



JGC Wealth Management, LLC

Fee-Only Financial Planning and Asset Management

Michael A. Blanchard, CPA, CFP®
Katie M. Fallin, Investment Advisor Representative
Michelle I Wilson, Investment Advisor Representative

Joshua D. Morrow, CPA/CTFA
Paul B. Cramer, CPA

Third Quarter Update
September 30, 2023

NEW ADDITION – WELCOME MICHELLE!

We are pleased to announce that we have a new face around the office! Michelle Wilson brings 12 years of investment and tax experience to the firm and will be another point of contact for all our clients. She will often be joining in meetings to get to know everyone, and we are happy she is on the team.

YEAR END CONSIDERATIONS

What is top-of-mind for us right now? We want to take advantage of any opportunities that present themselves in the market, along with any help we can get from the tax code. We are not only looking at strategies for making the most of the current tax year, but also what might have an impact before the Tax Cuts and Jobs Act sunsets in 2025. It is unknown if Congress will extend or allow the TCJA to expire as of 2025 year-end but prudence requires us to consider the expiration, which means our tax law could largely revert back to the 2017 tax law. Our general outlook is that income tax rates will see an increase in the next few years, so strategies that might increase your tax bill today (in order to lower it in the future) may make sense.

If you are in the “accumulation phase” of life, saving and investing for the future, here are a few things to consider:

- Hold your liquid cash reserves in vehicles that provide stability and income. We are currently recommending a US Treasury money market fund that yields over 5%, and the income is also state income tax free (unlike bank interest).
- Make sure you maximize contributions to your employer retirement plan before year end. Since these must run through your payroll department and be paid in by year end, time is of the essence for 2023.
- Consider Roth investments in your employer plan, and additional contributions to a Roth IRA. The longer your funds can compound tax free, the greater the benefit. IRA contributions can be made up until April 18th, 2024.
- Contributions into the Oregon College Savings Plans for kids and grandkids can provide a tax credit for 2023 if the contribution is made before April 15th, 2024.
- If you have young adults with earned income in 2023, consider opening a Roth IRA for them and funding it as well. Start the investing habit early!

If you are now in the “decumulation phase”, i.e., the golden years of retirement, here are some strategies we consider:

- Keeping income as smooth as possible from year to year can avoid a whipsaw effect of higher and lower tax bills caused by tax rates, taxability of Social Security, Medicare premium adjustments, not to mention having the correct amount of tax withheld or paid in for estimated taxes. Sometimes this means we try to INCREASE taxable income at year end, rather than decrease it.

- Roth Conversions - converting pretax dollars to after tax dollars makes great sense if your tax rates are lower today than they will be in 2026 and beyond. A Roth conversion also has the added benefit of leaving more spending power to your beneficiaries. Should they inherit, you have already prepaid that tax.
- Low Basis Stock - a stock account that has significant gains that need to be realized, may be a good fit for a donation to your favorite charity. Donating the stock, rather than selling, means you can avoid capital gains, while enjoying the benefit of a donation at market value.
- Over the age of 70 ½ in 2023? You can make charitable donations directly from your IRA through a Qualified Charitable Distribution. This is one of our favorite strategies and enjoy helping our clients direct resources to worthy causes.
- Estate Planning - Oregon will tax your estate if you pass with more than \$1M to your name. At this point, the federal government allows you to have an estate of \$12,920,000 (\$13,610,000 in 2024) before they come calling. The federal amount could be cut in half if the TCJA sunsets in 2025. To that end, a gifting strategy may be in order, so that you can gift cash or stocks now, to reduce the amount that your estate could be taxed later.

Contact our office today for a review of which of these strategies may work best for you.

ASSET ALLOCATIONS AND MARKET VALUATIONS

Our investment philosophy should be familiar to our clients, as we memorialize it into an investment policy statement that becomes our framework for managing your accounts. We focus on individualized planning, tax management, and using academically supported principles to support our investment recommendations. We believe:

- Long term investment success is driven by:
 - Broadly diversified portfolios
 - Rebalancing to maintain stable allocation and constant market exposure.
 - Emphasizing investment exposure to smaller companies that exhibit higher profitability and “value” characteristics.
 - Avoidance of market timing or trading based on “hunches” about what the future holds.

