

Mills Wealth 2nd Quarter Market Update - 2024

Greetings from Tanzania, Africa. The family and I are escaping the heat and taking a once in a lifetime trip to Africa to witness all of nature's wonder via the Wildebeests' great migration across the Serengeti. I tried to send this a couple times, but 3G internet did not get the job done and the email attachment was never actually sent to the office (needless to say the length has grown). I think my kids have learned how blessed they were to be born in America. So far, it has been an amazing trip watching the animals and interacting with the wonderful people of Tanzania.



Mike Mills
Managing Partner
CFP, CLU, CFS

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Quarterly Market Review

The 2nd quarter of 2024 was an interesting quarter to say the least. It started with a negative April, where stocks across the world were down. Which was followed by a hot May where we saw stocks soar positive to ultimately flatten out in the month of June.

Leading the way were Emerging Market Stocks at a 5% gain during the quarter, followed by the US Market at 3.22%, with the International Market down 0.6% and Global Real Estate -1.48% Meanwhile the bond markets were up 0.11% Globally and 0.07% in the US.

The good news is that all of these markets have been up over the past 1-, 5-, and 10-years, with the exception of the US Bond Market over 5 years being down 0.23%. To read the full Market Review Deck [CLICK HERE](#).

Mike's Commentary, Questions, and Quotes

Let me begin by continuing to expand on last quarter's discussion about today's bifurcated market and how to best capitalize on it. As I reflect on nature and markets, I am reminded of the commonality: "Animal Spirits" as all creatures and companies compete to win. In nature, as in markets, there is immense competition for scarce resources (like food, water, greener pastures, and talent). Over time, the best and strongest survive and thrive until someone stronger adapts and eventually knocks them off their throne.

Does the Wildebeest take the risk to cross the muddy river to get to the greener grass on the other side knowing the hungry croc is lying in ambush? Nothing is certain in regard to the future. Thus, to succeed, investors and companies must continually take prudent risks to grow and thrive (just like that Wildebeest), or we risk starving or being eaten by the competition.

Last quarter, I wrote about how bifurcated the current market is compared to the past time periods. Below, I will attempt to expand on this and try to illustrate it for you by using some 3rd party pictures and graphs. The goal is to help quantify how unusual this recent growth in the 7 largest companies is compared to similar periods in the past, and ultimately help determine what should be done about it, if anything? We have fiercely debated this in our office.

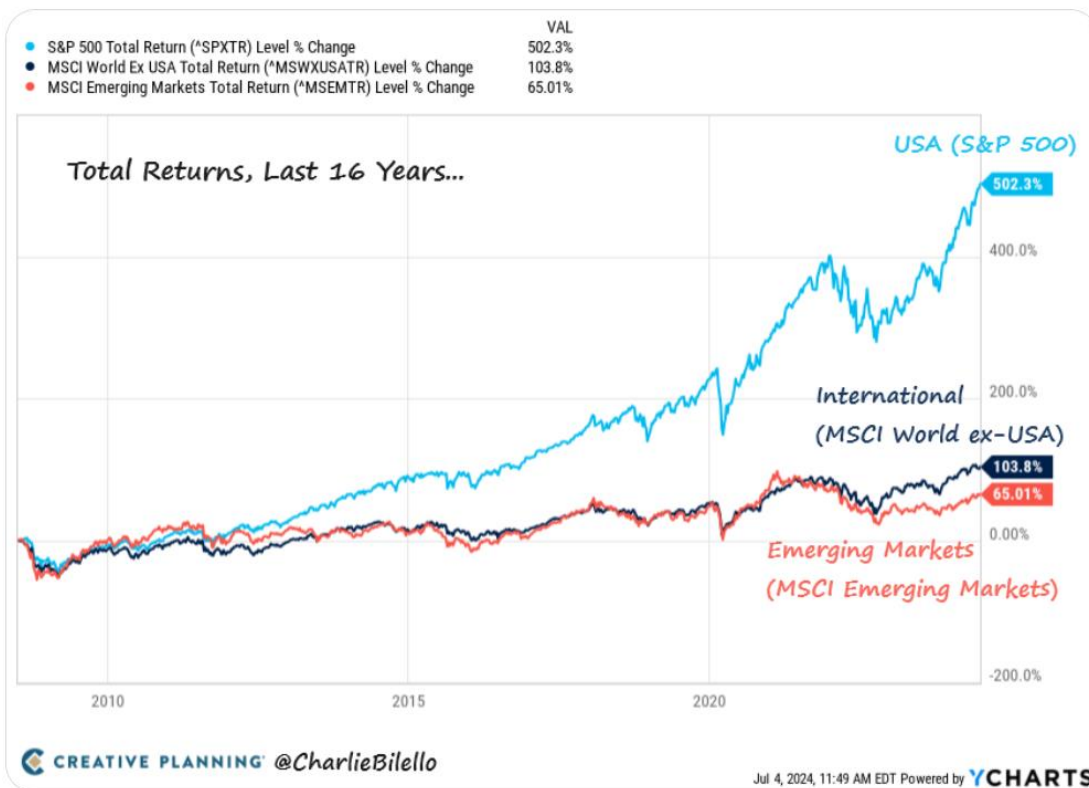
Today's market is very unusual. It reminds me of 1999 in some ways, but not in others. While the percentage of the top 7 companies in the S&P 500 Index is large, the revenues and profit growth from the Magnificent 7, as they have hit scale and dominated these "winner take all" type markets, is staggering. I think the question you must always ask is "is it different this time?"

For the last 25 years, Mills Wealth has utilized a prudent, time-tested strategy for growing client wealth that has worked over time. The low-cost global buy and hold portfolio that we have successfully implemented for nearly 25 years is based on time tested principals, which work. As market conditions evolve, investment strategies must also evolve, and we are likely to add several strategies to the current mix in certain client situations to try to continually

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defray downside risk and to capitalize on market opportunities that makes achieving clients' goals most likely. The biggest US companies are priced to perfection, while the smallest, most undervalued companies are the opposite of that. Instead, these companies are close to the cheapest (and smallest) they have ever been – falling in the 3rd percentile of cheapness vs history in the US and in the 5th percentile of cheapness internationally according to GMO's research, a successful money manager we work with. (5)

Figure 1:



As you will notice in **Figure 1** above, “Over the last 16 years, coming out of the financial crisis, US stocks have gained 502% vs 104% for international stock indexes, and 65% for Emerging Markets indexes. This is by far the longest cycle

of US outperformance that we’ve ever seen.” In the past, when one area of equity market gets bid up posting massive gains compared to other, somewhat similar asset classes (like the Nifty 50 in 1973/74; Japan Bust in 1991/92; Tech Meltdown in 1998/99, and Great Financial Crisis in 2008/09), proactively making some portfolio changes would have been worth paying the capital gains taxes in order to shift gains toward next decades possible winners. Now let’s be clear, I hate to pay taxes if avoidable, but I still think now is a time to be cautious when owning large US stocks that have had amazing returns. I’m not suggesting they will come crashing down either – but when you get ahead, it never hurts to err on the side of caution so that when the next selloff shows up, you can capitalize on whatever goes on sale.

