www.firestonecapital.com

QtrNotes

Qtr 4 October 2023

FIRESTONE CAPITAL MANAGEMENT

Volume 31 No. 4

End of Year Reminders:

- Medicare enrollment for existing enrollees runs from October 15th to December 7th. This is a good time to review coverages and make changes, if necessary.
- Employee contributions to retirement plans should be reviewed and finalized before year end.
- Self-employed business owners have until the end of the year to establish an individual 401(k) for the year.
- If you have a high-deductible health plan, review and finalize your contributions to your Health Savings Account before December 31st. The limits are $4,150 for self-only coverage and $8,300 for family coverage.
- Complete annual gifts by year-end. The current limit is $17,000 per person.
- IRA owners over age 73 must take their Required Minimum Distribution (RMD) by the end of the year. If your IRA account is managed by Firestone, we're taking care of this for you.
- Charitable donations for the year must be finalized.
- Your CPA may want to review your tax withholding at this time and make modifications if necessary.

Personal Consumption and Fiscal Policy

Over the past year, Americans have increased their spending by nearly 6.5%. Consumer spending makes up 68% of America's GDP – the most powerful force driving our economy. How does your budget compare?

Americans have been spending more, but where has the extra spending been directed? About two-thirds of the increases in recent spending are attributed to inflation, while one-third of new spending has gone to new goods and services. Health care costs and food have climbed the most, up 7-8%, while non-durable purchases like clothing and soap have seen more modest increases of only 2%. Inflation has fallen over the past year and is now under 4%, but is still too high.

The Federal Reserve's goal is to bring inflation down further, to 2%. Their strategy involves keeping interest rates high for an extended period, making debt less appealing. Consider that standard mortgage rates, which were as low as 2.5% a few years ago, are approaching 8%. Car loans, which ranged from 0-3%, are now running from 8-12%.

How are consumers managing the impact of rising prices and borrowing costs? As well as they can. Home sales have slowed dramatically, with rising mortgage costs limiting the number of buyers. Meanwhile, car sales are continuing, but buyers are making larger down payments to reduce monthly finance costs. In a sign that consumer restraint is extending to the rest of the economy, Bank of America has reported that its customers are becoming more careful of their credit card charges.

These changes in spending habits are exactly what the Federal Reserve was hoping to see when it began raising interest rates last year. The impact from rising rates is felt throughout the economy, and the trend is expected to accelerate.

Some economists applaud the Federal Reserve for having managed an economic deceleration targeted at reducing inflation, while avoiding a recession. After nearly two years of worrying about recession, the Fed's policy has shown some early success. However, we think it's too early to celebrate. The costs of rising rates have yet to become fully apparent, and consumers and businesses alike are still adjusting.

Index	9/30/2023	YTD
Dow Industrials	33,507.50	1.1%
S&P 500	4,288.05	11.7%
S&P Small-Cap	1,151.26	-0.5%
MSCI EAFE	2,031.26	4.5%
Bloomberg US Bond	2,024.02	-1.2%
US Treas 10-yr yld	4.6%	

If we haven't recently helped you analyze your cash flow situation, now would be a good time to schedule a meeting.

Pros and Cons of Private Investments

Private investments – limited offerings that are not traded on public exchanges such as the New York Stock Exchange – have been around for decades. These don't have the same regulations and requirements as publicly traded stocks, bonds, and other investment securities, which must be registered under federal laws and meet strict ongoing reporting mandates. Private funds raise money from investors through a process that is exempt from SEC registration. As a result, disclosure and transparency for private investments tend to be low, depending largely on the managers' willingness to share information.

In recent years, a hybrid form of private investment has evolved: private funds investing in real estate, debt, and other asset classes have started coming to market as SEC-registered investments, offering a better level of transparency. These investment vehicles include pooled funds and non-public or

(cont'd next page)

1501 Venera Ave., Suite 310
Coral Gables, Florida 33146
305.669.2119
www.firestonecapital.com

jack@firestonecapital.com
carol@firestonecapital.com
carlos@firestonecapital.com
anthony@firestonecapital.com

Safety in Numbers: Bad Flavor of the Month

Like music and movies, malware has its hot crazes and new styles. Hackers pay close attention to trends and adjust their tactics with alarming speed: from movie merchandise to technological fads to social and political campaigns, every popular movement spawns a new wave of tailored attacks.

