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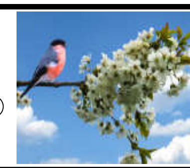

Welcome to the Q2-2024 issue of *Frank***lySpeaking**©, now in its 32nd year. The purpose of this newsletter is to keep you informed of current issues and global events that could impact your finances. Please feel free to share your thoughts with us, as we welcome your comments.

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In This Issue

Economic and Market Commentary

The U.S. economy began 2024 on a strong note. There were various indicators of business activity, labor markets, sentiment, and inflation that had generally been moving in a favorable direction.

However, several headwinds including rising consumer debt and elevated interest rates are beginning to weigh on this economic growth.

While there is no longer any forecast of a recession in 2024, it is expected that consumer spending growth will slow and for overall GDP growth to slow, possibly to under 1% over Q2 and Q3 2024.

Afterwards, inflation and interest rates should normalize, and quarterly annualized GDP growth should move toward its potential of near 2% in 2025.

U.S. consumer spending held up remarkably well in 2023 despite elevated inflation and higher interest rates, however, this trend is already beginning to soften in early 2024.

For instance, retails sales growth over the first two months of the year was weak.

Gains in real disposable personal income growth are softening, pandemic savings are dwindling, and household debt is increasing.

Unfortunately, consumers are spending more of their income on servicing existing debt and subsequently, delinquencies are rising.

Additionally, the pay later part of those buy now, pay later plans are growing and will weigh on future spending as the bills come due.

It is feared that the overall consumer spending growth will gradually slow to a standstill in Q3 2024 as households struggle to find a new balance between income, debt, savings, and spending.

While labor market conditions are expected to soften over this period, they are not expected to deteriorate.

As inflation and interest rates decrease, consumption should expand once again in late 2024.

Following a bounce in early 2023, business investment growth slowed in the second half of 2023 as interest rate increases made financing more expensive.

This trend will intensify in the first half of 2024 as the Fed resists calls to cut interest rates, not likely until June 2024 or later.

Residential investment, which had been contracting since 2021, began to grow again in the third quarter of 2023. Persistent demand for homes and a supply shortage was the driver.

Looking ahead, residential investment growth is not expected to sustainably improve until interest rates begin to fall.

Government spending was a positive contributor to growth in 2023 due to federal non-defense spending associated with infrastructure investment legislation passed in 2021 and 2022.

However, growth is likely to slow in 2024 and 2025 as infrastructure spending stabilizes.

Furthermore, political volatility surrounding fiscal policy, debt, and outlays could impact government spending over the next few years.

Labor market tightness has been remarkably persistent over the last year and is expected to continue over the coming quarters and is not expected to collapse even as the economy slows.

The tightness largely reflects a shrinking labor force as Baby Boomers retire. Accordingly, businesses are not likely to lay off workers.

The battle of inflation is expected to experience continued progress over the coming quarters, but there will be bumps.

Source: The Conference Board Economic Forecast for the U.S. Economy 3/21/2024

And the big question of the day is when will the Federal Reserve begin cutting interest rates?

That's the question that has dogged markets for the past few months.

Expectations about the timing and magnitude of interest rate cuts have changed dramatically.

Earlier this year, the federal funds futures market had priced in as many as six 25-basis-point (0.25%) cuts to the federal funds target rate.

Now that number is down to three, implying a year-end federal funds rate of 4.75%.

Some economists are even suggesting that the Fed won't lower interest rates this year at all, due to the strength of the economy and the risk that inflation will remain too high.

One reason for the volatility in expectations is that the Fed has pushed back on the prospect for a rapid pace of rate cuts.

Rather, it has indicated that it is "data dependent," watching every data point to assess the next policy move.

That leaves investors to react to every economic indicator and extrapolate the results into the future, creating a bumpy road for markets.

We still see room for the Federal Reserve to cut by three-quarters of a point this year, but if inflation continues to become stronger than expected, the Fed might prefer to keep the rate elevated and cut less than expected.