We still receive many queries that essentially ask the same question – “Should we be doing something different in our accounts because of X”. “X” can be many things – an election, the debt, an interest rate change, a new technology, the market being overvalued, fear, or hope. Our response is generally “No”. Our recommendations are based on changes on your individual situation – health changes, job loss, a change in retirement date. These are things that may affect when you need to spend the money, not a reaction to news or a hot tip.

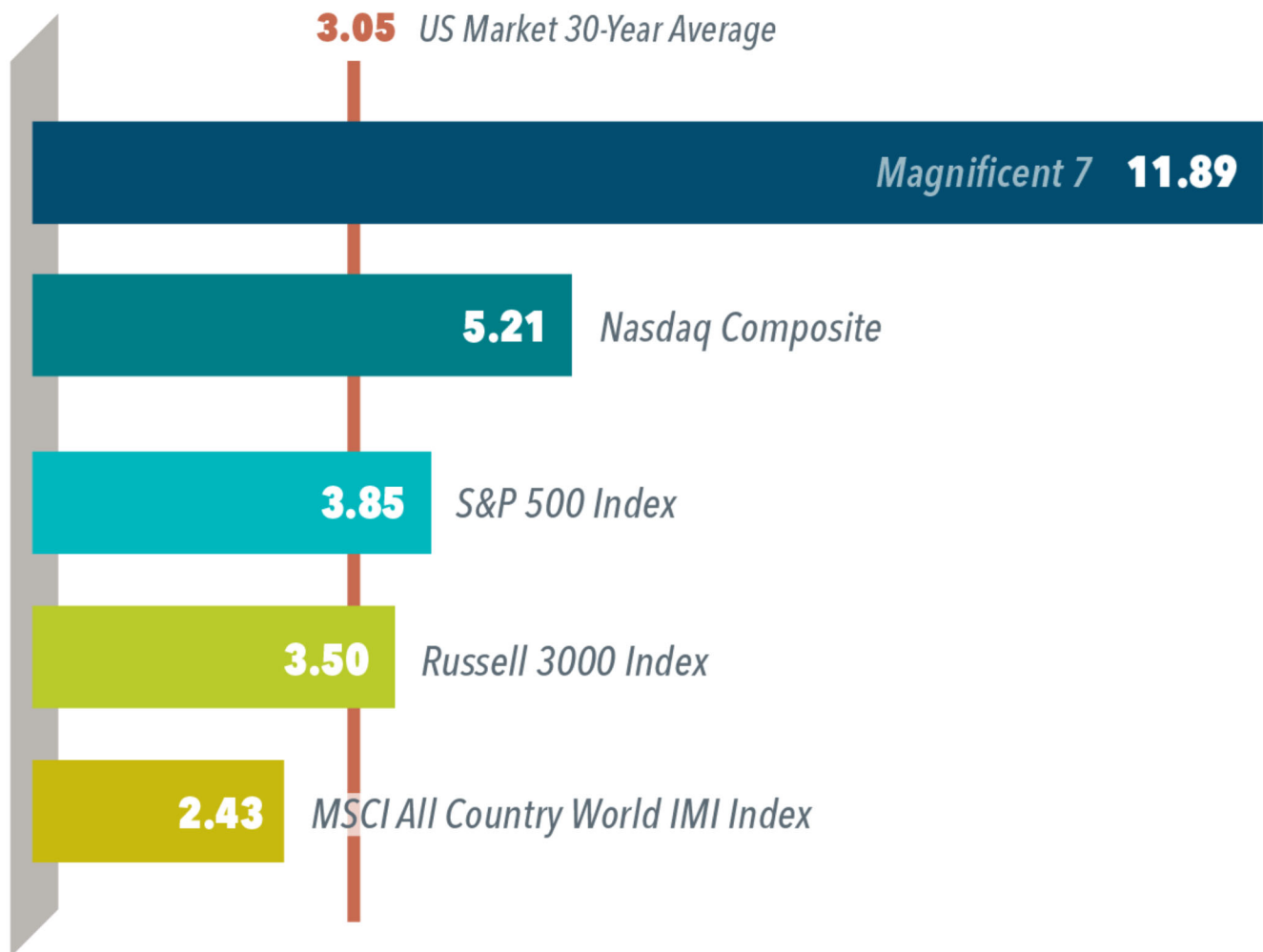
Located on the following page, you’ll find an article we’ve borrowed from Dimensional Fund Advisors to share with those who are interested. It shows that a handful of stocks with household names are quite “overvalued”, by at least one common metric. But first, some food for thought. These seven stocks have experienced a tremendous increase in stock price over the last year, much greater than “the market”. Knowing this, it’s easy to fall into two camps of thinking.

