



HENDERSON HUTTER GROUP

QUARTERLY NEWSLETTER

A NOTE FROM LEE

For many of us, the end of summer brings changes in our lives, with the days getting shorter, schedules becoming more regular with the return of school, and football around the corner. Even if you don't have school age kids in your life, 'back to school' is a mindset and something that I've found stays with people long after leaving school. As a parent, I welcome the start of eighth grade for the rest



and routine it brings to my home: Sasha will no longer be putting me to bed and instead she will have a normal bedtime. (Well, one can hope.) This transitional period is not just about new schedules, driving in school zones again, and blissful Sundays on the couch; it also presents a prime opportunity to revisit and refine financial plans.

For our clients with kids in their lives, whether it be their own children, grandkids or even nieces and nephews, it's a season to consider their future education costs. Particularly when kids are young, the thought of planning for and sending a kid to college can seem like a task to be dealt with later down the road. But we like to say it's never too early to start planning, and a prime example is opening a 529 plan or increasing contributions to existing 529 accounts for those important kids in your life. These education savings accounts provide tax advantages and can significantly ease the financial burden of college tuition down the road. By setting up a 529 plan for your kids now, you can take advantage of compounded growth over time and make a substantial impact on their educational future.

We've been talking about the little ones, but I want to remind you that we're here to support you and your families at every stage of life. If you have a child, niece, nephew, or even a neighbor who might benefit from a bit of planning support, let us know. Even if we're not the right people for the job, we will gladly connect them with the appropriate resources for their stage of life. Supporting them is a part of our responsibility in supporting you.

Moreover, 'back to school' is an excellent time to revisit your long-term financial goals. Are you on track with spending, investments, and taxes? Have your family's needs changed? Perhaps there are additional gifts to charity or family that you'd like to make before the end of the year? Here at HHG we're here to help you navigate these changes and keep your financial goals on track. Drop us a note to let us know what's on your mind.

529 SAVINGS PLANS

A SMART WAY TO INVEST IN EDUCATION

With rising tuition costs, planning early for education expenses is more important than ever. Like Lee mentions above, a 529 savings plan can help you save for education for a loved one while enjoying tax advantages. Below are a few key points to understand.

TAX BENEFITS

- **Federal and State Tax-Free Earnings:** earnings in a 529 plan grow tax-free and withdrawals are also tax-free when used for qualified education expenses, such as tuition, room and board.
- **Tax penalties:** Withdrawals not used for eligible education expenses may be subject to income tax and a 10% federal tax penalty on earnings.

QUALIFIED EDUCATION EXPENSES

- **Higher Education and K-12:** Funds can be used for tuition, fees, books, supplies, and equipment for college or vocational schools, as well as up to \$10,000 per year for K-12 tuition.
- **Apprenticeship Programs:** Since 2017, expenses for registered apprenticeship programs and a lifetime maximum of \$10,000 to pay off student loans are considered qualified.

ESTATE PLANNING AND GIFT TAX BENEFITS

- **Gift Tax Exclusion:** Contributions to a 529 are considered gifts, allowing up to \$90,000 (\$180,000 for married couples) in one year without federal gift-tax consequences, if spread over five years.
- **Estate Planning:** Assets in a 529 are removed from the contributor's estate, potentially reducing estate tax liability while allowing the contributor to retain control.

FLEXIBILITY WITH SECURE ACT 2.0

- **Roth IRA Transfers:** Starting in 2024, unused 529 funds can be transferred to a Roth IRA in the beneficiary's name, offering more flexibility. The lifetime transfer limit is \$35,000, subject to annual limits.



KUNGL

IN THE INVESTMENT JUNGLE



Patrick Kungl, CFA
Portfolio Strategist

If the past is any prologue, the third quarter typically is an uneventful quarter in markets. That certainly hasn't been the case this year as we've had political chaos both domestically and abroad, active central banks (although not here in the US...), a tech selloff, and an economy that's sending more mixed-messages than my ex-girlfriend. The financial media has played their part with the trove of headlines we've seen in recent weeks. A successful journalist is defined by the number of clicks and views, giving the financial media significant influence on daily market moves. One piece of anecdotal evidence: a popular broadcast published an article about how a certain airline's earnings report was disastrous – leading to a 9% decline in its stock price. The publishing author was an intern. The stock price recovered in a matter of days.

Of the endless data points available in this day and age, we focus primarily on the fundamentals. Why? Empirical evidence finds that earnings expectations over the next twelve months have a 95% correlation to long-term equity movements. The forward-looking nature of markets are more concerned about the next twelve months rather than the last twelve months. Said another way, the windshield is larger than the rear-view mirror. We're encouraged by what's coming into view through the windshield. Earnings trends remain supportive for now – Q2 earnings are on track to show 12% growth (compared to 2Q23) which is bolstering 2024 annual earnings growth of 11%. Looking further through the windshield, 2025 calendar year earnings are on track to grow by 15%. Ideally, we see these estimates trend moderately lower over the next few months; markets tend to perform best when expectations are low and tend to be more dramatic when dealing with high expectations.

What's interesting is looking at where that earnings growth is coming from. The popular Magnificent 7 technology companies are

seeing their earnings decelerate from 49% in Q1 to 17% in Q4. First, this helps answer the question if we are in a tech bubble. The short answer is 'no,' because fundamentals have been supportive of their price action. However, as we see their growth rates decelerate as we move towards the fourth quarter, markets might begin to question whether elevated prices are warranted. Meaning, nothing is wrong is technology names; a lot of the good news is simply already priced in. Meanwhile, the other 493 companies are set to their earnings inflect from -1% in Q1 to 19% earnings growth in Q4. The smaller companies, trading at low prices with strong earnings prospects, are finally set to benefit from low expectations and noticeable growth prospects.

Back to the windshield analogy, there's room for storm clouds on the horizon. We've seen blue skies turn slightly gray after the last Fed meeting. Our outlook remains the same: the sooner the fed cuts, the less action they'll have to take. While they decided to hold rates steady during their July meeting, markets were quickly met with soft economic reports from the labor market and manufacturing segment. There's about 7 weeks between the July meeting and their September meeting, which could bring temporary storm clouds. We'll reserve judgment for now as the US economy is hard to bet against. However, if we do not see a clear path to rate cuts come September, there'd be heightened risk of recession and we'd look to bring out our recessionary playbooks. Luckily, we are not there yet – just keeping a keen eye on the downside risks.

Taking a Break for Team Development

... and why it matters

Team development and culture are vital for any organization, and sometimes, the best way to strengthen these aspects is by stepping away from the daily grind and focusing on the bigger picture. This summer, our team took a trip to Denver, where we had the opportunity to bond and grow in ways that simply aren't possible in the office.



We had the opportunity to get some mountain fresh air and go rock climbing in Boulder. We not only challenged ourselves physically but also relied on each other for support and encouragement. And we couldn't help but build in a little competition as we raced each other to the top of the course. *Spoiler alert:* Lee won.



We also spent time in meetings working with outside consultants to gain new perspectives, challenge the way we operate, and refine skills that we can bring back to our day-to-day roles. And of course, taking in a Rockies game at Coors Field allowed us to relax, have fun and enjoy each other's company in a more casual setting.



Last month, Lee and Christine traveled to NYC to attend a two-day workshop with Raymond James' top advisors. Lee led a discussion on one of his favorite topics – building a team.



As hurricane season ramps up down here in the Gulf South, being prepared is top of mind. Lee and Megan are here to guide you through essential disaster preparedness steps to ensure you and your family stay safe through [this video](#).



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