How can we help relate the size of the recent move?

According to Miller Value Partners, Equity valuations expanded in the back half of 2023, and continued during Q1 2024. The forward price-to-earnings (P/E) multiple for the five largest S&P 500 holdings increased to 32.5x, a 3% earnings yield, which is much lower than the current 5%+ “risk-free” money market yield. The higher concentration of longer duration equities in the S&P 500 also lifted the overall market valuation, which is now above a 20x forward P/E multiple. **To further highlight the move up in mega-cap valuations over the past couple of years, the top five combined market cap is now 3.3x the size of the entire Russell 2000 Index. That is more than two times the level in 1999-2000 time-period! (1)**

The 7 large US technology companies labeled “The Magnificent 7” have risen to high valuations versus their current revenues partly on expectations of continuing amazing earnings (similar to what they are realizing today). These dominant businesses are the kings of their industries, and most have been minting profits as they hit scale accounting for much of the S&P 500’s recent returns. Analysts don’t currently see any current

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competitor that can dethrone these 7 kings or take any of their territory. I think the question is should investors hang on to these great businesses or take some profits and move them to more compelling opportunities that are much less exciting and under-owned. **Will current growth rates materialize far into the future and be better than what's expected in order to justify today's high expectations, or will a new unforeseen competitor innovate and challenge their dominance much like the Magnificent 7 challenged their predecessors?** For reference, "The Technology sector increased to a 29.6% weighting in the S&P 500 Index. The Technology sector forward P/E multiple also expanded further to 28.4x versus its 20-year average of 17.9x, a 59% premium. Market expectations continue to rise for crowded long duration equities." (1)

Only time will tell if these prices are justified, but history is littered with companies that were Kings in their industry, but eventually they made a mistake or a new competitor spang up and took all or a portion of their kingdom. I've learned when valuations get high, 2 ways to manage risk and protect returns is to sell off a portion of what has been bid up by the market or to take some profits and rebalance to other areas that might have brighter prospects in the future. It is especially helpful if this can be accomplished in a tax-efficient manner using new savings or dividends/interest/rents that do not require capital gains tax to be paid.

Let's reflect back on a couple recent examples where growth stocks outperformed value stocks as illustrated by the 500 largest companies in the US, weighted two different ways, one by company size (represented by the S&P500) and the other weighting the 500 largest US company's equally across all 500 companies. "The significant underperformance of Value and Equal-Weight S&P 500 in the late 1990's was followed by significant outperformance from 2000 to 2006, and underperformance of 2019-2020 also led to strong outperformance from late 2020 through 2022. (1)

It is important for investors to remember **the cyclical nature of markets. Because risk and return are related, in larger groupings of companies with similar characteristics and over longer-term time periods, Under-valued out**

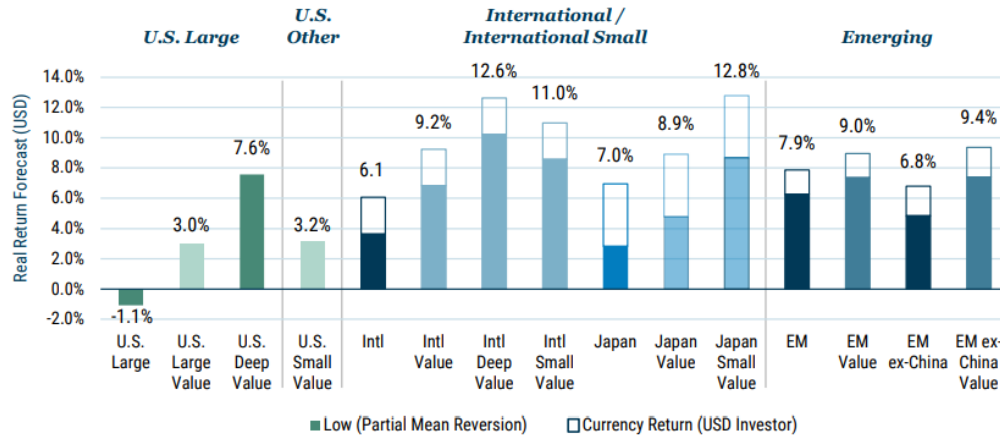
of favor companies and smaller company stocks have historically outperformed their larger higher valued counterparts over most long-term time periods. In rolling 10-year data smaller companies have outperformed in over 65% of rolling 10-year periods, according to research by Dimensional Funds. (6) Given the gap we have experienced it's possible we will near a point where this cycle will eventually shift once again. I think the same is also true of other low value, low expectation assets like emerging markets, and international markets despite not being as popular an investment as companies in the USA today. The US is by far the best market in the world which is why we overweigh it in all our portfolios. If you look back decade by decade market cyclicity osculates back and forth, which is why investors have historically been able to build lower risk portfolios without giving up much in return by including assets outside the US. Whenever one asset outperforms the others, especially when it's the country you live in and the greatest country in history, it is natural to want to abandon owning the past lower returning assets, however history has many examples where investors that leaned into the cheaper out of favor assets that possessed low future expectations, won big as those assets eventually cycled back into favor. This does not guarantee success, but over time there are more ways for a low-cost asset to win, whereas a perfectly priced asset has more ways to fail achieving its lofty expectations. **Assets normally revert toward the mean; it is one of the strongest forces in markets.**

One lesson that we have witnessed over and over again is **when too many investors herd together in one direction (like a million Wildebeest in Africa), slowly pushing prices too far to one side. This often creates an opportunity for other investors to take the other side of that trade and who can then profit as the rubber band rebounds to or past equilibrium.** This was most recently seen over the last 6 months as higher inflation and higher interest rates were expected to slow down the economy, but because most people prudently locked long-term debt, when rates rose, instead of slowing the economy (like what normally happens), the higher interest rates kicked off lots of income that gave asset holders more money to spend. This combined with record amounts of government stimulus resulted in more spending and

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stronger than expected profits that were realized in equities across the globe as stocks ripped higher, led by the biggest most expensive tech companies that might benefit from AI and its promise for efficiencies in the future.

