



FERGUSON WELLMAN  
CAPITAL MANAGEMENT



WEST BEARING INVESTMENTS  
*a division of Ferguson Wellman*

# Investment Strategy and Wealth Management Topics

Presented on:  
November 19, 2024

# Today's Speakers

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**Jason Norris, CFA**  
Director  
*Equity Research  
and Portfolio Management*



**Brett Norris, CFP®**  
Vice President  
*Wealth Planning*

First Quarter 2024

STICKING THE LANDING



Second Quarter 2024

SO FAR, SO GOOD



Third Quarter 2024

WE'VE LANDED



# AWAITING THE SCORE

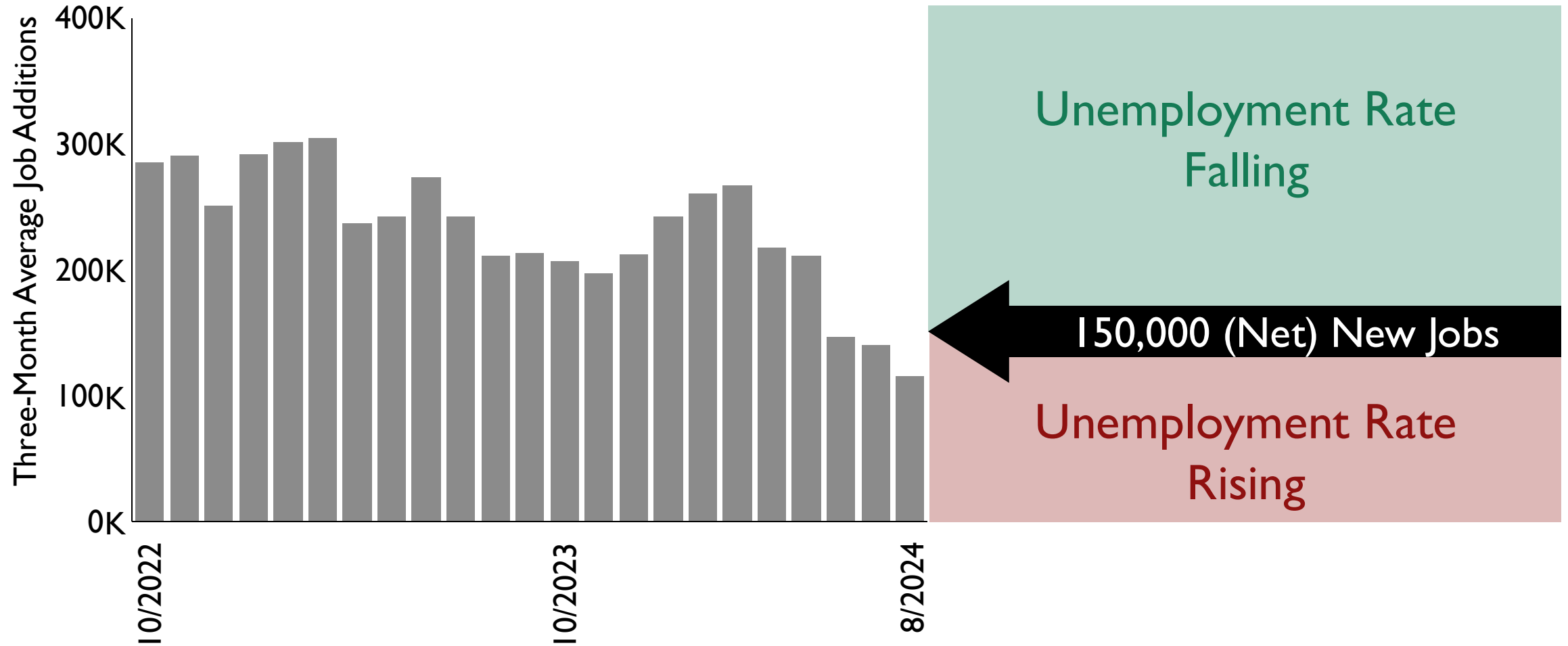


Investment Strategy  
Fourth Quarter 2024

# AWAITING THE SCORE

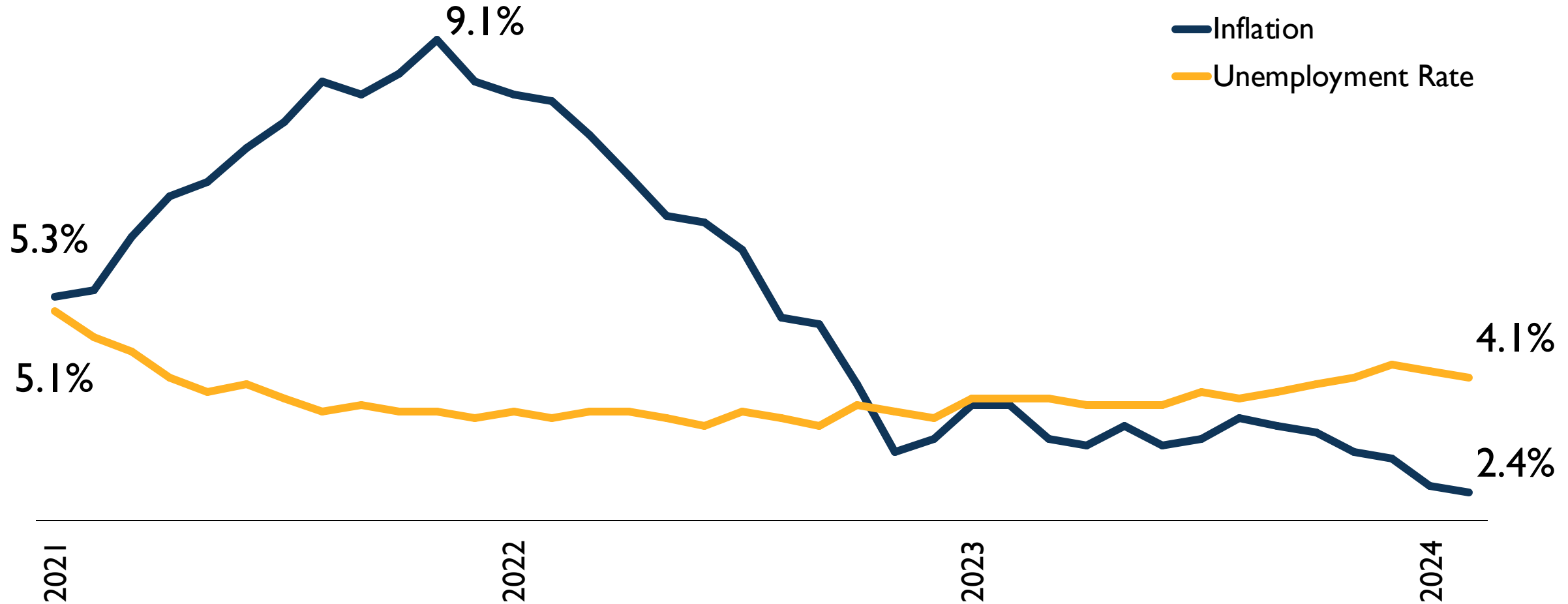
- Fed's focus has shifted from inflation to jobs
- Cutting interest rates for the right reason
- Earnings and equity valuations are setting a high bar
- Sticking with stocks
- Elections are not capital market events