- The first is excessive optimism.
 - “Since they have performed so well and others haven’t, shouldn’t we buy more of what is going up?”
 - Additionally, “why didn’t we own more a year ago?”
- The second is excessive pessimism.
 - “They have outperformed, so we should sell now before they crash.”
 - Or perhaps “can we predict the next Magnificent 7 and get in on the ground floor?”

Our philosophy applied to this situation helps us avoid both extremes. These 7 stocks were all represented in the large cap segment of portfolios and benefited from the returns they have provided. Now that they have provided those returns, and are making up a larger proportion, we may reduce exposure through rebalancing to keep our allocation stable.

“Aggregate stock market valuation ratios have not been strong predictors of broad market returns. And yet, high stock valuations sit near the top of concerns cited by investors about the state of equity markets. However, this perception stems from a subset of stocks, and investors should be careful not to throw the baby out with the bathwater by ascribing this characteristic to the global stock market.”







The poster child for high valuations—the so-called Magnificent Seven (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla)—had an aggregate price-to-book (P/B) ratio of 11.89 as of September 30 (despite six of the seven having lower profitability than the S&P 500 index). To put that in perspective, the average for the US market over the past 30 years is 3.05. These stocks helped push up the P/B ratio of the tech-heavy Nasdaq Composite to 5.21. But broader market indices, especially those with non-US stocks, have substantially lower valuations. For example, the global MSCI All Country World IMI Index P/B is less than half that of the Nasdaq.”



Indices are not available for direct investment. S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © 2023, all rights reserved.

Quarterly Market Summary



















Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q3 2023	STOCKS				BONDS	
	-3.25%	-4.10%	-2.93%	-6.49%	-3.23%	-0.78%
						
Since Jan. 2001						
Average Quarterly Return	2.2%	1.5%	2.4%	2.1%	0.9%	0.9%
Best Quarter	22.0%	25.9%	34.7%	32.3%	4.6%	4.6%
	2020 Q2	2009 Q2	2009 Q2	2009 Q3	2001 Q3	2008 Q4
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-5.9%	-4.1%
	2008 Q4	2020 Q1	2008 Q4	2008 Q4	2022 Q1	2022 Q1

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2023, all rights reserved. Bloomberg data provided by Bloomberg.

Long-Term Market Summary

Index returns as of September 30, 2023

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	STOCKS				BONDS	
	20.46%	24.00%	11.70%	2.03%	0.64%	2.99%
						
5 Years						
	9.14%	3.44%	0.55%	0.01%	0.10%	0.83%
						
10 Years						
	11.28%	3.84%	2.07%	3.12%	1.13%	2.30%
						

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2023, all rights reserved. Bloomberg data provided by Bloomberg.

Quarterly Reports

Enclosed are the reports on your portfolio for the quarter ending September 30, 2023. If you want to discuss your portfolio, have had changes in your financial situation, or have any other financial concerns or questions, please call us.

The information presented is provided in good faith without any warranty and is intended for the recipient's background information only. It does not constitute investment advice, recommendation, or an offer of any services or products for sale and is not intended to provide a sufficient basis on which to make an investment decision. Before taking any action, we recommend that you seek professional advice from subject matter experts who can assist you with your specific situation and needs.

