offset lower agricultural prices. Despite the recent increases, prices for exports declined 1.0% over the past year, the smallest one-year drop since February 2023.
- The international trade in goods deficit was $99.4 billion in April, up $7.1 billion, or 7.7%, from March. Exports of goods were $169.9 billion in April, $0.9 billion, or 0.5%, less than in March. Imports of goods were $269.3 billion in April, $8.0 billion, or 4.4%, under the March estimate. Since April 2023, exports

increased 4.2%, while imports increased 3.2%.

- The latest information on international trade in goods and services, released May 2, is for March and revealed that the goods and services trade deficit was $69.4 billion, down $0.1 billion, or 0.1%, from the February deficit. March exports were $257.6 billion, 2.0% less than February exports. March imports were $327.0 billion, 1.6% under February imports. Year over year, the goods and services deficit increased $6.5 billion, or 3.2%, from the same period in 2023. Exports increased $9.1 billion, or 1.2%. Imports increased $15.6 billion, or 1.6%.
- **International markets:** Eurozone inflation rose for the first time in five months, climbing to 2.6% in May, up from 2.4% in each of the previous two months. Price advances for energy and services helped drive the overall increase. Prices rose more than expected in Germany (2.8%), France (2.7%), Spain (3.8%), and Italy (0.8%). Canada saw its economy expand by 0.4% in the first quarter of 2024, driven higher, in part, by a 0.7% increase in household spending. Since the first quarter of 2023, Canadian GDP expanded 1.7%. China's manufacturing receded in May as new export orders declined. For May, the STOXX Europe 600 Index rose 2.6%; the United Kingdom's FTSE gained 0.8%; Japan's Nikkei 225 Index advanced 0.7%; and China's Shanghai Composite Index fell 0.6%.
- **Consumer confidence:** Consumer confidence exceeded expectations in May. The Conference Board Consumer Confidence Index® was 102.0 in May, well above a slightly upwardly revised 97.5 in April. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, increased to 143.1 in May, up from 140.6 in the previous month. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, rose to 74.6 in May from 68.8 in April.

Eye on the Month Ahead

The Federal Open Market Committee meets for the second straight month in June. Job growth in April was notably slower. However, inflation remained elevated. Investors will focus on how the Fed assesses this information in determining its policy stance moving forward.