



J.K. Financial, Inc.

REGISTERED INVESTMENT ADVISOR

8222 Douglas Ave Suite 590

Dallas, TX 75225



3rd QUARTER 2024

INSIDE:

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- New tool of stimulus found in form of direct to consumer
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- So what did you do this summer?

Don't miss our blog
www.street-cents.com

Tug of war that began with global stimulus, explains much of inflation, never before seen stamina of U.S. economy



John A. Kvale,
CFA, CFP®

With the unique shutdown of essentially the globe in 2020, a more aggressive form of economic stimulus was introduced.

For the first time most of the developed nations pushed funds in the form of stimulus directly to consumers in greater quantity, longer length and in larger reach than had ever occurred before.

(see Inflation, Page 2)

Beneficiary IRA Annual Mandatory Required Minimum Distribution (RMD) Never mind for 2024! 10 year empty still applies

2020 and later formed Beneficiary IRA's will not have to take a RMD this year, but it must be emptied completely within 10 Years of formation

From our Q1 2024 newsletter:

"We try to make it a point not to talk too much about rules, laws, or regulations, that are not in effect, given this fact we will not spend too much time on this subject matter as this is a rule that is very much in flux, but our tax advisors that are plugged in to the appropriate channels feel there is a very high probability of this passing."

(see RMD, Page 4)

INVERTED YIELD CURVE UPDATE

Still inverted, breaks the all-time record

(We purposely put the "Tug of war" article in this newsletter and would direct you to read it first as a primer to this update.)

The Yield Curve is the interest rate of different time frames. Under normal/regular times, the longer the term the higher the yield. If you think about it, it makes total sense; loan someone for longer, you want a higher interest rate to offset the larger chance of not getting

(see Inverted, Page 5)

Tug of war

Inflation occurs with greater magnitude than expected

(continued from Page 1)

To say it was a success would be an understatement. Not only was the slowdown/recession one of the shallowest ever in history for most countries, in hindsight, it worked so well, inflation, a long wanted but long-lost economic event, occurred with much greater magnitude than ever expected – a subject for another time – but the far right of the chart (above) is not going to the 2% stated goal level so far.

