EDGE
CAPITAL GROUP

POINTS OF VIEW

2024 Q3 Outlook

Topics of Discussion

- Highlights of Q2 Performance
- Key Themes Driving Q3
- Key Wealth Strategy Reminders Q3
- Disclosures

POINTS OF VIEW

As we begin the second half of the year, we are reminded of risks we cannot control and how we can build portfolios to withstand unforeseen market volatility. The recent Presidential debate was an unexpected twist in front of the November election that continues to ripple through markets. While the immediate market reaction was generally muted, we did see some notable changes such as a brief rise in Treasury bond yields. Perhaps this has to do with the market's perception that a Trump victory may lead to tax cut extensions which would in turn impact the deficit and make it more punitive for the U.S. government to finance additional spending. While history shows that markets can perform well regardless of who wins the election, there are meaningful differences in policy that may have an outside impact on certain markets this time around. The potential extension of the Trump tax cuts is one example. A more tax friendly political outcome would be stimulative to the economy, although it would also bring certain risks back into focus such as renewed bouts of inflation.

We stress the importance of having a long-term perspective in moments such as today. Being able to analyze the current market environment from various points of view will be critical to finding new investment opportunities. As an example, while market indices such as the S&P 500 are trading at elevated valuation levels relative to history, if one looks beneath the surface of the index, attractively priced securities relative to historical valuations can be found in small to mid-cap securities. Market participants are excited about technology stocks related to artificial intelligence and have bid up valuations meaningfully year to date in this part of the market. Viewing the artificial intelligence ("AI") investment landscape from a different lens, market participants may find cheaper ways to benefit from the AI revolution within data center infrastructure.

It's in times like today when seeing things from different points of view becomes critical. With short-term interest rates still elevated and valuations stretched for parts of the market, we would expand the opportunity set to achieve excess returns. We highlight asset classes to consider in the pages that follow.

KEY THEMES

ECONOMY	FED	EARNINGS	MARKET LEADERSHIP	INTERNATIONAL
Inflation moderating, although history shows subsequent spikes can occur. Leading economic indicators show some fatigue.	Fed has signaled the end of rate hikes. Expectations for rate cuts are increasing given recent labor market weakness.	Earnings growth expected to broaden out beyond the Magnificent 7 stocks. Valuations relative to earnings growth is marked by high dispersion.	Broad leadership has been elusive. Top-heavy index construction remains a risk.	De-globalization will be a secular theme driving investment opportunities. Attractive valuations exist outside of the U.S., although selectivity is key.

HIGHLIGHTS OF Q2 & YEAR TO DATE PEFORMANCE

The S&P 500 Index was up 15.3% in the 1st half of the year, registering top quintile performance looking back at data since 1950.

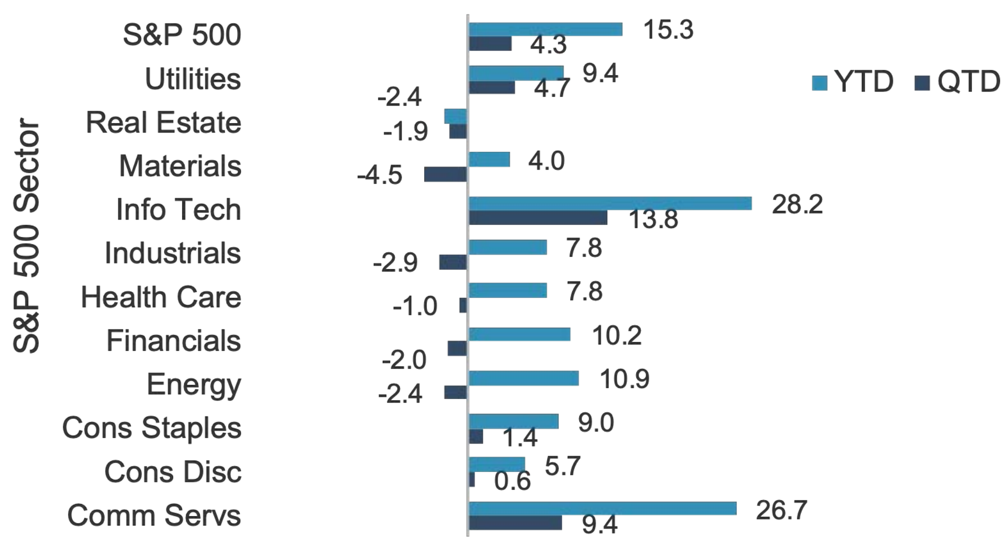
Technical analysis suggests positive trends may continue following a strong first half. Looking back at data since 1950, the average 2nd half performance following a strong first half is +4.8%.

Concentration in U.S. large cap markets continued to support returns in the 2nd quarter, with nearly half of the S&P 500 index constituents underperforming and generating negative average returns.

The top 10 stocks produced a +6% weighted average return, while the remaining stocks produced a -2.4% weighted average return.

Positive Results Driven by Technology and Communication Sectors

U.S. Equities – Return by Sector (2nd Quarter and YTD 2024)



Sources: Strategas, Morningstar Direct. As of June 30, 2024. Please refer to Important Disclosures for additional information.

EARNINGS

With inflation slowing as well as the economy, can companies realize the kind of corporate earnings growth baked into the stock market? With the market trading at close to 21x forward earnings, things appear priced for continued positive news.

Expectations are for S&P 500 earnings of about $244/share in 2024 and $279/share for 2025, implying double digit earnings growth for both years. Earnings estimates for 2025 have risen from $276 in the first quarter to $279 more recently.

Analysts are expecting earnings growth to broaden, extending to names beyond the Magnificent Seven.

EPS Projections Are Holding Steady Thus Far For 2024 & Accelerating into 2025

2023, 2024 & 2025 S&P 500 EPS Progression

Sources: Strategas, FactSet. Data as of 7/15/24. Please refer to Important Disclosures for additional information.

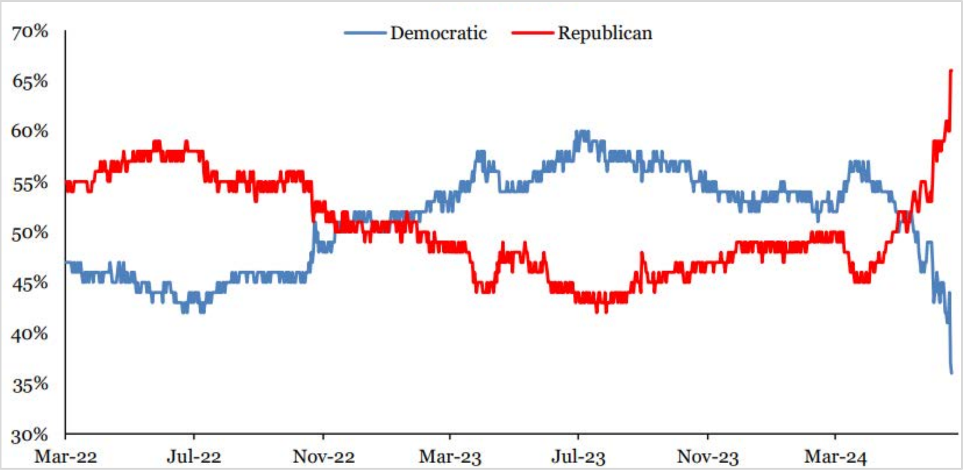
MARKET PROBABILITIES: IF A REPUBLICAN VICTORY

ODDS OF VICTORY

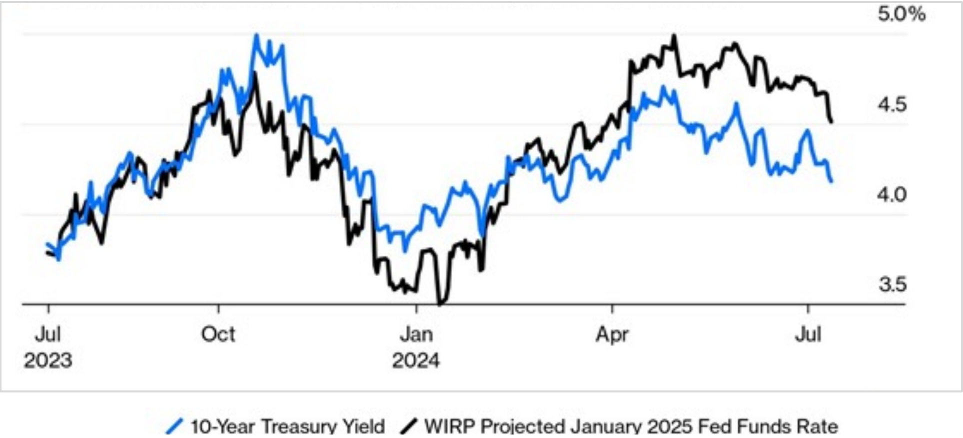
Prediction markets have increased the odds of a Republican victory in recent weeks.

Yields on Treasury bonds moved up immediately after the most recent Presidential debate. However, with the 10-year yield below the expected fed funds rate, fiscal concerns aren't yet clear.

Betting Odds from PredictIt: Which Party Will Win the U.S. Presidential Election?



