THE PRINCIPLE NEWSLETTER

PRINCIPLE WEALTH PARTNERS

NOVEMBER 2023

Dear Friends,

As we enter the holiday season, historically a good time for the markets, remember the true spirit of the season: spreading joy, love, and compassion to those around you.

The surge in long term treasury yields from August to October led to some profit taking in the stock market. Looking ahead, we anticipate the Federal Reserve maintaining interest rates at current levels for the remainder of the year, with rate cuts on the horizon in 2024.

This quarter, corporate earnings for the S&P 500 will reach all-time highs, adding support to the current bull market.

In this edition of The Principle Newsletter, we delve into the impact of a Federal Reserve pivot on bond and cash yields. Additionally, we explore various tools to leave a meaningful legacy for future generations. Lastly, we reflect on the role philanthropy might play in your life and its potential impact on personal fulfillment and happiness.

Enjoy!

Robert S. Paolucci, CFP®
Founder & CEO

What's Inside

Is Cash The Place To Be?

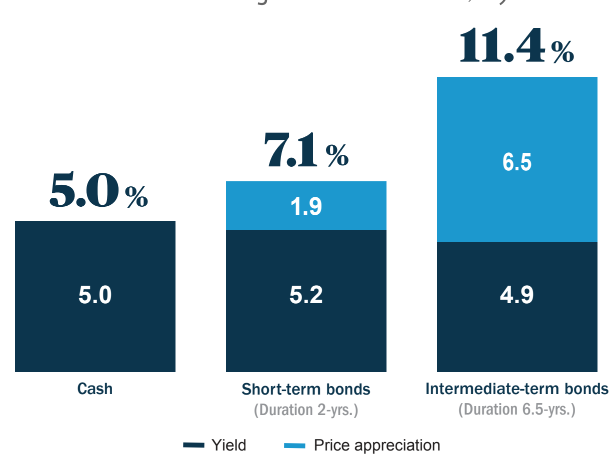
By Kyle J. Farrell, CFA

In 2022, the financial world was abuzz with headlines on the Federal Reserve's rapid rate hikes to combat rising inflation. This created an unexpected investment opportunity: cash became a viable choice. From 2008 to 2022, cash yielded just 0.60%, but in the current year, it returned 3.70%, surpassing its long-term average. Many capitalized on this by opening high-yield savings accounts or shifting cash to money market funds.

With the Federal Funds rate at 5.25%, high-yield savings accounts and money market funds seem appealing compared to bonds. However, looking forward, caution is needed as yields can drop quickly. When the Fed cuts rates, these yields plummet, making excessive cash holdings less attractive. As seen in the chart below, historically the most opportune time to invest in bonds is just prior to the federal reserve cutting interest rates, which is also when cash yields look most appealing.

Holding Cash Can Have A Cost

(12-month return in a falling rate environment, %)



Source: Columbia Threadneedle Investments, based on Bloomberg data. Returns are based on monthly data and are shown for the 15 years ending 08/31/23. Down market returns compare the return across assets during the months when the equity market experiences negative returns. There are risks associated with fixed-income investments, including credit risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer term securities. Equity market returns are represented by the S&P 500 Index. Cash is represented by the Bloomberg U.S. Treasury Bellwethers 3-month Index. Intermediate bonds are represented by the Bloomberg U.S. Treasury Bellwethers 5-yr. Index. Long-term bonds are represented by the Bloomberg U.S. Treasury Bellwethers 30-yr. Index. Past performance is not a guarantee of future results. An investment cannot be made in an index.

Leaving A Legacy To The Next Generation

By Theresa V. Donatelli

At a certain stage in life, we begin pondering the legacy we wish to imprint on future generations. The question arises: What kind of mark do I aim to leave on those who follow? Whether or not you have children of your own, you may have younger family members from the next generation whom you wish to empower and support. The good news is that numerous avenues are available to help shape the lives of those you care about.

Use Your Annual Gift Tax Exclusion

Utilizing your annual gift tax exclusion, you can provide cash or securities up to an IRS-defined limit to an unlimited number of individuals without incurring any gift tax obligations. The yearly limit can fluctuate, and for 2023, it stands at $17,000. If you are married, this allowance doubles to $34,000. This strategy proves effective in both offering financial support to your loved ones and mitigating your taxable estate.

