

Gifting

*“A Christmas tree—the perfect gift for a guy.
The plant is already dead.”*

– Jay Leno –

With the holiday season right around the corner, what better time is there to talk about gifting. Gifting is a great way to show appreciation for the individuals and/or organizations that matter to you. Although gifting may seem simple, there are many things that should be considered when making a gift.

Currently there is federal gift tax, which is designed to prevent people from avoiding estate taxes by giving away all their money before they die. The donor is typically the one who must pay the gift tax if any is due, and the recipient of the gift doesn't have to report it as income for tax purposes. Now there's no need to lose sleep over this if you're giving a \$50 gift card to your children for the holidays, but this could become an issue if you start giving away large sums of money. The 2023 gift tax exclusion amount is \$17,000 per person, so for married couples, the limit is a total of \$34,000. This is the maximum amount you can give a single person each year without reporting it to the IRS. If you give more than this to an individual, you must file a federal gift tax return in the following year.

Just because you file a gift tax re-



turn, doesn't necessarily mean that you'll have to pay gift tax on the excess amount above the annual exemption. Instead, the excess gift will eat into your lifetime estate and gift tax exclusion amount. In 2023, the lifetime exclusion is \$12.92 million, and since it's per person, married couples can exclude double that in lifetime gifts. Here's an example of how this would look: A single man gifts his only child a house worth \$317,000. The first \$17,000 of the gift is taken up by the annual exclusion, and \$300,000 is subtracted from the father's \$12.92 million dollar lifetime estate and gift tax exclusion amount. Now instead of having a

Continued on inside

ANNUAL EXCLUSION LIMIT



deduction for your donation. But, to get the tax benefits for your charitable gifts, you'll need to take the itemize deduction on your tax return which most people don't do anymore, meaning many people get no tax benefits for their charitable gifts.

Continued from front cover

\$12.92 million dollar exclusion, moving forward, the father is going to have a \$12.62 million dollar exclusion.

The general rule is that any gift is subject to the annual limits and/or lifetime exclusion. However, there are many exceptions to this rule, including tuition or medical expenses you pay for someone, gifts to your spouse and gifts to qualifying charities. Speaking of giving to a charity, if you give to a qualifying charity, you could potentially get an income tax

A way around the itemized deduction requirement for charitable gifting is if you do a Qualified Charitable Distribution (QCD). A QCD is when you directly transfer money from your IRA account to a charity, as opposed to having the money go to you first, then to the charity. QCDs are excluded from your taxable income and can count toward satisfying your required minimum distributions (RMDs) for the year. To do a QCD you must be at least 70 and ½ (never changed with either SECURE Act) and their limited to \$100,000 per year. 🌍

8th ANNUAL

Jeffrey Michael Sgroi Golf Tournament



This was another successful tournament! These past eight years we've raised over \$250k. We cannot thank our attendees, sponsors, and volunteers enough for the love and support provided this year in celebrating Jeffrey's life. Because of these generous donations, we'll be able to con-

tinue to honor Jeffrey through many charitable initiatives that he held close to his heart, including college scholarships to high school students at West Seneca Central School District and Saint Francis High School, donations to The Boys & Girls Club, Kids Escaping Drugs, P.U.N.T Foundation, Make-A-Wish, and more.



...BETTER THAN THE BEST

A Letter from the Partners

A Season of Change

With the days growing shorter our thoughts turn to the various fall activities that we all enjoy in WNY, and are looking forward to the upcoming holiday season. As summer wound down the long-awaited conversion from TD Ameritrade to Charles Schwab finally took place over Labor Day weekend. We are pleased to report that it went about as well as could be expected, given the size of the transition, and we are excited about the future. The project was headed up by Nina Evans who did an outstanding job getting us ready. We would also like to thank our service staff, Leah Dukat, Cassie Scibran, Nicole Switzer, Erika Vranjes, Jessica Sparks, and Theresa Simmons for all their hard work in advance of the conversion, which required them to learn the various Schwab platforms while still working with the TD platforms at the same time. Their tireless efforts ensured a smooth transition for our clients and staff. We hope that our clients have all taken the time to sign up for the Schwab website and mobile app if you desire. If you need any assistance, please feel free to reach out to us.

Another change that we wanted to mention for our Sgroi Wealth Advisory Group Clients, is that beginning in 2024 for those who have been receiving paper copies of their quarterly performance reports, these will now be sent out once a year at year's end. This is due to feedback that we have received from many of our clients and to reduce the amount of paper we push out into your mailboxes. You will still be able to view your quarterly reports at any time by logging into our client portal. You will receive an email when the most recent reports are available for viewing. If you have already signed up for electronic delivery, there will be no change. You will continue to receive your account statements from Charles Schwab as you have in the past from TD Ameritrade.

Finally, we are very proud that Sgroi Financial has been once again voted the Best Financial Planning Firm in the **Best of 716**** contest. It is a testament to the great work of our financial planners and service staff as well as our many loyal clients who voted for us. Thank you for your continued support!

All the best,



Patrick Sgroi,
Partner



John Clouden,
Partner

****Best of 716 awards are a community voting poll established by Buffalo News that is determined by the most votes received from 07/06/2023-07/24/2023 and not indicative of a program, nor should it be construed as a recommendation. Inclusion on the Best of 716 list should not be construed as an endorsement by the Buffalo News. Financial Service Advisors and/or their firms do not pay a fee to be considered or placed on the final list. In addition, the award is not indicative of the financial service advisor's future performance. Working with an award-winning financial service advisor is no guarantee as to future investment success, nor is there any guarantee that the selected wealth managers will be awarded this accomplishment in the future.**

Congratulations!

...to this year's Pencil Project Winners!