Figure 2: GMO Equity Forecast



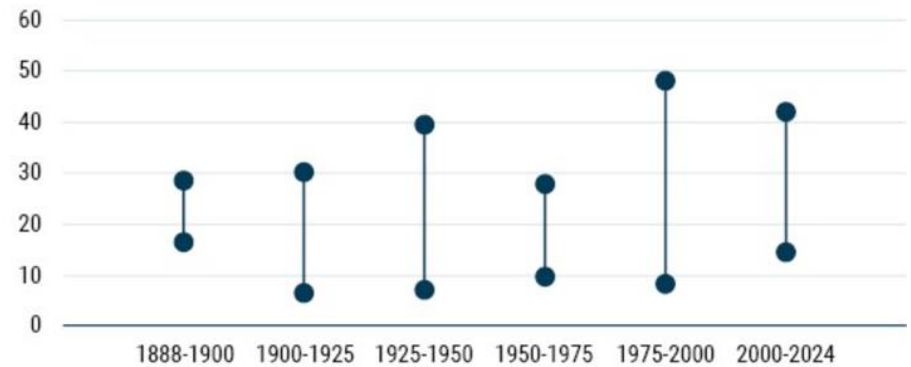
Source: GMO

*The chart represents real return forecasts for several asset classes and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking statements.

Just look above at Figure 2 from left to right across GMO's future asset class's expected returns and you can see the impact of Large US companies' high valuations and recent outperformance vs lower returning undervalued asst classes that now appear to offer significant future outperformance, which if it occurs, would level back up the returns across market areas. I think this slide speaks to why maintaining globally diversified portfolios of differing factors is a wise strategy. It is impossible to know when an asset will rise or fall or for how long the trend will continue, but they do end. (5)

I think it can also help to put valuation in perspective across time periods. Sometimes I think it is difficult for investors to remember how much valuations (and prices) can change from the top of a market cycle to the bottom, when fear becomes rampant. In **Figure 3** below, it shows cyclically adjusted P/E Ratio ranges (a measure of company value) across time from high to low. As you can see Valuations can move a lot, meaning if you are near high stock prices can fall a lot (or not rise for a very long time (decades in some cases). (It should be noted that technology businesses which make up a larger portion of the indexes today than in the past are more asset light than yesterday's industrials and probably deserve a higher valuation multiple than pre-2000 periods.) Should today's valuations fall to average levels, markets could go a decade with no real returns. (3)

Figure 3: Total Return Shiller P/E Ranges



As of 5/31/2024 | Source: Robert Shiller, GMO

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As a result of today's market climate, what action should we take?

Below are 4 options we have considered in great depth.

Option 1: One common belief in the office is we should not change anything materially, just keep the allocation invested to match the risk/goal and continue to execute as we have. Try to tune out the noise and focus our energy on reducing frictional cost, staying fairly strategic with allocations, so we don't inadvertently make a mistake and mis out when a factor shows up. We know this methodology works and there is lots of research and empirical experience that this is a wise course of action. Plus, by design, we already own a greater weighting of these lower priced assets. Weighting by factors already has greater exposure to commodity producers because they are both smaller and less expensive than the large Mag 7 and high-valuation tech companies. Plus, holding steady keeps taxes and trading costs lower.

Option 2: The second option we have discussed in great depth is adding a few new active management strategies to certain model portfolios and client strategies by risk class and tax status. Because portfolios selected by managers usually have higher turnover than our asset class funds, maybe owning these strategies in portfolios that have a larger percentages of tax-deferred accounts, so there is little to no switching cost now or in the future. We have also discussed adding a portion of these strategies to clients that have added new money, so there are no capital gains required to fund a new strategy.

Option 3: We have also discussed quit overthinking it, just add the strategies to all accounts that the characteristics match and don't worry about the tax implications of sales? I always worry about increasing cost of any kind. You have probably heard me tell the story of two equally fit twin Navy SEALs running a marathon, one with an empty 2 backpack and one with 100 lbs of weight, guess who wins the farther they run? Cost matters.

Option 4: Utilize a combination of these options. We plan to keep investing in global low-cost passive equities (offense) combined with low cost actively

managed fixed income (defense) globally as we have for many years, but we may add more alternative assets to more conservative portfolios or portfolios that are not adding as much new savings to provide more ways to lock in moderate returns no matter what environment may come next. Unexpected Inflation is usually the biggest risk most retirees face.

Additional thoughts:

When picking a portfolio manager, it is impossible to know if their recent results were from skill or luck. Managers that succeed are usually rewarded with lots of assets to manage, which makes future success harder. The reason we are more likely to add diversifying strategies to lower risk portfolios in an effort to lower portfolio drawdowns in declining markets vs more aggressive portfolios that have positive annual savings is because savings are additional defense and already lower the time it takes for portfolios to recover, although more aggressive investors must be willing to suffer through these inevitable declines. Often more conservative investors just don't have as much time to wait.

Furthermore, making money is hard, and once you have it, I see part of our job to make sure you keep it. Diversification and keeping cost low are timeless strategies that have worked well in all time periods, so deviating from this methodology even in relatively small quantities is hard to stomach. There is more than one way to win in investing (there are many roads to Rome), We never want to be short sighted.

We believe we are entering a period where a lot of people may have moved to one side of the boat, and it may be creating a once in a generation trade for higher cost active management investing strategies to take advantage of pricing anomalies that index funds by design just can't completely capture.

With a bifurcated market where some securities are cheap and others appear to be expensive, we think giving money to a few highly disciplined concentrated managers that eat their own cooking and have large percentages of their net-worth in the funds they manage could make sense

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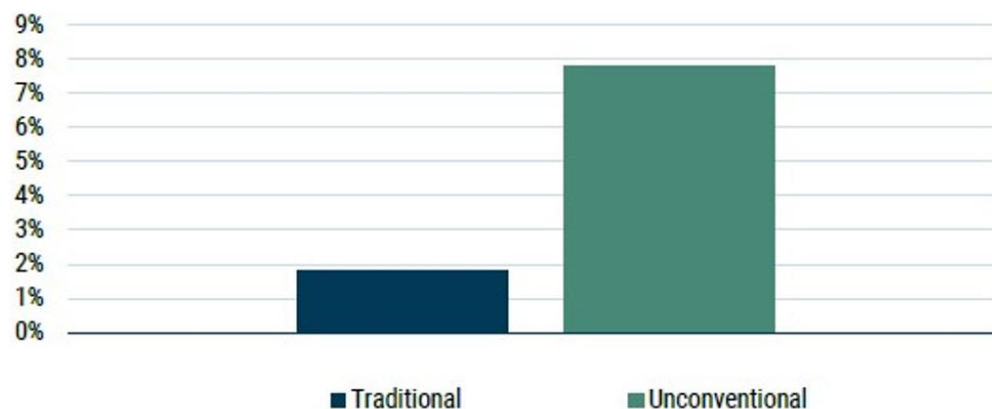
especially in tax-deferred accounts. We are in no way abandoning our previous strategy as we think it is still the best way to invest in taxable accounts, and for investors that are dollar cost averaging a little at a time. For clients that have more than half of their assets in tax deferred assets, we think owning some active management could lower volatility should markets pull back or it could provide another mechanism for profit as some strategies zig and others zag.

