Soundings

What's New – August 2024

Quote of the month:
"Beware of overconcern for money, or position, or glory. Someday you will meet a man who cares for none of these things. Then you will know how poor you are."
Rudyard Kipling

The first question we ask a new client in Discovery is, "When you think about money, what is important to you?" We are looking to distill their answer to it's most basic and often land on "security", "freedom", or "to be comfortable". For most, it's simply the ability to do what you want, when you want, with whom you want, for as long as you're able. That's true freedom and a worthy goal for sure. But it's missing something. Purpose is about having a reason to get out of bed in the morning. It can be as simple as leaving one person each day, better than you found them or if you're an introvert, read something that helps you grow. Now that's living.

What a difference a day (or 5) makes. After a solid month of gains, we got the worst bout of panic selling since the Covid crisis, due to some earnings misses from big tech and worse than expected job numbers. But if the Covid crash taught us anything from a financial perspective, it's that making investment decisions from fear can be most destructive to our long-term goals and plans. This is where Collin and I earn our keep and one of the major reasons we get up in the morning. Our advice, minimize your screen time, do something physical, and leave the worrying to us.

I thought it would be nice to address the "kids" in this month's ***Market & Economic Commentary.*** With Collin onboard, we've been increasing our conversations with young professionals, his specialty. It's tremendously rewarding to witness the lightbulb come on when they see that not only are they on a solid current track, but they are setting themselves up for an even better future. The piece on page 3, titled, "Why am I paying my boyfriend's mortgage?" is insightful, timely and worth a read. First, the numbers...

7552 Navarre Parkway, Suite 35, Navarre, FL 32566
850.936.6686 866.936.8816 Fax Toll-Free 866.936.6686
www.jonkagan.com jon.kagan@raymondjames.com

Market Update – Year to Date Returns

Major Indexes	As of August 1st
Dow Jones Industrials	8.4%
S&P 500 Index	15.8%
NASDAQ	17.2%
MSCI EAFE (International)	4.4%
Russell 2000 (small cap index)	11.2%
Bloomberg Capital Aggregate Index (Bonds)	1.1%
XAU (gold/silver)	18.9%

D.A.L.I. Signals - 08/01/2024

U.S. Equities	Commodities	Int'l Equities	Cash	Currencies	Fixed Income
319 29.3%	**252** 23.1%	251 23.0%	**118** 10.8%	80 7.3%	69 6.3%

Source: Nasdaq Dorsey Wright

- Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect investment performance. Individual investor's results will vary. The Dow Jones Industrial Average (DJIA), commonly known as the "Dow", is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal. The S&P 500 is an unmanaged index of 500 widely held stocks that's generally considered representative of the US stock market. The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ market. The MSCI EAFE (Europe, Australasia and Far East) index is an unmanaged index that is generally considered representative of the international stock market. The Russell 2000 index is an unmanaged index of small cap which generally involve greater risks. The Philadelphia Gold and Silver Index (XAU) is an index of sixteen precious metal mining companies that is traded on the Philadelphia Stock Exchange.
- The Bloomberg Barclays Capital Aggregate Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.
- DALI is a proprietary matrix created by Dorsey Wright & Associates, an independent 3rd party. It presents the relative strength relationship of six broad asset classes or "teams", domestic equities, international equities, commodities, fixed income, cash, and currencies. Each are represented by an equal number of ETFs. Each team play against each member of the other teams, with net victories tallied in an effort to rank each asset class team by order of overall strength. Raymond James is not affiliated with and does not authorize or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any website or the collection or use of information regarding any website's users and/or members.
- Information has been obtained from sources considered reliable, but we do not guarantee that the accurate or that it provides a complete description of the securities, markets or developments mentioned. It is not a statement of all available data necessary for making an investment decision, and it does not constitute a recommendation. Any opinions of Jon Kagan are not necessarily those of RJFS or Raymond James Financial. Expressions of opinion are as of this date and are subject to change without notice. This information is not intended as a solicitation or an offer to buy or sell any security referred herein. There is no assurance any of the trends mentioned will continue in the future or that any of the forecasts mentioned will occur. Investing involves risk including the possible loss of capital. Past performance may not be indicative of future results. Asset allocation does not guarantee a profit nor protect against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. Links are being provided for information purposes only. International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets. Companies engaged in business related to a specific sector are subject to fierce competition and their products and services may be subject to rapid obsolescence. Raymond James is not affiliated with and does not endorse the opinions or services of any of the organizations mentioned in the On a Personal Note page. Raymond James is not affiliated with and does not endorse the opinions of Nathan Place, or Financial Planning.