For our 6th annual teacher promotion, five lucky teachers were selected to win \$500 towards their classrooms. This amount is theirs to provide assistance in any way needed to offer the best learning opportunities for their classrooms.

- * Michelle Pelletier of St. Benedicts School
- * Stacey Lutman of West Seneca East Middle School
- * Kalie Kane of Buffalo Public School #80 Highgate Heights
- * Caren Dickson of William Street School
- * Dawn Speranza of Alden Primary School

Sgroi Financial is proud to support WNY teachers in our community for over 50 years! If you are a teacher or know of an educator looking for assistance with their 403(b) financial planning, Sgroi Financial is readily available for a complimentary one-hour consultations. Schedule your appointment today!

Medicare Open Enrollment

October 15 until December 7, 2023

During the Fall Medicare Annual Enrollment Period you can:
Enroll or make changes to a Medicare Advantage Plan (Medicare Part C)
or a Medicare Prescription Drug plan (Medicare Part D).



Need to review your insurance needs? April Romanowski, Benefits Consultant for Individuals and Senior Health at Lawley Insurance, has been in the Medicare arena for over 20 years and licensed in several states including NY. Lawley now has an office located across the street from Sgroi Financial in the Southgate Plaza. They are available for walk-ins, or you can call 716-306-5543 to schedule an appointment.



Buffalo News Best of 716

We are thrilled and deeply appreciative of Western New York's continued support in voting Sgroi Financial as the Best Financial Planning Firm in The Buffalo News' Best of 716 contest for the second consecutive year! In addition to this, we are thrilled to announce that our President, Patrick Sgroi has been voted the Best Financial Planner! Serving our community has been both our privilege and our passion, and we are greatly appreciative of our dedicated staff that has helped us along the way. Thank you for your trust and support, we look forward to many more years of serving our community and helping you achieve your financial goals!

“The only problem with market timing is getting the timing right”

– Peter Lynch

As we end the third quarter, the stock market has taken a slight breather following Jerome Powell’s hawkish September FOMC meeting, as he signaled two things the market did not like. First, he stated one more rate hike could be on the table this year, and second, that interest rates will have to stay higher for longer to combat still-high inflation and stubbornly strong economic growth. As this is being written, the S&P 500 is down a little over 3.60% for the third quarter, while the Bloomberg Barclays US Aggregate Index is down a little over 3%.


The reasons for both the stock and bond markets seeing downside pressure are clear. The stock market has rallied on the assumption that the Federal Reserve is done with interest rate hikes and that rate cuts are coming early in 2024. As strong economic data has come in, both the stock and bond markets have had to push out rate cut expectations for 2024, causing Treasury Yields to rise to levels not seen since 2007. As yields rise, bond prices fall and equities (although immune to rising yields for most of the year) have finally realized that the Fed will indeed hold rates higher for longer to bring down inflation, which weighs on valuations for stocks.

This is the first significant Fed tightening when neither households nor businesses are overstretched in terms of debt or interest payments, which is the main reason why even with perhaps the most aggressive Fed rate hiking campaign we have seen, there has been a significant lag between those hikes and an economic impact. We may get that “soft landing” where the economy cools enough to allow the Fed to cut rates and prevent a recession. It is also possible that we see a “hard landing” where the economy stays strong

enough for the Fed to raise rates further and risk a deeper recession. The complexities in whether or not we get a soft, hard, or even no landing cannot be overstated. The market is a forward-looking machine, and as such, we have to look forward with it.

In our portfolios, it is getting hard to overlook how oversold bonds have become. If history is any guide, in the aftermath of the 2007 rate cut cycle, which saw rates drop from 5% to 0.5%, the Bloomberg Barclays Aggregate Index saw an impressive 54.45% surge from May 2006 until the next rate hike in December 2015. Now, with yields already starting high, the math is hard to ignore. Fixed Income offers a total return component (price appreciation and interest payments), which is why time in the market is better than timing the market. When the Federal Reserve signals a pause or a cut in interest rates, it is often too late to fully capitalize on the appreciation potential of bonds. Therefore, it is important to position yourself before any projected pauses or cuts in rates.

This is why we do prefer bonds in our models, as they offer diversification from stocks and historically have acted as a hedge to any market shocks that we could see. On the equity side, we continue to be agnostic towards value and growth and prefer quality stocks. These quality stocks have low debt and stable earnings growth, which is why they have done well in periods of high inflation and can buffer an economic slowdown if we see one.

In closing, the appreciation for our clients in the trust and support you have given Sgroi Financial over the years cannot be said enough. We will always be here to answer any questions that you may have. Enjoy the fall, and enjoy the Bills and Sabres season! 

PRSRRT STD
US POSTAGE
PAID
BUFFALO, NY
Permit No. 2594



If you enjoy reading our articles, check out our blog page on:
www.SgroiFinancial.com.



Follow us on Twitter,
Facebook & LinkedIn:
[@SgroiFinancial](https://www.facebook.com/SgroiFinancial)

Go Paperless!

Sign up for our paperless quarterly newsletter on our website!

Get the latest updates and market happenings each quarter delivered right to your email address!
Simply go to:

www.sgroifinancial.com/paperless

Vol. 14 No. 3 FALL 2023

The Sgroi Financial is the quarterly newsletter of Sgroi Financial LLC

965 Union Rd., West Seneca, NY 14224
716-674-6700

Editorial Team:

Patrick J. Sgroi, Partner
pats@sgroifinancial.com

John G. Clouden, Partner
johnc@sgroifinancial.com

Urmas M. Lupkin, Vice President
Sales & Marketing
urmas@sgroifinancial.com

Abbygail Clouden, Director of Marketing
abbyc@sgroifinancial.com

Design:

Leith Chamberlain
Leith Design Group

