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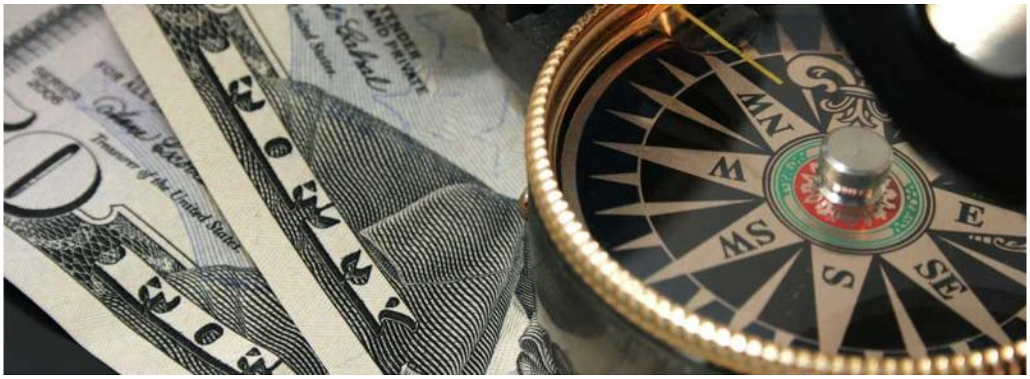

""If you see someone without a smile today, give 'em yours."
Dolly Parton

From Tom's Desk

Greetings Thomas,

Can I Interest You in a Tonsillectomy?

From the Desk of Tom Licciardello, CFP

I certainly hope that for most of you the answer to the above posed question would be, “Absolutely not!”. There is a small chance that one of you might say yes because you were just diagnosed with tonsillitis. In that case, please consult with a qualified physician.

So, what does a tonsillectomy have to do with financial planning? I often am asked my opinion on two financial instruments that share one characteristic with tonsillectomies – **annuities** and **reverse mortgages**. Not many people need them, but they are important tools ***sometimes***.

So let’s take a look at the advantages and disadvantages of each, starting with the caution that there are many salesmen who push these products, not for the client’s benefit, but because the commissions are lucrative.

Advantages of Annuities:

- **Regular Income Payments**: Depending on the type of

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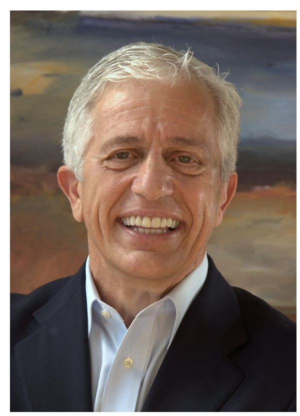
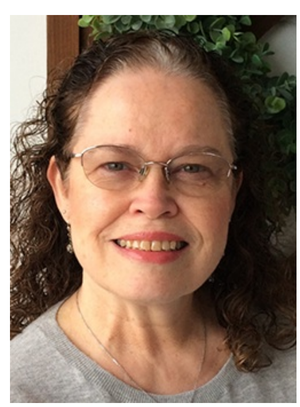


Tom Licciardello, CFP



annuity, you can receive income payments regularly (monthly, quarterly, or annually).

o **Guaranteed Income**: Annuities provide guaranteed income, either immediately or over time. This can supplement other retirement income sources like Social Security or an Individual Retirement Account (IRA).

o **Fixed Interest Rate**: With a fixed annuity, you lock in an interest rate (e.g., 3% per year), providing predictability.

o **Tax-Deferred Growth**: Any capital gains or income earned in annuities aren't taxed until distribution, allowing potential growth without immediate tax implications.

Disadvantages of Annuities:

o **Complexity**: Annuities can be intricate, with various features and options.

o **High Fees**: Annuities often have higher fees compared to other investments like mutual funds.

o **Limited Liquidity**: Accessing your money early may be restricted due to high surrender charges or penalties.

o **Investment Risk**: Some annuities are tied to market performance, which carries risk.

o **Reduced Control**: Annuities limit your control over investment decisions.