Please know we are not married to any company or any strategy unless we are sure that it works. We are constantly reading and meeting with potential investment providers. We have a very high bar, so we don't change often, but we are always considering it. Most of the time we talk a lot but change very little. It might be easy to view this lack of action as a negative, but I assure you **"relentless inaction"** as Warren Buffet once said can be very difficult to enact and stick to. Please know we go to great lengths to avoid creating taxes from selling securities that we will just rebuy when you save money in the future or withdraw from your account to fund expenses. We are always on the lookout for "fat-pitches" and "low bars to step over". The rules of the game are pretty easy, buy low, sell high, or just never sell.

I want to include a short excerpt from GMO's asset allocation team on how they expect a long only 60/40 portfolio of US stocks and bonds to perform vs their asset allocation strategy which is explained below in their commentary which is made up of more non-traditional areas of the market.

Figure 4: Real Return Forecasts

REAL RETURN FORECASTS (GMO LOW FORECAST SCENARIO)



As of 3/31/2024 | Source: GMO

GMO Asset Allocation Commentary

Traditional balanced portfolios (even those with "alternatives" such as private equity or credit) rely predominantly on equity and bond risk premia to generate returns, and can suffer long periods of anemic returns. The passively allocated portfolio delivered these disappointing returns after periods in which stocks and/or bond valuations were elevated.

We believe static allocations can be improved by using valuations to time exposure to risk assets, either offensively or defensively, and tapping into more return sources when appropriately priced. By expanding beyond traditional risk premia, investors leverage other ways to get paid which can help diversify risks and enhance returns.

Today, GMO's Asset Allocation strategies are leveraging three key opportunities driven by their attractive absolute and relative valuations:

- **Non-U.S. vs. U.S. equities:** U.S. equities trade expensively relative to their history and other regions with a CAPE ratio of nearly 37x CAPE vs. 25x for MSCI EAFE and 17x for MSCI Emerging as of 3/31/24. While U.S. fundamental growth has been in line with our long-term expectations over the

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last decade, some markets like Japan have delivered exceptionally strong growth and offer more attractive valuations. Emerging market fundamentals disappointed but remain priced for excessively weak growth ahead.

- **Long-only Deep Value equities:** Deep Value (cheapest 20%) is truly dislocated and is currently the biggest active position across GMO's asset allocation portfolios. We hold long positions in the U.S. and International Opportunistic Value portfolios – both recently launched to capture this Deep Value opportunity.
- **Long/Short equity alternative:** The spread between the cheapest Deep Value equities and extreme Growth is near record levels. We are capturing this opportunity long-short via our Equity Dislocation portfolio, which is 100% long the cheapest Value stocks and 100% short the most expensive Growth stocks. (5)

Additionally, I want to provide a little insight on some of the alternative strategies we have been batting around and some of the rationale as to why we may add it to certain models in the future:

On Inflation:

We think hedging against possible inflation inside portfolios is prudent, even if it slightly lowers expected returns because moving supply chains away from just in time inventory methods, and away from using China as the world's low-cost producer, is inflationary, as is switching to batteries, and other renewables. A good example is the Chips Act where the US taxpayer subsidizes companies to bringing computer manufacturing back to the US because of our dependence on chips. Manufacturing anything in the US has much higher labor cost than current manufacturing sites around the globe. Opposite of this is the many new technologies like driverless cars and AI that should reduce labor cost and should be deflationary. How will the future play out? It could be both over different time periods. Inflation, as we have been witnessing for the past few years, is the greatest risk most retirees face and anything we can do to hedge it, should it materialize again, is probably worth the potential of slightly lowering returns in non-inflationary periods. Several investments that are usually good in periods of inflation are commodities, gold (possibly bitcoin), gas pipelines, and Inflation Bonds. Stocks and Real Estate can also provide protection as well, but often they will decline at the

initial onset of higher-than-expected inflation, then rise over time if they can pass on price increases to customers or raise rents.

Gas Pipelines – We think this class of investment offers attractive diversification benefits and strong income streams with dividends of about 7.5% - 8%. If owned in Limited Partnership form in taxable accounts, the depreciation offset shields much of this income from current taxation. Returns are likely to be several percent higher than bonds with some extra inflation protection because contracts are tied to CPI, so if inflation were to resurface or if it remains more persistent than what is priced into today's market forecast their revenue would automatically increase making them attractive in portfolios where 8% doesn't lower expected returns

Commodities – It is possible we are in a multi-decade commodity boom resulting from decades of under investment. Many of the easy to reach natural resources have been mined, making adding existing capacity more difficult and much more expensive. Another factor to understand is that it can sometimes take decades to bring new mines online which could cause prices to rise if demand stays high. Commodities can be tough to own, because they can lose, lose, lose, before they win big, but it is another strategy that could offer portfolios protection if inflation is higher than current forecast.

Gold - Gold has been on a tear recently. Why? Many governments have been buying gold likely to hedge only owning US dollars. As the US weaponized the dollar against our adversaries, I think many countries have decided that owning some of their foreign reserves in gold as opposed to US Treasuries is prudent. We have never been big buyers of gold instead favoring companies that can raise prices combined with High quality fixed income, however in the 70s when inflation spiked gold and commodities were much better at protecting capital from the effects of inflation, than paper assets, although gold's returns have been lackluster in many time periods when people were not fearful about the future or experiencing bouts of inflation. Many investors believe that a rising gold price signals possible inflationary periods

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ahead. Should this come to pass, I don't believe current markets are priced for more inflation, so should it show up, this could be a headwind for equity prices.