Establishing A 529 Plan

If you aim to support your loved ones' educational aspirations, consider a 529 Plan as a valuable option. Each state offers its own plan with unique attributes, and Connecticut's CHET Plan, administered by Fidelity, is one such option. Notably, a portion of your contributions may be eligible for state income tax deductions. With 529 Plans, you can contribute up to five times the annual gift tax exclusion in a single year without incurring federal gift tax, but subsequent gifts to the same individual are restricted for five years. These contributions grow tax-free and, if used for qualified educational expenses, are not subject to taxes upon withdrawal. Additionally, under the SECURE Act 2.0, 529 Plan beneficiaries now have the opportunity to convert part of their 529 plans into Roth IRAs, subject to specific conditions.

Set Up An UTMA Or UGMA Account

Uniform Transfer to Minors Act (UTMA) and Uniform Gifts to Minors Act (UGMA) accounts offer flexible options for young individuals to save and invest. As the legal guardian of these accounts, you maintain control over fund usage and investments until the minor reaches the age of majority (typically 21 in Connecticut). Once the minor reaches adulthood, the assets are transferred to them, granting full control and the ability to utilize the funds for various purposes, such as purchasing their first home. Contribution limits and withdrawal restrictions do not apply, and since the accounts are tied to the minor's social security number, any investment earnings are taxed as their income rather than your own.

Use Your Beneficiary Designations

Leaving a legacy through beneficiary designations allows individuals to ensure their assets continue to benefit their loved ones long after they're gone. By designating beneficiaries on life insurance policies, retirement accounts, and other financial instruments, individuals can provide a direct and efficient means of transferring their wealth while avoiding probate. This thoughtful and deliberate approach empowers individuals to shape their legacy, providing financial security and peace of mind to those they care about most.

Leave Money Through A Direct Bequest Or A Trust

Consider including provisions for your loved ones in your estate plan through a direct bequest in your will. If your estate is larger or involves complex assets, establishing a trust might be a better option. Trusts can be tailored to unique situations, hold diverse assets, bypass probate, and potentially offer estate and gift tax advantages.

In the journey of contemplating the legacy we want to leave for future generations, it's a profound question: what kind of mark do we intend to make on those who follow? Thankfully, a plethora of options exist to achieve this noble goal. From using your annual gift tax exclusion to set up 529 Plans, UTMA, or UGMA accounts, to employing beneficiary designations and crafting direct bequests or trusts in your estate plan, these avenues offer versatile tools to shape the lives of those we deeply care about. By making thoughtful decisions today, we can ensure our legacy endures, providing financial security and a lasting impact on the ones we hold dear.

The Joy of Giving Back

By John Hannigan, CFP®

For many individuals, philanthropy plays a significant role in their financial strategy. In addition, it's worth noting that giving can have a profound impact on your personal happiness. A notable study, initially conducted in 2008 and later re-evaluated in 2020, with its findings published in the Harvard Business Review, highlighted the positive effects of giving to others on one's well-being. The same holds true when it comes to dedicating your time through volunteering. Volunteering not only enhances your physical and mental health but also sets a positive example for those in your community, all while contributing to the betterment of the world!

Giving thoughtfully, in a manner that optimizes the impact of your donation while also taking into account tax considerations, can enable you to further amplify your charitable goals. By adhering to the suggestions and principles outlined below, you can fully embrace the gratification of giving.

Think about what is important to your family

At first, it may seem overwhelming to decide where to give. Start by focusing on the things that are important to you and your family. Involving family members not only broadens conversations, it teaches others about giving. Select causes that matter to you and your loved ones, whether they are health-oriented, cultural, educational, social, or a combination.

Choose organizations to support

Once you've picked a cause or causes you care about, deciding on the "right" organizations to give to can also be daunting. Make sure you are giving to legitimate charities, typically designated as a 501(c)(3) organization. You can check online through the IRS to verify that an organization is registered as tax-exempt. While you may be tempted to spread your time and money across numerous causes, "focused giving" to a smaller number of organizations allows you to make a more significant difference with your contributions.

Volunteer your time

You may have a skill or expertise that could directly benefit a charitable cause – such as carpentry skills, a background in social media, or finance. Including the younger generation in your efforts is a great way to include them, teach them empathy, and share your values about the causes you are interested in and the effort needed to support them.

Give in a manner consistent with your wealth goals

If you want to support causes monetarily, there are a number of ways to do so, including giving directly, establishing public and private foundations and endowments, through donor-advised funds and/or complex trust structures. Use your advisor as an extra set of eyes for efficiency.