10-Year Treasury Yields vs. Projected January 2025 Fed Funds Rate



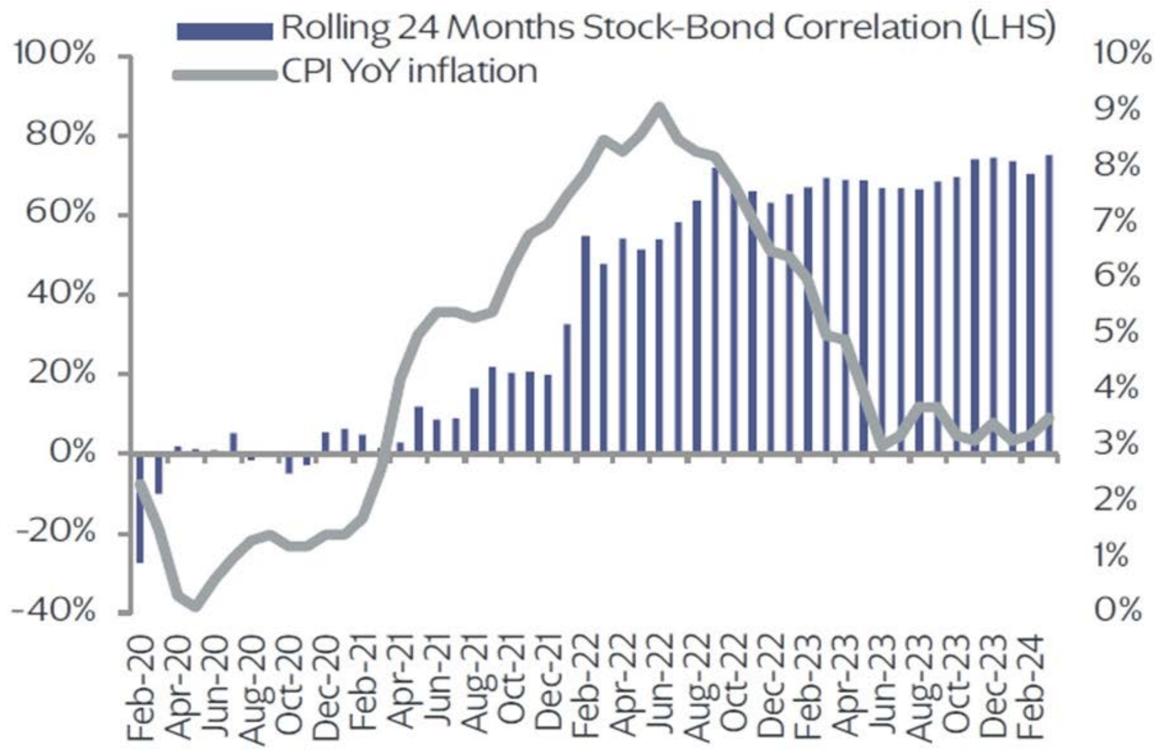
Sources: Strategas, Bloomberg. Please refer to Important Disclosures for additional information.

INCREASING CORRELATION BETWEEN STOCKS & BONDS

CORRELATION

Despite the recent decrease in inflation, the positive relationship between stocks and bonds remains elevated, arguing for more diversification across asset classes outside of public equity and fixed income.

U.S. Stock-Bond Correlation and U.S. CPI



Sources: Bloomberg, KKR GBR analysis. As of March 31, 2024. Please refer to Important Disclosures for additional information.

ARTIFICIAL INTELLIGENCE INVESTING VIA DATA CENTERS

INFRASTRUCTURE AND DATA

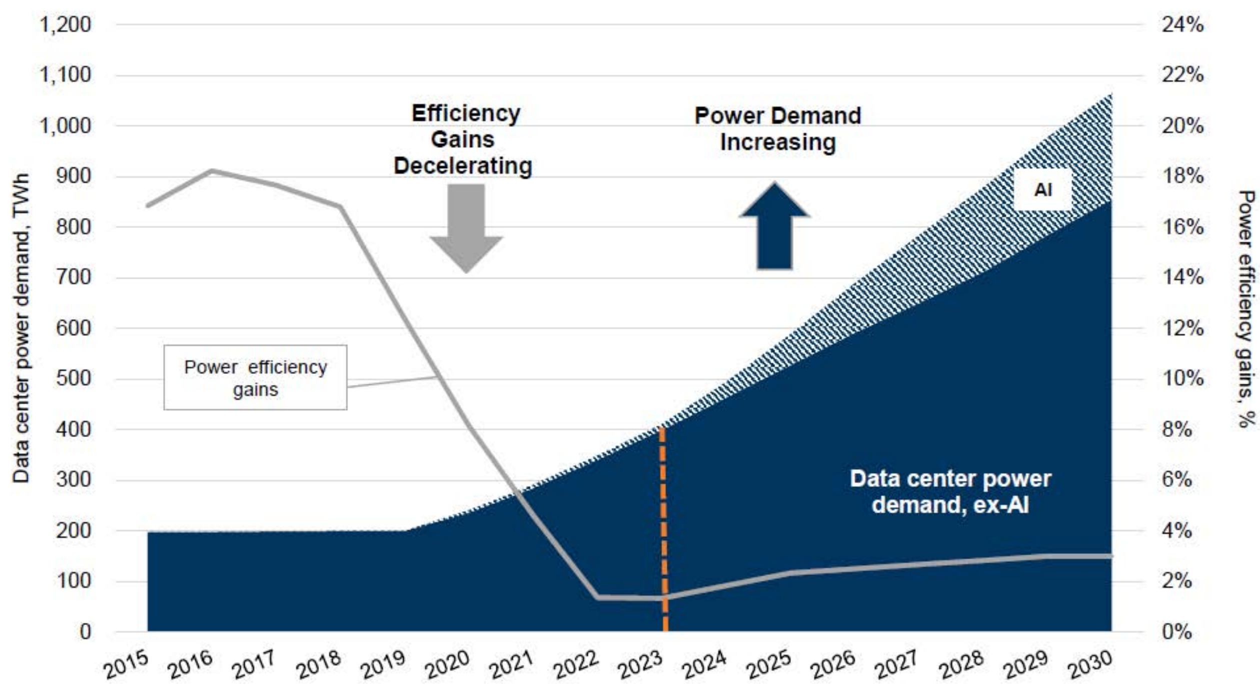
After seeing very little growth from 2015 – 2019, power demand from data centers is expected to more than triple from 2020 to 2030. Data centers may account for 7-10% of total electricity demand in the next few years as compared to 2-3% at the end of 2023. Most developed countries don't have the infrastructure in place to meet this need.

The projected increase in AI electricity demand is roughly equivalent to adding 24 million homes, or 16% of the total housing stock, to the grid.

Energy efficiency, including cooling procedures, may become a significant area of opportunity.

Data Center Power Demand

Gains from efficiency expected to decelerate (in gray), while power demand expected to accelerate (in blue)



Sources: KKR, Masanet et al. (2020), Cisco, IEA, Goldman Sachs. Please refer to Important Disclosures for additional information.

PRIVATE REAL ESTATE DEBT OPPORTUNITY

PRIVATE REAL ESTATE DEBT

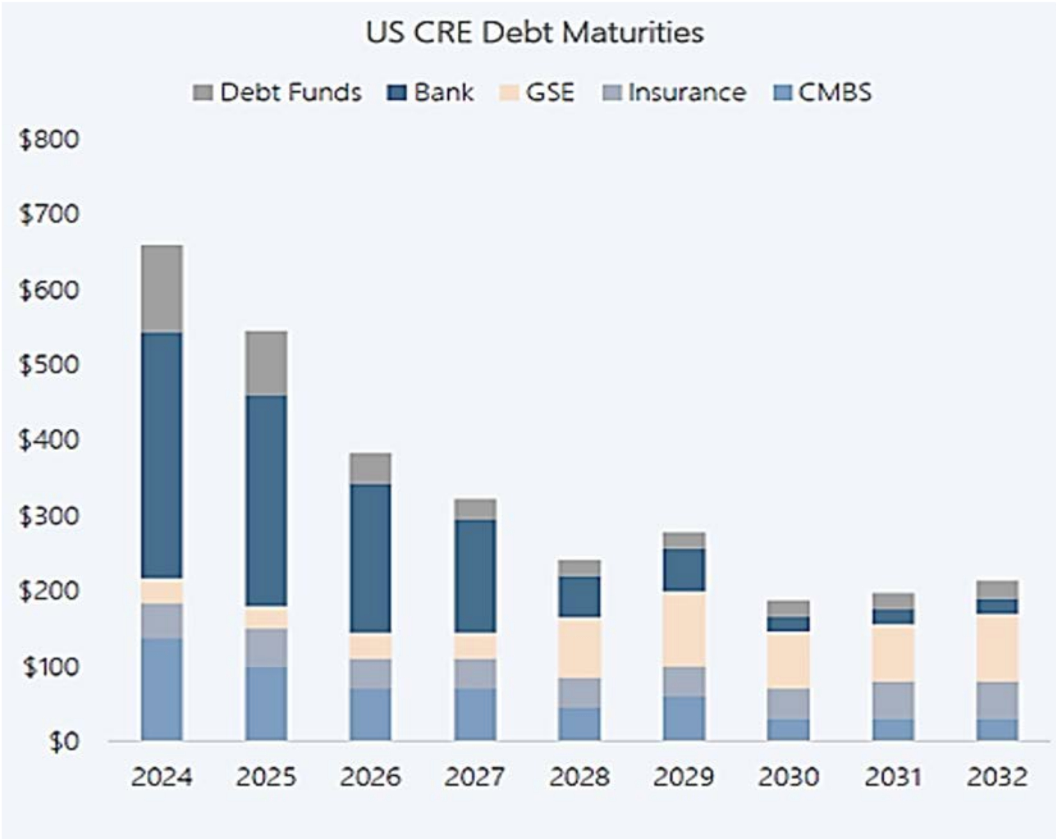
The difficult regulatory environment for traditional lenders has left the industry starved for capital.

As a result of traditional banks' tightening of underwriting standards, reductions in leverage, and increases in pricing, an attractive investment opportunity has opened for non-bank lenders.

Regional banks across the U.S. account for 67% of all outstanding commercial real estate bank lending and own less than one-third of all assets in the U.S. banking system.

Recent bank failures along with further regulatory scrutiny should broaden the opportunity set for private real estate debt investors.

Commercial Real Estate Debt Maturity Wall



Sources: Canyon, Related. Please refer to Important Disclosures for additional information.

