GWM Monthly Newsletter

Gauthier Wealth Management

Jon Gauthier, CFP® APMA® CRPC®
President
Gauthier Wealth Management LLC
330 E. Coffee Street • Suite 4011 • Greenville • SC • 29601
704-661-6419
jon@gauthierwm.com • http://www.gauthierwm.com

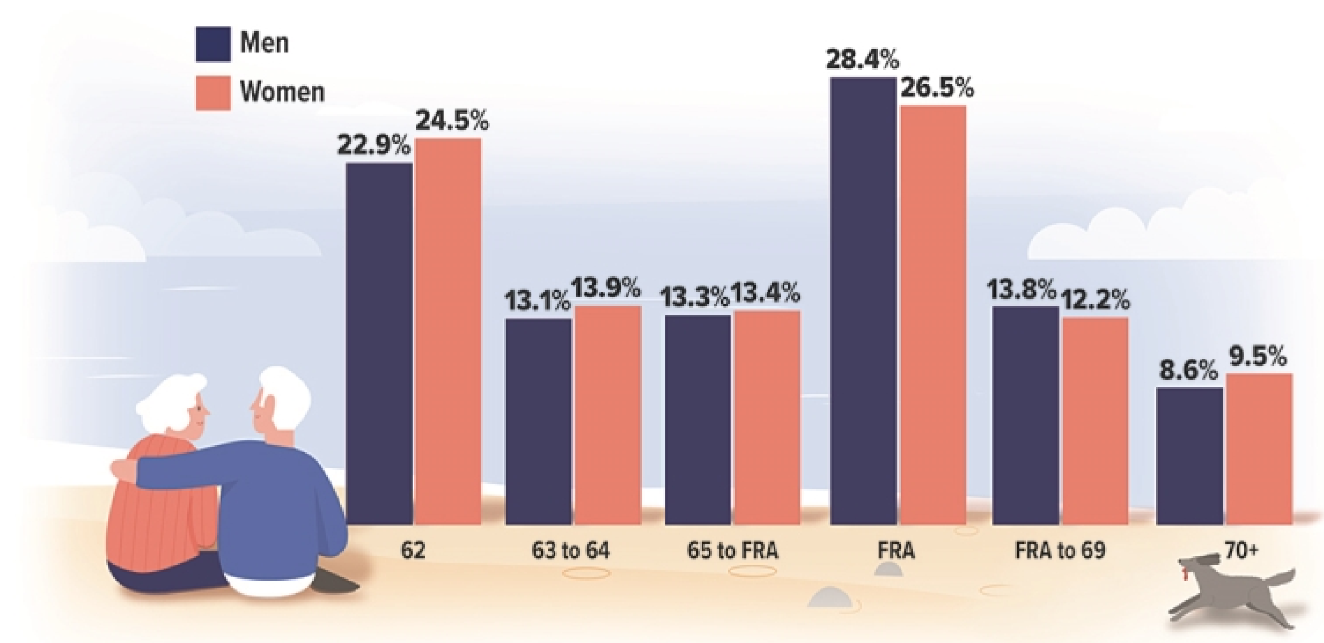
Happy Spring! The March jobs report shows the robust creation of 303,000 jobs while the unemployment rate declined slightly to 3.8 percent. The largest contributors to jobs were health care (72,000), government (71,000), and hospitality (49,000). Meanwhile, wages increased 0.3 percent, or 4.1 percent from a year ago. The household survey shows a mixed report of a net loss of 6,000 full-time jobs and an increase of 691,000 part-time jobs. At the same time, the number of workers reporting two or more jobs increased 217,000. This underscores well the joy and angst of the American consumer. And because the economy and inflation risks remain too strong for interest rate cuts, we wait a little longer. I hope you enjoy the warmer days of spring with family and friends!

All the Best, Jon Gauthier, President, GWM

If you are not connected to GWM on LinkedIn, request a link at: Linkedin.com/in/jon-gauthier-cfp/. You can also catch up on our latest activities at our Web site, www.gauthierwm.com.

When Do People Start Collecting Social Security?

There's no "right" age to begin receiving Social Security retirement benefits. It's a personal decision based on multiple factors, including how long someone wants to work and how much retirement income is needed. Workers are entitled to full benefits at their full retirement age (FRA) — 66 to 67, depending on year of birth. Claiming before FRA (as early as age 62) will result in a permanently reduced benefit, while claiming later will result in a permanently increased benefit due to delayed retirement credits, which can be earned up to age 70.



Source: Social Security Administration, 2023 (based on 2022 data)

Due Date Approaches for 2023 Federal Income Tax Returns

Tax filing season is here again. If you haven't done so already, you'll want to start pulling things together — that includes getting your hands on a copy of your 2022 tax return and gathering W-2s, 1099s, and deduction records. You'll need these records whether you're preparing your own return or paying someone else to prepare your tax return for you.