WM PREFERRED MANAGED PORTFOLIOS

More Aggressive

More Conservative

	OBJECTIVE	ALLOCATION	PORTFOLIO EXPENSES ¹	PORTFOLIO GROSS PERFORMANCE ²																		
Portfolio 100	This portfolio is suitable for someone who wants to take advantage of the long-term potential of the markets and has a risk tolerance to handle the gyrations of the market.	<ul style="list-style-type: none"> U.S. Equity 65% Int'l Equity 30% Real Estate 5% 	0.26%	<table border="1"> <thead> <tr> <th></th> <th>3 Mo.</th> <th>1 Yr.</th> <th>3 Yr.</th> <th>5 Yr.</th> <th>10 Yr.</th> </tr> </thead> <tbody> <tr> <td>Portfolio</td> <td>-1.85%</td> <td>19.92%</td> <td>14.13%</td> <td>5.73%</td> <td>7.57%</td> </tr> <tr> <td>Benchmark</td> <td>-2.70%</td> <td>15.71%</td> <td>10.03%</td> <td>4.28%</td> <td>6.65%</td> </tr> </tbody> </table>		3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Portfolio	-1.85%	19.92%	14.13%	5.73%	7.57%	Benchmark	-2.70%	15.71%	10.03%	4.28%	6.65%
	3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.																	
Portfolio	-1.85%	19.92%	14.13%	5.73%	7.57%																	
Benchmark	-2.70%	15.71%	10.03%	4.28%	6.65%																	
Portfolio 80	This portfolio is suitable for investors who want to take advantage of the long-term potential of the markets but want to reduce the volatility of the portfolio by mixing in bonds.	<ul style="list-style-type: none"> U.S. Equity 51% Int'l Equity 24% Bonds 20% Real Estate 5% 	0.22%	<table border="1"> <thead> <tr> <th></th> <th>3 Mo.</th> <th>1 Yr.</th> <th>3 Yr.</th> <th>5 Yr.</th> <th>10 Yr.</th> </tr> </thead> <tbody> <tr> <td>Portfolio</td> <td>-2.08%</td> <td>15.59%</td> <td>10.26%</td> <td>4.76%</td> <td>6.31%</td> </tr> <tr> <td>Benchmark</td> <td>-2.84%</td> <td>12.15%</td> <td>6.89%</td> <td>3.49%</td> <td>5.52%</td> </tr> </tbody> </table>		3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Portfolio	-2.08%	15.59%	10.26%	4.76%	6.31%	Benchmark	-2.84%	12.15%	6.89%	3.49%	5.52%
	3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.																	
Portfolio	-2.08%	15.59%	10.26%	4.76%	6.31%																	
Benchmark	-2.84%	12.15%	6.89%	3.49%	5.52%																	
Portfolio 60	This portfolio is suitable for someone who is nearing retirement or someone who has a moderate risk tolerance.	<ul style="list-style-type: none"> Bonds 40% U.S. Equity 39% Int'l Equity 18% Real Estate 3% 	0.18%	<table border="1"> <thead> <tr> <th></th> <th>3 Mo.</th> <th>1 Yr.</th> <th>3 Yr.</th> <th>5 Yr.</th> <th>10 Yr.</th> </tr> </thead> <tbody> <tr> <td>Portfolio</td> <td>-2.14%</td> <td>12.33%</td> <td>6.47%</td> <td>3.99%</td> <td>5.37%</td> </tr> <tr> <td>Benchmark</td> <td>-2.97%</td> <td>9.74%</td> <td>3.68%</td> <td>2.84%</td> <td>4.55%</td> </tr> </tbody> </table>		3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Portfolio	-2.14%	12.33%	6.47%	3.99%	5.37%	Benchmark	-2.97%	9.74%	3.68%	2.84%	4.55%
	3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.																	
Portfolio	-2.14%	12.33%	6.47%	3.99%	5.37%																	
Benchmark	-2.97%	9.74%	3.68%	2.84%	4.55%																	