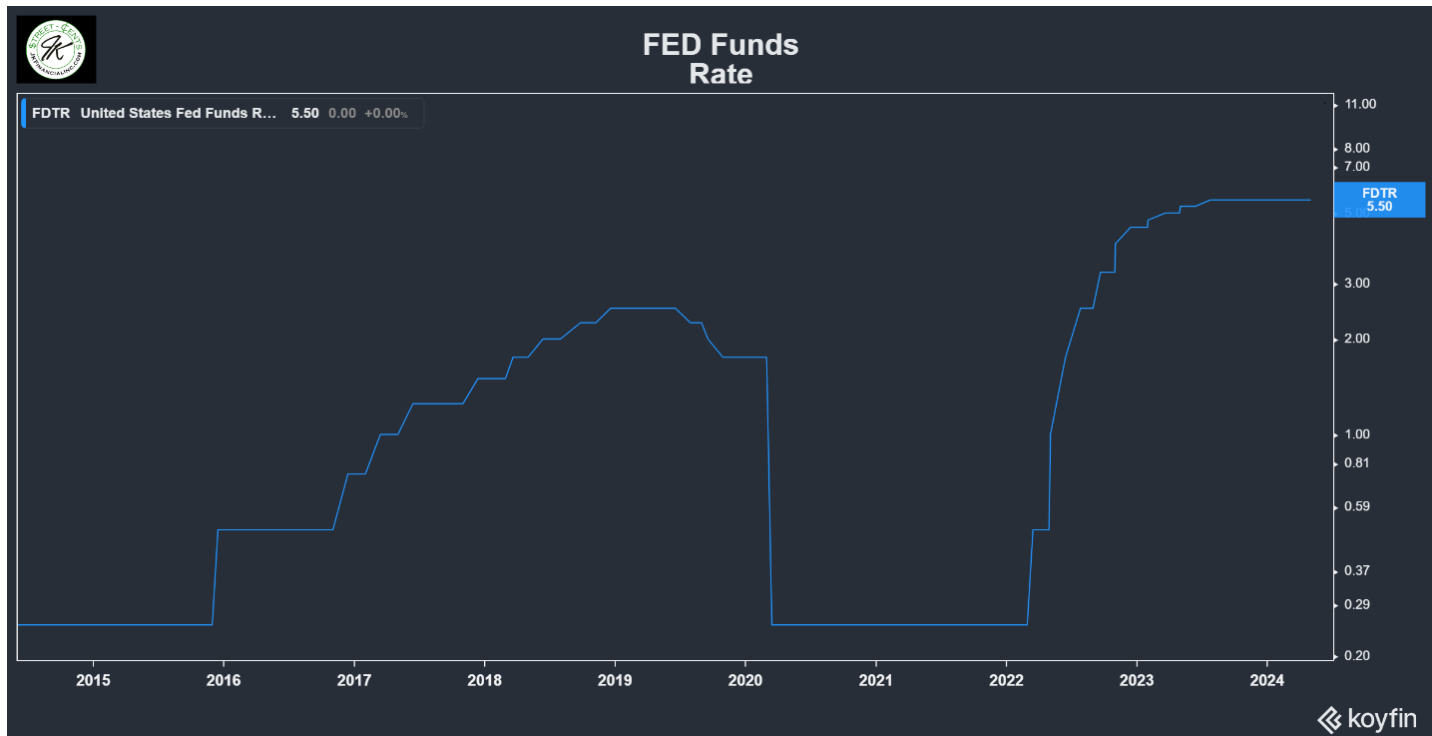
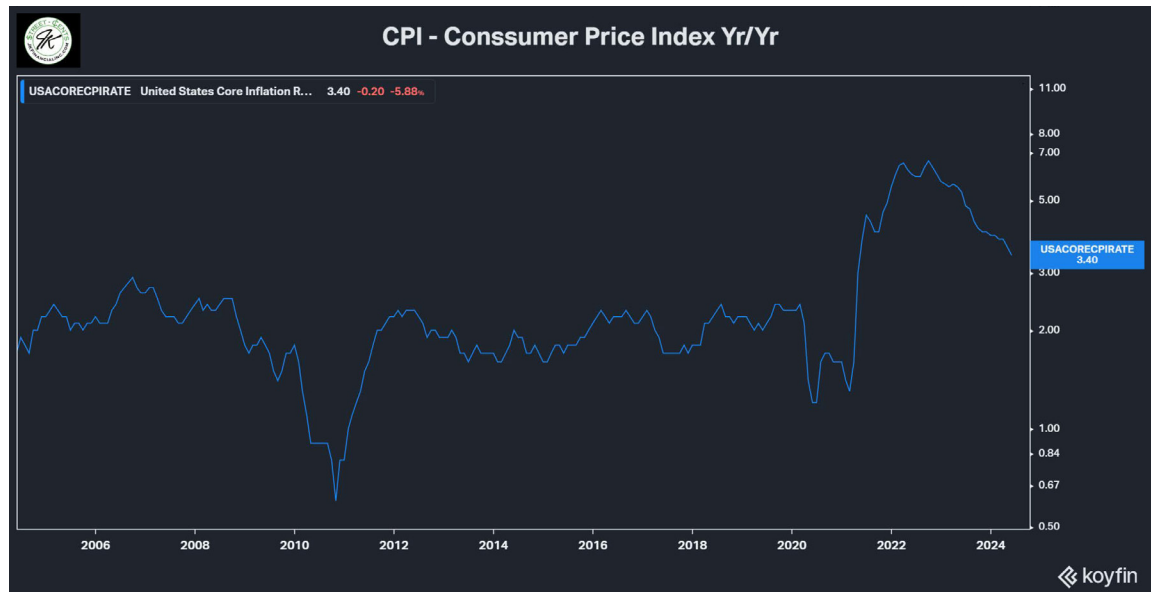
With no immediate penalties for the actions, “A luxury once tasted became a necessity!”