Don't procrastinate. The filing deadline for individuals is generally Monday, April 15, 2024.

Filing for an extension

If you don't think you're going to be able to file your federal income tax return by the due date, you can file for and obtain an extension using IRS Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return. Filing this extension gives you an additional six months (to October 15, 2024) to file your federal income tax return. You can also file for an extension electronically — instructions on how to do so can be found in the Form 4868 instructions.

Due Dates for 2023 Tax Returns

Tax to do:

April 15, 2024

- [x] Most taxpayers must file tax return and pay tax or file for 6-month extension and pay estimated tax

June 17, 2024*

- [ ] Taxpayers living (or serving in the military) outside the U.S. on April 15, 2024, must file tax return and pay tax or file for 6-month extension and pay estimated tax

*Interest is due on taxes paid after the April filing date

October 15, 2024

- [ ] Taxpayers who filed for an extension must file tax return and pay any additional tax

Filing for an automatic extension does not provide any additional time to pay your tax. When you file for an extension, you have to estimate the amount of tax you will owe and pay this amount by the April filing due date. If you don't pay the amount you've estimated, you may owe interest and penalties. In fact, if the IRS believes that your estimate was not reasonable, it may void your extension.

Note: *Special rules apply if you're living outside the country or serving in the military and on duty outside the United States. In these circumstances, you are generally allowed an automatic two-month extension (to June 17, 2024) without filing Form 4868, though interest will be owed on any taxes due that are paid after the April filing due date. If you served in a combat zone or qualified hazardous duty area, you may be eligible for a longer extension of time to file.*

What if you owe?

One of the biggest mistakes you can make is not filing your return because you owe money. If your return shows a balance due, file and pay the amount due in full by the due date if possible.

If there's no way that you can pay what you owe, file the return and pay as much as you can afford. You'll owe interest and possibly penalties on the unpaid tax, but you'll limit the penalties assessed by filing your return on time, and you may be able to work with the IRS to pay the remaining balance (options can include paying the unpaid balance in installments).

Expecting a refund?

The IRS has stepped up efforts to combat identity theft and tax refund fraud. More aggressive filters that are intended to curtail fraudulent refunds may inadvertently delay some legitimate refund requests. In fact, the IRS is required to hold refunds on all tax returns claiming the earned income tax credit or the additional child tax credit until at least February 15.

Most filers, though, can expect a refund check to be issued within 21 days of the IRS receiving a tax return. However, note that in recent years the IRS has experienced delays in processing paper tax returns.

So if you are expecting a refund on your 2023 tax return, consider filing as soon as possible and filing electronically.

Market Measures: Beyond the Dow

When you hear or read that the market is up or down, what does that really mean? More often than not, it reflects movement in the two best-known stock market indexes, the Dow Jones Industrial Average and the S&P 500.

In fact, there are hundreds of indexes that track various categories of investments. While you cannot invest directly in an index, you can buy funds that track specific indexes, and you can look at indexes as a benchmark for certain portions of your portfolio. For example, the Dow or the S&P 500 might be a reasonable benchmark for your domestic stocks and stock funds, but you should not expect your entire portfolio to match the performance of those indexes.

Here are some commonly cited indexes.

The **Dow Jones Industrial Average** tracks stocks of 30 large well-known U.S. companies across a variety of business sectors. Originally a true average of stock prices, it now uses a divisor to adjust for stock splits, distributions, and substitutions — making it a *price-weighted index* rather than a true average.[1]

Unlike the Dow, the following indexes are weighted based on *market capitalization,* the value of a stock's outstanding shares. Market-cap-weighted indexes are skewed toward the performance of the larger companies in the index.

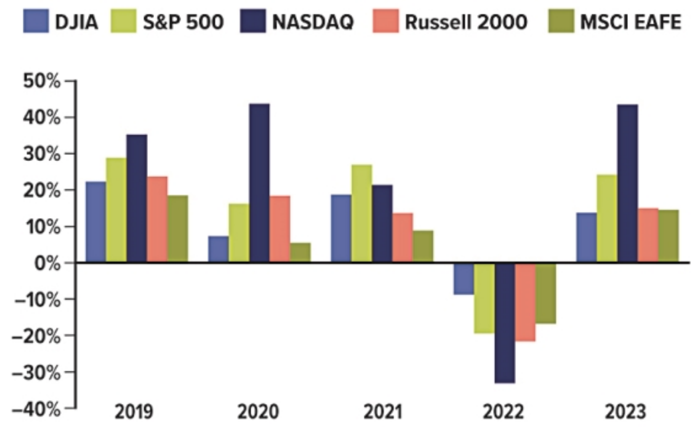
The **S&P 500** tracks a much broader range of large U.S. companies (large caps) than the Dow and is often considered representative of the U.S. stock market in general. However, it does not capture mid-size companies (mid caps) or small companies (small caps), which generally carry higher risk and higher growth potential than large companies and are tracked by the **S&P MidCap 400** and **S&P SmallCap 600,** respectively. Together these three indexes comprise the **S&P Composite 1500.** The number of stocks in S&P indexes may vary slightly from the number indicated in the name.[2]