SMALL CAP EQUITY- VALUATIONS VS. FUNDAMENTALS

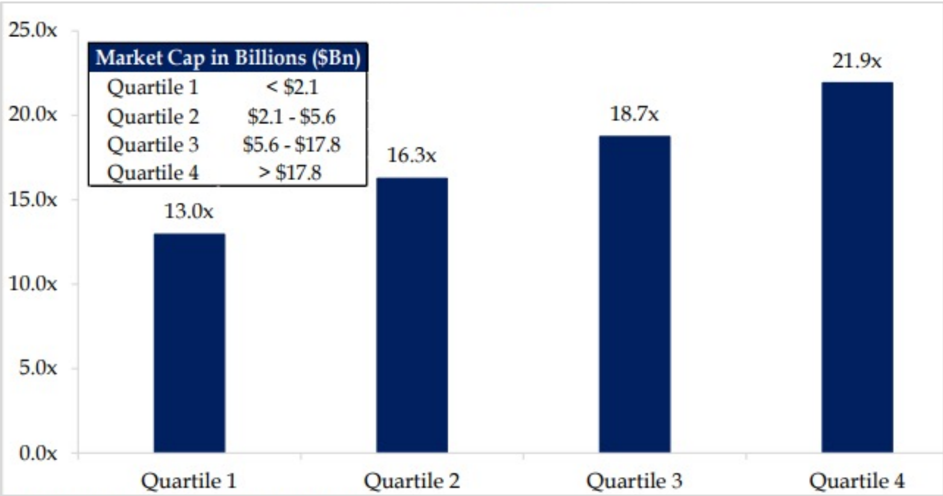
SMALL CAPS

Valuations for small cap stocks are lower vs. large cap stocks relative to historical levels.

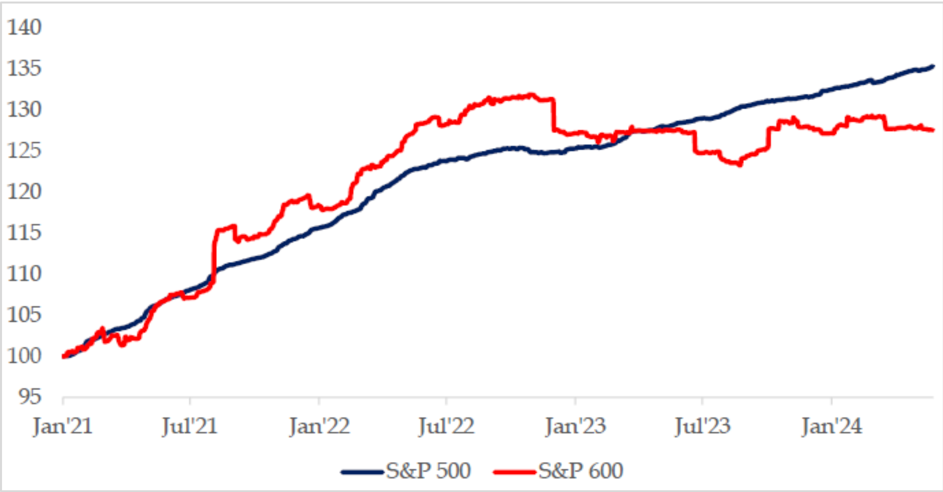
Sales growth for small cap equities relative to large cap equities is not as robust at the index level.

Small cap equity performance momentum may depend on confirmation over the next quarter that sales and earnings estimates are reasonable, together with further evidence of slowing inflation to support Fed cuts.

Trailing Price to Earnings By Market Cap Quartile



Sales Growth Estimates - Small Cap (as represented by the S&P 600) vs. the S&P 500



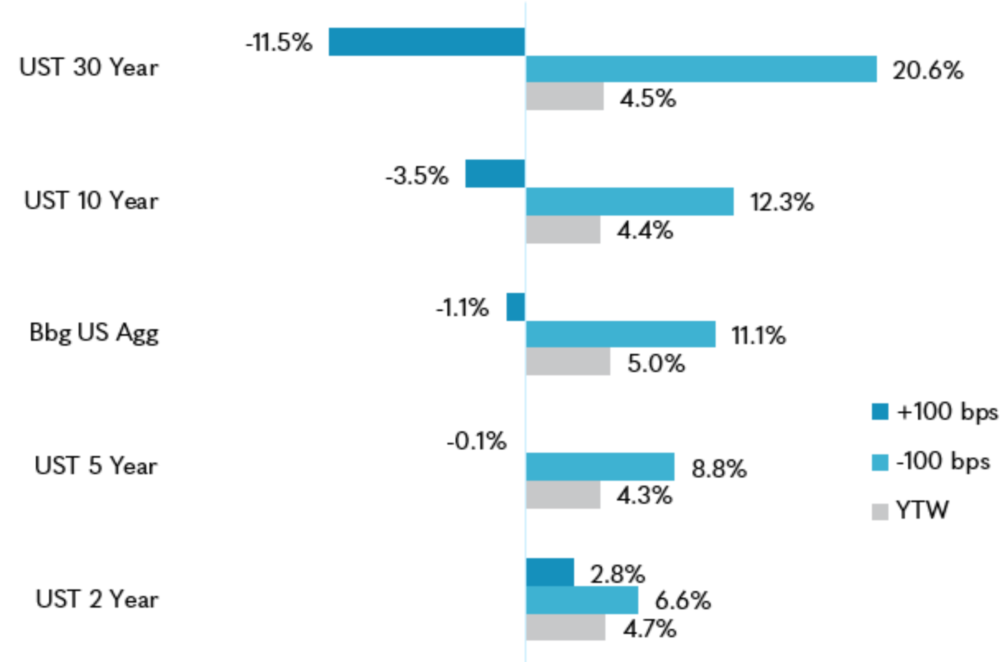
Source: Strategas using data in June 2024. Please refer to Important Disclosures for additional information.

OPPORTUNITY IN CORE FIXED INCOME

CORE FIXED INCOME

While cash yields are near five percent, investors can achieve similar yields in core fixed income positions with added total return opportunity if rates fall and limited downside risk within shorter duration securities if rates move higher.

Forecasted Change in Total Return for +/- 100 Basis Point Change



Sources: FactSet, ISM, ECRI. As of June 28, 2024. Green bars indicate recession period. A level over 50 indicates expansion. Please refer to Important Disclosures for additional information.

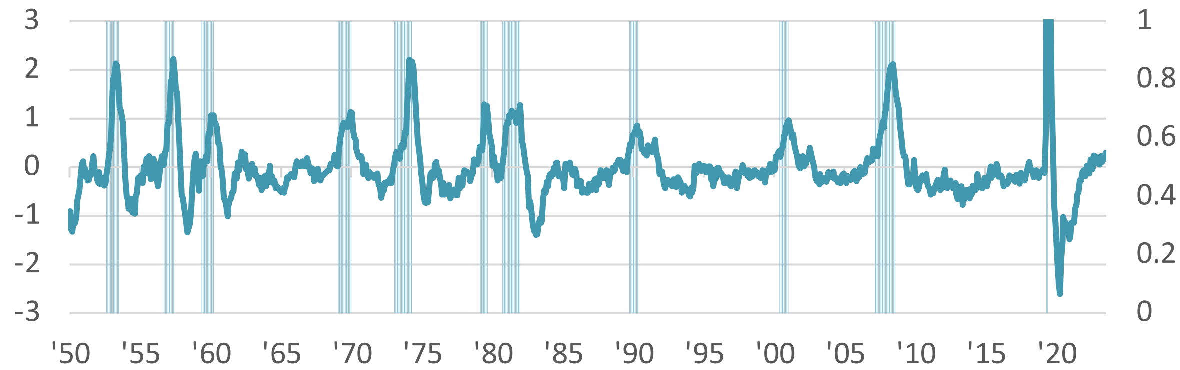
RECENT ECONOMIC DATA SHOWING SIGNS OF FATIGUE

ECONOMIC INDICATORS

The labor market is still strong, but unemployment increased to 4.1% with the latest print, the highest level since November 2021. The current level is now above the 12-month moving average, a cautionary signal historically.

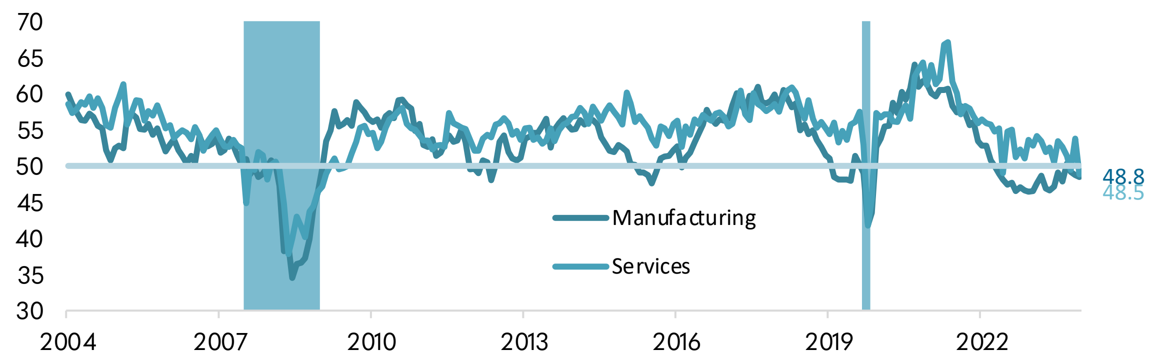
The U.S. economy has remained resilient, but cracks are beginning to surface. Services PMIs fell below 50 during the quarter and, for the first time in over a year, both services and manufacturing sit below 50, a level that has historically been associated with economic weakness.

U.S. Unemployment Rate



Sources: FactSet, BLS. As of June 30, 2024. Data is the monthly U.S. unemployment rate less the 12 month moving average of the U.S. unemployment rate. Note, axis scale cuts off the extreme values in April, May, June, and July of 2020: 10.3, 7.9, 5.0, and 3.6, respectively. Blue bars indicate U.S. recession.

U.S. Services and Manufacturing - PMI Levels



Sources: FactSet, ISM, ECRI. As of June 28, 2024. Blue bars indicate recession period. A level over 50 indicates expansion.

ANNUAL SPENDING: U.S. DEBT BURDEN OUTLIER RISK

U.S. DEBT SERVICE

Annual spending on U.S. debt service is now greater than spending on national defense or Medicare.

