

Financial WISDOM



SPRING 2024



INVESTMENT CORNER

STOCKS' BEST START TO THE YEAR SINCE 2019

Over the first quarter of 2024, the S&P 500 Index rose 10.6%. The Index of the 500 largest U.S. companies had its best start to the year since 2019. It also experienced 22 all-time closing highs in the period—the most in a first quarter in over 25 years.¹ Smaller companies participated in the market rally as well, with quarterly returns for the Russell 2000 Index and the Russell Midcap Index up 5.2% and 8.6%, respectively.

Ten of the 11 sectors in the S&P 500 rose in value in the first quarter. With continued enthusiasm over artificial intelligence developments, Communication Services and Information Technology were among the top-performing sectors, rising 15.8% and 12.7%, respectively. Energy, Financials and Industrials also had double-digit gains in the quarter. Real Estate was the bottom performer, falling 0.5% over the same period.

The strong equity performance this year is set against positive macroeconomic trends including:

- » Record high corporate profits at the end of 2023.²
- » Increasing consumer confidence that inflation will continue to fall.³
- » An accommodative Federal Reserve set to cut interest rates three times in 2024 as inflation stabilizes.
- » Continued strength of the labor market – The number of Americans signing up for unemployment benefits fell to 210,000 at the end of March 2024.⁴
- » Persistently low unemployment – The unemployment rate has remained below 4% for 25 straight months—the longest since the 1960s.⁵

Continued on page 2

REMARKABLE MARKET REBOUND SINCE COVID

Since its low during COVID in 2020, the S&P 500 Index has experienced a remarkable rebound, rewarding long-term investors. From March 16, 2020 through March 31, 2024, stocks have risen 25% on an annualized basis.

The first quarter of 2024 was a remarkable one as highlighted on the left in the Investment Corner. In our Spring Newsletter, you'll find features including financial statistics around homeownership, investment accounts for children, and when to consider updating your Will.

MARKET PERFORMANCE

% as of March 31, 2024

	1 YR	3 YR*	5 YR*
Dow Jones	22.18	8.65	11.31
S&P 500	29.88	11.49	15.05
Nasdaq	35.08	8.17	17.19

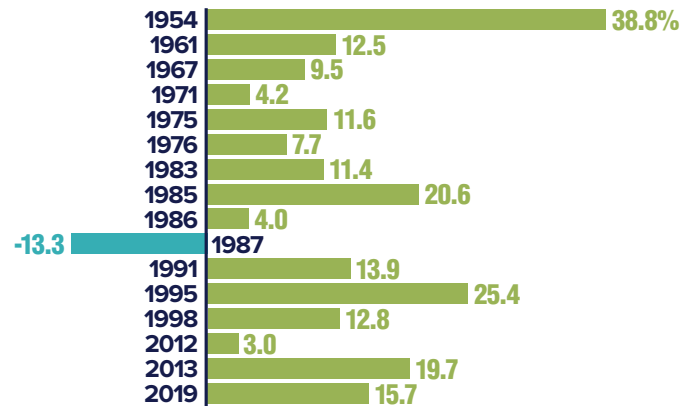
*Average annual total return. Past performance is no guarantee of future results. Source: Morningstar.

LOOKING AHEAD

Despite the strong start to the year, there are, and will always be, unforeseen events. We find it helpful to focus on the data. As shown on the right, since 1950, the S&P 500 has risen 8% or more in the first quarter only 16 times, and in all but 1 instance, stocks finished the year with a higher positive return. Said differently, 94% of the time, the market continued its climb for the rest of the year.⁶

Regardless of future market direction, it helps to keep your focus on your long-term financial plan and remind yourself the reasons for investing: A vacation home? A college education for your child or grandchild? A future business venture? Let Jemma Financial help you and your family build a plan that will work towards those goals.