The **NASDAQ Composite Index** tracks all domestic and foreign stocks traded on the Nasdaq Stock Market (about 3,400 in early 2024). It includes companies of all sizes across a range of industries but is heavily weighted toward technology companies. Many Nasdaq stocks carry higher growth potential but greater risk than the large domestic stocks tracked by the Dow and the S&P 500. The **Nasdaq-100** tracks the largest non-financial companies traded on the Nasdaq.[3]

The **Russell 3000 Index** tracks stocks of the 3,000 largest U.S. companies, ranked by market capitalization. The **Russell 1000 Index** tracks about 1,000 of the largest, essentially a combination of large caps and mid caps. The **Russell 2000 Index** tracks the rest and is the most widely used benchmark for U.S. small-cap stocks.[4]

Five Indexes, Five Years

Annual index performance (price only), 2019 to 2023



Source: London Stock Exchange Group, 2024, for the period 12/31/2018 to 12/31/2023. Dow Jones Industrial Average (DJIA) Price Index, S&P 500 Composite Price Index, NASDAQ Composite Index (price), Russell 2000 Price Index, and MSCI EAFE Price Index. The performance of an unmanaged index is not indicative of the performance of any specific security. Past performance is no guarantee of future results. Actual results will vary.

The **FT Wilshire 5000 Index** tracks the performance of all U.S. stocks with readily available price data, making it the broadest measure of the U.S. stock market. When established in 1974, the index contained around 4,700 stocks, and grew to more than 7,500 in 1998. The number has dropped since then, largely due to corporate consolidation, and the index included about 3,400 stocks in early 2024.[5]

The **MSCI EAFE Index** tracks about 800 large- and mid-cap stocks in 21 developed countries outside the United States and Canada and is a widely accepted benchmark for foreign stocks. The **MSCI World Index** includes the same 21 countries plus the U.S. and Canada and is heavily weighted toward U.S. stocks.[6]

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. Investing internationally carries additional risks such as differences in financial reporting and currency exchange risk, as well as economic and political risk unique to the specific country. This may result in greater share price volatility.

Funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1–2) S&P Dow Jones Indices, 2024; 3) Nasdaq, 2024; 4) FTSE Russell, 2024; 5) Wilshire, 2024; 6) MSCI, 2024

New SAVE Repayment Plan Offers Key Benefits

In July 2023, the Department of Education launched a new income-driven repayment (IDR) plan for federal student loans called the Saving on a Valuable Education (SAVE) Plan. The SAVE Plan is the most generous IDR plan to date, and like all IDR plans, it calculates a borrower's monthly payment amount based on income and family size.

The SAVE Plan replaces the existing Revised Pay As You Earn (REPAYE) Plan, and all borrowers who are currently enrolled in REPAYE will be automatically transferred to SAVE.

How SAVE helps borrowers

The SAVE Plan has many benefits, including lower monthly payments, a full interest subsidy for the entire time a borrower is enrolled in the plan, and shortened repayment terms compared to previous IDR plans. SAVE is being implemented in phases, with some benefits taking effect in 2023 and others that are scheduled to take effect in July 2024.

Key benefits that took effect in 2023:

- The amount of income protected from loan payments increased from 150% to 225% of the federal poverty level. Borrowers whose incomes are at or below the 225% threshold will have a $0 monthly payment (this equates to about $32,800 a year for a single borrower or $67,500 for a family of four).
- Unpaid interest will not accrue, so loan balances won't grow as long as borrowers make their monthly payments as calculated under SAVE (even when a borrower's monthly payment is set to $0).

Key benefits scheduled to take effect in July 2024:

- For undergraduate loans, monthly payments will be capped at 5% of discretionary income (compared to 10% under REPAYE), and graduate loans will be capped at 10% of discretionary income. Borrowers who have both undergraduate and graduate loans will pay a weighted average each month of between 5% and 10% of their income based on the original principal balances of their loans.
- For borrowers with original principal balances of $12,000 or less, all remaining loan balances will be forgiven after 10 years of payments. For original loan balances over $12,000, the maximum repayment period will increase by one year for every additional $1,000 borrowed. For example, a $13,000 loan will be forgiven after 11 years of payments, a $14,000 loan will be forgiven after 12 years of payments, and so on. The maximum repayment period under SAVE will be 20 years if *all* loans in repayment are undergraduate loans and 25 years if *any* loans in repayment are graduate loans. (The same maximum terms of 20 and 25 years applied under REPAYE.)

To learn more and to enroll in the SAVE Plan, borrowers can visit studentaid.gov/idr.

Source: U.S. Department of Education, 2023