Bad HR. Anything that causes anxiety can be leveraged to scare people into clicking bad links, and bogus emails from HR are now a common ploy. Emails that threaten layoffs, offer raises, or demand immediate action or attendance at online meetings have flooded inboxes for months.

Bad QR. QR codes can point to anything, including malware – before you scan, make sure it's legit. Malicious QR codes can be planted in emails, marketing materials, social media, online and print ads, etc.

Bad news. Hard on the heels of every disaster or tragedy comes a wave of phishing campaigns looking for the vulnerable moment of anxiety or compassion when somebody might be scared or duped into clicking a link. Cures for Covid, consumer warnings, political conspiracies, online petitions, campaigns to raise money for earthquake survivors or flood mitigation or pets orphaned by wildfire – any subject that hits the emotions may end up hitting your hard drive, hard.

Private Investments

(cont'd from page 1)

perpetual REITs (Real Estate Investment Trusts). Are these new variants of private investing worth considering?

Non-public investments offer potential benefits, particularly an expectation of greater returns and tax benefits for real estate holdings. A specific benefit is lower volatility in uncertain markets.

Publicly traded stocks are bought and sold continuously while markets are open, causing prices to change at every moment. Private investments are priced only once per month, or even once per quarter. Fewer pricing adjustments means lower volatility, especially in the short term. This doesn't actually mean lower risk, but the perceived valuation is likely to be more stable, especially in periods of stress when the public market may over-react to short-term news and economic alarms.

This benefit has its own drawback: reduced visibility into the true market value of your investment. With a publicly traded investment, you know precisely what it is worth each day, and you have the potential to sell at that price each day. With private investments, you have with only an estimate of the funds' value each month.

Private investments are also less liquid: you can't always sell them when you want to. Most SEC-registered non-public investments aim to provide monthly or quarterly liquidity to their investors, but in practice, investors can't rely on the liquidity to always be there. Non-public funds can limit redemptions during times of stress. Investors in these vehicles should be prepared for the possibility that it could take an extended period of time to redeem their investment.

A final concern is the degree of diversification, or lack thereof. While a non-public fund can give access to a diverse mix of underlying investments, it will still be more focused and less diversified than a typical mutual fund or exchange-traded fund (ETF), even a mutual fund with a specific investment focus. This is not necessarily a drawback, as long as the area of concentration is part of an overall strategy of diversification.

At Firestone, we have traditionally used daily marketable SEC-registered securities, like stocks, bonds, mutual funds, and ETFs: highly liquid, with solid track records, full SEC protections, and transparency for investors. However, with more offerings from well-established financial institutions on our radar, these newer SEC-registered private investments may be appropriate for some investors in certain situations.

Planning for Aging Parents

With many seniors living to an advanced age, planning for older parents can be a daunting task, especially if family members disagree on how to proceed. The first priority is to have discussions with all family members. Agree together who will be the point person for decisions about living arrangements, medical care and monitoring, financial matters, etc.

A current set of all estate documents should be stored in a place accessible to a trusted family member, friend, or advisor. These documents include trusts, durable powers of attorney, health care surrogates, and living will/terminal care directives. It helps if the person named as a health care surrogate is in a position to attend medical appointments with the aging senior, or at least establish direct communication with the primary physician. Medicare and Social Security may require special Power of Attorney forms, separate from the standard POAs.

Leaving large sums in an aging parent's bank account could leave them vulnerable to scams, or to the forgetfulness that comes with ordinary aging. Rather than taking away all autonomy, a solution may be to open a small checking account with minimal overdraft privileges, and set up dual signature requirements on the primary checking account. It's also wise to request duplicate bills from insurance companies and other vendors, close unneeded credit cards, and place proactive credit freezes with all three credit agencies.

A physically safe environment is crucial for aging seniors. Most seniors will wish to remain in their own homes; a thorough evaluation of safety issues should be made and options discussed.

Of course, it's best to begin these discussions when your parents can participate and make their wishes known. Although these discussions are challenging for all participants, greater peace of mind should follow.