S&P 500 Returns from 4/1-12/31 During Years When the First Quarter Return was 8% or More⁶

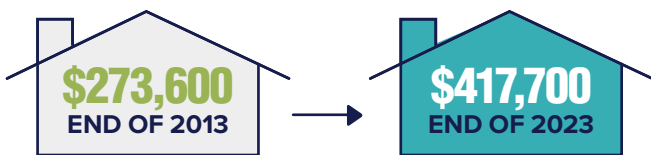


WHAT IT TAKES TO BUY A HOME

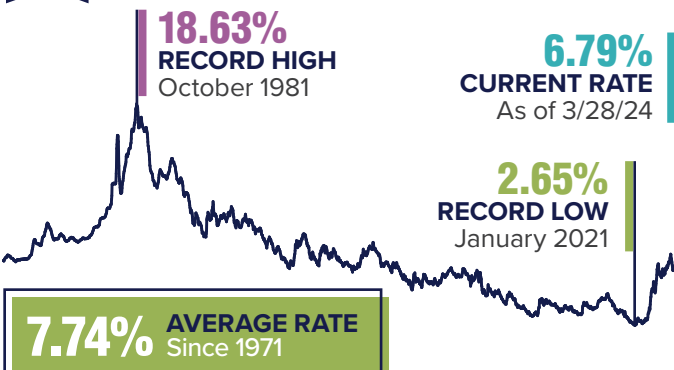
A SNAPSHOT OF THE U.S. HOUSING MARKET

An owned residence and a retirement account are two of the most valuable assets for U.S. households. As of the end of 2022, the median housing value (the value of a home minus a mortgage) for American families was \$201,000, while the average 401(k) balance was \$103,900 and the average Individual Retirement Account (IRA) was \$104,000. Take a look at how the financial aspects of purchasing a home have changed over the past few years.

1 The median sales price of a house rose approximately 50% over the past 10 years.



2 The 30-year mortgage rate has recently risen, yet remains below its long-term average.



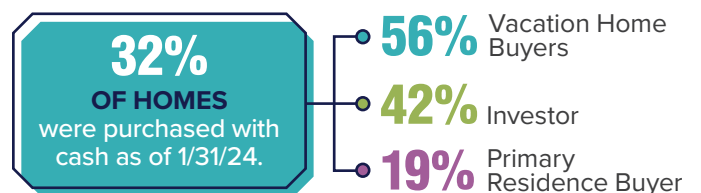
3 Today it takes \$115,000 in annual income to buy a median-priced home.



4 The average homeowners insurance premium is projected to be 25% more at the end of the year than it was 3 years ago.



5 The number of all-cash homebuyers is the highest since 2014.



ARE YOU SETTING ASIDE MONEY TO BUY A HOME? A Jemma Financial Advisor can help you build that into your long-term financial plan.

HOW TO MAKE A

BIG IMPACT ON A CHILD'S FUTURE

Becoming a parent or grandparent can be one of life's most meaningful experiences. Set your child or grandchild on the road to financial success by saving for their future. Establishing an investment account today can provide a beneficial cushion for their education, a major life event and even retirement. When you invest early, you can take advantage of compounding, which allows savings to grow exponentially over time.

Raising a child can be expensive. Families could spend nearly \$240,000 over 18 years to raise a child. This amount doesn't even include the cost of a college education. Taking that into consideration, even moderate amounts saved today can grow into a significant sum over time. All it takes is saving at regular intervals such as monthly or quarterly contributions or on special occasions including birthdays or holidays.

Depending on your goals, here are three types of investment accounts parents and grandparents can open and save on behalf of their child or grandchild:

529 PLAN

This is a tax-advantaged account designed to help families save for future education expenses. Typically, these accounts are sponsored by state governments and many states will allow you to deduct your contributions on your state income tax return. The money can be withdrawn for qualified educational expenses without paying tax on any investment gains.

Important Note: 529 plan owners can roll over up to an aggregate lifetime limit of \$35,000 into a Roth IRA for the benefit of the 529 plan beneficiary. There are a few limitations:

- » The rollover is subject to the \$7,000 rollover limit for 2024 and must be in the same name as the 529 plan beneficiary.
- » The account must be open for at least 15 years prior to the rollover.
- » Any 529 contributions made within the last 5 years are ineligible.