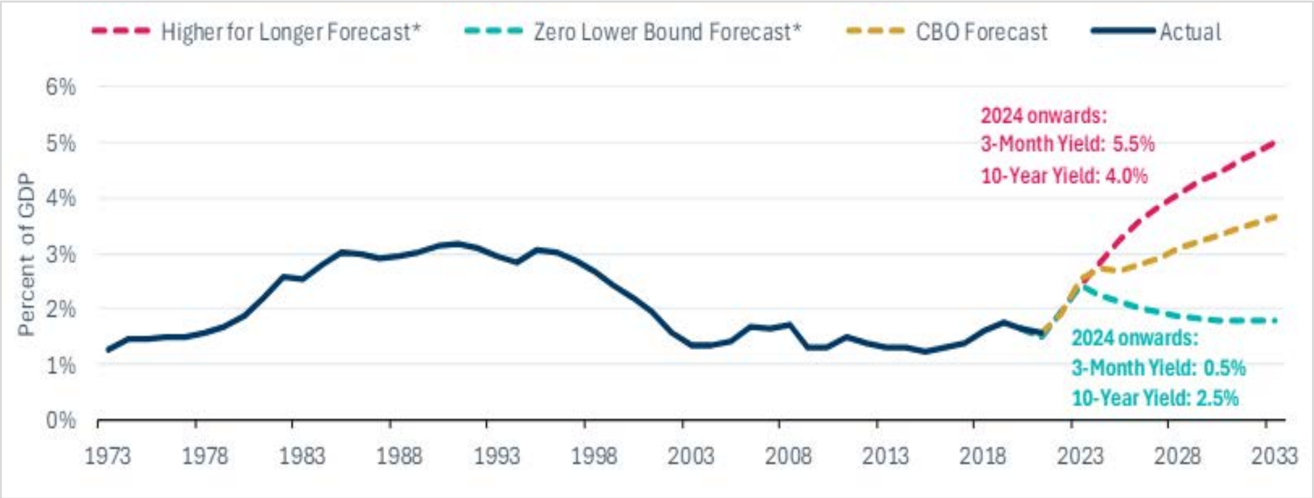
It is the U.S. government, not the consumer or private sector, that is the most leveraged during this cycle.

Higher interest expense as a percentage of GDP points to much needed fiscal discipline from the U.S. government. We expect to see more restraint on large spending proposals going forward.

In the past, 3% of GDP for net interest costs was a critical threshold which sparked a wave of spending cuts in the 1990s, eventually leading to a brief federal budget surplus.

Annual Spending in Billions of Dollars

Net Interest Outlays as a Percent of GDP (Based On Various Rate Paths)



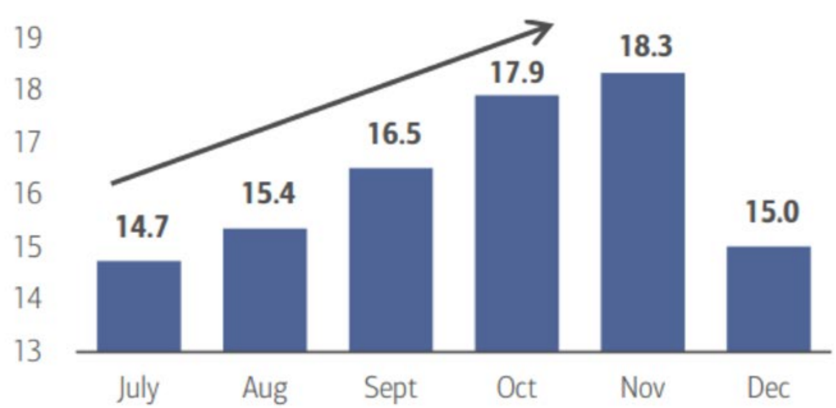
Sources: KKR, Payden & Rigel, CBO Forecasts. Net Interest, National Defense, and Medicare Estimates (first chart) as of April 30, 2024. Please refer to Important Disclosures for additional information.

ELECTION VOLATILITY SHOULD PRESENT OPPORTUNITY

While volatility increases as the election nears, the total return for the S&P 500 has averaged +15.8% since 1944 in election years with the incumbent President running for re-election.

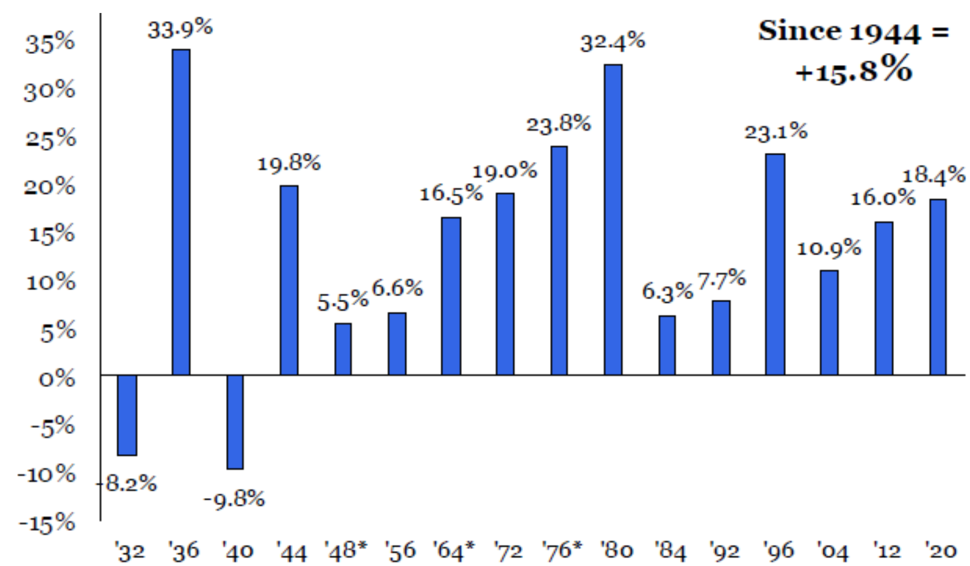
Volatility Increases as Election Day Approaches

Average monthly volatility (VIX 1990-present, monthly average of daily S&P 500 return volatility 1928-1989 for U.S. election years since 1928).



The Average S&P Total Return in Election Years With Incumbent President Running

In 1948, Truman assumed office after FDR's death and sought another term. In 1964, Johnson assumed office after JFK death and sought another term. In 1976, Ford assumed office after Nixon resignation and sought another term.



U.S. EQUITY HIGHLIGHTS

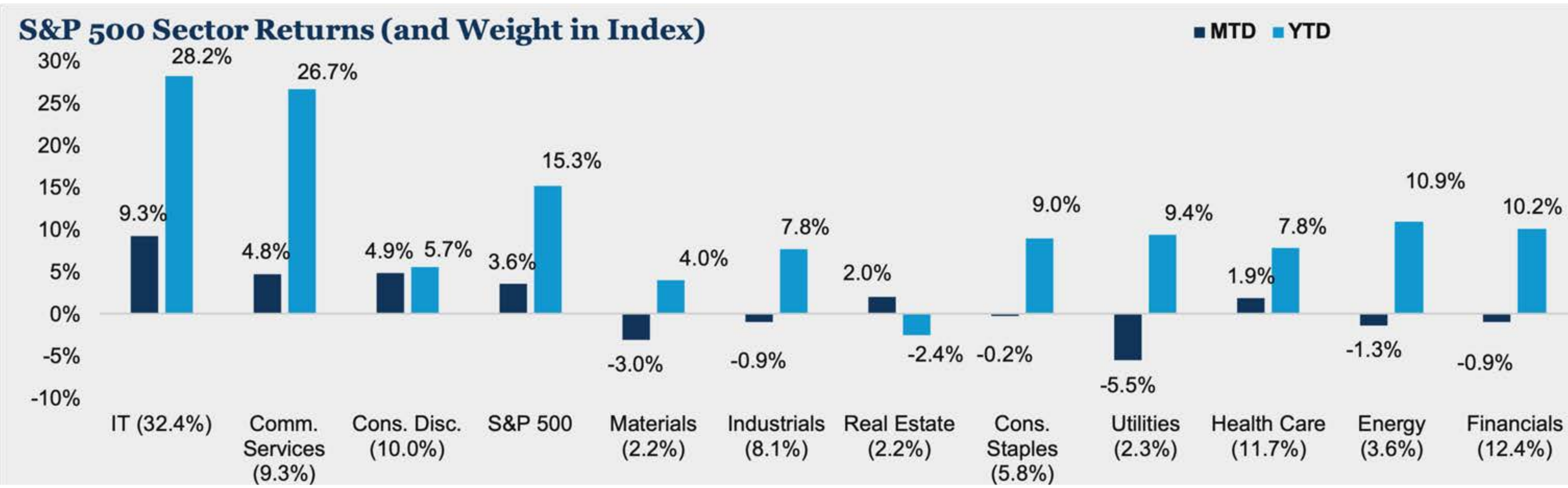
Factors Driving U.S. Equity Performance Through The Second Quarter

Domestic (Russell)

MTD	Value	Blend	Growth
Lrg	-0.9%	3.3%	6.7%
Mid	-1.6%	-0.7%	1.7%
Sml	-1.7%	-0.9%	-0.2%

YTD	Value	Blend	Growth
Lrg	6.6%	14.2%	20.7%
Mid	4.5%	5.0%	6.0%
Sml	-0.8%	1.7%	4.4%