# Labor Market is Cooling Off



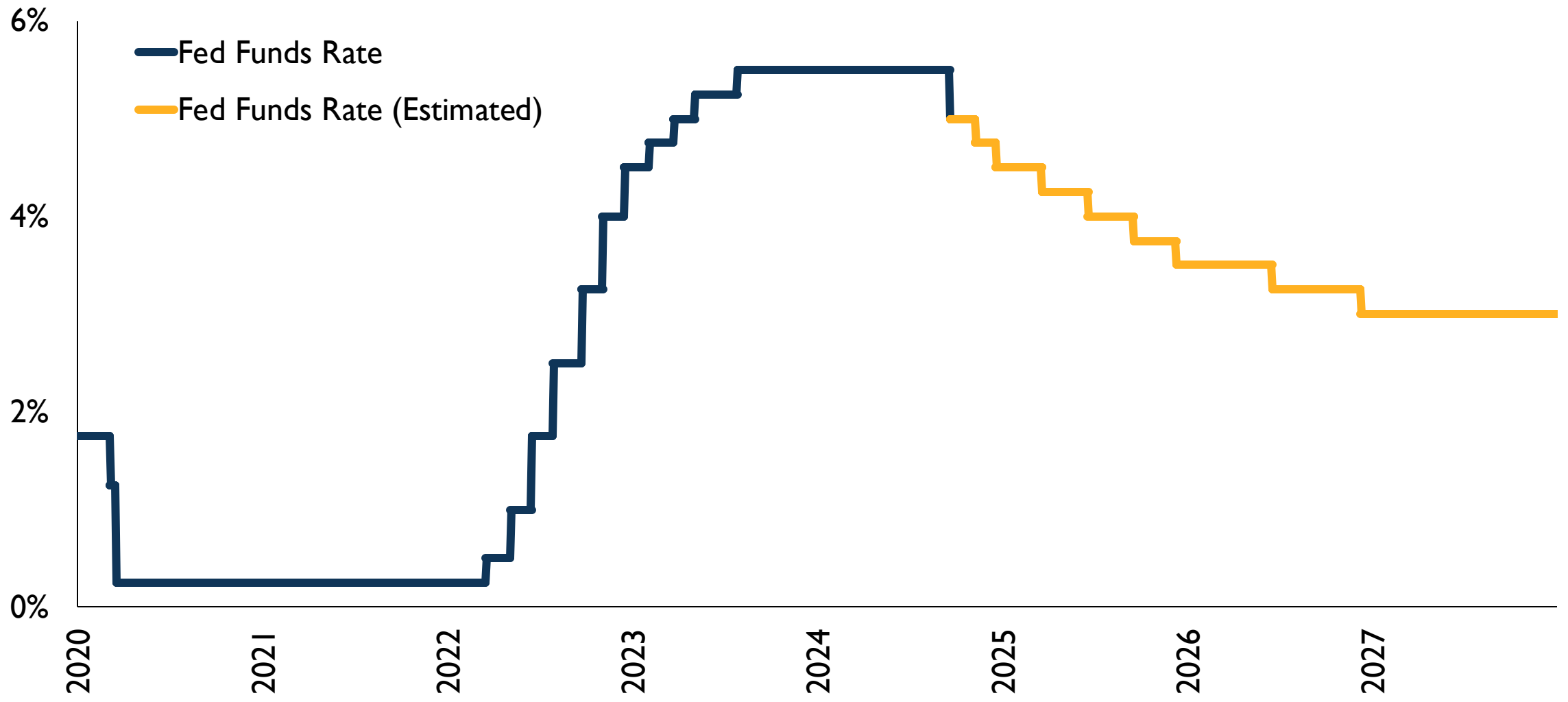
Time period: August 31, 2022 – August 31, 2024  
Source U.S. Bureau of Labor Statistics

# Cutting Interest Rates for the Right Reason



Time period: August 31, 2021 – September 30, 2024  
Inflation = Consumer Price Index (year-over-year) and Unemployment Rate = USURTOT  
Source: Federal Reserve

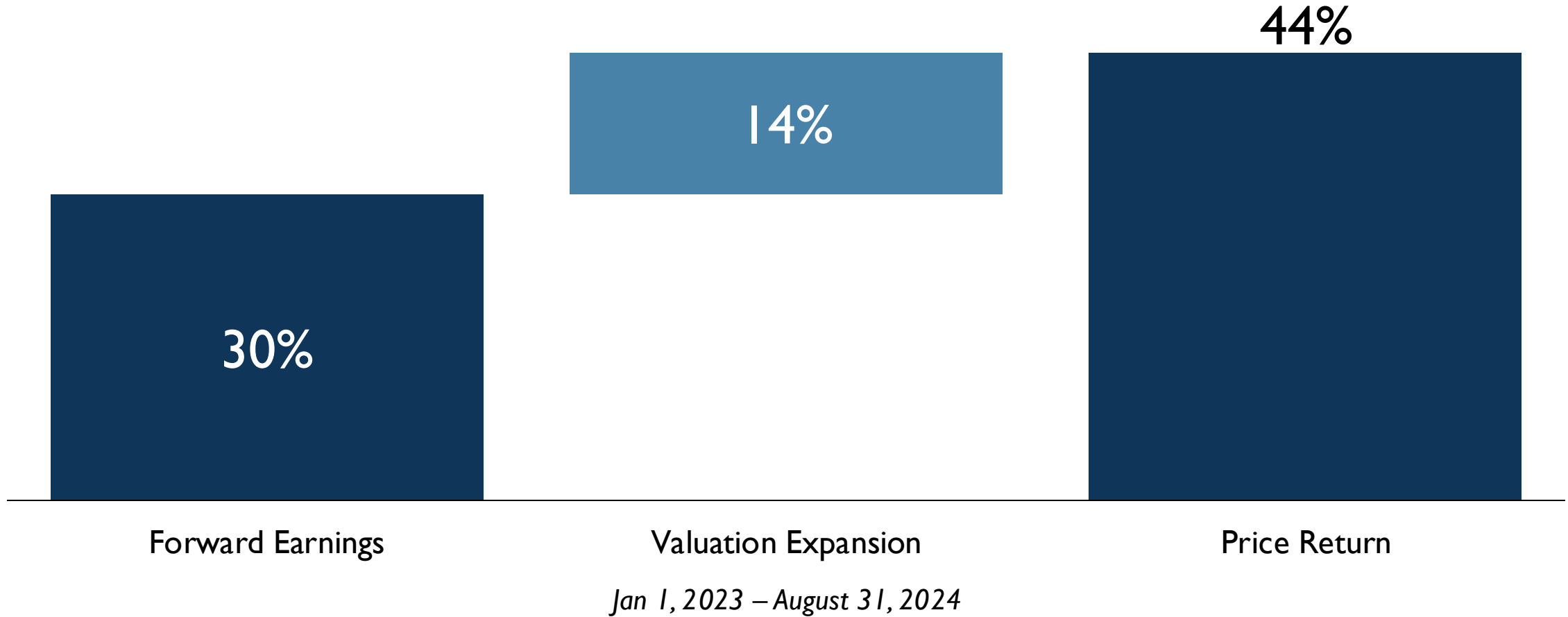
# We Expect Short Rates to Decline Methodically



Time period: January 1, 2020 – December 31, 2027  
Source: U.S. Federal Reserve

# We've Already Been Paid for a Soft Landing

## Composition of S&P 500 Return

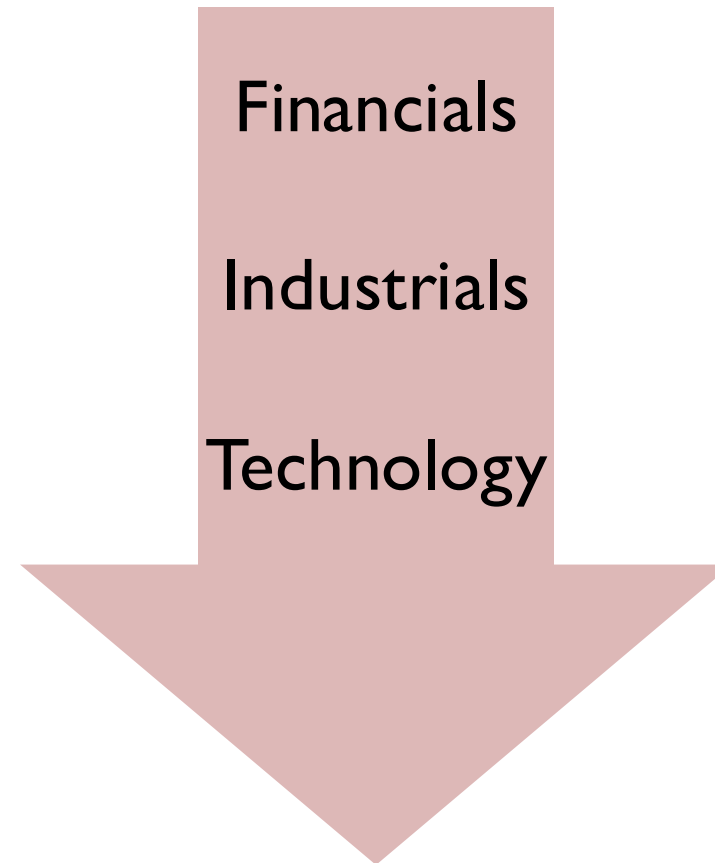
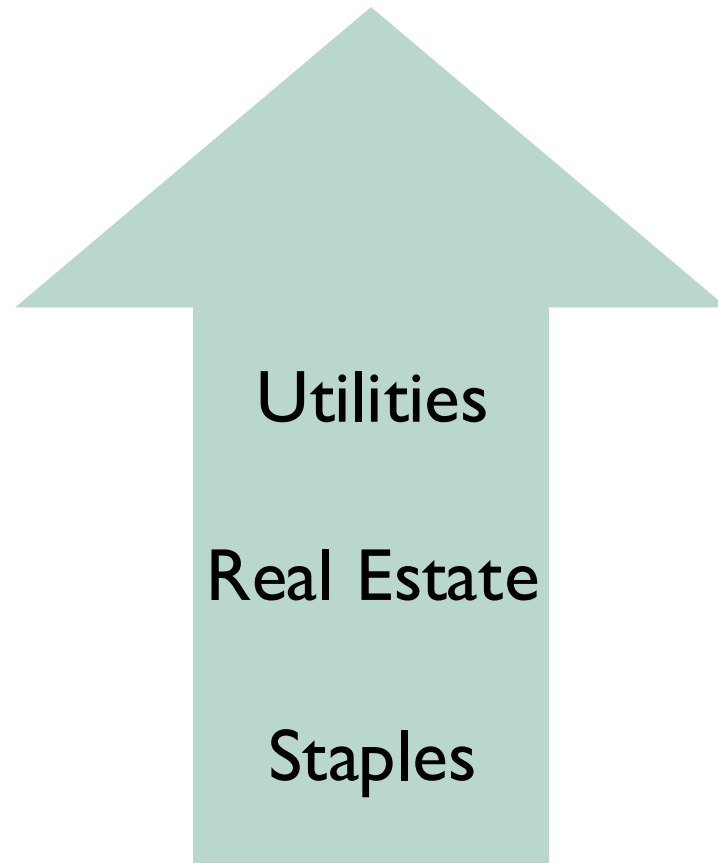