CUSTODIAL UNIFORM TRANSFERS TO MINORS ACT (UTMA) ACCOUNT

This is an easy-to-open account whereby the custodian manages the account on behalf of the child until they reach the age of majority, which can be between 18 and 25, depending on the state of residence. Assets in an UTMA account can include cash, securities, real estate, and other types of property. The funds in the account can be used for any purpose, not just educational expenses. Anyone can contribute to the account and there are no contribution limits. (Individuals can contribute up to \$18,000 free of gift tax in 2024.)

TRADITIONAL BROKERAGE ACCOUNT

For parents and grandparents who want more control over what custodial accounts allow, opening a traditional brokerage account in your own name and reserving the money for the child could be a solution. The adult will have to pay taxes at their tax rate, but this type of account comes with fewer restrictions and it can be retitled in the child's name once you feel they are ready to take it over.

START SAVING TODAY

Whether the child is an infant, pre-teen or a high schooler, opening an investment account for a child or grandchild has many future financial benefits and provides an opportunity for a child to learn valuable financial lessons. Teaching children the importance and the impact of saving early is something they can carry with them throughout their lives. Speak with a Jemma Financial Advisor to determine if one of these investment accounts is a good fit for your family.

TUITION AND FEES

ANNUAL COST OF A COLLEGE EDUCATION IN 2023-24

For full-time undergraduate students⁷



IS IT TIME TO

UPDATE YOUR WILL?

Life events unfold every day. Some entail months of planning, such as your daughter's wedding or a grandchild's birth, while others happen suddenly and unexpectedly, like the death of a loved one.

Many people forget how these events affect their financial intentions. If the following events have happened, it may be a good idea to revisit and update your Will to make sure it sets forth your wishes regarding the distribution of your property and the care of any minor children.

HAVE YOU EXPERIENCED ANY OF THE FOLLOWING SINCE WRITING YOUR WILL?

1 Changes in marital status. Have you gotten married or divorced? Whether you are single or a party of two, make sure to update beneficiaries and document name changes.

2 Birth or adoption of a child or grandchild. With a new child in the family, there are guardianship and inheritance considerations that could change your legal document.

3 A recent inheritance or an acquisition of significant assets or property. Make sure to incorporate any new assets into your current Will.



4 Changes in state laws regarding Wills or estate planning. Occasionally check to make sure your state did not change its laws that would be relevant to your Will.

5 Changes in your relationships with beneficiaries or executors. As your family matures and children become adults, you may want to modify beneficiaries or executors.

6 Changes in financial circumstances. You may want to review your Will to reconfigure how your current assets will be distributed, whether they are larger or smaller compared to when the Will was written.

7 Changes in charitable intentions or beneficiaries. It is important to keep designations updated. Failure to update this information can cause an unintended and potentially uncomfortable distribution of your assets.

8 A relocation to another state. When you pass away, your Will is administered in your state of residence. Your current state's laws apply — not the laws of the state where the Will was written.

This spring, take time to create or revise your Will and other important documents relevant to your financial planning. Prepare a list of your assets, including your house, personal property, investments and bank accounts. Review your beneficiary designations on assets such as retirement accounts and insurance policies as those have specified beneficiaries. A Jemma Financial Advisor can help you through this worthwhile process.



DID YOU KNOW?

As of the end of 2023, there were **422,000 401(k) millionaires** according to Fidelity Investments, one of the largest administrators of workplace plans.⁸

1. Barron's, 4/1/24. 2. Thehill.com, 3/28/24. 3. University of Michigan Survey of Consumers Feb. 2024. 4. The Associated Press, 3/28/24. 5. U.S. Bureau of Labor Statistics. 6. Morningstar and Barron's, 4/1/24. 7. Collegeboard.org. 8. Wealthmanagement.com.

Sources for the U.S. Housing Market on page 2: Federal Reserve and Fidelity 2022 Retirement Analysis; U.S. Census Bureau and U.S. Department of Housing and Urban Development, and Freddie Mac, 30-Year Fixed Rate Mortgage Average in the U.S. retrieved from Federal Reserve bank of St. Louis; Redfin.com, and National Association of Realtors.

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