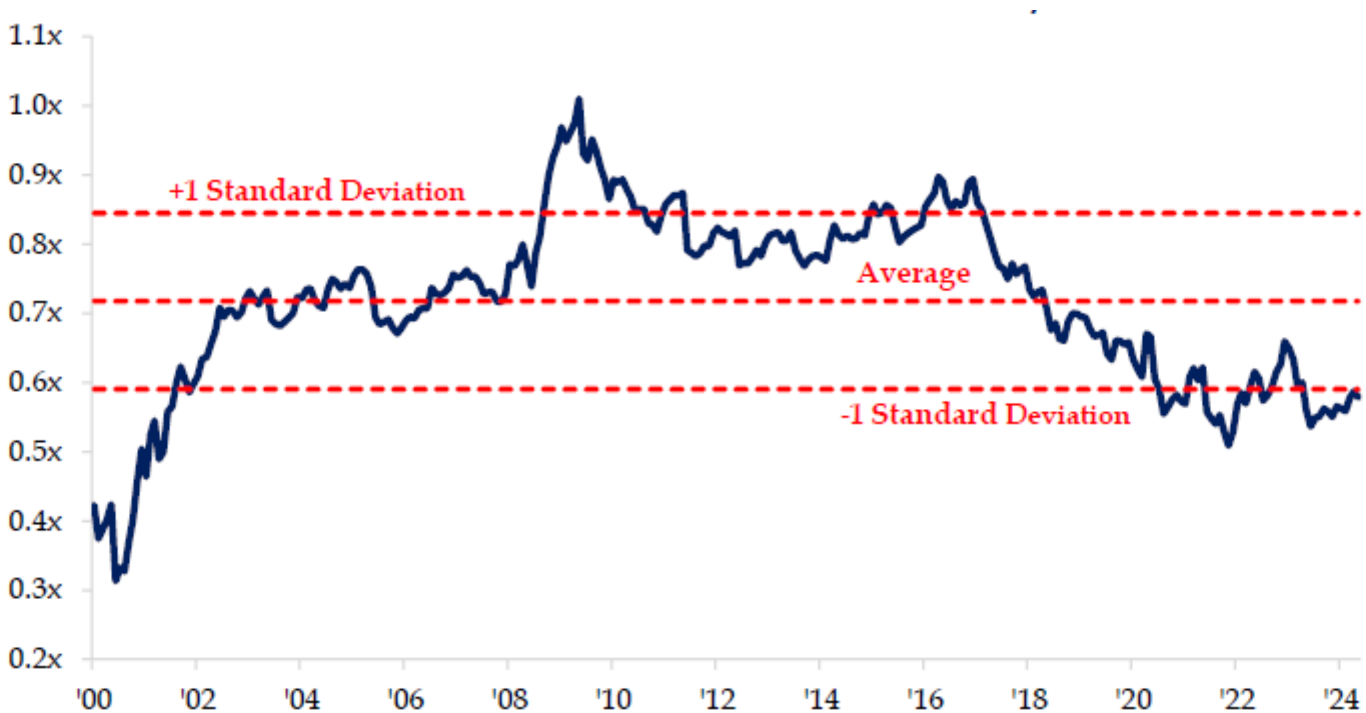
Source: Morningstar Direct. As of June 30, 2024.



Sources: FactSet, Morningstar. As of June 30, 2024. Please refer to Important Disclosures for additional information.

VALUE VERSUS GROWTH

Russell 1000 Value NTM P/E
Relative Russell 1000 Growth NTM P/E

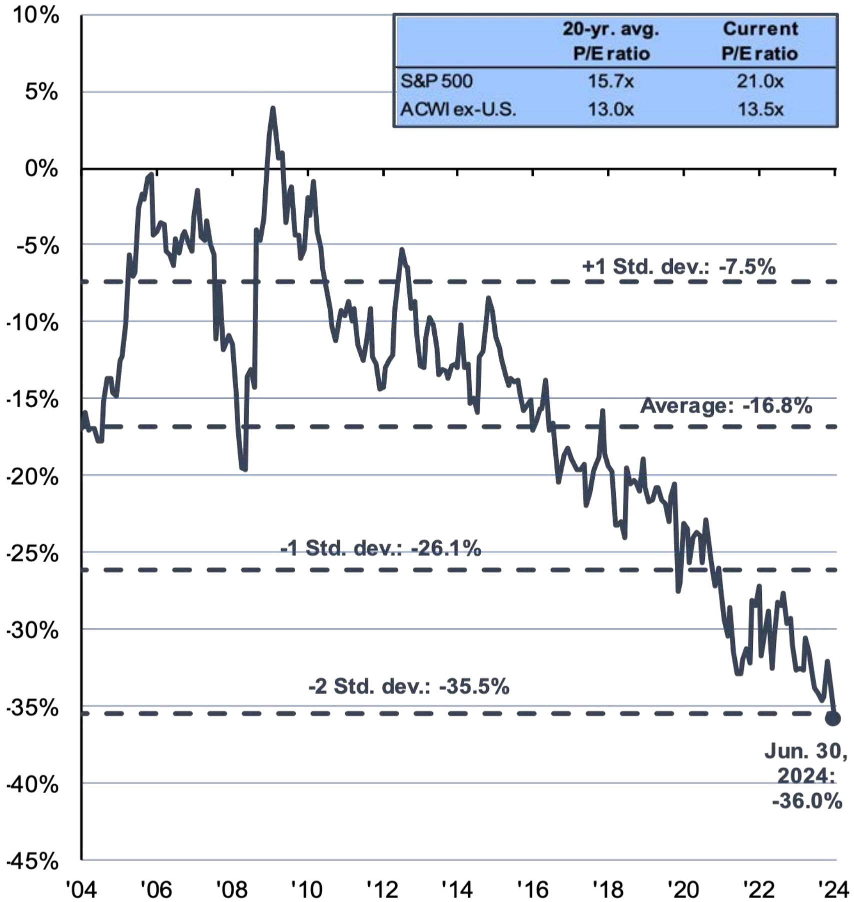


Source: Strategas. Data as of June 30, 2024. Please refer to Important Disclosures for additional information.

INTERNATIONAL VALUATIONS

International: Price-to-earnings Discount vs. U.S.

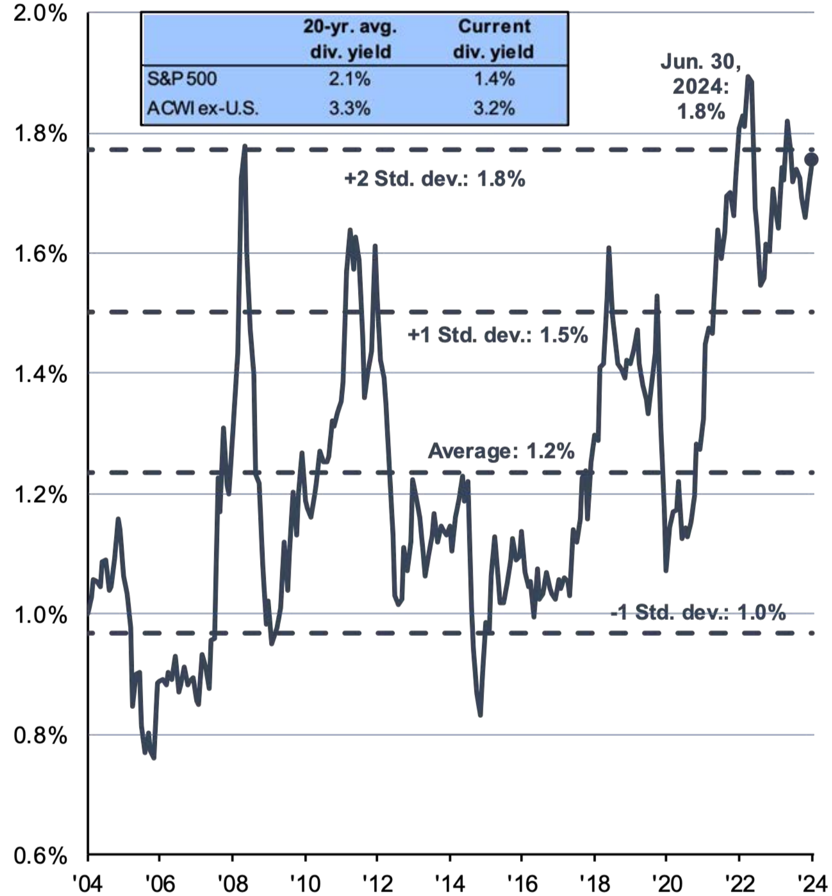
MSCI All Country World ex-U.S. minus S&P 500, next 12 months



	20-yr. avg. P/E ratio	Current P/E ratio
S&P 500	15.7x	21.0x
ACWI ex-U.S.	13.0x	13.5x

International: Difference in Dividend Yields vs. U.S.

MSCI All Country World ex-U.S. minus S&P 500, next 12 months

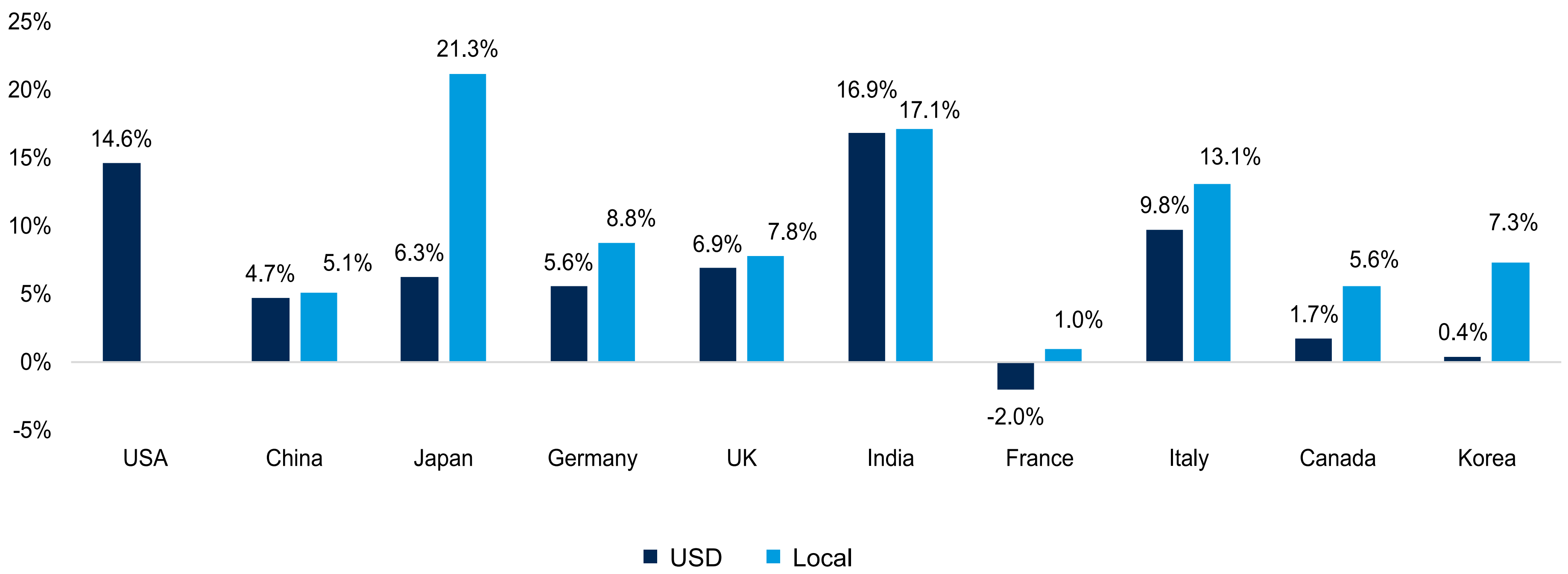


	20-yr. avg. div. yield	Current div. yield
S&P 500	2.1%	1.4%
ACWI ex-U.S.	3.3%	3.2%

Sources: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. Guide to the Markets – U.S. Data are as of June 30, 2024.