Caution – Using an annuity to fund an IRA is like wearing a belt and a suspender. An IRA already offers the tax deferral an annuity can provide. The only extra with an annuity is higher expenses!

Reverse Mortgages

Pros:

o **Access to Funds**: A reverse mortgage allows homeowners aged 62 or older to access tax-free income. This can help cover expenses, supplement retirement income, or pay bills.

o **Stay in Your Home**: You can continue living in your home while receiving payments from the reverse mortgage.

o **No Monthly Payments**: Unlike a regular mortgage, you don't need to make monthly loan payments. The loan is repaid when you move out or pass away.

Cons:

o **Adds to Debt**: A reverse mortgage increases your overall debt, as the loan balance grows over time.

o **Heirs and Property Transfer**: When you pass away, your heirs may face challenges related to the property. They'll need to repay the loan or sell the home.

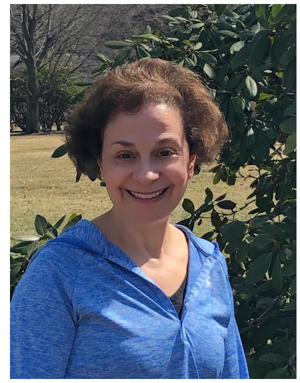
o **Costs**: Reverse mortgages come with high origination fees, mortgage insurance premiums, and servicing fees.

Remember that while reverse mortgages offer benefits, they also have associated costs and considerations. It's essential to weigh the pros and cons based on your individual situation.

As with all important financial decisions, it is critical to seek professional advice, and be sure that the individual who is offering the advice adheres to the "fiduciary standard" – that is, putting the interests of the client ahead of their own.

Cindy Campbell, Financial Services Administrator

Employee Benefits



Janice Otis, Employee Benefits Director

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.....and now, an Economic Review in a Nutshell:

CURRENT EVENTS

Political events around the world continue to capture the headlines and attention of investors. 2024 is being coined as "the ultimate election year" as almost 50% of the world's population, across both developed and emerging economies, have already cast a ballot or are heading to the polls later in the year.

Within the U.S., the build-up towards November is underway. The first general election debate between President Biden and former President Trump is scheduled for late June, followed by the kick-off of the summer national convention season. Hot button issues will include the expiration of the Tax Cuts & Jobs Act ("TCJA") provisions, foreign trade policy, and ballooning budget deficits.

Using history as a guide, we know that election years tend to be volatile, particularly during the months closer to the election. However, on average, the S&P 500 has performed quite well during election years, averaging annual 7.5% gains since 1928[1]. Furthermore, out of twenty-three election years since 1928, only five experienced negative S&P 500 returns[1]. That said, over the long-run, financial market performance has been more closely tied to corporate earnings and monetary policy, both of which are moving in the right direction to provide a tailwind for U.S. market returns.

Abroad, recent elections in Mexico, India, and Europe have generated volatility across currencies, equities, and fixed income markets. The overseas elections highlight the potential impact of potential policy shifts with respect to global trade, business sentiment, and supply chains.

ECONOMIC OUTLOOK

The labor market is showing signs of normalization, which should continue to help bring inflationary pressures under control while providing support for household spending. Non-farm payrolls jumped by 272,000 in May[2], relative to expectations of 180,000. Meanwhile, the unemployment rate ticked up slightly in May to 4.0%[2], which is still at historically low levels. Strong job creation over the last couple of years has been met by an increase in the supply of workers, including the prime aged 25-54 category as well as workers from outside the US. In fact, the labor force participation rate for prime working-age women set an all-time high of 78.1% in May[2]. As a result, we're seeing nominal wage growth ease a bit as the key ratio of job seekers to job openings is back to pre-pandemic levels. Overall, these indicators suggest labor market conditions are about where they were on the eve of the pandemic – tight, but not overheated – and should support a continued moderation of inflationary pressures.

