

Cassandra Financial Group

September Monthly Newsletter



John E. Cassandra, CRPS®, CPFA®, AAMS®, AIF®
Branch Manager
Cassandra Financial Group
8198 Jog Road • Suite 200 • Boynton Beach • FL • 33472
561-369-8400 x106
John.Cassandra@RaymondJames.com • <http://cassandrafincial.com/>



What Real People Think About Artificial Intelligence

When U.S. adults were asked about the expanding presence of artificial intelligence (AI) technology in daily life, 38% said they were more concerned than excited, while just 15% were more excited. Many people were still on the fence, as 46% felt equally concerned and excited about the life-changing potential of AI.

Among those who were more concerned, percentage who said the following was the main reason



Source: Pew Research Center, 2022–2023

New Life for Your Old Insurance Policy

Life insurance can serve many valuable purposes. However, later in life — when your children have grown, you've retired, or you've paid off your mortgage — you may think you no longer need to keep your coverage, or perhaps your coverage has become too expensive. You might be tempted to abandon the policy or surrender your life insurance coverage, but there are other alternatives to consider.

Term vs. Perm

If you have term life insurance, you generally will receive nothing if you surrender the policy or let it lapse by not paying the premiums. However, depending on your age, your health status, and the time left in the term, you may be able to extend the coverage or convert the policy to a permanent policy. The rules for extension and conversion vary by policy and company.

On the other hand, if you own permanent life insurance, the policy may have a cash surrender value (CSV), which you can receive upon surrendering the insurance. If you surrender your cash value life insurance policy, any gain resulting from the surrender (generally, the excess of your CSV over the cumulative amount of premiums paid) will be subject to federal and possibly state income tax. Also, surrendering your policy prematurely may result in surrender charges, which can reduce your CSV.

Exchange the Old Policy

Another option is to exchange your existing permanent life insurance policy for either a new life insurance policy or another type of insurance product. Under the federal tax code, this is known as an IRC Section 1035 exchange.

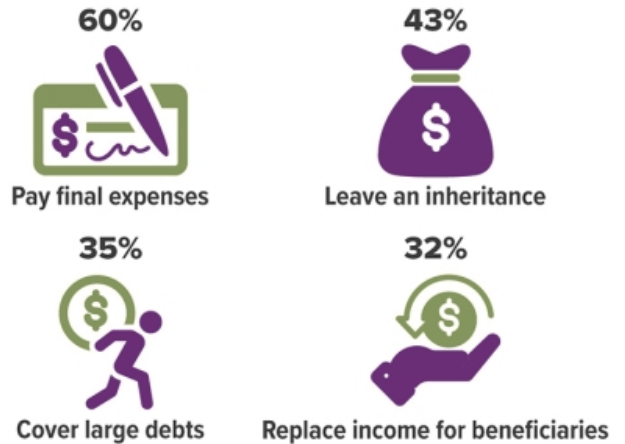
The exchange must be made directly between the insurance company that issued the old policy and the company issuing the new policy or contract. The rules governing 1035 exchanges are complex, and you may incur surrender charges from your current life insurance policy. In addition, you may be subject to new sales, mortality, expense, and surrender charges for the new policy.

Here are some options for a 1035 exchange.

Lower the premium. If the premium cost of your current life insurance policy is an issue, you may be able to lower the premium by reducing the death benefit, which would not require an exchange. Or you can try to exchange your current policy for a policy with a lower premium cost. However, it's possible that you may not qualify for a new policy because of your age, health problems, or other reasons.

Why Buy Life Insurance?

Although life insurance has traditionally been viewed as a way to replace income after the death of a wage earner, consumers are more likely to give other reasons for purchasing coverage.



Source: NerdWallet, 2022 (multiple responses allowed)

Create an income stream. You may be able to exchange the CSV of a permanent life insurance policy for an immediate annuity, which can provide a stream of income for a specific period of time or for the rest of your life. Each annuity payment will be apportioned between taxable gain and nontaxable return of capital. You should be aware that by exchanging the CSV for an annuity, you will be giving up the death benefit, and annuity contracts generally have fees and expenses, limitations, exclusions, and termination provisions. Also, any annuity guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company.

Provide for long-term care. Another option is to exchange your life insurance policy for a tax-qualified long-term care insurance (LTCI) policy. Any taxable gain in the CSV is deferred in the long-term care policy, and benefits paid from the tax-qualified LTCI policy are received tax-free. Keep in mind that if an LTCI policy does not accept lump-sum premium payments, you would have to make several partial exchanges from the CSV of your existing life insurance policy to the LTCI policy provider to cover the annual premium cost. A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the policy. Carriers have the discretion to raise their rates and remove their products from the marketplace.

Whatever option you choose, it may be wise to leverage any cash value in your unwanted life insurance policy to meet other financial needs.

All Eyes on the Earnings Picture

Publicly traded companies are required to disclose their financial performance to regulators and shareholders on a quarterly basis. News organizations and investors pay close attention to these reports because they tend to impact stock prices, with strong earnings driving share prices up, and vice versa.