ADJUSTING FOR CURRENCY

Select Country USD vs. Local Currency Performance - YTD

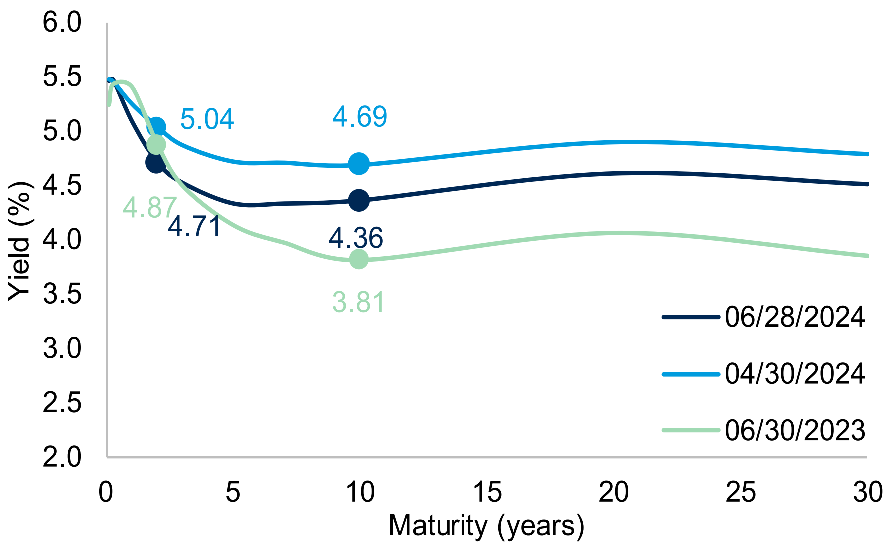


Sources: Morningstar Direct, Fiducient Advisors through 6/30/24. Based on respective USD and local currency MSCI indexes. Please refer to Important Disclosures for additional information.

BOND MARKET HIGHLIGHTS

Yields have moved down since April, as the labor market shows signs of weakness and inflation has come in below expectations.

U.S. Treasury Yield Curve



Treasury Curve Levels and the 2-10 Spread

Treasury Curve Levels (%) and Change (bps)	3M	1Y	2Y	5Y	10Y	2-10 Spread
6/28/2024	*5.48%*	*5.09%*	*4.71%*	*4.33%*	*4.36%*	*-0.35%*
MTD Change	2	-16	-33	-39	-33	0
YTD Change	8	30	48	49	48	0
1-Year Change	5	-31	-16	20	55	71

Source: FactSet. Data as of 6/28/24. Please refer to Important Disclosures for additional information.

MORE FAVORABLE LONG-TERM RETURN OUTLOOK

The starting point for the U.S. 10-Year Treasury yield tends to be a good indicator of subsequent 10-year returns. Prospects for higher long-term returns within the Barclays Aggregate Bond index have improved meaningfully from the past few years.

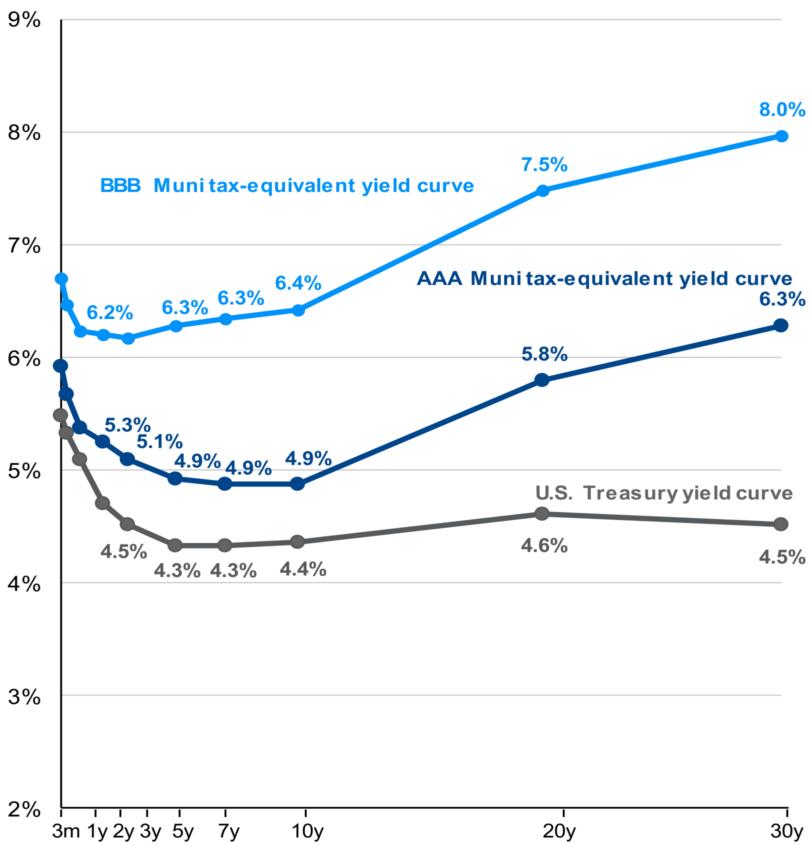
Treasury Yields and Subsequent Fixed Income Performance

Sources: FactSet, Morningstar Direct, Fiducient Advisors. For the period 1/1/76 to 6/30/24. Please refer to Important Disclosures for additional information.

MUNICIPAL BOND ANALYSIS

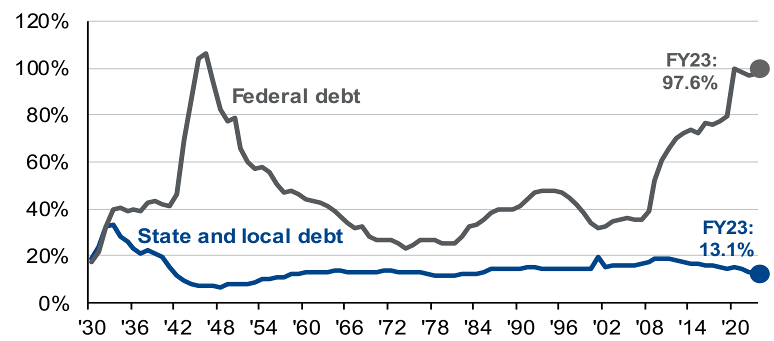
Municipal Bonds present relative yield advantages on a tax equivalent basis. State and local debt are at reasonable levels vs. federal net debt as a % of GDP.

Muni Tax-Equivalent and Treasury Yield Curves



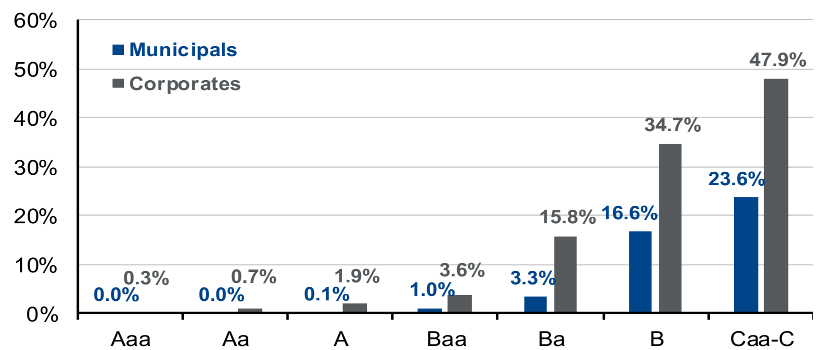
State, Local, and Federal Net Debt

% of GDP, 1930-2023, end of fiscal year



Muni and Corporate Default Rates

% of issuers defaulting within 10 years, 1970-2022

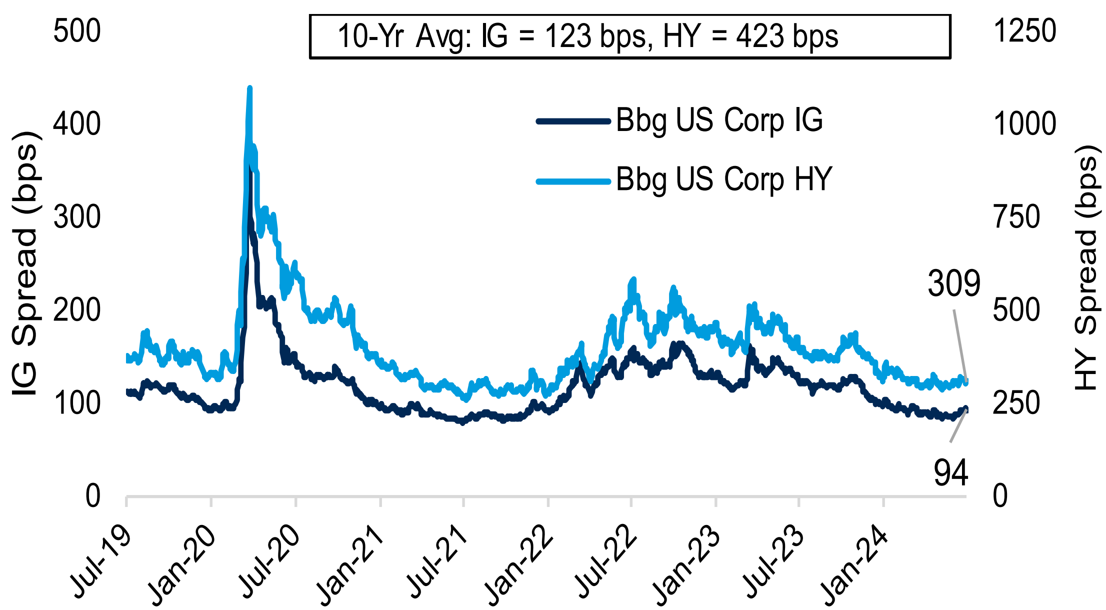


Sources: J.P. Morgan Asset Management; (Left) Bloomberg, FactSet, Federal Reserve, S&P Global; (Top right) Census Bureau, Congressional Budget Office (CBO); (Bottom right) Moody's U.S. Public Finance: U.S. municipal bond defaults and recoveries, 1970 to 2022. Municipal tax-equivalent yields are calculated based on municipal bond curves for each credit rating according to S&P Global and assume a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8% for a total tax rate of 40.8%. State and local debt are based on the Census Bureau's Annual Survey of State and Local Government Finances. Municipal and corporate default rates are the average cumulative default rate over a 10-year horizon as calculated by Moody's using data from issuances through 2013. Guide to the Markets – U.S. Data are as of June 30, 2024. Please refer to Important Disclosures for additional information.

