



Soundings

What's New - September 2025

Quote of the month:

"Overthinking is underdoing with better vocabulary." Derek Neighbors

At some point in our lives, most of us have been the victim of paralysis by analysis. Life is hard. Every day, we make decisions, most have consequences, some with long-term repercussions. Those that have the most life-changing potential usually involve taking on some risk, sometimes significant. But transformative growth only happens when we boldly leap from our comfort zone. No guts, no glory. But what is worse, the short-term disappointment from a swing and a miss, or the long-term regret of never having stepped up to the plate?

The financial markets stood strong against tariff pressures in August, with the S&P 500 hitting its 20th record high, driven largely by earnings surpassing expectations for the third consecutive quarter and resulting in widespread gains. Small-cap stocks were the top performer in August, thanks in part to Fed Chairman Jerome Powell's speech in Jackson Hole, where he hinted at a possible interest rate cut in September. But September is historically known as the weakest month of the year for market returns, so don't be surprised if we see a little chop. Good news is it doesn't matter. We remain positioned for growth.

Location, location, location. We've all heard what "it's all about" when it comes to real estate. But when considering real estate as a source of income in retirement, it gets a lot more complicated. In this month's *Market & Economic Commentary*, I've placed a piece that highlights the ins and outs of being a real estate baron in retirement. It an interesting read, worth a quick look. First, the numbers...

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Market Update - Year to Date Returns

Major Indexes

As of September 1st

Dow Jones Industrials	7.1%
S&P 500 Index	9.8%
NASDAQ	11.1%
MSCI EAFE (International)	20.9%
Russell 2000 (small cap index)	6.1%
Bloomberg Capital Aggregate Index (Bonds)	5.1%
XAU (gold/silver)	81.6%

D.A.L.I. Signals - 9/01/2025

Domestic Equities	International Equities	Commodities	Cash	Currency	Fixed Income
269 24.6%	253 23.1%	232 21.3%	129 11.8%	115 10.5%	95 8.7%

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.
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Market & Economic Commentary

Real estate is a vital part of Americans' economic lives, making up some 28% of the net U.S. household wealth, according to the Fed. Perhaps it's not surprising, then, that many clients consider rental income a potential source of money in retirement. Steven Podnos of Wealth Care in Cocoa Beach, Fla., is one advisor who doesn't generally think it's advisable. "It's crazy, for most people," he said. The return on investment is too low, and the demands on time, energy and money are too high. A few families who can devote a full-time effort to property management and the capital to accumulate multiple locations might have a chance of success, he said, but it's definitely not something he would ever recommend.

What do you say to clients who want to make rental income a part of their retirement plan? It depends on many variables, advisors say. If clients don't already own the property they hope to rent, experts suggest getting them up to speed on what's really involved in becoming a landlord. The risks are legion. Tenants don't last, so there could be constant interruptions in the income stream. Tenants don't always pay their rent on time. Sometimes they harm the property. Even with perfect tenants, normal wear and tear is costly, which reduces profitability. "Most folks want simplicity as they get older, and rental properties tend to be more of a hassle," said Kendell Frye, a certified financial planner in Boise, Idaho. Clients who are already experienced landlords might fare better, advisors say. But serious financial scrutiny is nonetheless essential. "It's important to review their financial plan, including their overall financial situation, expenses, asset allocation and retirement goals, to determine if [relying on rental income] is right for them," said Donna Walton at TD Wealth in New York City. Indeed, a primary financial consideration is how the net return on the rental property compares to what the client could get from selling it and investing the proceeds elsewhere. Even if the returns are equivalent, that's probably not good enough, said Rich Arzaga at the Real Estate Whisperer Financial Planning in Monument, Colo. "Rental properties carry concentrated risk, illiquidity and management overhead," he said. "The return needs to be significantly better [than an investment elsewhere] to justify the extra complexity. Often, it's not."

Even advisors who don't typically recommend rental income for retirees acknowledge that there are exceptions. "Rental income can be a great source of additional income," said Nicole Carson of 2nd Story Wealth Planners in Philadelphia. To handle the custodial and maintenance load, she often recommends hiring a property manager, especially as clients age. Though it can be difficult and expensive to find the right one—experts say that professional managers cost anywhere from 10% to 20% of the monthly rent, - a good manager "allows clients to take a more hands-off approach by shifting the responsibility of tenant communication, maintenance issues and daily oversight," she said. She added that it's important to thoroughly vet prospective managers to be sure their abilities align with expectations and needs.