Source: FactSet



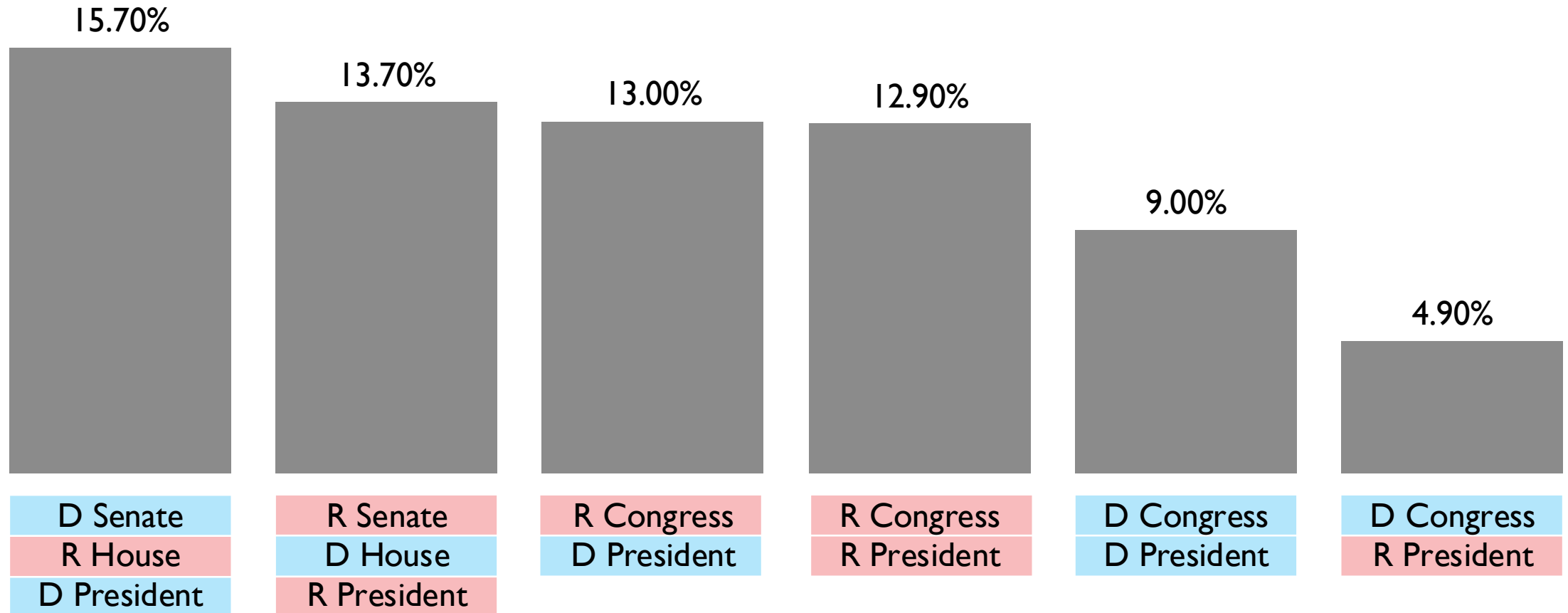
# Reducing Cyclical Exposure

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# “Divided” Governments Have Been the Most Profitable

## Average Annual S&P Performance



*Investors cannot invest directly in an index.*  
\*Data excludes 2001-2002 due to Sen Jeffords changing party mid-2001  
Time Period: 1933-2023, Excl. 2001-02



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# **Wealth Management:** Charitable Gifting, Estate Planning and Year-end Planning

# Strategic Charitable Giving to Maximize Deductibility

<b>Deductibility Limits</b>	<b>Cash</b>	<b>Stock</b>
Public charity AGI limit including DAFs and private operating foundations	60%	30%
Private foundation AGI limit	30%	20%
<b>Cash vs. Stock Gift Example</b>		
Deduction	\$100,000	\$100,000
Capital gains tax avoided	\$0	\$14,950
<b>Total tax savings</b>	<b>\$46,900</b>	<b>\$61,850</b>
Assumptions: Basis = 50%, Marginal federal rate = 37%, LT Capital gains rate = 20%, Oregon state tax rate = 9.9%		

**In-Kind Gifts**  
(e.g., art, tangible property)

*Mission-related use:* "Fair Market Value" as established by a comparable sale or an appraisal.

*Sold by charity:* Reported auction amount. Minimum of \$500 if a vehicle.

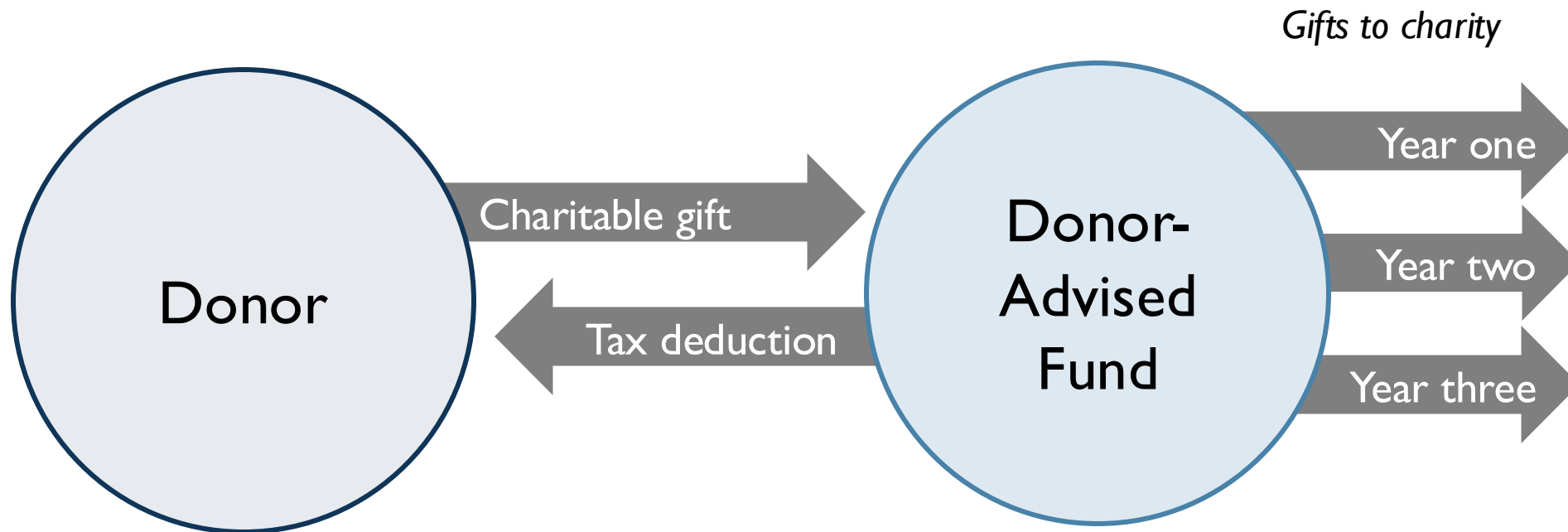
A deductible value over \$5,000 requires an independent appraisal.

*A deductible gift must be a terminal interest gift (i.e., no free uses of a vacation home) and must be reduced by any value or consideration received in exchange.*

AGI = Adjusted gross income    DAF = Donor-advised fund  
Please see important disclosures accompanying this material.