CORPORATE BOND SPREAD ANALYSIS

The corporate bond market continues to perform well and credit spreads have moved below longer-term averages. A resilient economy, favorable corporate fundamentals and strong demand have been supportive of the sector.

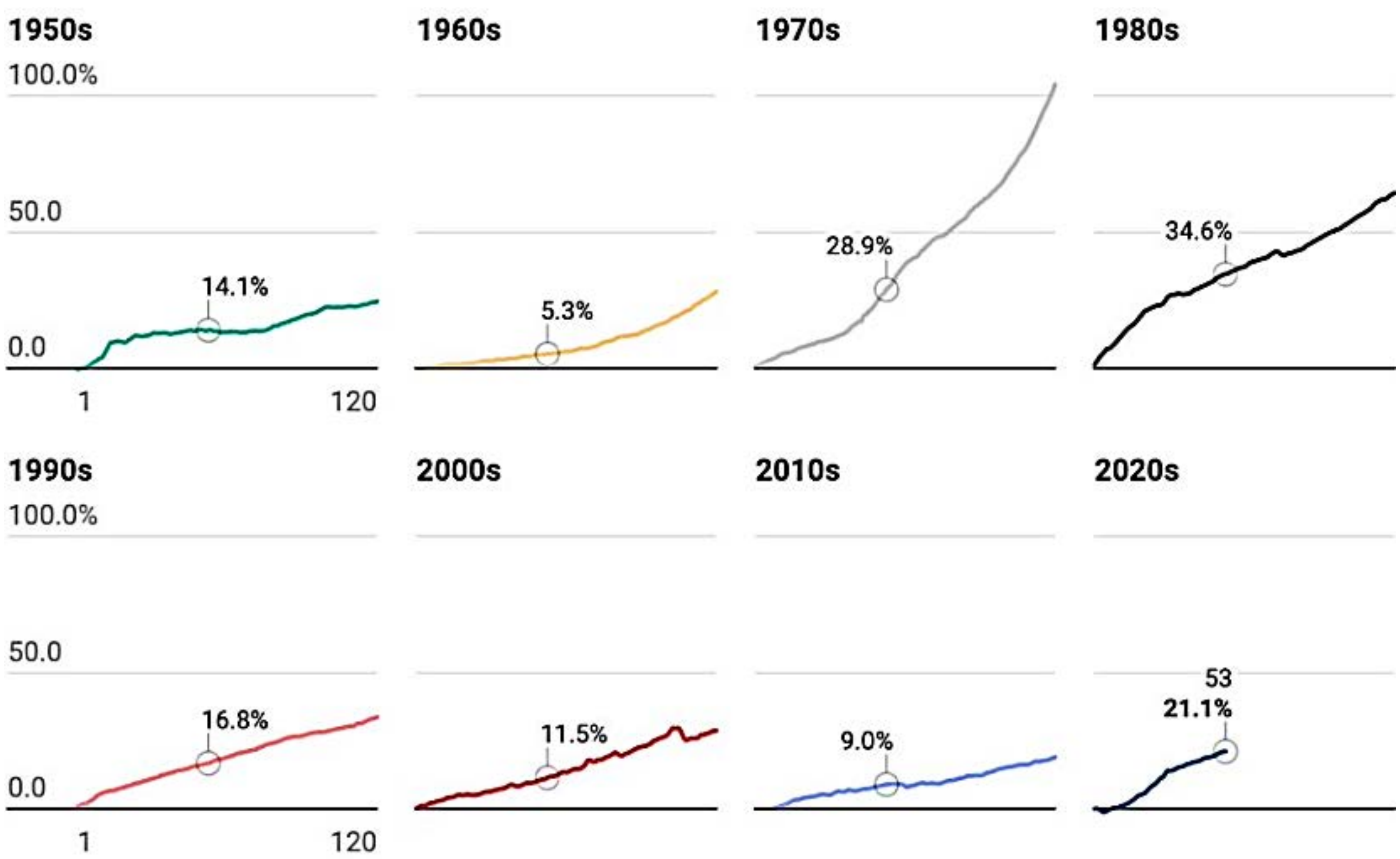
Corporate Market Spreads —Trailing 5 Years[1]



Sources: FactSet. Fiducient Advisors. [1]Data as of June 28, 2024. Please refer to Important Disclosures for additional information.

INFLATION BY DECADE

An inflation regime vastly different from the prior decade may suggest that investors need to peer further back into prior decades with similar bouts of inflation when exploring investment opportunities.



X-axis represents months into the decade

Sources: Lance Lambert. U.S. Bureau of Labor Statistics. Consumer Price Index for all urban consumers. Please refer to Important Disclosures for additional information

EQUITY ASSET CLASSES

U.S. LARGE CAP
NEUTRAL

RATIONALE While we acknowledge that large cap equities at the index level are trading at a premium vs. historical averages, if one excludes the top technology related names in the S&P 500, the index is trading at a more attractive 18x earnings, which is closer to average levels given where interest rates and inflation are today. We see earnings growth broadening to other sectors while it slows for the mega cap tech names, creating an attractive relative backdrop for the other large cap names in the index. An environment where the interest rate curve is steepening, and the Fed is cutting rates should be more supportive to interest rate sensitive sectors such as financials.

RISK The top-heavy S&P 500 is trading at a relatively high forward earnings multiple. If the economy weakens and/or corporate earnings come in lighter than expected, stocks could sell off. If inflation sticks around and the Fed reiterates the higher for longer narrative, frothy mega-cap stocks could struggle.

U.S. MID & SMALL CAP
NEUTRAL

RATIONALE Attractive valuations relative to large cap equities are offset by higher sensitivity to interest rates. Estimates for growth were positive coming into the year and have so far disappointed. While a more aggressive rate cut trajectory for the Fed may be bullish for small cap investors, earnings revisions need to move higher from here to justify a rerating. Adding exposure through active strategies will help investors mitigate the concerns noted above.

RISK Valuation can be an inaccurate mechanism for gauging near-term market performance, so small caps could revert to stock market laggards if rates remain high and earnings don't materialize. If rates stay higher for longer, small caps face the prospect of issuing more debt in this higher rate environment.

INTERNATIONAL
FAVORABLE

RATIONALE Attractive valuations, high dividend opportunities, and accelerating earnings growth are just a few of the reasons to be constructive on international developed equities. A more shareholder friendly Japan and recent economic strength in European periphery countries opens up opportunities that were previously shunned. Economic growth related to services has been accelerating and real wages have been increasing. Investors can hedge out currency risk if the dollar continues to strengthen. Total shareholder yield within the Eurozone, including dividends and buybacks, is now projected to be higher than the U.S. A more lenient central bank may add momentum to the region.

RISK If inflation sticks in the U.S. and rates don't go down as much as anticipated, the U.S. dollar could pivot and start to rise again, hurting overseas equities. Increased geopolitical uncertainty and its effect on commodity prices may have an outsized impact on the Eurozone.

EMERGING MARKETS
UNFAVORABLE

RATIONALE Emerging market exporters trading at cheap levels relative to their earnings growth should provide opportunities for patient investors that can withstand volatility. A potentially weakening U.S. dollar provides a tailwind to many of these countries, as stronger local currencies can translate into higher earnings. China casts a shadow on the asset class, as it represents roughly 25 - 30% of the market at the index level. For the broad emerging market index to outperform meaningfully, it will be a challenge without China improving. We would take a mostly active approach to this space, leaning into strong exporters with pricing power and underweighting countries with high policy uncertainty.

RISK Risks in EM are largely two-fold. First, does the U.S. dollar reverse and move higher? If the dollar weakens, EM stocks should benefit from that tailwind. Second, China is a large portion of the index, so how the economy and markets perform there continues to have outsized impact on the asset class.

Source: Bloomberg. Please refer to Important Disclosures for additional information.

FIXED INCOME ASSET CLASSES

CORE FIXED INCOME
FAVORABLE

RATIONALE Investors have been rewarded by leaning into the short end of the Treasury curve, earning yields greater than 5% after the Fed's recent interest rate hikes. We would extend duration to lock in higher yields. Economic weakness may portend lower rates, creating total return opportunities within intermediate duration bond strategies. We believe return outcomes are skewed in a positive fashion – securities with intermediate maturities have downside protection given current yields, with positive upside potential in the case of falling rates.

RISK This much excitement around Fed rate cuts introduces increased volatility and the opportunity for markets to quickly move away from investors in a scenario where the Fed maintains rates higher for longer. Longer duration bonds are more vulnerable in this scenario. Risk is also found on the individual corporate bond level. Spreads have come in meaningfully over treasuries. Ratings downgrades have increased broadly and may serve as a signal for investors to continue to pursue issues with cash rich balance sheets.

OPPORTUNISTIC CREDIT
UNFAVORABLE

RATIONALE High yield credit spreads above reference rates have moved below long-term averages, offering investors less reward for taking on credit risk. While floating rate loans securities provided a useful hedge against rising rates over the past 2 years, the incentive to take credit risk has decreased, with the economy showing mixed signals over the past few months.

Companies with weaker balance sheets are turning to the convertible bond market, preferring to dilute equity holders rather than refinance at higher rates. The remaining credit opportunity set has deteriorated, with lower quality companies making up a larger part of the universe. We would continue to proceed with caution until spreads widen from here. We would utilize drawdown private credit vehicles to lean into any potential distress. Investors may also find value in non-agency MBS and other parts of the structured credit market.