Bitcoin – We have not sold all of our prior position, but we did reduce the size of our position as well as rotating to a lower cost ETF when it became available in tax-deferred accounts. We would like to fully exit the GBTC closed end fund position because of its higher expense, even if we have to pay some taxes. Fund flows into the new Bitcoin ETFs have been strong, so we have just been holding tight seeing what happens from the recent halving that has cut newly mined bitcoin supply by half. We think most other coins will eventually go to zero unless they carve out a very specific niche.

Active Management Equity ETFs and Funds: Substituting a small portion of high performing areas of the market that hold mostly large US companies (like DFA US high profit) with a few talented active management stock-pickers that have a history of building more conservative portfolios and strong investment processes for finding undervalued assets and are typically long only managers. GMO, Markel, First Pacific Advisors (FPA), Miller Value Partners are a few examples we are considering.

Trend following ETF (AQR or Cambria ETFs)– This alternative method of portfolio construction trades frequently and has return streams different from long only portfolios that can benefit from rising or falling markets. These types of investment often do well when an industry they trade wins for an extended amount of time ("***the trend is your friend***"). They typically trade in about 100 different markets, long trades (profit when markets rise) and short trades (profit when markets fall). The most recent example was when interest rates shorten up causing bonds prices to fall. Very few strategies were short bonds, but Trend strategies were. This type of strategy is based on the theory that you cut your losing positions quickly, but you let your winning trades run. The downside of this strategy is higher implementation cost, and higher tax cost, but it does help lower portfolio volatility without giving up too much

return over the long run. (In more aggressive strategies, Trend strategies could lower potential returns, although it does lower portfolio volatility in many periods.)

Real Estate: In most models real estate is something we would like to own, but we have continued to hold off buying broad REITs despite how they have lowered risk in many past time periods because we think there is still more fallout yet to come from work from home, and higher rates and the effects it can have on over-levered properties that have had changes in values. When loans come due, many properties will have to bring checks to get banks to renew loans and this could present an opportunity to add should that occur. We have started to watch and buy small positions in a Florida REIT called St Joe that owns a couple counties in the panhandle of Florida near Ft Walton Beach. This is an area that should continue to increase in value over time and provide some diversification too.

Finally, thanks for trusting us with your hard-earned money, we take this responsibility with great care and diligence. As always should you have any questions or wish to reassess your risk tolerance or your portfolio allocation, we think now is a great time to compare recent changes verse your financial plan's assumptions. We expect to continue to make some changes, but they will occur a little at a time and not be all at once.

Do you have any big expenses coming up that you are considering? Please keep us in the loop. Should we go ahead and pre-fund these expenses and store the money in safer less volatile investments? Remember the **5-year rule:** never put money in the equity market that you will need to spend in 5 years or less. Today we can earn safe, guaranteed rates above **5.18% as of this writing and nearly 6% on taxable** assets that can tolerate some volatility and **3.63% safe municipal tax-free bonds and municipal money funds (which is tax equivalent yield of nearly 5.76%).**

Until next time, we look forward to speaking with you soon. If you have completed your tax return for 2023, please upload it if you get the chance.

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Be on the lookout for an upload request from our team, as having a current tax return helps us identify planning and investment options for you.

--Mike

Tax Corner – Inherited IRAs (Post 2019) Update

In 2020, the IRS and DOL made changes to how IRAs were inherited by relatives. If you inherit an IRA, these changes impact you – unless you are a spouse, a minor child, or disabled or chronically ill. Before this change, a beneficiary was able to pull out their Required Minimum Distribution RMD over their own lifetime. However, with the rules change in 2020, that was moved to a 10-year withdrawal period. The law stated that the account needed to be withdrawn after 10 years of the date of death. But there was some confusion on whether or not there was a Required Minimum Distribution each year, or if it just had to be withdrawn over 10 years. That question has now been answered, and we have put together information below to help you with that. If you want to go read the rule you can find it [here](#).

- **10-Year Withdrawal Rule:**
 - Non-spousal heirs of retirement accounts must withdraw all funds within 10 years.
 - This replaces the previous rule allowing withdrawals to be stretched over the heir's lifetime.
- **Annual Minimum Withdrawals:**
 - The IRS now requires most non-spousal heirs to take annual minimum distributions within the 10-year period.
 - This applies if the original account holder was already taking required minimum distributions (RMDs).
- **Penalties and Grace Period:**
 - Heirs who did not take required distributions from 2021 to 2024 will not be penalized.
 - Starting in 2025, annual withdrawals are mandatory, based on the heir's life expectancy.

- **Tax Implications:**
 - Withdrawals from traditional IRAs are taxable, potentially leading to significant tax liabilities, strategically withdrawing over the 10 years is important.
- **Roth IRAs:**
 - Roth IRAs are more advantageous as they do not require annual withdrawals.
 - Distributions from Roth IRAs are generally tax-free, allowing for more strategic financial planning.
- **Exceptions and Special Cases:**
 - Spouses can treat the inherited IRA as their own, with different rules applying.
 - If the original account holder died before reaching the RMD age (currently under 73), heirs can wait until the end of the 10-year period to withdraw funds.
- **Managing Multiple IRAs:**
 - Heirs may need to navigate different rules for multiple inherited IRAs.
 - This can be complex, requiring careful calculation and planning.
- **Future Legislative Changes:**
 - The required beginning date for IRA distributions has been raised to April 1 after turning 73.
 - Ongoing legislative changes are likely, necessitating continuous adjustments in retirement planning strategies.
- **Advice for Heirs:**
 - Consulting with tax professionals is recommended to optimize withdrawal strategies and minimize tax liabilities.
 - Staying informed about legislative changes is crucial for effectively managing and planning for inherited retirement accounts.

Please let us know if you have any questions on this and how it will affect you and your family.

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Around the MWA Office

In May, Stephen and Mike both became Certified Exit Planning Advisors and are members of the Exit Planning Institute. This designation (CEPA®) will allow Mills Wealth to better serve our current and future business owner clients by giving us new tools and frameworks from which to help maximize current profit and future value. Interestingly enough, we have found that many of the tools and frameworks learned work well for **all clients**. We are excited to share them with you, whether you own a business or not.

Exit planning is a critical process for business owners looking to transition out of their companies smoothly and profitably. As the complexities of exit planning grow, the importance of professional guidance becomes increasingly evident.

The Certified Exit Planning Advisor

A Certified Exit Planning Advisor is a professional designation awarded by the Exit Planning Institute® (EPI). According to Scott Snider, President of the EPI, "An exit planning advisor is an advisor to a business owner that is skilled at aligning business, personal, and financial goals to grow company of significance, ensure a successful transition at the point of exit, and more profitable and better company for the owner today."