Mortgage Rates Drop Slightly

MCLEAN, VA, March 28, 2024 (GLOBAL NEWSWIRE) - Freddie Mac (OTCQB: FMCC) today released the results of its Primary Mortgage Market Survey® (PMMS®), showing that the average 30-year fixed-rate mortgage averaged 6.79%.

The 30-year fixed-rate mortgage (FRM) averaged 6.79% for the week ending March 25,2024, down from the previous week when it averaged 6.87%. A year ago, at this time, the 30-year FRM averaged 6.32%.

The 15-year FRM averaged 6.11%, down from the previous week when it averaged 6.87%. A year ago, at this time, the 15-year FRM averaged 5.56%.

(Beginning in November 2022, they no longer publish fees/points or adjustable rates.)

The PMMS is focused on conventional, conforming, fully amortizing home purchase loans for borrowers who put 20% down and have excellent credit.

Average commitment rates should be reported along with average fees and points to reflect the total upfront cost of obtaining the mortgage.

(Borrowers may still pay closing costs which are not included in the survey.)

Sam Khater, Freddie Mac's Chief Economist stated that mortgage rates moved slightly lower this past week, providing a bit more room in the budgets of some prospective homebuyers.

He added that they were seeing encouraging data on existing home sales, which reflects improving inventory, however, rates remain elevated near 7% as markets watch for signs of cooling inflation, with hopes that rates will come down further.

Caring for Aging Parents

Thanks to healthier lifestyles and advances in modern medicine, the worldwide population over age 65 is growing.

In the past decade, the population of Americans aged 65 and older has grown 38% and is expected to reach 94.7 million in 2060. As our nation ages, many Americans are turning their attention to caring for aging parents.

For many people, one of the most difficult conversations to have involves talking with an aging parent about extended medical care.

The shifting of roles can be challenging, and emotions often prevent important information from being exchanged and critical decisions from being made.

When talking to a parent about future care, it's best to have a strategy for structuring the conversation. Here are some key concepts to consider.

Covering the basics by knowing ahead of time what information you need to find out may help keep the conversation on track.

Make a checklist of essential contacts and daily needs. Include their primary physician, any specialists and a list of medications and supplements. It is important to know any allergies to medication.

It is also important to know the location of medical and estate management paperwork, including their Medicare card, supplemental insurance information and long-term care coverage.

Make sure there is a current durable power of attorney for healthcare. Update wills, including their living will, trusts, and other documents.

Be thorough, remember that if you can collect all the critical information, you may be able to save your family time and avoid future emotional discussions.

While checklists and scripts may help prepare you, remember that this conversation could signal a major change in your parents' life.

The transition from provider to dependent can be difficult for any parent and has the potential to reveal old issues.

Be prepared for mixed emotions and the unexpected. Do your best to get all the information you need.

Always keep the lines of communication open. The difficult conversation you will experience will not be the only one you will have with your parents about their future healthcare needs.

More than likely, it will be just the beginning of an ongoing dialogue.

Consider involving other siblings in the discussions. Even though one family member takes a lead role when caring for parents, all family members should have the opportunity to voice their opinions, feelings, situations, and needs.

In any case, don't procrastinate, it doesn't get any easier when you put things off.

The sooner you begin to communicate about these important issues, the more likely you will be able to have all the information you need if and when a crisis arises.

How will you know when a parent needs your help? Look for indicators like fluctuations in weight, failure to take medication, new health concerns, and diminished social interaction.

Don't avoid the warning signs that additional care is necessary just because you are uncomfortable. Waiting will only make you more so.

Keep in mind that whatever your relationship with your parents has been, this new phase of life will present challenges for both parties.

By treating your parents with love and respect and taking the necessary steps toward open communication, you will be able to provide the help needed during this new phase of life.

Is College Worth It?

The rising cost of tuition signals increased student loan debt, and many young Americans are wondering whether they should even pursue a traditional college degree.

The decision to attend college is a serious one, and it has lifelong implications.

Changes in the U.S. economy and the employment market, along with a revolution in technology, are causing high school graduates and their families to carefully consider the costs and benefits of a traditional college education.

