

THE Armstrong REPORT

SUMMER 2024

**Dedicated to growing
and protecting your wealth.**



FIRM UPDATE

Reginald A.T. Armstrong, CPWA®
Founder

I hope you had a wonderful Independence Day and that you took the time to reflect on the founding of our great country. Of course, if you are like me, you probably ate too much, too!

ECONOMY

As I am writing this near the end of June, per the Atlanta Federal Reserve, the economy continues to grow at around 3%. Manufacturing, however, has been in contraction for 18 of the last 19 months. The services part of our economy, by contrast, has only been negative one month in almost two years. Inflation is slowly getting closer to 3%, but unemployment has begun to rise. Credit card and auto loan delinquencies (90 days or more late) have risen significantly, especially in the 18 to 39 age group. To me, it is a mixed bag. Based on history, by the time the data really deteriorates, it will be too late for the Federal Reserve to act. They may want to consider cutting rates some sooner than they currently indicate.

MARKETS

The US stock market advance is very narrow. The S&P 500 Equal Weight index (where every stock has a similar impact on the index, so it represents the average stock) is flat since March. The market-cap weighted (bigger companies have a greater impact) S&P 500 is up over 4% this past quarter and over 15% for the year (as of June 25). However, just one stock is responsible for 35% of the gains of the market. That is NOT a healthy market. We are due a 5-10% correction soon (and frankly a bear market at some point). But, if we stay out of recession, even though stocks are expensive, there is no reason they can't continue pushing upward modestly. If we have a recession, though, there will likely be a severe correction. Bond yields continue to indicate that fixed income is attractive here and CD/money market rates are also attractive for cash reserves.

FIRM

Just a quick final comment to emphasize one of the aspects of our firm—we are a team, an ensemble if you wish. Regardless of who is your wealth manager—Lee, Matt, or me—and regardless of whether Leslie or Emily is your service manager, we are all here for you. Jason, for example, is our portfolio strategy assistant. He is responsible for preparing financial plans, portfolio reviews, investment research, running the spreadsheets on our **WealthProtect** System, and is an all-around IT guy. Creighton, whom you hear from a lot as he is the one who usually schedules reviews, also assists Jason with preparing those client reviews and is our point person for our marketing operations. Sometimes, one of us gets the recognition, but it is truly a team effort. We have created this by design so that if something were to happen to any one of us (I've been to way too many funerals the past few weeks), you will always be in good hands.

Thank you for selecting us to assist you in reaching your financial goals, and thank you for your trust and friendship.

*The opinions in this material are for general information only and are not intended to provide specific advice or recommendation for any individual. All performance referenced is historical and is no guarantee of future results.

MARKETS UPDATE: 6/28/2024, YTD

TRADITIONAL EQUITIES					ALTERNATIVE STRATEGIES
US Large Cap 14.24%	US Mid Cap 4.96%	US Small Cap 1.73%	Foreign Developed 5.75%	Emerging Markets 7.68%	Diversified Alternatives 2.84%
↑	↑	↑	↑	↑	↑
REAL ASSETS			BONDS		
Global REITs -2.08%	Global Natural Resources 0.36%	Commodities 5.14%	US Bonds -0.71%	US 10 Yr Treasury Yield 3.88% 12/31/23 4.36% 06/28/24	US 90 Day Treasury Yield 5.20% 12/31/23 5.23% 06/28/24
↓	↑	↑	↓		

Market segment indexes: US Large Company (Russell 1000), US Mid Company (Russell Midcap), US Small Company (Russell 2000), Foreign Developed (MSCI EAFE), Emerging Markets (MSCI Emerging Markets), Diversified Alternatives (Morningstar Diversified Alternatives Index), Global REITs (S&P Global REITs), Global Natural Resources (S&P Global Natural Resources), Commodities (S&P GSCI Commodities), US Bonds (Barclays US Aggregate Bond). All performance referenced is historical and is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.



Reginald A.T. Armstrong CPWA®
Private Wealth Manager & Founder
Armstrong Wealth Management Group



We are excited to share that Regi Armstrong has been recognized by Forbes as one of the Best-in-State Wealth Advisors for 2024. This honor reflects Regi's dedication to supporting clients and the community, and we are incredibly proud of this achievement. Regi's passion for working with clients and understanding their unique financial goals is the cornerstone of our practice. It continues to be our privilege to guide you on your financial planning journey.

The Forbes Best-In-State Wealth Advisor ranking, developed by SHOOK Research, is based on in-person and telephone due diligence meetings and a ranking algorithm that includes: client retention, industry experience, review of compliance records, firm nominations; and quantitative criteria, including: assets under management and revenue generated for their firms. Portfolio performance is not a criterion due to varying client objectives and lack of audited data. Neither Forbes nor SHOOK Research receives a fee in exchange for rankings.