The CEPA® designation was created to provide a structured and comprehensive framework for exit planning. This exit planning certification equips advisors with the knowledge and tools needed to guide

business owners through the complexities of exiting their businesses, making it highly relevant in today's business landscape.

What Does a CEPA Do?

CEPAs play a multifaceted role in the exit planning process, leveraging their unique professional backgrounds to guide business owners through successful transitions. While all CEPAs are trained in the core principles of exit planning, their practice can vary widely depending on their primary profession. Core responsibilities can include:

- **Assessing Business Readiness for Exit:** Evaluating a company's preparedness for a transition and identifying areas that need improvement.
- **Creating Strategic Exit Plans:** Developing tailored exit strategies that align with the business owner's personal and financial goals.
- **Coordinating with Other Professionals:** Working with accountants, lawyers, financial planners, and other experts to ensure a holistic approach to exit planning.
- **Quarterbacking:** Acting as the central coordinator, or "quarterback," of the entire exit planning team, ensuring all aspects of the plan are integrated and executed effectively.

Let us know if you'd like to learn more about what we've learned as Certified Exit Planning Advisors.

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Pictures Worth Looking At

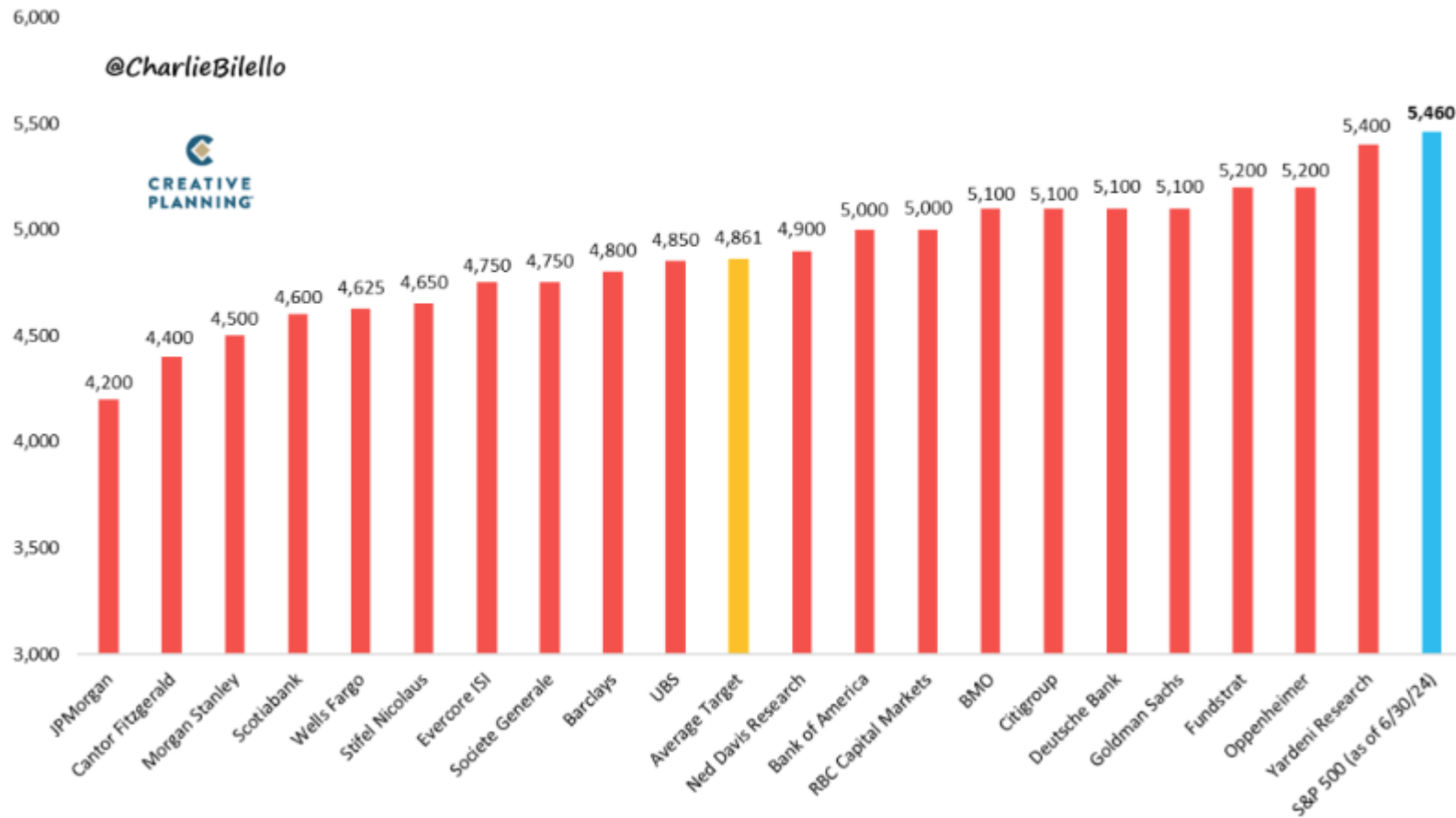
S&P 500 Index: Number of All-Time Highs (1929 - 2024)									
Year	# ATH	Year	# ATH	Year	# ATH	Year	# ATH	Year	# ATH
1929	45	1949	0	1969	0	1989	13	2009	0
1930	0	1950	0	1970	0	1990	6	2010	0
1931	0	1951	0	1971	0	1991	22	2011	0
1932	0	1952	0	1972	32	1992	18	2012	0
1933	0	1953	0	1973	3	1993	16	2013	45
1934	0	1954	27	1974	0	1994	5	2014	53
1935	0	1955	49	1975	0	1995	77	2015	10
1936	0	1956	14	1976	0	1996	39	2016	18
1937	0	1957	0	1977	0	1997	45	2017	62
1938	0	1958	24	1978	0	1998	47	2018	19
1939	0	1959	27	1979	0	1999	35	2019	36
1940	0	1960	0	1980	24	2000	4	2020	33
1941	0	1961	53	1981	0	2001	0	2021	70
1942	0	1962	0	1982	2	2002	0	2022	1
1943	0	1963	12	1983	30	2003	0	2023	0
1944	0	1964	65	1984	0	2004	0	2024	31
1945	0	1965	37	1985	43	2005	0		
1946	0	1966	9	1986	31	2006	0		
1947	0	1967	14	1987	47	2007	9		
1948	0	1968	34	1988	0	2008	0		