Market & Economic Commentary

Over the past few years, housing costs have skyrocketed. Since 2020, the average selling price of a house in the U.S. has jumped by 34%, according to Federal Reserve data. Meanwhile, the average 30-year mortgage has risen to almost 7%, according to Freddie Mac — the highest rate in decades. All of this has sent rents soaring. A study by StreetEasy found that from 2019 to 2023, American rents rose by 30.4% — far faster than wages, which grew by 20.2%. To cope with these costs, Americans have gotten creative. Young urbanites share rents with roommates, family members or significant others. Or, in some relationships, the significant other is the landlord: One partner owns the home and the other contributes to the mortgage payments. But is that fair? Under such an arrangement, only one partner is building their home equity, while the other essentially pays rent. One such couple lives in Providence, Rhode Island, and the renter's sister is concerned. Here's what she wrote:

Dear advisors, My sister and her boyfriend are in a committed relationship and are living together in a house he bought before they met. They now split his mortgage payments and expenses (internet, electricity, etc.). This amounts to substantial savings for my sister — her "rent" is now $600, down from the $1,350 per month she paid for her last apartment. On the other hand, her boyfriend is getting the bigger benefit of continuing to build equity in his home, with her help. Her name is not on the deed, and they are not married. Unspoken in this arrangement is the fact that if they ever did break up (though I think that's unlikely), he would keep the house and she'd never be compensated for her contribution. This doesn't seem fair to me. Is there a more equitable way for both of them to financially benefit from this situation? Sincerely, Perturbed in Providence

And here's what financial advisors wrote back:

Bank the savings. Tom Balcom, CFP and founder of 1650 Wealth Management in Lauderdale-by-the-Sea, Florida. It's a win-win situation. If the couple breaks up, she will have saved $750/month in rent. If they stay together, they have equity in their home. If she's smart, she should take the $750/month in savings and add the funds to an investment account or open a regular or Roth IRA account. That way she is building up her own equity, which will benefit her if the couple breaks up or benefit both if they stay together.

What's Unfair? David Schneider, CFP and founder of Schneider Wealth Strategies in New York City. I understand how you feel, but if your sister isn't paying more than 50% of the fair market rent for the home, plus half of the ongoing monthly expenses, she is being treated fairly. She doesn't have the right to live in the house without contributing to the monthly expenses simply because her boyfriend's name is on the deed. Given the fact that she is paying $600 now versus the $1,350 per month for her last apartment, she's probably making out pretty well.

Prioritize the relationship. John Power, CFP and principal of Power Plans in Walpole, Massachusetts. It does seem a bit unfair, but think about it this way: She is enriching her boyfriend a lot less than she enriched her landlord! Relationships aren't necessarily about money, and attempting to fix it might make an important life connection feel more like a financial transaction. Is that worth it? Perhaps not to her. If they marry there might be a way to settle it out, but it depends on how much equity he has in the house, how much he put in, how it gets taken out, etc. It can be very complicated and not necessarily good for the relationship. What is more valuable?

Get it in writing. Jay Zigmont, CFP and founder of Childfree Wealth in Mount Juliet, Tennessee. Co-housing is a common trend and is growing in response to rising housing costs. It comes in a lot of forms, but paying rent to a loved one is relatively common. There are two ways to look at this. 1. Your sister is getting a deal on rent, and her boyfriend is the landlord. Like any renter, she has no claim to the property after she stops paying rent. 2. This is part of a long-term relationship, and both of them want to make a commitment. If this is the case, it may be time for a partnership agreement, updating his will, and creating a financial partnership. It may not seem fair to you, but if your sister is happy with the situation and it works for her, it is all good.

Nathan Place, "Ask an advisor: Why am I paying my boyfriend's mortgage?" Financial Planning, July 3, 2024.