# Strategic Bunching of Charitable Gifts

## Donor-Advised Fund



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# IRA Charitable Gift

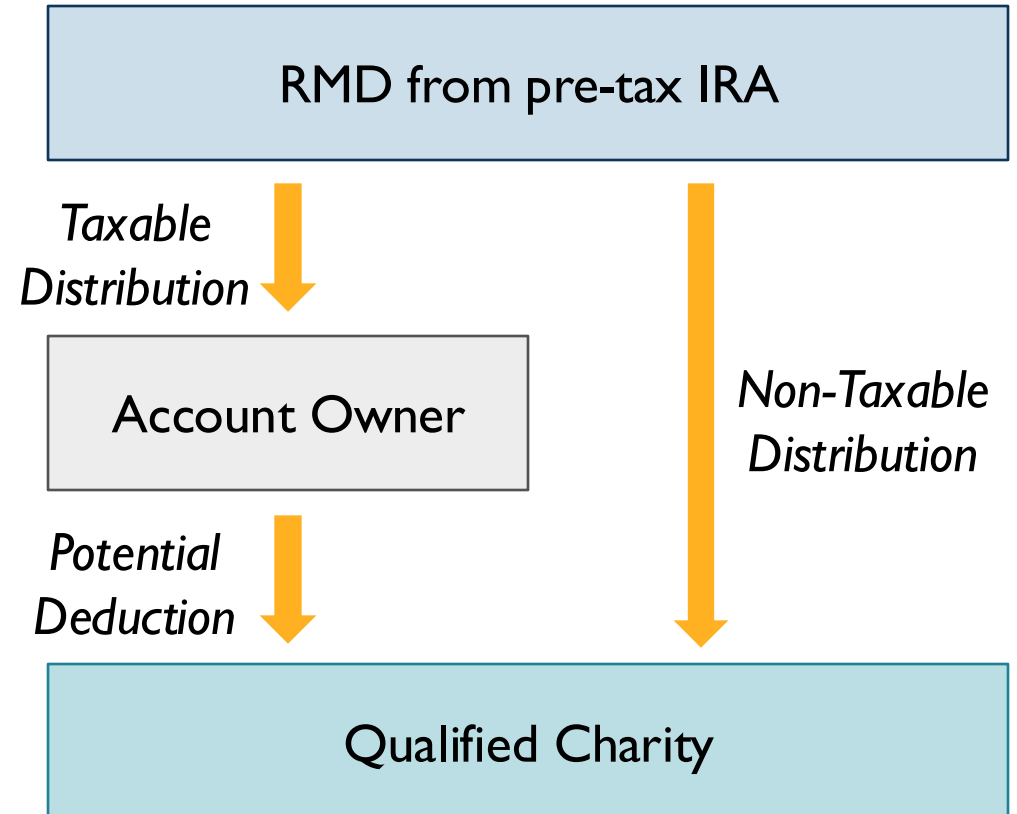
## Qualified Charitable Distributions in 2024

### What is a qualified charitable distribution (QCD)?

- A direct transfer of funds from pre-tax IRA to a qualified charity
- Distribution is not taxable and counts toward required minimum distribution (RMD)
- Maximum of \$105,000 annually per IRA owner
- Must be 70 1/2 years old

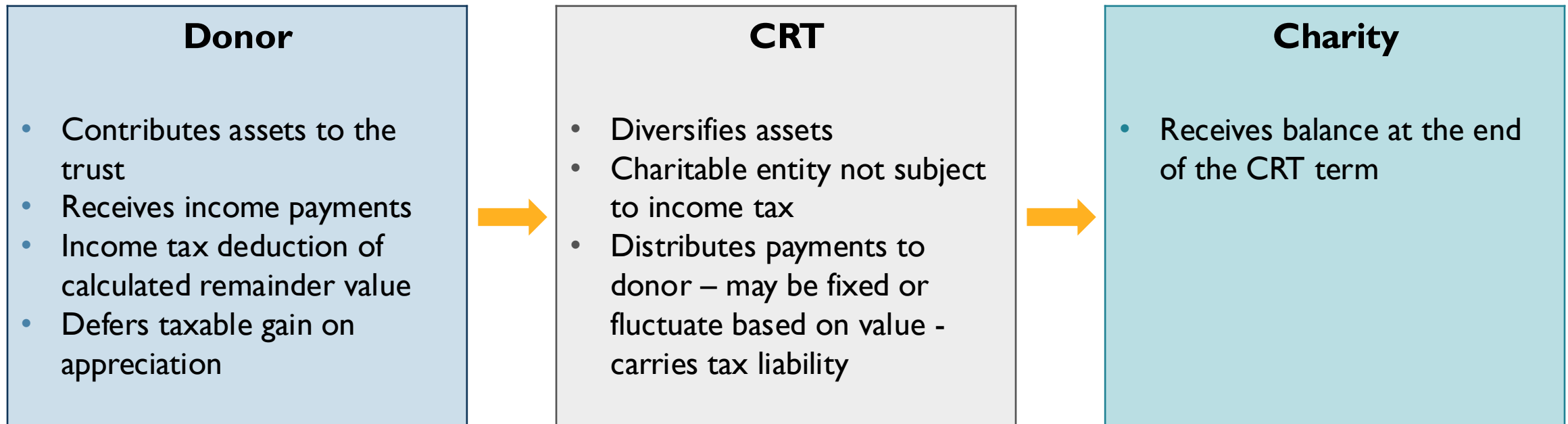
### Ideal for those who:

- Charitably-inclined
- Not itemizing tax deductions
- Don't need the income



Please see important disclosures accompanying this material.

# Charitable Remainder Trusts (CRTs)



Please see important disclosures accompanying this material.

# Everyone has an Estate Plan - Whose Plan Is It?



## Benefits of Crafting a Personalized Estate Plan

- **You decide** who will receive your wealth
- Protect minor children
- Plan for incapacity
- Plan for privacy
- Increase ease of administration
- Reduce taxes
- Avoid family messes

Please see important disclosures accompanying this material.



# Considerations When Gifting to Future Generations

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- What is the size of the gift?
- What are your goals or the purpose of the gift?
- Are there structures with potential tax advantages?
- Is the recipient a minor or financially responsible adult?
- Would you like to restrict the funds for certain purposes?
- Who will control the funds to ensure your wishes are honored?
- Will the gift impact financial aid eligibility for college bound individuals?

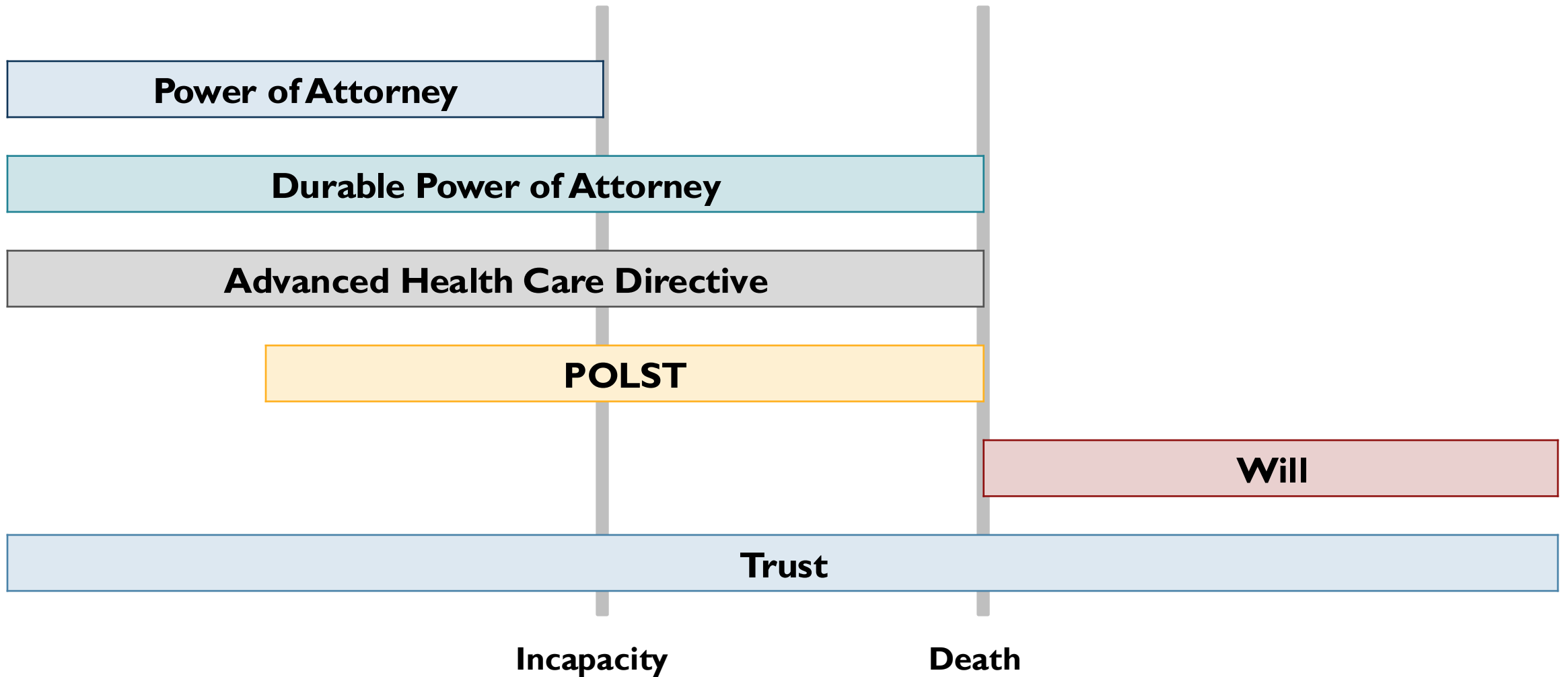
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# Estate Planning Goals

<b>Legacy</b>	Help families achieve desired legacies
<b>Taxes</b>	Minimize estate taxes (40% federal, varies by state)
<b>Harmony</b>	Limit family conflict
<b>Privacy</b>	Avoid public court probate process
<b>Incapacity</b>	Provide for proper financial and personal care during incapacity

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# Common Estate Planning Documents



Please see important disclosures accompanying this material.