In early 2022, the Federal Reserve (FOMC) set on a mission to slow our now unwanted and overstaying inflation friend by raising interest rates at the fastest pace on a percentage basis that has ever occurred. The initial economic response was historically normal, as many parts of

the economy slowed in textbook form (see chart below.)

But, with the new playbook in hand, a “**Stimulus**” tug of war commenced.

Take special note of the 2022 and 2023 **acceleration** in spending levels (see top chart on Page 3), much unlike the prior recovery period of 2013-2015 – the clearing after the prior great financial recession. This is the fiscal stimulus that continued, much differently from prior cycles and the Ah-ha moment of why the economy did (see New, Page 3)



Tug of war

New tool of stimulus found in form of direct to consumer

(continued from Page 2)

not act as it usually does during an increase of interest rates.

This spending, as shown in the chart at the bottom of this page, showed up in the form of government hiring. Another Ah-ha moment, as the labor force, with employers scared from a short-

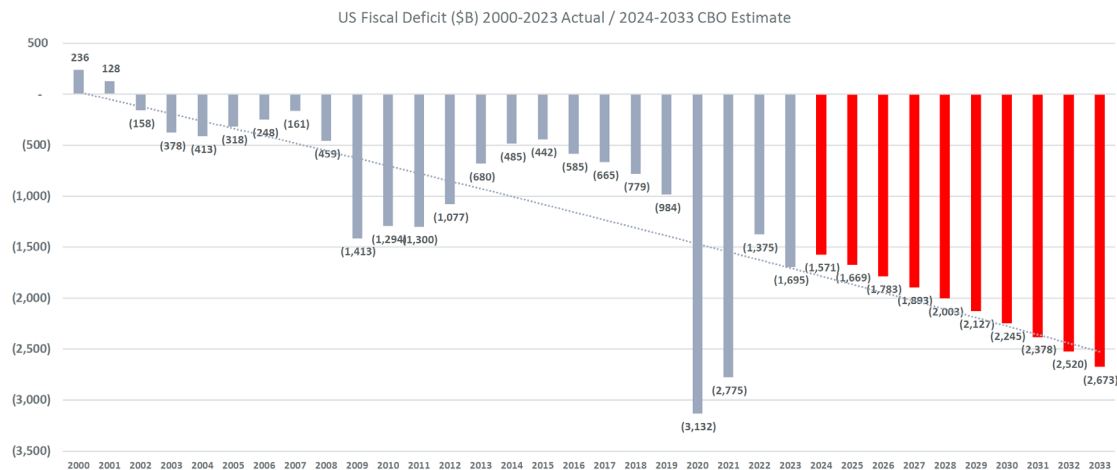
age of workers and with extra sources of hiring, remained resilient, unlike prior cycles.

The conclusion is that while we finally got what we had wanted, INFLATION (yes, it will eventually subside) but too much for the moment. A new tool of stimulus was found in the form of direct to the consumer. The yield curve, (see associated article also in this newsletter) remains inverted, a non-normal event, breaking records. All very abnormal on almost all fronts. As and when normalcy returns, speed of the transition and stabilization will be of the utmost importance. *R*

US Fiscal Deficit: \$1.7 Trillion in 2023

HEDGEYE

The deficit is projected by CBO to grow every year over the coming decade, exceeding >\$2.5T annually in just 8yrs.