Many young Americans are questioning whether they should pursue traditional college degrees, technical training, online education, or apprenticeship programs.

And for those who choose the conventional college experience, the debate persists over whether to continue to graduate or professional school.

A recent Gallup poll found that 87% of Americans say it is either “very important” or “fairly important” to have a college education today.

Another survey found that 82% of Americans believe that people who pursue further education will have more job opportunities than those who don’t, while 78% believe further education offers a good return on investment for the student.

There’s good evidence to support these claims.

Of all full-time year-round workers between the ages of 35 and 44 earning $100,000 more annually, 5% only possess a high school degree, while 28% have a bachelor’s degree and that number jumps to 43% for those with an advanced degree.

In 2020, the Bureau of Labor Statistics highlighted ten of the fastest growing occupations between 2019 and 2029. All ten occupations typically require at least a bachelor’s degree.

This whitepaper examines the costs and benefits of attending college today in hopes of helping families and young Americans make appropriate education-related choices for their futures.

Tuition is only what you pay a college for academic instruction.

Additional fees run the scope from student activity fees to parking, and they are typically mandatory.

Tuition and fees vary widely between public and private colleges.

The average annual estimated full-time undergraduate budget for:

A Public Two-Year In-District Commuter College is $18,550.

A Public Four-Year In-State On-Campus College is $26,820.

A Public Four-Year Out-of-State On-Campus College is $43,280.

A Private Nonprofit Four-Year On-Campus College is $54,880.

The cost of room and board will depend on the level of housing and meal program selected.

Additionally, there are expenses for everything including required books, classroom supplies, a computer, transportation, clothing, entertainment, insurance, and more.

The economic case for college is simple.

College graduates make more money than those who have only a high school diploma or less education.

College wage premium is a simple way the worth of a college degree is measured.

The median annual salary for bachelor’s degree holders is 74.5% greater than those with only a high school education.

A college graduate who enrolls at 18 and graduates in four years can expect to earn enough relative to a high school degree holder to make up for the cost of college by age 33.

This includes the full cost of borrowing to pay for tuition fees, books, and supplies without any financial grant aid.

Taking these costs into consideration, a bachelor’s degree holder will make on average $400,000 more in their lifetimes than high school degree holders.

The benefits of graduating college go beyond better jobs and better pay. College-educated millennials have lower unemployment and poverty rates than their less-educated peers.

Attending college can be a pivotal experience for many young people, but the truth is that college is not for everyone, whether the reasons are academic, financial, or time related. A degree might also be unnecessary for the field a young person is interested in pursuing.

Ultimately, the decision to attend college is an intensely personal one that should be discussed well before it is time to apply. If college lies in the future for you or someone you love, it is important to prepare for college as soon as possible.

There are many ways to save for higher education.

Student loans are the most common way to pay for college.

The main benefit of loans is that students and their families do not have to plan for university expenses.

Student loans typically rely on the student’s ability to find a job and pay back the borrowed funds.

The obvious disadvantage is that relying too much on student loans will mean a heavy debt burden once the student graduates college.

Stafford loans are the most common type of government student loan and are awarded to college students who file the Free Application for Federal Student Aid (FAFSA).

Stafford loans come in two forms: subsidized and unsubsidized.

While both types are fixed-rate loans, subsidized loans have the benefit of accruing no interest while the student is enrolled, while unsubsidized loans begin accruing interest immediately.

Another choice for saving toward a child’s education is a 529 plan, legally known as qualified tuition plans, and they allow money to grow and be withdrawn federally tax-free when used for qualified education-related expenses.

Two main types of 529 plans are prepaid tuition plans and college savings plans.

Both types of plans are typically sponsored by states, state agencies, or educational institutions.

A 529 plan advantage is that the account owner retains control over the account, even when the beneficiary is no longer a minor.

If your child qualifies for financial aid and the 529 funds are no longer needed, the funds can be transferred to another beneficiary and used for their education.