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S&P 500: Best Performance through First 124 Trading Days (1928 - 2024)				
Rank	Year	Price Return: First 124 Trading Days	Price Return: Day 125 to Year- End	Price Return: Full Calendar Year
1	1933	69.2%	-14.9%	44.1%
2	1975	38.3%	-5.3%	30.9%
3	1987	27.1%	-19.5%	2.3%
4	1943	26.4%	-5.5%	19.4%
5	1997	19.8%	9.4%	31.1%
6	1995	18.6%	13.1%	34.1%
7	1986	18.1%	-2.5%	15.2%
8	1954	18.0%	22.1%	44.1%
9	1983	17.8%	-0.5%	17.2%
10	2019	17.3%	9.8%	28.9%
11	1989	17.3%	8.5%	27.3%
12	1998	16.8%	8.4%	26.7%
13	2023	15.9%	7.2%	24.2%
14	1976	14.7%	3.3%	18.5%
15	2024	14.5%	?	?
16	2021	14.4%	10.9%	26.9%
17	1985	14.3%	10.5%	26.3%
18	1967	13.7%	5.7%	20.1%
19	1991	13.4%	10.9%	25.7%
20	1955	13.3%	11.6%	26.4%

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S&P 500: Wall Street's 2024 Year-end Price Targets vs. Current Level
(Target Data via Bloomberg in Dec 2023)



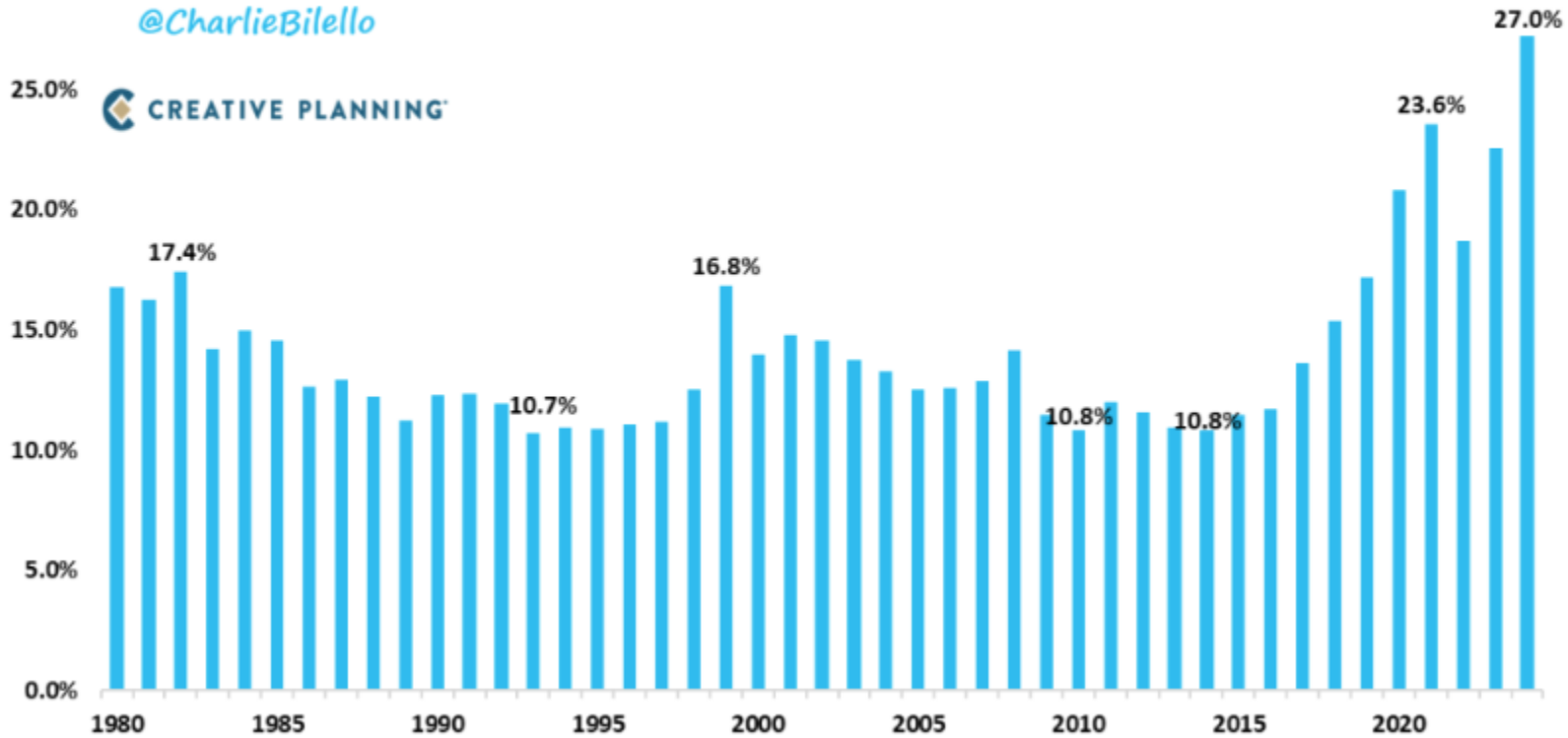
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Bloomberg US Aggregate Bond Index: Longest Drawdowns (Monthly Data, 1976 - 2024)			
Start of Drawdown	End of Drawdown	# Months	Max Drawdown During Period (Monthly)
Aug-20	?	47	-17.2%
Jul-80	Oct-81	16	-9.0%
May-13	Apr-14	12	-3.7%
Aug-16	Jul-17	12	-3.3%
Feb-94	Jan-95	12	-5.1%
Mar-87	Nov-87	9	-4.9%
Aug-79	Apr-80	9	-12.7%
Apr-08	Nov-08	8	-3.8%
Feb-96	Sep-96	8	-3.2%
Jun-03	Nov-03	6	-3.6%
Feb-84	Jun-84	5	-4.9%
May-83	Aug-83	4	-3.5%