Data Source: Federal Reserve, CBO

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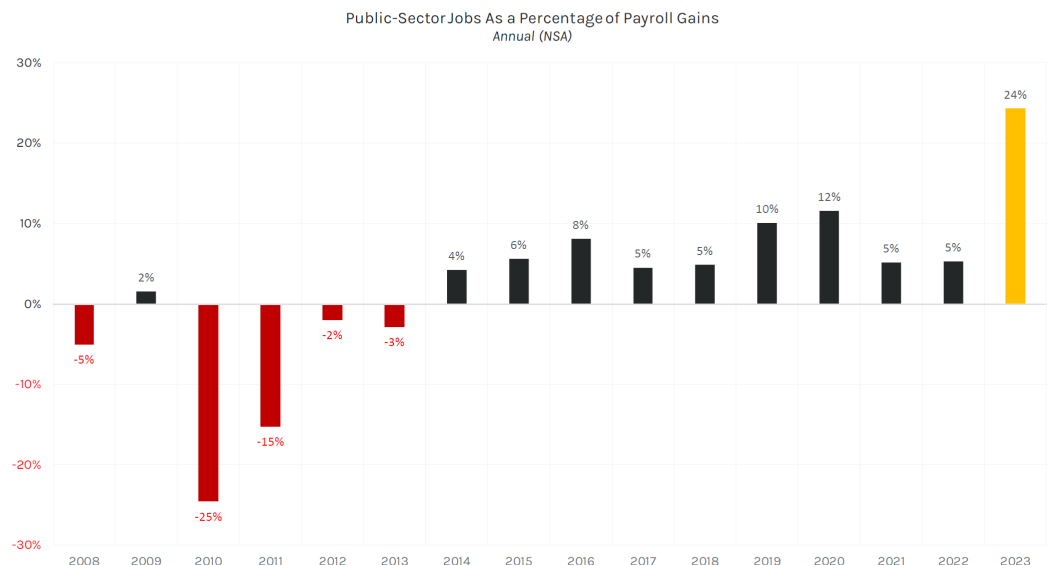
Government Hiring Remained A Rocket Throughout 2023

HEDGEYE

Payroll gains have been largely driven by Government jobs throughout 2023

Public sector jobs tend to average ~5% of total payroll growth over time.

2023 has seen almost a quarter of payroll growth come from the public sector.



Data Source: BLS

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RMD: Better to pay little tax along way rather than large bracketed bill at once

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We should have listened to ourselves and not tempted fate by mentioning that it was expected.

We posted a quick note at our Blog

www.streetcents.com

and in our enthusiasm did not completely explain the rule change.

Thanks very much to the many of you that reached out and thanks for reading our posts.

Bene IRA's Only, Formed 2020 or Later

BENEFICIARY - Not spousal inherited IRA's do not have to take an annual RMD this year (2024) but the account MUST be completely emptied within a decade.

The RMD waiver can be handy but only pushes the obligation out. It is better to pay a little tax along the way rather than a large and higher bracketed bill all at once.

Thanks again for the response to our post and thanks for helping us clarify

the confusing "on and off" rules updates by the IRS.

Next year will be here before we know it and we will remain quiet until the IRS makes a statement.

R



IRS (.gov)

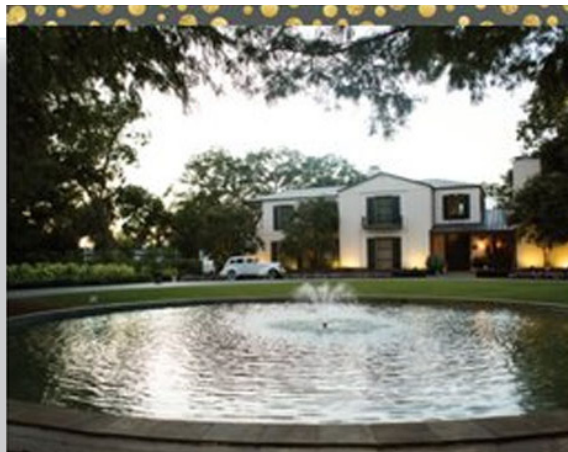
<https://www.irs.gov/pub/irs-drop> PDF

Notice 2024-35, Certain Required Minimum Distributions ...