Ways to Give	Pros and Cons
Giving directly	Makes an immediate impact, is cost-effective, and may provide tax benefits if you give appreciated assets but may provide less flexibility in timing and direction of how your gift is used.
Donor-advised funds	Enable you to realize the tax benefits from your giving in the near-term, and your assets grow tax-free while allowing you to decide where to give in the future. But there are limitations to how you can give, and you may have limited choices in how the assets are managed.
Foundations and Endowments	Can allow for an effective sustainable giving strategy and very specific gifts but can be complex and expensive to set up and administer.
Trust structures	Provide tax benefits to your estate and allow you to give to charity while also providing a legacy to other beneficiaries or benefiting from an income stream for a period before the proceeds are distributed to the charitable organization. However, they can be complex and costly to set up, and if the assets drop in value, you could be leaving less to your beneficiaries than you intended. Once established, the trusts are irrevocable.

Giving can be an incredibly fulfilling endeavor, but it's a deeply personal decision that involves both you and your family. It's crucial not to rush into it; instead, start your planning early in the year. Engage with your financial, legal, and tax advisors who can assist you in identifying the most advantageous giving strategies tailored to your unique circumstances and objectives.

Community Outreach

Columbus House

Columbus House in New Haven serves people who are homeless or at risk of becoming homeless. They provide shelter, housing, and other necessities, to foster their personal growth. This July, PWP donated to fund a meal for over 60 patrons. Kate, Josh & Megan were on site to pass out dinner and dessert with a friendly smile! For more information on Columbus House, visit columbushouse.org.

Kids Day, St. Vincent de Paul Place

Despite the rain on Kids Day in August, PWP along with volunteers from other businesses, participated in a spirited day for kids where they played basketball, did crafts , legos and bowling, received back-to-school haircuts, and ate hot dogs for lunch! We collected and donated personal care items in contribution to their 10,000 "hygiene bags" that they distribute annually to their patrons. To learn more about this amazing organization, visit SVDPP.org.

Firm News & Announcements

We're Growing!

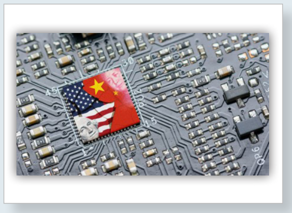
The family is growing and it needs more space. We are excited to announce that we will be breaking ground on a new Madison headquarters this winter, with an anticipated opening in the first quarter of 2026!

A New Look is Coming Soon!

We will soon be unveiling our freshly redesigned website, reflecting our commitment to delivering an enhanced and seamless client experience.

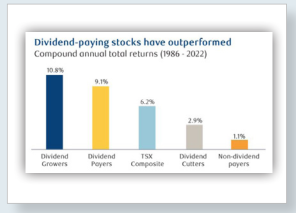
For the second consecutive year, Principle Wealth Partners has been named one of the Top RIA Firms in the nation by Forbes, and the top ranked firm in CT. The Forbes/Shook Top RIA list, recently released, names 250 advisory firms with cumulative assets of more than $1.1 trillion.

A Look Back at Past Perspectives and Insights



April Monthly Movements

It's hard to imagine a world without microchips. We explore the vital role they play in our lives, the challenges of producing microchips, and the consequences of any disruption to their supply chain.

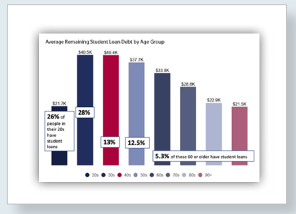


May Monthly Movements

There may be nothing flashy about dividends but they play a critical role in your portfolio. We dive into why dividends are one of the foundational principles of successful investing.

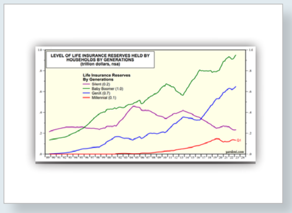
June Monthly Movements

We look at the ins and outs of the largest business in the world, the United States Government. We review the challenges it faces with the mounting national debt.



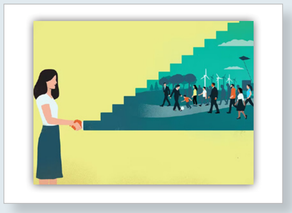
July Monthly Movements

Student loan repayments are set to return in October 2023, after a 3.5 year pause. Read our piece to see what the impact may be for 43.2 million borrowers.