# Mitigate Income and Estate Taxes

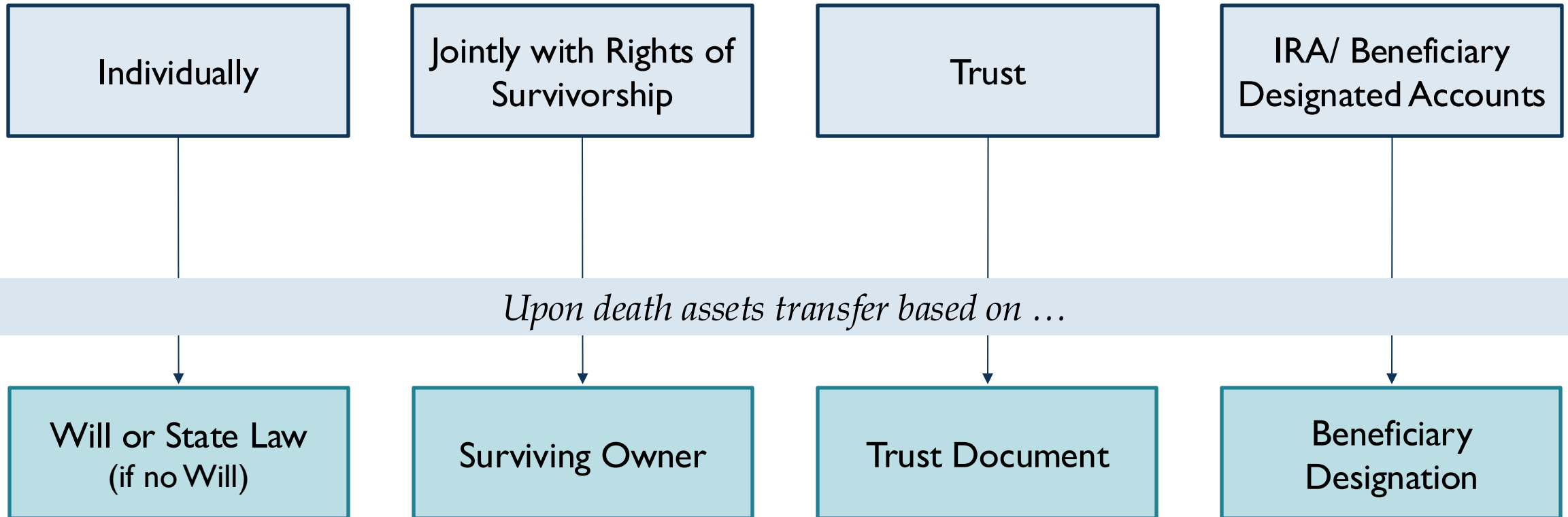
## Lifetime Gifting to Family

<b>Annual and other exclusions</b>	Annual exclusion: \$19,000 per recipient in 2025
<b>Federal lifetime exemption</b>	\$13.99 million in 2025
<b>Avoid state estate tax</b>	Lifetime giving generally avoids state <i>gift</i> tax
<b>“Freeze” the value</b>	Gifts are valued on the day they are completed
<b>Explore potential discounts</b>	Fractional ownerships may be eligible for discounted valuation
<b>Balance estate tax versus future income taxes</b>	Individuals take carry-over cost basis in gifted assets
<b>Inclusive versus exclusive tax calculations</b>	Gift taxes are generally preferable to estate taxes

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# Do You Know Who Will Receive Your Assets Upon Your Death?

## *Asset Ownership or Titling*



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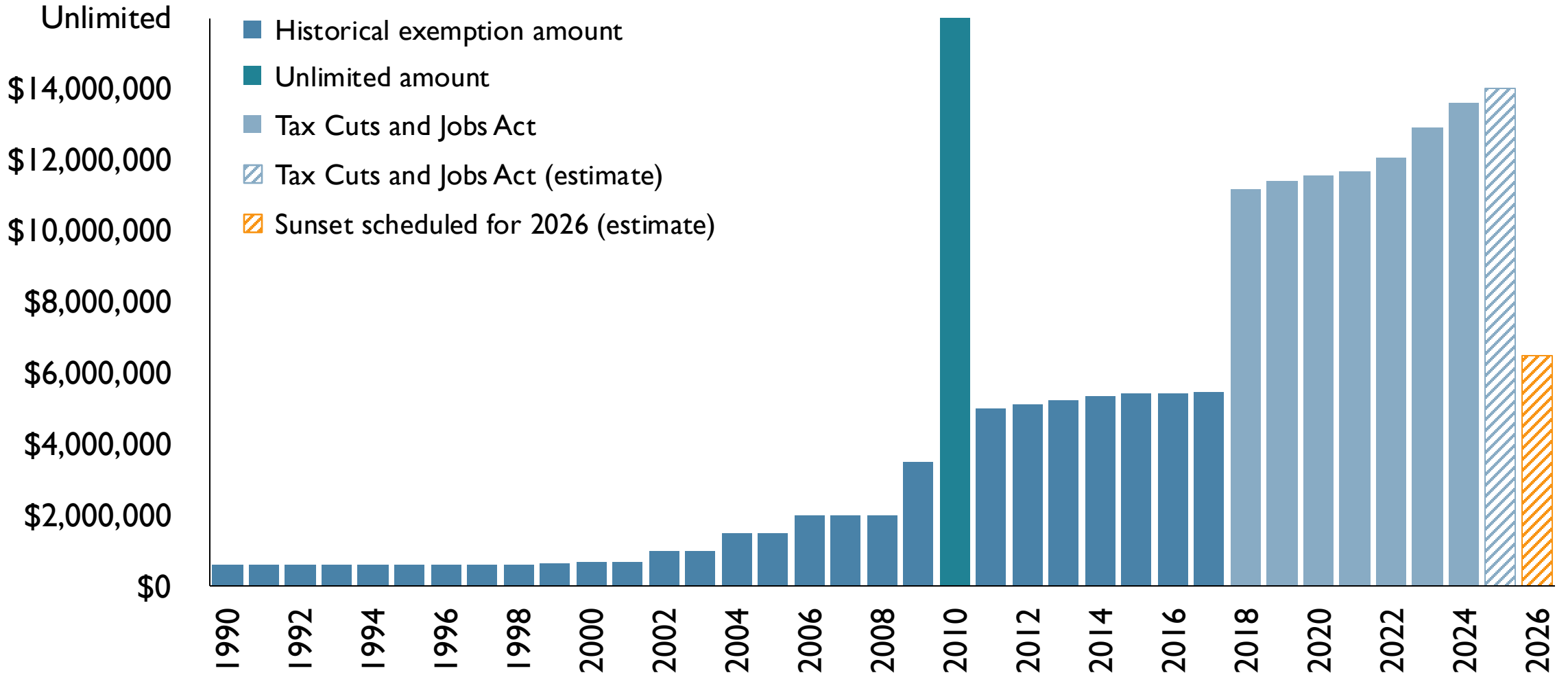
# Oregon Estate Tax

Taxable Estate Equal To or More Than	Taxable Estate Less Than	Tax on Amount in Column I	Tax Rate on Taxable Estate Amount More Than the Amount in Column I
\$1,000,000	\$1,500,000	\$0	10.0%
1,500,000	2,500,000	50,000	10.25%
2,500,000	3,500,000	152,500	10.5%
3,500,000	4,500,000	257,500	11.0%
4,500,000	5,500,000	357,500	11.5%
5,500,000	6,500,000	482,500	12.0%
6,500,000	7,500,000	602,500	13.0%
7,500,000	8,500,000	732,500	14.0%
8,500,000	9,500,000	872,500	15.0%
9,500,000		1,022,500	16.0%

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# Historical Federal Estate Tax Exemption