Money put into children's custodial accounts is an irrevocable gift, and transferring it to a 529 account won't change that.

The money can never be shifted to another beneficiary, for example, and your child will control it when they reach the age of majority, either 18 or 21, depending on state law.

529 plans can also be subject to gift tax limits and any amount contributed over the annual gift exclusion amount might be subject to federal gift taxes.

The SECURE 2.0 Act has opened another door for residual 529 funds: transferring balances to a Roth IRA.

Starting in 2024, 529 plan owners will be allowed to convert tax- and penalty-free up to a lifetime limit of $35,000.

Uniform Gifts to Minors Act (UGMA) and the Uniform Transfers to Minors Act (UTMA) are two types of custodial accounts that adults can set up on behalf of minors for college.

Parents, relatives, and friends can contribute to the account but all the assets are turned over to the beneficiary’s control at age 18 or 21 depending on the state in which the asset was opened.

The main benefit of this type of account is that the assets can be used for any purpose, not just college tuition and there are no contribution limits, but contributions above the annual gift tax exclusion might incur federal gift taxes.

Any transfer into an UTMA/UGMA account is irrevocable. It is not possible to transfer money back to the parent.

UTMA/UGMA accounts are not tax-deferred. You might need to file tax re-

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turns on the minor's behalf.

No restrictions can be placed on the use of assets once the minor becomes an adult.

Since UTMA/UGMA accounts are in the name of a single beneficiary, they are not transferable to another beneficiary.

Breaking Down the Parts of Medicare

Generally, the different parts of Medicare help cover specific services.

Most beneficiaries choose to receive their Parts A and B benefits through Original Medicare, the traditional fee-for-service program offered directly through the federal government.

Under Original Medicare, the government pays directly for the health care services you receive. You can see any doctor and hospital that takes Medicare, and most do, anywhere in the country.

You go directly to the doctor or hospital when you need care. You do not need to get prior permission/authorization from Medicare or your primary care doctor.

You are responsible for a monthly premium for Part B and sometimes Part A and you typically pay coinsurance for each service you receive.

Doctors and hospitals are limited to what they can charge for your care.

If you want prescription drug coverage with Original Medicare, you will need to actively choose and join a stand-alone Medicare private drug plan (PDP).

You can choose to have Original Medicare, or, you can decide to get your Medicare benefits from a Medicare Advantage Plan, also called Part C or Medicare private health plan.

You still have Medicare if you enroll in a Medicare Advantage Plan and you must still pay your monthly Part B premium and any Part A premium you have.

Each Medicare Advantage Plan must provide all Part A and B services covered by Original Medicare, but they do so with different rules, costs, and restrictions that affect how and when you receive care.

How you choose to get your benefits and who you get them from can affect your out-of-pocket costs and where you can get your care.

For instance, in Original Medicare, you are covered to go to nearly all doctors and hospitals in the country.

Alternately, Medicare Advantage Plans typically have network restrictions, meaning that you will likely be more limited in your choice of doctors and hospitals.

However, Medicare Advantage Plans can also provide additional benefits that Original Medicare does not cover, such as routine vision or dental care.

Source: Medicare Rights Center

Frankly Funny

An elderly man in Miami calls up his single son in New York and says, "Listen, your mother and I are getting divorced. Forty-five years of misery is enough."

"Dad, what are you talking about?" the son screams.

"We can't stand the sight of each other any longer," he says. "I'm sick of her face, and I'm sick of talking about this, so call your sister in Chicago and tell her." And he hangs up.

Now, the son was so worried and in a near panic, immediately called his sister and filled her in.

She says, "No way they're getting divorced!" and she immediately called her father.

When he answered, she yelled, "Dad, you are not getting divorced and don't do another thing before we get there. The two of us are flying home tomorrow to talk to you and Mom about this."

"Until then, don't you dare call a lawyer and don't file any papers!"

She yells, "DO YOU HEAR ME?" and she hangs up.

The old man turns to his wife with a big smile and says, "Okay honey, it's a done deal. The kids are coming for Christmas and they're paying their own airfares."