August Monthly Movements

We look at how the wealth transfer from Baby Boomers will reshape the government, policies, and taxation. Will it impact estate taxes and the motivation of younger generations? Only time will tell!

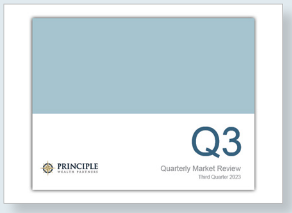


Advisor Voices: How RIAs Are Meeting the Moment

Andrew Cialek, CFP®, Wealth Advisor, shares his perspective on how advisors can best position themselves for organic growth and deeper client relationships in an evolving industry.

Q2 2023 Quarterly Market Review

Our quarterly market review covers headlines and performance of equity, fixed-income, international, and emerging markets for the second quarter.



Q3 2023 Quarterly Market Review

In our third quarter review, we take a broad look at what happened in the Capital Markets in Q3 2023.

Click to watch our Market Update videos

July Market Update | August Market Update
September Market Update | October Market Update

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*Awarded to Robert S. Paolucci, CFP® in 2019, 2020, 2021, 2022. Awarded to Robert S. Paolucci, CFP® and Colin M. Dugan, CFP® in 2023.
**Awarded to Robert S. Paolucci, CFP® in 2021, 2022, 2023.
Forbes Best-In-State Top Next-Gen Wealth Advisors 2023 Awarded to Colin M. Dugan.

Barron's "Top 100 1,200 Financial Advisors," March, 2023. Barron's "Top 1,200 Financial Advisors" bases its ratings on qualitative criteria: professionals with a minimum of seven years of financial services experience, acceptable compliance records, formal succession plans, high client retention, and more. Financial Advisors are quantitatively rated based on varying types of revenues and assets advised by the financial professional, regulatory records, quality of practice and philanthropic work with weightings associated for each. Because individual client portfolio performance varies and is typically unaudited, this rating focuses on customer satisfaction and quality of advice. The rating may not be representative of any one client's experience because it reflects a sample of all of the experiences of the Financial Advisor's clients. The rating is not indicative of the Financial Advisor's past or future performance. Neither Principle Wealth Partners nor its Financial Advisors pay a fee to Barron's in exchange for the rating, however Principle Wealth Partners does pay to use the award ribbon for marketing materials. Principle Wealth Partners is not affiliated with Barron's or Dow Jones & Company, L.P. All of the information provided has been obtained from sources considered to be reliable, but we do not guarantee its accuracy or completeness, and does not constitute a recommendation. Barron's is a registered trademark of Dow Jones & Company, L.P. All rights reserved.

The 2023 ranking of the Forbes' Best–in–State Wealth Advisors1 list was developed by SHOOK Research and is based on in–person and telephone due–diligence meetings to evaluate each advisor qualitatively and on a ranking algorithm that includes client retention, industry experience, review of compliance records, firm nominations, and quantitative criteria (including assets under management and revenue generated for their firms). Overall, approximately 39,007 advisors were considered, and approximately 7,321 (approximately 18.8 percent of candidates) were recognized. The full methodology2 that Forbes developed in partnership with SHOOK Research is available at www.forbes.com. 1This recognition and the due–diligence process conducted are not indicative of the advisor's future performance. Your experience may vary. Winners are organized and ranked by state. Some states may have more advisors than others. You are encouraged to conduct your own research to determine if the advisor is right for you. 2Portfolio performance is not a criterion due to varying client objectives and lack of audited data. SHOOK does not receive a fee in exchange for rankings. Methodology: https://www.forbes.com/sites/rjshook/2023/04/04/methodology-americas-top-wealth-advisors-2023/.

CityWire RIA, July 2022 Methodology: This report is based on the most recent Form ADV data reported to the Securities and Exchange Commission at the time of publication, as helpfully gathered by a data partner, Discovery Data. Only firms that manage more than $100m were considered, and which aren't affiliated on a firm level with a broker-dealer or other institution (though a firm's employees may be dually registered). Since we wanted to make sure we were only considering financial planning-oriented RIAs and not money managers, we excluded firms that don't report having many financial planning clients. And, in the spirit of fostering apples-to-apples comparisons, we also generally excluded those where the bulk of assets were non-discretionary. We've also endeavored to remove RIAs whose assets under management aren't truly 'theirs", so we did our best to strike companies that are primarily back-end service providers, operating under brand names that are likely unknown to the retail clients being served. Then we looked at percentage growth in AUM and percentage growth in employees over the last three years, summed those numbers, and came up with our 'growth score.' If a firm grew AUM by $100m over the past three years, it got a leg up in the rankings. From there it was simple to select the winner in each state, and then the runners-up if there were any. After doing all this, we reached out to some of the firms to learn more. The RIAs in this supplement did not ask to be here. There was no way to compensate to be considered or to be named. For that matter, they could not do anything to not be named. The mention of a RIA is not at all an endorsement of its services or its business.