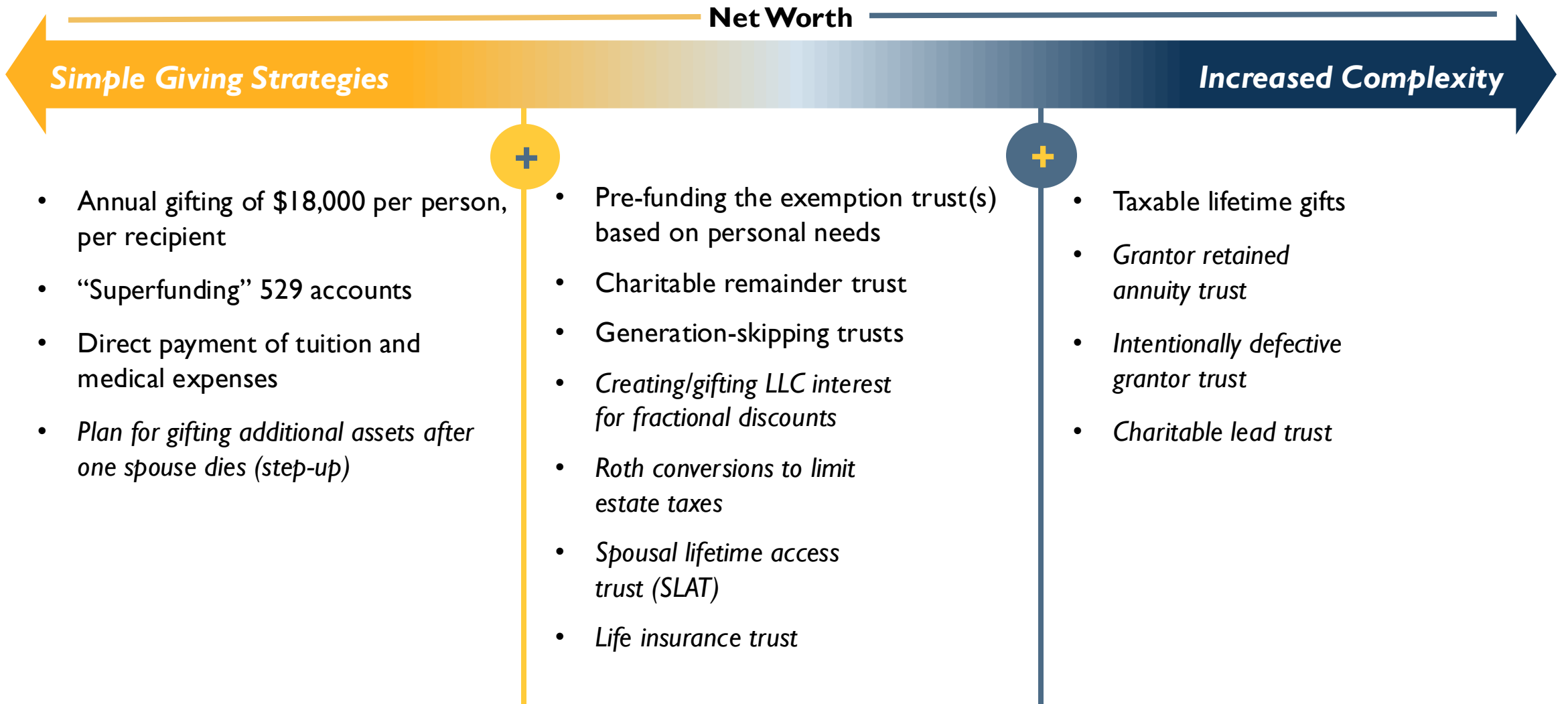
Consider Gifting Strategies to Lock in Current *\$13,610,000 per Person* Exemption in 2024



Source: IRS.gov; taxfoundation.org

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# Include the Spectrum of Lifetime Giving in Your Estate Planning





# Strategies for Year-End Planning

## Retirement and Savings

- ✓ Maximize retirement contributions including spousal IRA and possible backdoor Roth
- ✓ Consider tax diversity (pre-tax/ post-tax) of retirement saving buckets
- ✓ Max out health savings account contributions

## Philanthropic Strategies

- ✓ Finalize charitable budget and complete gifts
- ✓ Consider gifts of appreciated securities potentially using a donor advised fund (DAF)
- ✓ Evaluate qualified charitable distributions (QCDs) from IRA

## Estate Planning

- ✓ Consider larger lifetime gifts (current federal lifetime exemption \$13.61 million, scheduled to drop to about \$7 million in 2026 or sooner)
- ✓ Annual exclusion gifts (2024 limit \$18,000) and direct payment of tuition and medical expenses
- ✓ Fund or “superfund” 529 college savings plans

## Income Tax Planning

- ✓ Consider if you are in a lower or higher taxable income year and adjust income and deductions
- ✓ Evaluate distribution strategy from retirement accounts and consider Roth conversions
- ✓ Explore harvesting unrealized capital losses

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# Retirement Accounts: Traditional vs. Roth IRA

## Traditional IRA

- *Pre-tax* contributions
- Required distributions
- Distributions taxed as ordinary income

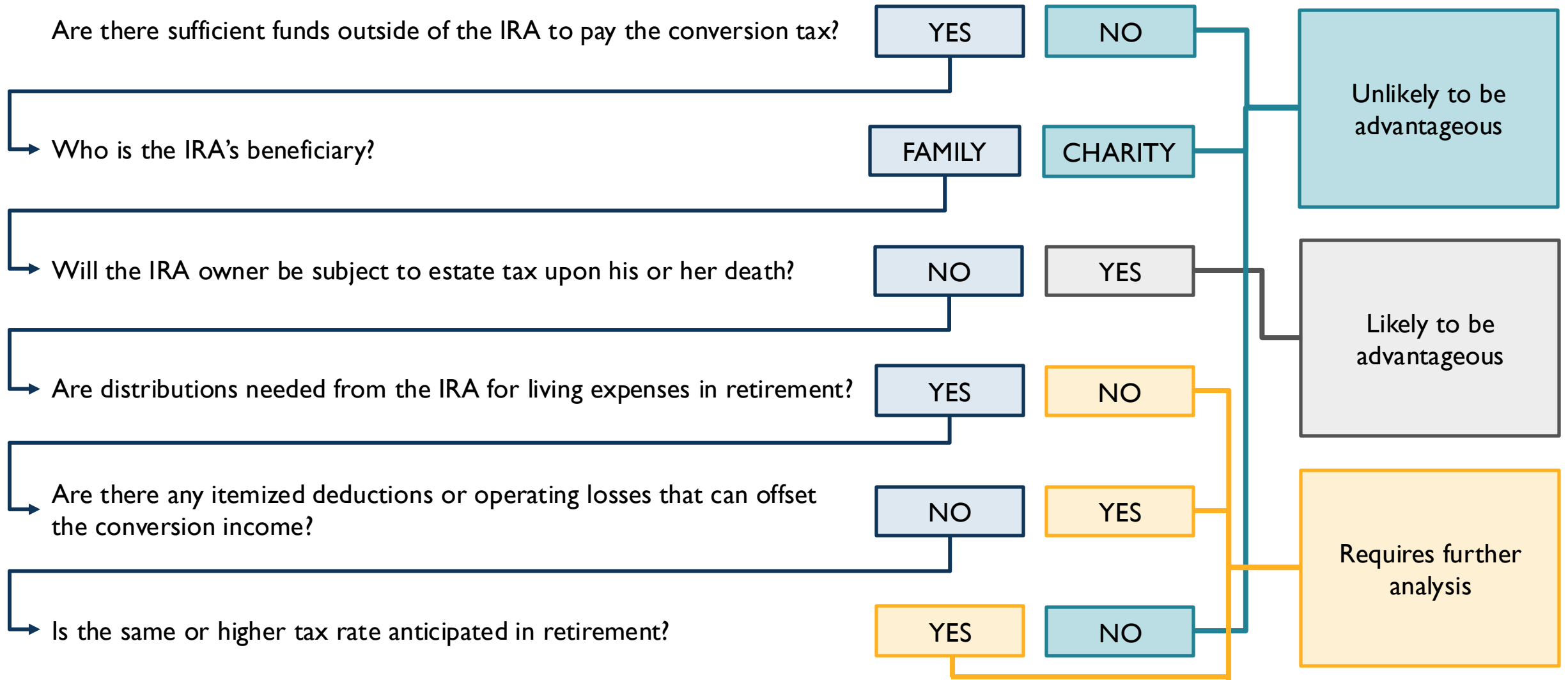
## Roth IRA

- *After-tax* contributions
- No required distributions
- Distributions are tax-free



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# The Decision: Roth IRA Conversion



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# Strategic Roth IRA Conversions