19 hours ago — **Notice 2024-35.** I. PURPOSE. This notice provides guidance relating to certain specified required minimum distributions (RMDs) for 2024. In addition, this ...

With the decade clock ticking no matter the "on and off" annual rule changes by the IRS, we continue to make distributions in low-income years to help prevent a large tax bill near the end of the decade timeline.

J.K. Financial,
Inc.
Holiday Party -
Dallas
Save the date!



Please Join Us!
**J.K. FINANCIAL INC.'s - 28TH ANNUAL
HOLIDAY PARTY**

Party from 1-3pm Enjoy the Park until 5pm!

The Alex Camp House at:
THE DALLAS ARBORETUM

23
NOVEMBER
1-3 PM

8617 Garland Road
Dallas, TX 75218
Please RSVP to Jen by Nov. 15th :
Jen@jkfinancialinc.com or 214-706-4300

Directions:

If coming from the West (I-30, Downtown, Grand, Gaston): Stay on Garland Road and pass the Main Gate entrance at Whittier Road, and continue down until you reach Gate 2: Camp Gate located at Lakeland and turn left into the lot. Let the gate attendant know you are here for the J.K. Financial Holiday Party to be allowed into the gate.

If coming from the East (Garland, Plano): Stay on Garland Road and pass the Gate 3: Children's Garden entrance to continue on to Gate 2: Camp Gate located at Garland and Lakeland and turn right into the lot. Let the gate attendant know you are here for the J.K. Financial Holiday Party to be allowed into the gate.



Walking Directions to Alex Camp House from Gate 2

After entering Gate 2 and parking in the Camp Lot, enter the garden through the crosswalk located in front of the fountain. You will then walk around the fountain until reaching Alex Camp House.

INVERTED YIELD CURVE

Federal Reserve raised interest rates at faster than seen

(continued from Page 1)

your principal back.

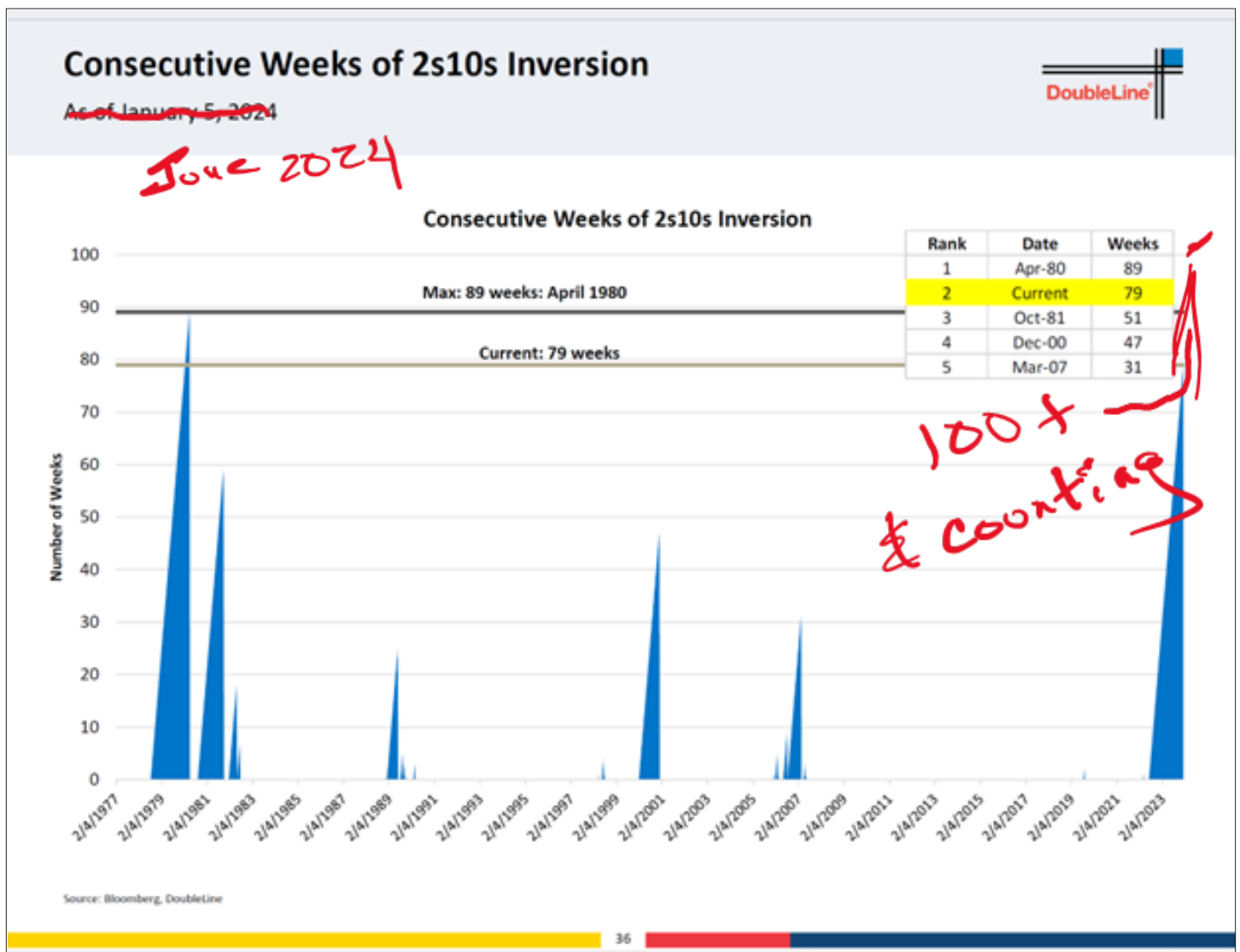
When inverted, market participants are saying things are not normal as shown by the chart at right.