FA Magazine, July 2022 FA's RIA survey is a ranking based on assets under management at year end of independent RIA firms that file their own ADV with the SEC. FA's RIA ranking orders firms from largest to smallest, based on AUM reported to us by firms that voluntarily complete and submit FA's survey by our deadline. We do our best to verify AUM by reviewing ADV forms. To be eligible for the ranking, firms must be independent registered investment advisors and file their own ADV statement with the SEC and provide financial planning and related services to individual clients. Firms must have at least $500 million in assets under management as of December 31, 2021, to be included in the print edition of Financial Advisor magazine's 2022 RIA survey. Firms with under $500 million will be included in FA's expanded 2022 online RIA survey. Hybrid RIA firms, corporate RIA firms and investment advisor representatives (IARs) are not eligible for this survey. No fee was paid by either Financial Advisor magazine or Principle Wealth Partners for inclusion on this list, however, a fee was paid for the use of the award logo in marketing materials. Principle Wealth Partners and Financial Advisor magazine are not affiliated.

Source: SHOOK ® Research, LLC – October 2023 – Data as of 12/31/22. America's Top Registered Investment Advisor Firms ranking was developed by SHOOK Research and is based on in-person, virtual and telephone due diligence meetings and a ranking algorithm that includes: a measure of best practices, client retention, industry experience, review of compliance records, firm nominations; and quantitative criteria, including revenue trends and assets under management of their firms. Investment performance is not a criterion because client objectives and risk tolerance vary, and advisors rarely have audited performance reports. Neither SHOOK nor Forbes receive compensation in exchange for its Registered Investment Advisor Firm placements or rankings, which are determined independently (see methodology above). Participation in this directory is limited to ranked firms; once placed on a ranking, firms may choose to pay fees to Forbes and Shook for premium listing features as indicated by highlighted names. Principle Wealth Partners has not paid SHOOK Research, LLC to be included on this list, however, Principle Wealth Partners has paid for the use of the award logo on various media. SHOOK's research and rankings provide opinions intended to help investors choose the right financial advisor or firm and are not indicative of future performance or representative of any one client's experience. Investors must carefully choose the right advisor or firm for their own situation and perform their own due diligence. Past performance is not an indication of future results. For more information, please see www.SHOOKresearch.com, SHOOK is a registered trademark of SHOOK Research, LLC. Principle Wealth Partners and SHOOK Research, LLC are not affiliated.

SHOOK ® Research, LLC – August 2023 – Data as of 12/31/21. America's Top Next-Gen Wealth Advisors Best-In-State ranking was developed by SHOOK Research and is based on in-person, virtual and telephone due diligence meetings and a ranking algorithm that includes: experience in the industry, revenue trends, compliance records, assets under management and best practices. Over 42,000 nominations were received and 3,738 advisors were considered for a Next-Gen ranking. Investment performance is not a criterion because client objectives and risk tolerance vary, and advisors rarely have audited performance reports. Neither SHOOK nor Forbes receive compensation in exchange for its Top Next-Gen Wealth Advisors Best-In-State placements or rankings, which are determined independently. Participation in this directory is limited to ranked advisors; once placed on a ranking, advisors may choose to pay fees to Forbes and Shook for premium listing features as indicated by highlighted names. Neither Principle Wealth Partners nor its advisors have paid SHOOK Research, LLC to be included on this list, however, Principle Wealth Partners and its advisors have paid for the use of the award logo on various media. SHOOK's research and rankings provide opinions intended to help investors choose the right financial advisor or firm and not indicative of future performance or representative of any one client's experience. Investors must carefully choose the right advisor or firm for their own situation and perform their own due diligence. Past performance is not an indication of future results. For more information, please see www.SHOOKresearch.com, SHOOK is a registered trademark of SHOOK Research, LLC. Principle Wealth Partners and SHOOK Research, LLC are not affiliated.