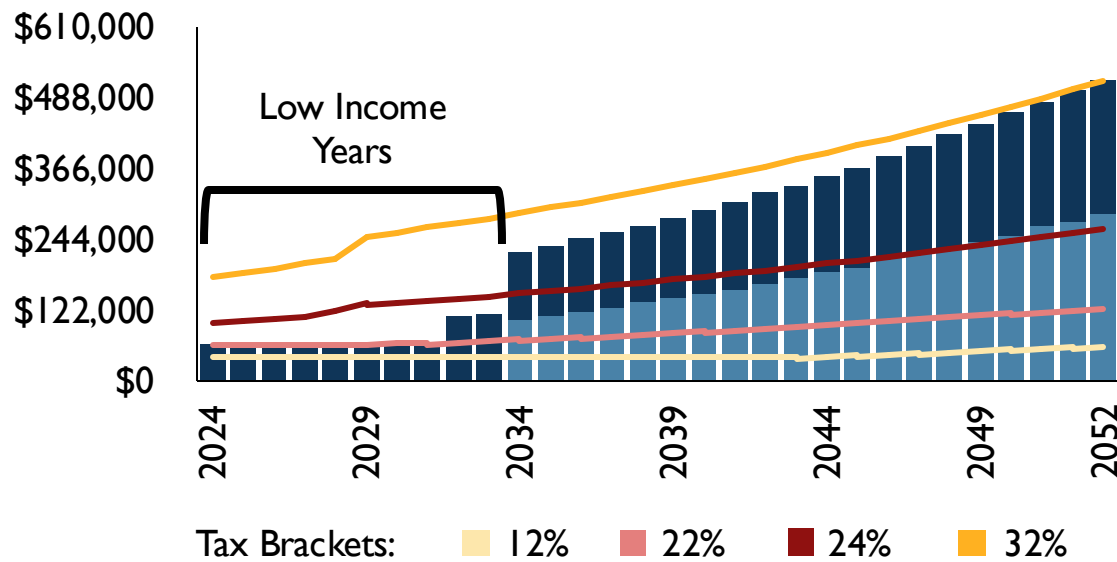
## Traditional IRA

- Funded with *pre-tax* money
- Grows tax-deferred
- RMDs starting at 73 or later
- Distributions taxed as ordinary income

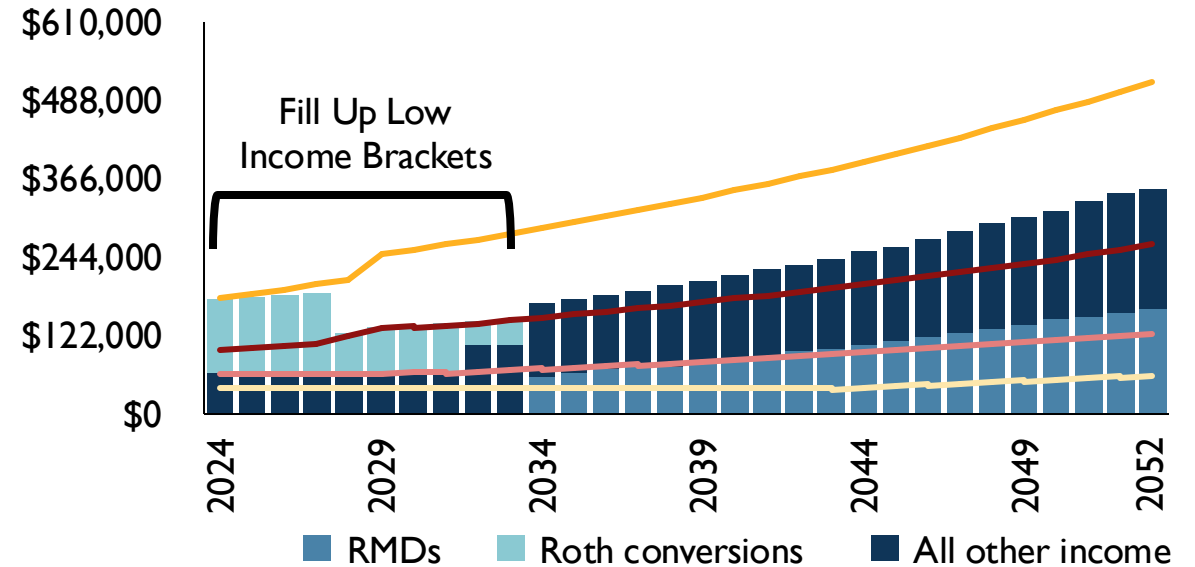
## Roth IRA

- Funded with *after-tax* money
- Grows tax free
- No RMDs during life
- Distributions are tax-free

### No Roth Conversion



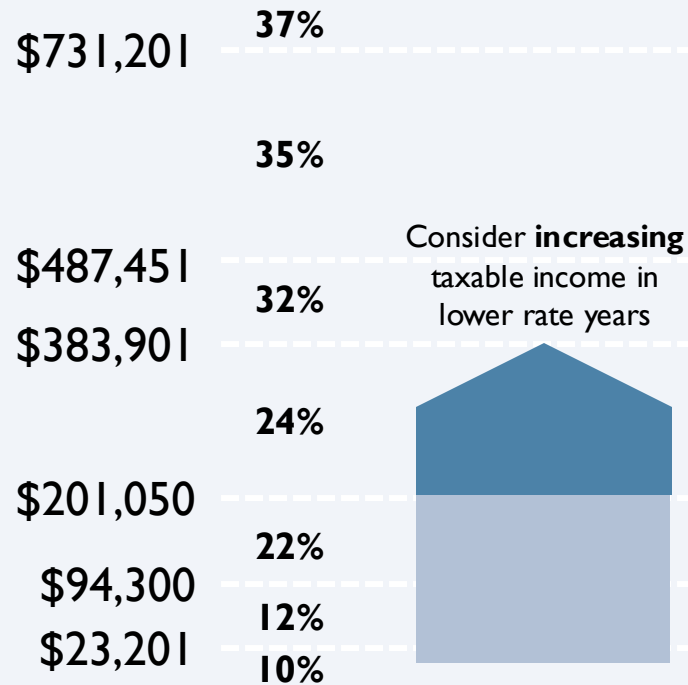
### Strategic Roth Conversion



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# Strategically Manage Your Taxable Income Over Your Lifetime

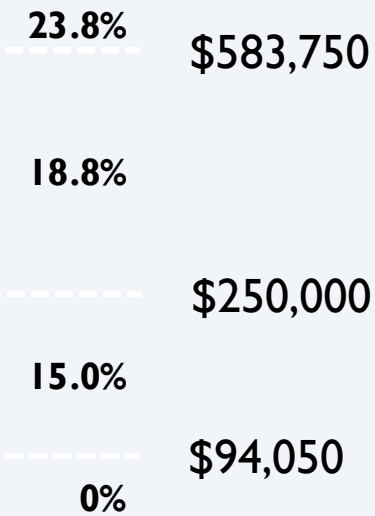
## 2024 Individual Income Tax Brackets Married Filing Jointly (MFJ)



Consider **increasing**  
taxable income in  
lower rate years

Consider **decreasing**  
taxable income in  
higher rate years

## 2024 Capital Gains\*



### Strategies to increase income may include:

- Retirement withdrawals
- Roth IRA conversions
- Harvesting gains on sale

### Strategies to decrease income may include:

- Retirement contributions
- Grouping charitable donations
- Installment sales
- 1031 exchange
- Harvesting losses