As mentioned once again in our "Tug of war" article, the Federal Reserve has raised interest rates at a faster than ever seen before speed. While we have spoken of this at length, longest EVER is a long time and worth noting.

It could be different this time, as there have been some major differences. Inverted yield



curves, logically, are not normal and worth keeping an eye on. When it eventually returns to normal, we will be watching very close and will give you a heads up as the normalcy hopefully occurs smoothly. *JK*



Capones started with baseball, fills up with camp, pools, popsicles

The Capones again had TWO baseball all-stars in the family (Nathan, thankfully, has a few more summers before he is eligible!). This was the first year Isaac's team could have travelled to the state championship.

So, the summer has been on pause until they see how his team progressed. Unfortunately, the team did not make it to the state tournament



so SUMMER can begin.

While Isaac is disappointed his entire summer is not filled with baseball (Mom and Dad are a little bummed, too), they are excited that Asher and Isaac will get to go to sleep-away camp together again this year. Nathan has already requested special activities and favorite dinners while he is king of the castle for half the summer.

There will be lots of time at pools and plenty of popsicles eaten this summer as Houston has plans for the hottest summer yet.

Bet you didn't know!

When Donald was younger (high school and junior high days) he was an avid Boy Scouts of America participant. So much so that he was one merit badge away from completing his Eagle Scout requirements (teenage rebellion got the best of him).

One of the best things about Waxahachie, when it was still a small town, was having a sense of community and purpose and the Boys Scouts helped provide that. Donald fell in love with camping and the outdoors, which to this day are still some of his most enjoyable activities. "The lessons learned about leadership and community have served me well throughout my years and have helped shape me both personally and professionally."

Hills head to beach with highlights of baseball, football, volleyball

Hills are headed back to the beach! Their annual trip to the white beaches of Seaside, Florida has a twist. While there, Hunter (11 years old), will be competing in the Panama City Beach Global World Series for Baseball.

Shortly after this baseball tournament, Hunter will be preparing back here in Dallas for a very

competitive tackle football season.



Addison (14 years old) made the top team at her volleyball club for next year and will be playing as a Libero for Victory Black.