7552 Navarre Parkway, Suite 35, Navarre, FL 32566
850.936.6686 866.936.8816 Fax Toll-Free 866.936.6686
www.jonkagan.com jon.kagan@raymondjames.com

On a Personal Note

Over the past 30+ years, my better-half has put her nature aside and followed me on some journeys, personal and professional, that she'd probably rather have skipped. I decided it was high time for some payback. Working up our calendar for 2024, I asked Kathleen to take the lead in planning a trip to London. There'd be no motorcycles involved and I'd do whatever I was told. Boy did she deliver. We had a spectacular time and I journaled the "greatest hits" so we could relive them down the road when our memories fade. Due to space constraints, below are some "Cliff Notes". You can find the full report on our blog at https://soundsidewealth.com/blog/

After about an hour of sleep on the plane, we arrived at Heathrow around 6:30 am. Used the Bolt App (like Uber) to get to our digs in Kensington. Our driver Mohamed couldn't have been nicer, or more patient. Originally from Pakistan, he'd lived in Germany before settling in London. He was very well travelled and had spent time in NYC and DC, preferring DC. He asked about our upcoming election and I shared that our country is split down the middle. Mohamed loves the US, even though his native country has issues. Sights of the day included a tour of the Royal Albert Hall. Guide James, was terrific. He looked like Doogie Howser and schooled us on the history and diversity of events and entertainers who've graced the iconic venue. Everything from boxing to opera to concerts of all styles, entertainers from the Beatles & Stones, to Popes and tennis stars. Eric Clapton has the record number of appearances. Unlike John Lennon, I forgot to count the holes.

The little differences. Inside of buildings, signs reading "Way out" replace ours marked, Exit. In restaurants, you can order "Take Away" vs Takeout, and in those restaurants, the waitstaff will always ask if you have, "Any allergies or annoyances?" to which I'd reply, "Cats, and rude people." Yes, I am an ugly American ;) To those who say the food is no good here…you're not trying. You can have the fish & chips, bangers & mash, and blood pudding, but this place is a melting pot. Some of our best meals, early on, came from the Middle East and North African restaurants. Their home governments might be less than hospitable, but the folks over in the UK were wonderfully welcoming and couldn't have been any nicer. The coffee…Flat White was our favorite. Double shot of Espresso topped with whole milk and a light froth. It took me a couple days to NOT feel guilty about not tipping. I told the adorable server at the gelato shop in Richmond that I wasn't going to pay her if she wouldn't accept a gratuity, but she made a liar out of me.

(Four days later) We checked out of our flat in Kensington for the second part of our vacation, a few days in the city of Bath. After a little more than an hour's train ride, we pulled into the station and took the short walk to our new digs in the center of town, on the third floor with an incredible view of a medieval cathedral. Besides the stunning Georgian architecture, another "living" feature of this city is most definitely the gulls. Noisy and huge, these suckers dominate the skies and streets. It brought back childhood memories of Cape Cod and New England. After dropping off our luggage, Kathleen led us on 3-mile trek along the Kennet & Avon Canals that encircle the city. The canals are home to the Narrow Boats that many use as primary or vacation dwellings. As we walked past the many locks, we tried to imagine how they operated. Unlike the locks on the Cape Cod canal that I'd seen as a kid, these things were manual, hand-cranked jobs, hundreds of years old but I imagined still working as they had from the beginning. I didn't have to imagine for long. We soon came upon Paul, the Skipper of a narrow boat, who was on his own, doing the work better suited for two. Of course, I joined him and got a lesson for my efforts. We used a manual hand-crank to work the windlass, one of which raised or lowered the water, the other opened or closed the huge wooden gates. Behind Paul's regal looking craft was a "Beverly Hillbilly's" model. It was an old, motorless, craft, about 20 feet long, with a small cabin. Very rough and hand-painted completely in purple. We'd talked with the owner a few minutes prior, who shared the fact that he'd picked up his vessel a couple days prior for one thousand pounds. He'd found himself home-less, didn't expand other than sharing it was not "drugs", and this was the most interesting of his present options. His propulsion was a pair of oars, attached by rope oarlocks, but he had design on an affordable used motor. Now that's an adventure.

Until next month, with warmest regards, Jon, Collin & Sandy

Jon Kagan, CFP®, Registered Principal, Collin Kagan, Financial Advisor, Securities Offered Through Raymond James Financial Services, Inc., Member FINRA / SIPC Soundside Wealth Advisors is not a registered broker dealer and is independent of Raymond James Financial Services. Investment advisory services provided through Raymond James Financial Services Advisors, Inc.

7552 Navarre Parkway, Suite 35, Navarre, FL 32566
850.936.6686 866.936.8816 Fax Toll-Free 866.936.6686
www.jonkagan.com jon.kagan@raymondjames.com