Another factor is the capital gains taxes that would almost certainly be triggered by selling a property that's been held for many years. If clients can hold onto the real estate, it could instead become part of their legacy for their heirs. Whether that's a desirable outcome, however, depends on the family. Do the heirs want the property, either to live in, rent out or sell? If the heirs sell the inherited property, they get the benefit of a step-up in the basis, advisors say, so they won't have to pay as hefty a capital gains tax as would the original owner. On the other hand, some heirs feel burdened by inheriting real estate and may end up fighting with their siblings about what to do with it. For those clients, advisors say it's probably wiser to convert the real estate to cash or other assets that are easily divided among the heirs.

Clients might also want to think about options beyond traditional renting or selling. These days, they can list their properties on Airbnb, Vrbo or other online resources for short-term rentals. "Short-term rentals can be lucrative, but they come with volatility, seasonality and the need for hands-on management," said Jen Yacoubé at Focus Partners Wealth in Walnut Creek, Calif. In a short-term rental, she said, a broken dishwasher needs fixing today; in a long-term rental, you have a bit more "breathing room."

Ben Mattlin, "Why Advisors Are Wary Of Relying On Rental Income In Retirement", Financial Advisor, 8/4/25

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On a Personal Note

Meanwhile, back in Kentucky. In the end, the pharmaceutical company came through. Like the Clampetts, we packed up our spiffy red Ford Taurus and headed south, ultimately parking in Gulf Breeze, Florida. Alex was 3 ½, Collin celebrated his 2nd birthday in our new digs, and the schools in Santa Rosa county were top notch. Kathleen was soon back at work, picking up her career where she left it, as an ultrasound tech with the same crew from a few years earlier. As for me, I was pitching the same pills to a new group of primary care docs and assorted “ologists”, and frankly, it was getting REALLY old. The pay was decent, the benefits were solid, but the day-to-day grind was soul-crushing. My eyes had been opened to an alternative and they were wandering. One afternoon while home for lunch, I turned on the television. It was late 1999, the stock market had been ripping higher, and I turned to the financial channel to see how my pharmaceutical stocks were doing. It was then that a commercial for an insurance company came on that would change my life. Their slogan, “The Greatest Risk is Not Taking One.” Was it a message from above? I sure thought so...

From Collin:

I still remember my introduction to financial planning. In the early 2000s, my pops opened an investment account for me and my brother and threw us a little seed money for an eventual car purchase. I had 7 years until I turned 16, so he modeled a scenario showing if we saved our birthday and Christmas money and earned a modest rate of return, we could end up with a pretty sweet first car. Alex and I couldn't wait, dreaming of a Toyota truck to lug our friends and surfboards around. Then came our first reality check: the global financial crisis. Flash forward to my 16th birthday, with a third of my anticipated budget and still without a car I finally jumped at the best option I had: a 2003 Saturn station wagon. Some of you who have been reading these newsletters over the years may remember reading about the “Swag Wagon.” With a lifetime start-rate of around 70%, it got me where I needed to go some of the time. The rest of the time I relied on friends or a good old Greyhound bus for transportation. Finally, in my senior year of college, bank account “fat” from my part-time job in Orlando, I upgraded to an old but reliable Toyota 4 Runner. My world changed instantly and that car took me everywhere. From 100-mile daily commutes to work when the Pensacola Bay bridge was out to dozens of mountain camping trips. I vowed to drive it until the wheels fell off, and with the odometer passing 305,000 miles, I had accomplished my goal. A few weeks ago I picked up a newer 4 Runner with the same goal in mind. And as fate would have it, on my drive home from the auto dealer, I passed by a near replica of my first car, the “Swag Wagon.” In the driver's seat was a teenager. It sent me down memory lane, and reminded me that if you ever need to take a Greyhound bus somewhere, make sure you show up early so you don't spend 8 hours in a row with someone eating hard boiled eggs!

Back to Jon:

Callsigns. *Iceman*, *Maverick*, and *Hollywood* are great for the movies. But in practice, the best ones from my memory are those not particularly appreciated by the recipient. Mark, my roommate in flight school was a cocky Midwesterner from Indiana. He had arrogantly stated that he'd resign if he were assigned to fly helicopters. Fortunately, he got “jets”, but after checking into his F-14 squadron, he'd be forever known as *Patch* for the peculiar white patch of hair he had on the left side of his otherwise dark brown pate. In my first operational helicopter squadron, HSL-37 in Barber's Point, Hawaii, a pilot arrived about a year into my stay with a reputation that preceded him. Not long after check-in, he made the huge mistake of suggesting his own call-sign, “Smooth”, to account for his self-perceived abilities with the ladies. Of course he became, *Not So*. As for me, my least favorite call-sign, thank goodness only temporary, came after returning from a particularly dark night of ship landings off the eastern coast of Oahu. Apparently, my herky-jerky approach to the landing spot on the stern of the Knox class frigate scared the ship's helicopter control officer so much, I became *Crash*.

Until next month, with warmest regards,

Jon, Collin, & Kelly

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