Although Jen's tennis and Jeremy's fishing have taken a back seat recently to the kids' crazy schedules, they both get a thrill from watching the kids compete - wouldn't trade it for anything.

Additionally, upon their return from Florida, the family will be packing up at the end of June and moving into a new home so that is extremely exciting as well. Life is good!

Bet you didn't know!

Since her mom was a real estate broker and home investor while growing up, Jen learned a lot about home renovations and house flipping at a young age. When she was in her early 20's (while working full-time in banking in NYC), she was also flipping NYC apartments on the side.

She and her friend would buy a run-down apartment and live there while renovating and ultimately re-selling it for a profit. Over the course of 10 years living in Manhattan, they lived in and flipped five different apartments. One was in Greenwich Village, two in the West Village, one in Gramercy Park (this one was the largest at 4,200 square feet, where the elevator opened directly into the apartment) and the last one in SOHO.

Although she is very proud of these projects, she still wonders how she found the energy to do it while working 12+ hour days in banking. "When you're in your 20's and fearless, you can accomplish more than you know."

So **what did you do** this summer?

***Kvale's
spend time
with
family,
Pam plays
tennis,
Sophia
attends
college,
Pierce re-
fines pho-
tography
skills***

Early in the summer an extended stay and visit with John's 96-year-old father occurred. Then with a possible last total family get together in the cooler climate, the Kvale's return to an extended remote stay with the largest number of friends and family to come through ever.

Hopefully not capping a final get together but after a wonderful first year of school at University of Denver, Sophia plans next year include a spring/summer international internship in Japan.

Pierce continues to refine his photography and editing skills which you may have noticed in the dramatic improvement from just a few years ago of our family holiday cards. He also has gathered a following on social media, so much so that visits to recent very high-end auto dealerships in the southern part of the country desired sharing of his handle with said dealerships, due to his fantastic edits and popularity of others.

Pam continues to flex her muscles at tennis and occasionally pickleball at the competitor's request. John is to get the golf clubs working again and has started a total rebuild to correct long known flaws that are so raw due to the seven year sabbatical.

Bet you didn't know!

John's various summer jobs included a small lawn mowing business. A favorite very early in the day start and completion summer job included city garbage pick-up and the coveted internship while a junior in college (1988) of a local stock broker, literally answering the phone at market close from clients that would call to know what their various investments did that day.



JK

J.K. FINANCIAL, INC.
 REGISTERED INVESTMENT ADVISOR
 8222 DOUGLAS AVE SUITE 590
 DALLAS, TX 75225
 Phone: 214-706-4300
 Fax: 214-706-4262
 E-mail: info@jkinancialinc.com



Check out our Blog
www.street-cents.com

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investments may be appropriate for you, consult your financial advisor prior to investing.

Parting thoughts for you...

Some time back we promised to keep our articles shorter so we could cover more subject matter.

Our main article, "Tug-of-War" is much longer than intended but with some fantastic copyright approved research from our partners and some aha moments for us to review specifically dealing with the U.S. economy, as such we thought a break in our shorter promise worth the extra coverage. We hope you do to.

We also would like to call your attention to the reversal of the RMD beneficiary IRS ruling which we commented about in our first newsletter of the year

only to be reversed again.

Making a comeback this year with what we hope you will think is a fun new addition are "What we are doing this summer" along with a new feature, "Bet you didn't know" and a few pictures that we hope you enjoy.

Given the length of our main article we will review in short form some of the peripheral articles that did not make the cut and most certainly will be in the next newsletter on our blog at www.street-cents.com. New software, all important easier client workflow, both of which we are super excited and summer cyber updates are the main

topics that did not make the cut.

We hope you have a good summer. Thank you for your time and look forward to talking to you again in the fall.

JK

Dates:

July 4 Independence Day - Capital markets closed

Sept. 2 - Labor Day - Capital markets closed

Nov. 23 - J.K. Financial, Inc. Holiday Party - Dallas Save the date!