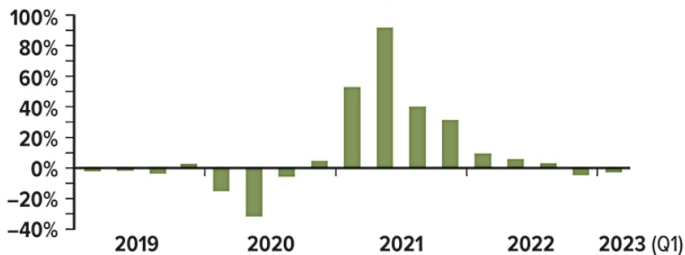
In the first quarter of 2023, the earnings of companies in the S&P 500 Index declined 2.2%. This was a much stronger showing than Wall Street analysts expected after profits fell 4.6% in the previous quarter. On a positive note, revenues grew 2.9% in Q1 as consumer spending faced down inflation.¹⁻²

Earnings season can be a volatile six-week period for stocks. As investors digest and respond to new data, the marketplace rewards some companies and punishes others.

Hindsight Offers Perspective

Stock prices tend to be forward looking, which is one reason they don't always move in the same direction as earnings. For example, the S&P 500 Price Index returned nearly 29% in 2019 and more than 16% in 2020, even though earnings growth was negative in six of those eight quarters.

S&P 500 Earnings Growth



Sources: FactSet, 2023; S&P Dow Jones Indices, 2023

Measuring Performance

A quarterly report typically includes unaudited financial statements, a discussion of the business conditions that affected financial results, and some guidance about how the company expects to perform in the following quarters. Financial statements reveal the quarter's profit, or net income, which must be calculated according to generally accepted accounting principles (GAAP). This typically involves subtracting operating expenses (including depreciation, taxes, and other expenses) from gross income.

Pro-forma (or adjusted) earnings may present an alternative view of financial performance by excluding nonrecurring expenses such as restructuring costs, interest payments, taxes, and other unique events. Although the Securities and Exchange Commission has rules governing pro-forma financial statements, companies still have a great deal of leeway to highlight the positive and minimize the negative in these

reports. There may be a vast difference between pro-forma and GAAP earnings.

Earnings per share (EPS) represents the portion of total profit that applies to each outstanding share of company stock. EPS is often the figure that makes headlines, and the financial media tends to focus on whether companies meet, beat, or fall short of the consensus estimate of Wall Street analysts. A company can see its stock price surge by losing less money than expected or can log billions in profits and still disappoint investors who were counting on more.

Shaping Perception

Due to the potential effect on stock prices, companies often take steps to avoid big surprises, mostly by managing the market's expectations. This may involve issuing profit warnings or positive revisions to previous forecasts, which may cause analysts to adjust their estimates accordingly. Companies may also be able to time certain business moves to help meet quarterly earnings targets.

In addition to filing regulatory paperwork, many companies announce their results through press releases, conference calls, and/or webinars so they can try to influence how the information is judged by analysts, the financial media, and investors.

Diving Deeper

Investors who look beyond the headline performance metrics may find other meaningful details in a company's quarterly report. Expansion plans, research and development, new products, consumer trends, government policies, and shifts in domestic or global economic conditions can all affect a company's financial results, either immediately or in the future.

Bear in mind that reported earnings generally reflect the company's recent performance, which in some cases may have little to do with its longer-term prospects. Moreover, some companies and/or industry sectors are likely in a better position to withstand economic challenges than others.

The return and principal value of stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. The S&P 500 Index is an unmanaged group of securities considered to be representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is no guarantee of future results. Actual results will vary.

1) FactSet, 2023

2) *The Wall Street Journal*, April 30, 2023

Time to Bulk Up Your Emergency Fund

A financial crisis — such as a job loss or medical emergency — can strike when you least expect it. It is important to be prepared by having a financial safety net in place — not having one could prove to be financially devastating. But bulking up your emergency fund isn't always easy, especially during times of economic uncertainty. According to a recent study, only 26% of people say they have more emergency savings than they did a year ago, and 39% say they have less.¹

Generally, you'll want to have at least three to six months' worth of living expenses in a readily available emergency fund. Your living expenses include items such as your mortgage or rent, debt payments (e.g., credit card, car loan), groceries, and insurance costs. The actual amount, however, should be based on your particular circumstances. Consider factors like your job security, health, and income when deciding how much money you should save in your emergency fund.

When you reach your savings goal, try to keep adding to your emergency fund — the more money you have, the better off you'll be in an emergency. In addition, review your emergency fund from time to time — either annually or when your personal or financial situation changes. Major milestones like a new baby or homeownership will likely require some adjustments to your savings goal.

If you are looking for ways to bulk up your emergency fund, consider the following ideas.

- If possible, authorize your employer to directly deposit funds from each of your paychecks into an account specifically designated for emergency savings.
- Make increasing your emergency fund a habit by modifying your budget to include it as part of your regular household expenses.
- Put aside some of the money that you would normally spend on discretionary items like entertainment, vacations, and hobbies toward your emergency fund instead.
- Move funds from cash accounts or liquid assets (e.g., those that are convertible to cash within a year, such as a short-term certificate of deposit) into your emergency fund.
- Add earnings from other investments, including stocks, bonds, or mutual funds to your emergency fund.

The FDIC insures bank CDs, which generally provide a fixed rate of return, up to \$250,000 per depositor, per insured institution.

1) Bankrate, Annual Emergency Savings Report, January 2023

Please contact Branch Ads Supervision to obtain the appropriate Raymond James disclosure.