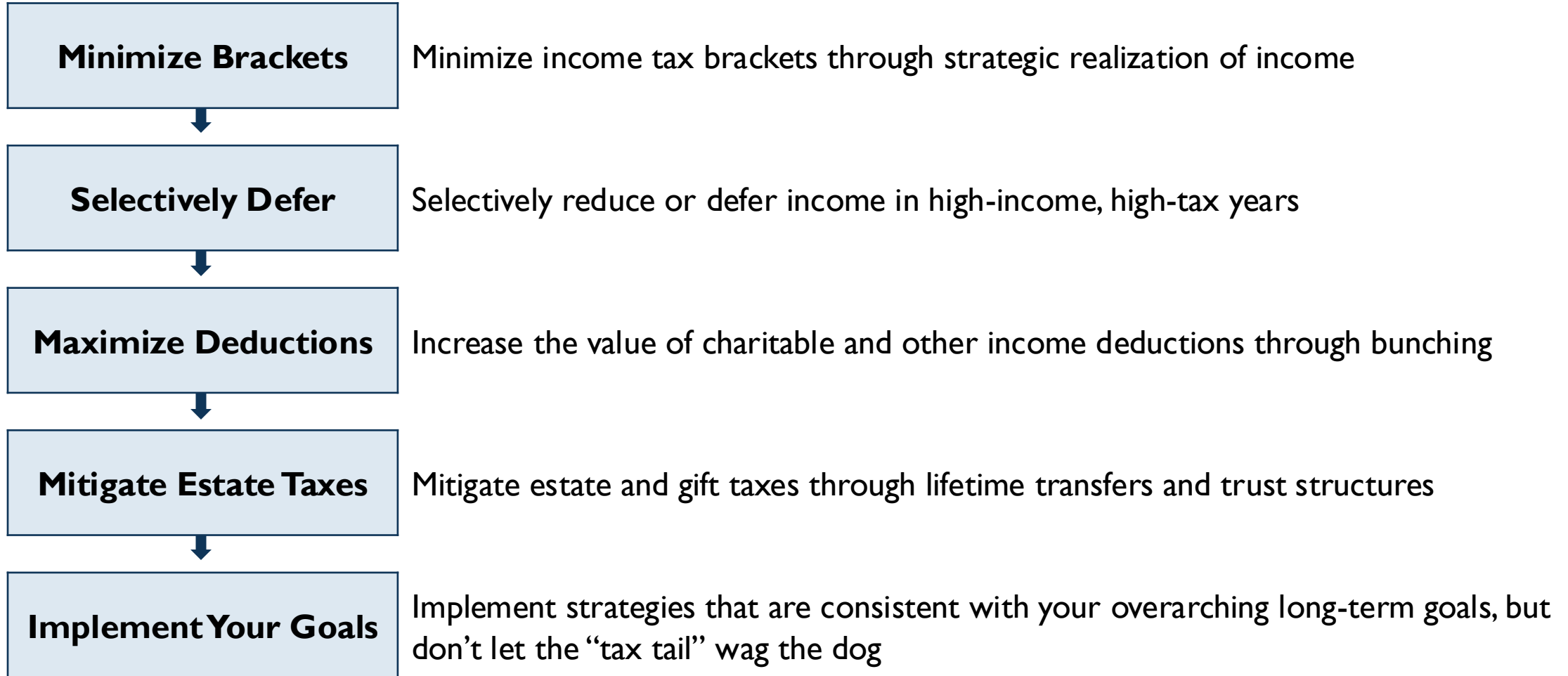
\*Capital gains rates include the additional 3.8% Medicare surtax on investment income over \$250,000 (MFJ).

Source: IRS.gov

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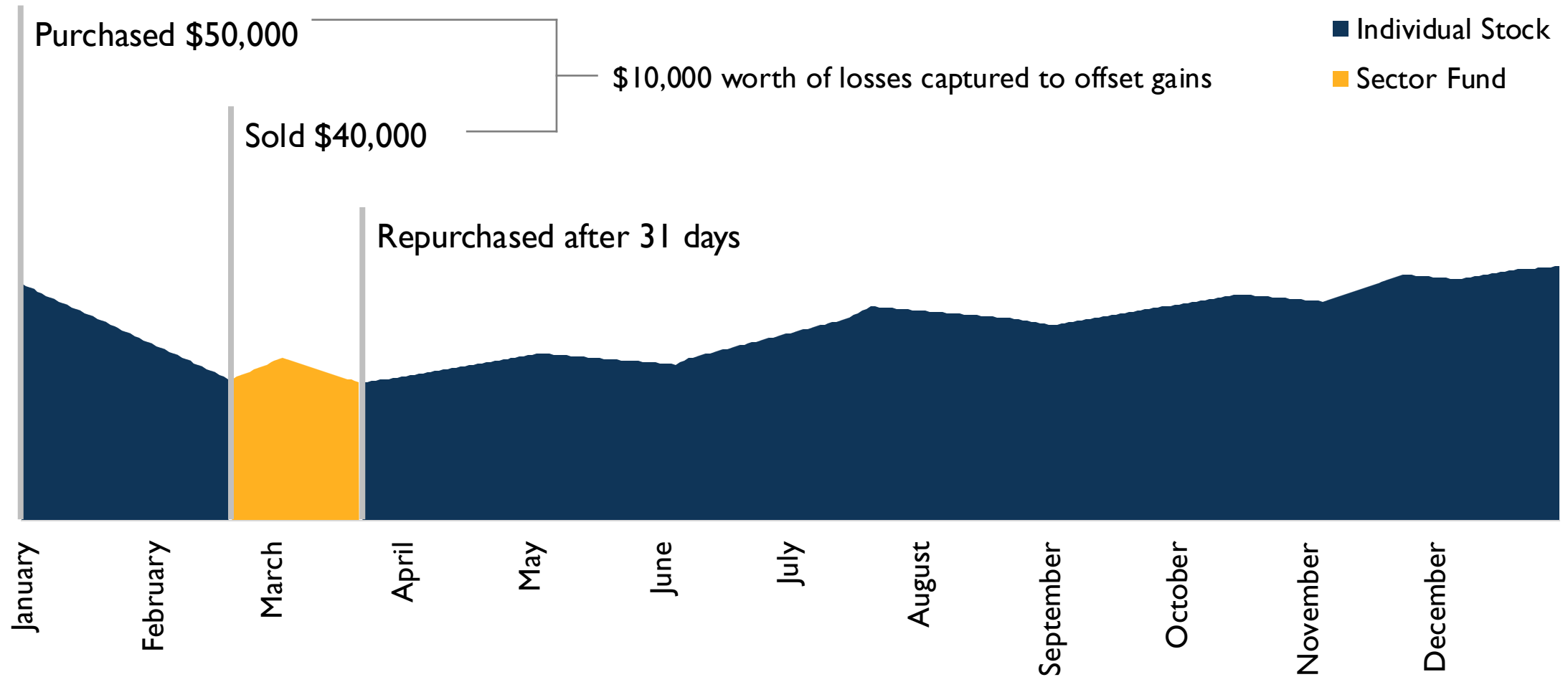
# Tax-Savvy Planning

Take the Long View



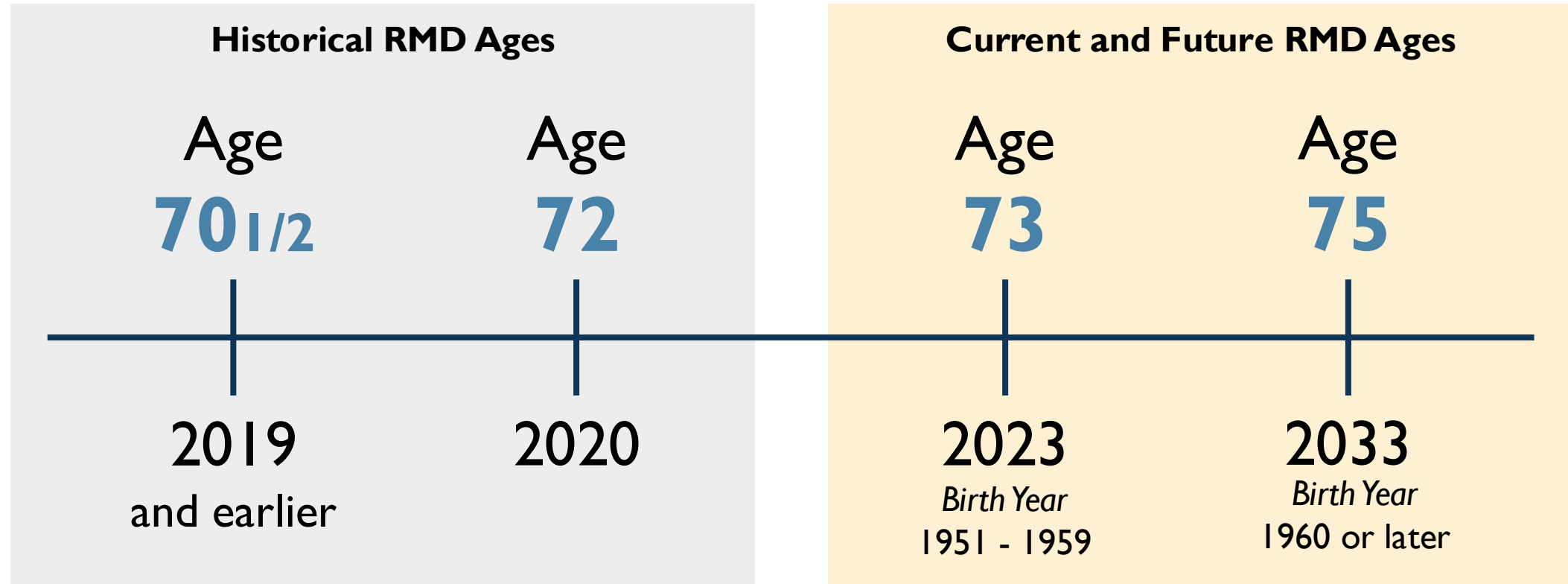
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# Understanding Tax-Loss Harvesting



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# Understanding Your Required Minimum Distribution (RMD) Age



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# Important Disclosures

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