Portfolio 40	This portfolio is suitable for someone who is nearing retirement or someone who has a low risk tolerance.	<ul style="list-style-type: none"> Bonds 60% U.S. Equity 26% Int'l Equity 12% Real Estate 2% 	0.15%	<table border="1"> <thead> <tr> <th></th> <th>3 Mo.</th> <th>1 Yr.</th> <th>3 Yr.</th> <th>5 Yr.</th> <th>10 Yr.</th> </tr> </thead> <tbody> <tr> <td>Portfolio</td> <td>-2.25%</td> <td>8.55%</td> <td>2.66%</td> <td>2.83%</td> <td>4.12%</td> </tr> <tr> <td>Benchmark</td> <td>-3.07%</td> <td>6.90%</td> <td>0.49%</td> <td>1.80%</td> <td>3.25%</td> </tr> </tbody> </table>		3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Portfolio	-2.25%	8.55%	2.66%	2.83%	4.12%	Benchmark	-3.07%	6.90%	0.49%	1.80%	3.25%
	3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.																	
Portfolio	-2.25%	8.55%	2.66%	2.83%	4.12%																	
Benchmark	-3.07%	6.90%	0.49%	1.80%	3.25%																	
Portfolio 20	This portfolio is suitable for someone who is nearing retirement or someone who has a low risk tolerance.	<ul style="list-style-type: none"> Bonds 80% U.S. Equity 11% Int'l Equity 8% Real Estate 1% 	0.11%	<table border="1"> <thead> <tr> <th></th> <th>3 Mo.</th> <th>1 Yr.</th> <th>3 Yr.</th> <th>5 Yr.</th> <th>10 Yr.</th> </tr> </thead> <tbody> <tr> <td>Portfolio</td> <td>-2.38%</td> <td>4.93%</td> <td>-0.63%</td> <td>1.86%</td> <td>2.81%</td> </tr> <tr> <td>Benchmark</td> <td>-3.08%</td> <td>4.04%</td> <td>-2.00%</td> <td>1.14%</td> <td>2.15%</td> </tr> </tbody> </table>		3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Portfolio	-2.38%	4.93%	-0.63%	1.86%	2.81%	Benchmark	-3.08%	4.04%	-2.00%	1.14%	2.15%
	3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.																	
Portfolio	-2.38%	4.93%	-0.63%	1.86%	2.81%																	
Benchmark	-3.08%	4.04%	-2.00%	1.14%	2.15%																	
Portfolio Income	This portfolio is suitable for someone who is in retirement or someone who has a very low risk tolerance.	<ul style="list-style-type: none"> Bonds 100% 	0.08%	<table border="1"> <thead> <tr> <th></th> <th>3 Mo.</th> <th>1 Yr.</th> <th>3 Yr.</th> <th>5 Yr.</th> <th>10 Yr.</th> </tr> </thead> <tbody> <tr> <td>Portfolio</td> <td>-2.55%</td> <td>1.26%</td> <td>-4.19%</td> <td>0.63%</td> <td>1.45%</td> </tr> <tr> <td>Benchmark</td> <td>-3.16%</td> <td>1.21%</td> <td>-4.83%</td> <td>0.18%</td> <td>0.90%</td> </tr> </tbody> </table>		3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Portfolio	-2.55%	1.26%	-4.19%	0.63%	1.45%	Benchmark	-3.16%	1.21%	-4.83%	0.18%	0.90%
	3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.																	
Portfolio	-2.55%	1.26%	-4.19%	0.63%	1.45%																	
Benchmark	-3.16%	1.21%	-4.83%	0.18%	0.90%																	

*Source: Morningstar & fi360 through September 30, 2023

Note: Returns are not net of any management or fiduciary fees. ¹Portfolio Expenses (Net Expense Ratio) as Weighted Average Total

Historical performance is based on an assumption that an investor has owned the exact portfolio in the exact allocation reflected in the snapshot for the previous three months, one-, three-, five- and ten-year periods.