ON A SAD NOTE

Tom Cameron, Bob Jay, Harry Kirby, Beth Lamm, Cheryl Lara, and Wilma Peine have passed away. Please keep their families in your prayers.

SAVE THE DATE

JULY 18

Tax Traps of Social Security and Medicare

*Always on a Thursday
at 4:30 pm Eastern*

AUGUST 22

The Powerful 529: It's More Than a College Savings Plan

SEPTEMBER 26

A Primer on the New Rules for Inherited IRAs



REASONS FOR A BUSINESS OWNER TO HIRE THEIR CHILD THIS SUMMER

- **Potential Tax Savings.** You get a business tax deduction for their wages, but if their income is low enough, they likely won't owe federal or state taxes.
- **Reduced Payroll Taxes.** If you are a sole proprietorship or an LLC taxed as a partnership or if your child is under 18, the child's earnings may be free from Social Security, Medicare, or federal employment taxes.
- **Head Start on Retirement Savings.** Your child can likely use their earnings to contribute to a Roth IRA, or possibly may even qualify for the company retirement plan.
- **Education Benefits.** Teaches valuable skills at an early age. Plus, if they end up wanting to work in the family business, you have a head start on succession planning.

Keep in mind that the child's work must be genuine, and the pay must align with what is reasonable. Consult with your tax advisor prior to hiring them so you understand all the details.

Personal Note: When my daughter was around 15, we needed to digitize many older documents. I hired her over the summer, which helped get the project done. She got paid and was able to make a Roth IRA contribution, plus it freed up our other associates' valuable time so they could take care of clients.

WHAT ARE THE BEST WAYS TO GIVE TO CHARITY?

Not every way we give to charity gives someone the same financial benefit. Here's a brief discussion of various ways to consider making charitable contributions. *

First, the "biggest bang for the buck" for most investors will be donating highly appreciated **low basis stock**. For example, you purchased XYZ stock for \$5,000 and now it is \$50,000. If you sell it and then donate the cash, you end up paying capital gains which will offset most of your tax deduction. However, if you donate the stock, you get to skip the capital gains, the charity doesn't pay capital gains when they sell the stock, and you still get a tax deduction for the donation.

Second, a **Qualified Charitable Distribution (QCD)** is available for those who are 70 and a half or older. A QCD is when you donate to a qualified charity directly from a traditional IRA (not available in a 401k). While you don't get a tax deduction, the QCD does not count as income, yet it does count for required minimum distribution (RMD) purposes.

For example, let's say someone is 75, in the 24% marginal tax bracket, and has an RMD of \$5,000. She decides to take her RMD and then write a check of \$5000 to the charity. That \$5000 withdrawal at 24% will cost \$1200 in taxes. This doesn't count the potential effects on social security taxation and Medicare Parts B and D surcharges from additional income. If she takes the standard deduction, she doesn't even get to deduct the \$5000 contribution.

However, if she sends the \$5000 to the charity from her IRA as a QCD, she meets her RMD, she doesn't raise her taxable income, and the charity still gets the donation. Even if she itemizes, a QCD will never be worse than taking the money out of the IRA as a regular distribution and then deducting the donation.

Keep in mind that you must take the QCD first before the RMD. You can't take your \$5000 RMD, give money to the charity, and then at tax-time state it was a QCD. The money has to come straight from your IRA to the qualified charity. As of 2024, QCD limits are now indexed to inflation; you can give up to \$105,000 this calendar year in QCDs.

Third, a **regular donation**. If you are under 70½, a QCD is not yet an option. If you itemize, you can potentially receive a deduction on your charitable donations. If you are a business owner, your CPA may find that some donations going through the business is advantageous.

Finally, **less used but still powerful options**:

- **Donor Advised Fund**. This is a private fund administered by a third party and created for the purpose of managing charitable donations on behalf of an organization, a family, or an individual. Many of our clients use a local community foundation such as the Eastern Carolina Community Foundation in the Pee Dee region or the Central Carolina Community

COMMUNITY INVOLVEMENT

Lighthouse Ministries	\$10,000
Run for the Heroes	\$1,000
Florence County Museum	\$500
Knights of Columbus	\$250

Foundation in the Midlands. This is a great way to coordinate your charitable giving more strategically.

- **Charitable Trusts**. You can use one of these if, for example, you have a large amount of stock that is mostly capital gains. You don't want to pay the taxes, but you still need some of the assets for income. If you set up a charitable remainder trust (CRT) or a charitable remainder annuity trust (CRAT), for example, you can donate the stock to an irrevocable trust and receive income, while ensuring some of the donated capital goes to charity. A charitable lead trust (CLT), on the other hand, gives financial support to charities for a period with the remaining assets going to family. These are far too complex to discuss in detail in this article and require consultation with your wealth manager, your tax advisor, and your estate attorney.

If you have any questions on these please contact your wealth manager.

**Consult with your tax advisor prior to making any decisions.*



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