RISK An economic scenario where inflation comes down and earnings growth surprises to the upside would likely lead to further spread narrowing and continued strength within opportunistic credit.

Source: Bloomberg. Please refer to Important Disclosures for additional information.

NON-CORE ASSET CLASSES

REAL ASSETS & INFRASTRUCTURE
FAVORABLE

RATIONALE A Fed that's potentially behind the curve on monetary discipline, combined with rampant fiscal spending across the globe, could be a boon to real assets and infrastructure. If inflation is harder to stomp than the market currently expects, this could give way to a secular shift in pricing for real assets. Targeted cost controls and supportive funding provides optimism for infrastructure related securities. The data center infrastructure market is expected to grow in the mid-teens over the next few years. Utilities and Industrials have strong tailwinds from government investment into renewable energy and climate related initiatives. This asset class may serve not only as a buffer against inflation, but also to play accelerating growth. The Inflation Reduction Act and insatiable demand for AI should serve as tailwinds to this growth. Recall in our introductory note that investors should look beyond traditional asset classes for differential sources of return. Private markets can be one way to add real assets and infrastructure exposure. We expect real assets to play a greater role in achieving absolute returns and diversifying portfolios.

RISK Key risk considerations for this asset class rely on the Fed's ability to secure the soft-landing or no-landing scenario. In a recessionary or deflationary scenario, hard assets could be vulnerable. Within REITs, if financial conditions remain tight, certain borrowers could struggle to refinance maturing debt, especially in stressed areas like commercial office. However, if rates come down while economic growth remains, it should present the conditions necessary for both publicly traded real estate securities and private real estate to rebound.

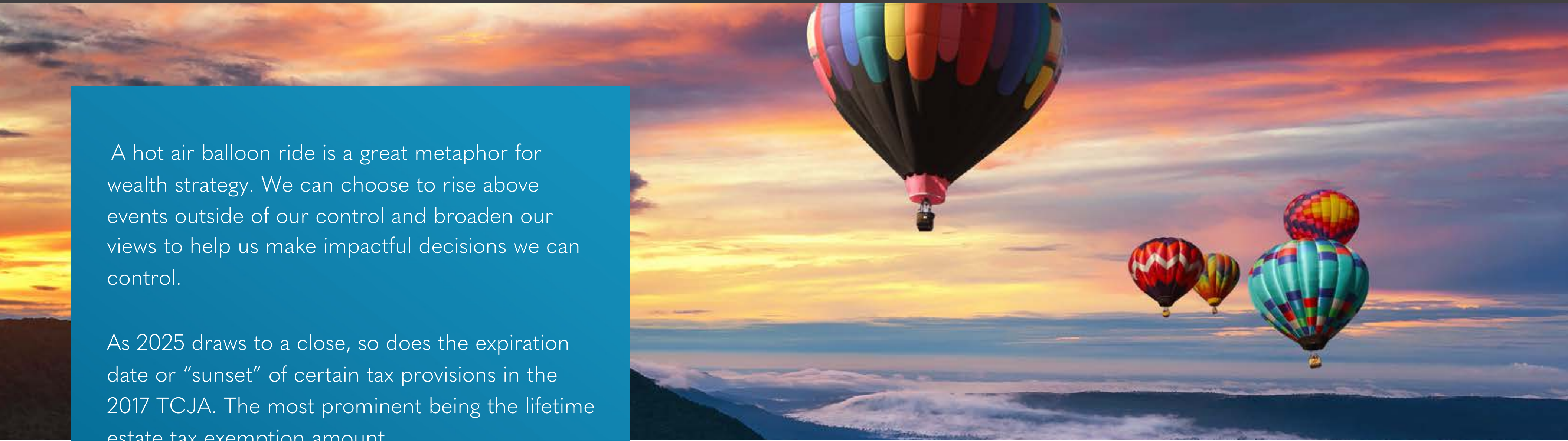
ALTERNATIVES
FAVORABLE

RATIONALE The number of interest rate cuts priced into markets has changed meaningfully since the start of the year. Typically, when there is more uncertainty surrounding monetary policy, the opportunity set expands for alternatives, specifically those that can benefit from macro-oriented investment theses. Continued geopolitical uncertainty should create attractive entry points. As alluded to in our introductory comments, the alternatives investment landscape gives investors the ability to achieve differentiated sources of return that can be less correlated to public equity and fixed income. Given large pricing differences across asset classes, being able to go long and short securities should expand the opportunity set for excess returns. We expect to see dislocations in credit markets, as companies continue to digest the higher rate environment. For investors in both hedge fund structures and private markets, dislocations should create opportunities to buy at lower prices and lock in higher yields. We would use drawdown credit vehicles and relative value hedge fund strategies to take advantage of mispricing.

RISK The risk to macro or long/short alternative strategies is illuminated by a Federal Reserve that is frequently adjusting their assessment of where inflation and rates should be in the future, and therefore, prone to changing course. The risk of government policy error is high, so hedging strategies should take this into account in overall positioning.

Source: Bloomberg. Please refer to Important Disclosures for additional information.

KEY WEALTH STRATEGY REMINDERS Q3



A hot air balloon ride is a great metaphor for wealth strategy. We can choose to rise above events outside of our control and broaden our views to help us make impactful decisions we can control.

As 2025 draws to a close, so does the expiration date or "sunset" of certain tax provisions in the 2017 TCJA. The most prominent being the lifetime estate tax exemption amount.

At the end of 2025, the amount exempted per individual per lifetime will decrease by roughly *one-half* from approximately $14,000,000 today to approximately $7,000,000 adjusted for inflation. This historical opportunity may or may not present itself with the passage of future tax legislation.

Your Edge Advisors are poised to help discuss and navigate planning complexities as you embrace this opportunity to manage your financial plan, shape your legacy, and direct your wealth transfer with clarity and purpose.

Years	Estate Tax Exemption (per person)
1916-2001	Less than $1,000,000
2002-2016	$1,000,000- $5,450,000
2017	$5,490,000
2018	$11, 180,000
2019	$11,400,000
2020	$11,580,000
2021	$11,700,000
2022	$12,060,000
2023	$12,920,000
2024	$13,610,000
2025	?*
2026 and beyond	?**

*$13,610,000 adjusted for inflation

**$5,000,000 adjusted for inflation (if new legislation not enacted)

Source: Taxpolicycenter.org. Please visit edgecappartners.com. Please refer to Important Disclosures for additional firm information.

KEY WEALTH STRATEGY REMINDERS Q3

Tax Cuts and Jobs Act (TCJA) Back in Focus

With the Tax Cuts and Jobs Act ("TCJA") set to expire Jan 1, 2026, we expect an increased focus on tax legislation both on Capitol Hill and across the airwaves given the upcoming 2024 Election Cycle.

From our perspective, 2024 presents a window of opportunity for taxpayers to re-evaluate and adjust their planning strategies with current law, with the possibility of certain tax provisions expiring after 2025.

Additional Opportunities For Gifting

The lifetime gift tax exemption increases in 2024 by $690,000, to a new limit of $13,610,000 per person.[1]

Individuals who had previously exhausted their lifetime gifting exemption may now find capacity to remove additional assets from their taxable estate.

Keep in mind the much-elevated exemption amount is scheduled to "sunset" at the end of 2025 to a potentially much lower amount, beginning in 2026 (possibly estimated at an inflation-adjusted amount of ~$7 million per person).

Overcome "Planning Fatigue"

Don't forget the less complex but effective planning ideas such as:

- Annual gift tax exclusion $18,000 in 2024 (which can be doubled when gift splitting with spouse is elected
- Direct payments to medical or education institutions on behalf of another individual are not considered gifts
- Gifts to a US citizen spouse or to charity are unlimited
- Consideration of charitable annuity or charitable lead trusts

Planning Beyond the Lifetime Exemption

Leverage your Edge team to discuss additional planning beyond the lifetime exemption:

- Recapitalization and discounting in closely held businesses
- Use of rolling Grantor Retained Annuity Trusts (GRATs) or nonreciprocal GRATs between spouses
- Use of 678 trusts, GST allocation and sale of assets
- Possible sale or exchange of assets between established trusts

Sources: [1]IRS.gov; morganlewis.com; focusfinancialpartners.com. Please visit edgecappartners.com. Please refer to Important Disclosures for additional firm information.

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Investments carry the risk of loss, including the potential loss of capital invested, which clients should be prepared to bear. Past performance may not be indicative of future results.

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When referencing asset class returns or statistics, the following indices are used to represent those asset classes. Each index is unmanaged and investors can not actually invest directly into an index: Cash - Citigroup 90 Day T-Bill; TIPS - Bloomberg Barclays US Treasury; TIPS; Municipals - Bloomberg Barclays Muni Bond 5-Year; High Yield Municipals - Bloomberg Barclays High Yield Muni Bond; Aggregate Bond - Bloomberg Barclays US Aggregate Bond Index; High Yield - Bloomberg Barclays US Corporate High Yield; Foreign Bond - Bloomberg Barclays Global Aggregate Ex USD; Emerging Debt - JPMorgan GBI-EM Global Diversified Unhedged Index; Large Value - Russell 1000 Value; Large Blend - S&P 500; Large Growth - Russell 1000 Growth; Small Value - Russell 2000 Value; Small Blend - Russell 2000; Small Growth - Russell 2000 Growth; International - MSCI EAFE; Emerging Markets - MSCI EM; Domestic REITs - FTSE NAREIT Equity REITs; Global REITS - S&P Developed World Property; Commodities - Bloomberg Commodity Index; MLP - Alerian MLP; Hedge Funds - HFRI Fund of Funds Composite Index; Balanced^ - 3% Bloomberg Barclays US Treasury TIPS, 31% Bloomberg Barclays US Aggregate Bond Index, 1.5% Bloomberg Barclays Global Aggregate Ex USD, 1.5% Bloomberg Barclays Global Aggregate Ex SD (Hedged), 4% Bloomberg Barclays US Corporate High Yield, 2% JPMorgan GBI-EM Global Diversified Unhedged Index, 17% S&P 500, 6% Russell 2000, 15% MSCI EAFE, 7% MSCI EM, 3% FTSE NAREIT Equity REITs, 2% Bloomberg Commodity Index, 5% Alerian MLP, 2% Citigroup 3 Month T-Bill