With regards to inflation, the May Consumer Price Index ("CPI") reading pointed to a cooling down for a second consecutive month. Headline CPI rose 3.3%[3] year over year and was unchanged month over month. Positively, both the headline and core CPI (stripping out the volatile food and energy categories) came in lower than expected and are sitting at their lowest levels in over two years. On a positive note, services inflation is starting to moderate led by a decline in car insurance, and housing costs marked the smallest rise since April 2022.

Fed officials left interest rates unchanged at their June FOMC meeting. Chairman Powell reiterated that Fed officials will not cut interest rates until they are confident that inflation is on the path to achieve the 2.0% target in a sustainable fashion. As a result, the FOMC participants will likely need to see several consecutive months of slowing inflation data to feel confident about cutting rates. The FOMC will meet four more times this year, in July, September, November and December. We reiterate our zero to two interest rate cuts this year, with the first

reduction happening no earlier than September.
In other parts of the world, easing monetary policy is in action. The European Central Bank, the Swiss National Bank, Sweden's Sveriges Riksbank, and the Bank of Canada have all cut interest rates this year, diverging from the U.S. Fed's holding pattern. Global policy makers appear ready to move ahead of the U.S. but have signaled that the timing of the next round of cuts will likely be gradual and data dependent, given lingering price pressures, particularly in Europe.

FINANCIAL MARKETS

U.S. stocks continue to ascend higher, with the S&P 500 up 13.75% YTD[4]. Participation is growing more broad-based with almost all sectors in positive territory for the year. Technology companies continue to lead the way with Nvidia challenging Microsoft and Apple for the top spot as the largest US company, and all three have now eclipsed the $3T market cap level. Nvidia recently had a 10-for-1 stock split, and fellow semiconductor company, Broadcom, which has recently moved into the S&P 500 top ten stocks, is scheduled to have its own 10-for-1 stock split in July.

Abroad, international stocks continue to lag U.S. equities. Coming into 2024, U.S. stocks had outperformed international developed markets in 8 out of the past 10 years, and that streak appears to be holding. While some international equity markets are appearing more attractive given improving growth prospects and monetary policy easing tailwinds, we continue to remain cautious on geopolitical risks for now.
The bond market continues to experience a bumpy path, with yields driven by lingering inflation concerns and a patient Federal Reserve. Opportunities for income investments, in our view, remain attractive for short-term cash & liquidity management, and decade-high yields in the corporate and municipal bond markets offer attractive income opportunities for long-term investors. Specifically, we're maintaining a focus on higher-rated bonds, and are beginning to look for opportunities to extend duration for clients with longer investment horizons.

Sources:

[1] Factset, as of January, 2024

[2] U.S. Bureau of Labor Statics, as of June 7, 2024

[3] U.S. Bureau of Labor Statics, as of June 12, 2024

[4] Factset, as of June 14, 2024

ADDITIONAL RESOURCES

- **CNR Speedometers® update**
- www.cnr.com/insights/speedometers
- **Read about the latest CNR Speedometers® changes: June 2024**
- www.cnr.com/insights/historical-speedometers/june-2024
- **On the Radar: Will the labor market ever weaken?**
- www.cnr.com/insights/on-the-radar/june-2024
- **Fixed Income Perspectives: Income to Reward Investors**
- www.cnr.com/insights/fixed-income-perspectives/june-2024

As I say in every newsletter, Please stay in touch. If it's been awhile since we last met, or if there have been substantial changes in your life, or if you'd just like to drop by to share a coffee, let's find a time to make it happen!

Cheers,
Tom

With a steady hand on the tiller, we believe we can navigate through the challenges that the future may bring.

Good planning plus good advice yields success. But, don't forget that it all starts with a good plan. Are we up to date? If not, let's meet!

Email Tom
Tom's Direct Line - 978-903-0325

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When conditions become volatile and confusing, there is no more important time to have a Trusted Financial Advisor to help guide you. Please remember that you have unrestricted access to us. Call or email any time!

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