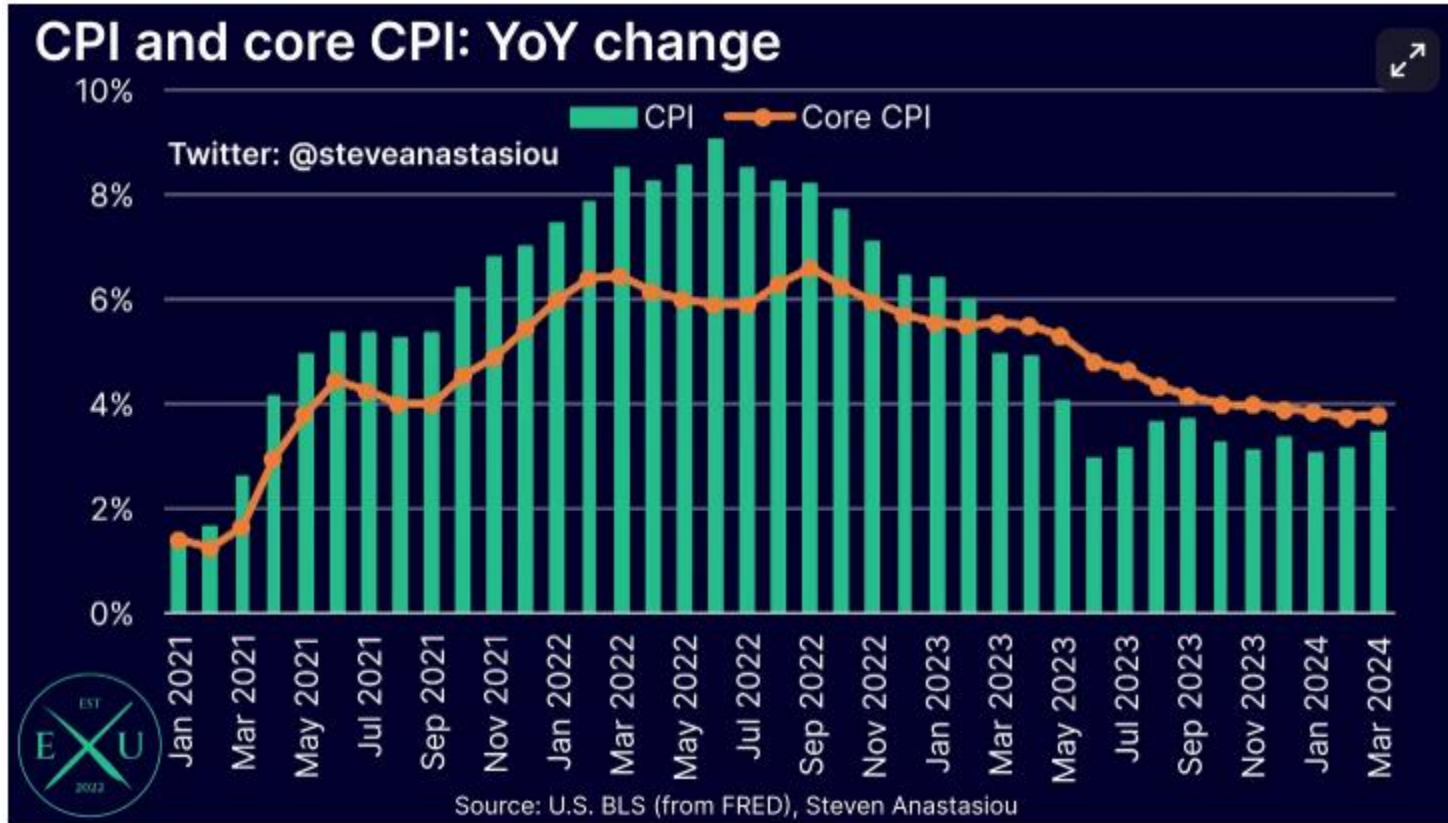
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S&P 500: Weighting of Top 5 Holdings (1980 - 2024)

Data Source: S&P Dow Jones (as of 6/20/24)



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S&P 500: Index concentration, valuations and earnings

GTM U.S. 11

Equities

P/E ratio of the top 10 and remaining stocks in the S&P 500
Next 12 months, 1996 - present



Weight of the top 10 stocks in the S&P 500
% of market capitalization of the S&P 500



Earnings contribution of the top 10 in the S&P 500
Based on last 12 months' earnings



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. The top 10 S&P 500 companies are based on the 10 largest index constituents at the beginning of each month. As of 6/30/2024, the top 10 companies in the index were MSFT (7.0%), AAPL (6.3%), NVDA (6.1%), AMZN (3.6%), META (2.3%), GOOGL (2.3%), GOOG (1.9%), BRK.B (1.7%), LLY (1.5%), JPM (1.3%) and AVGO (1.3%). The remaining stocks represent the rest of the 492 companies in the S&P 500.
Guide to the Markets - U.S. Data are as of June 30, 2024.

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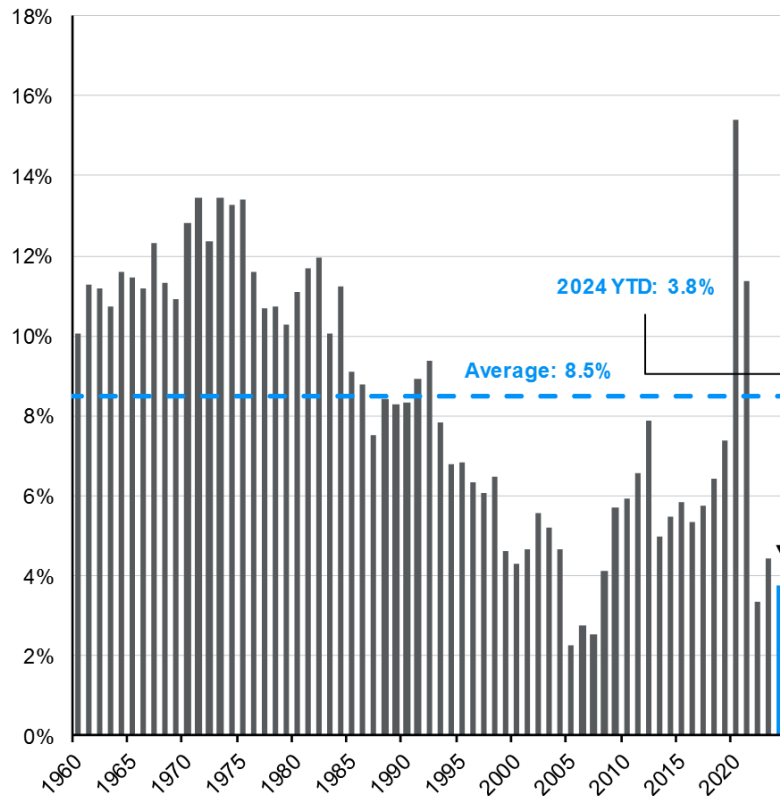
Consumer saving

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Economy

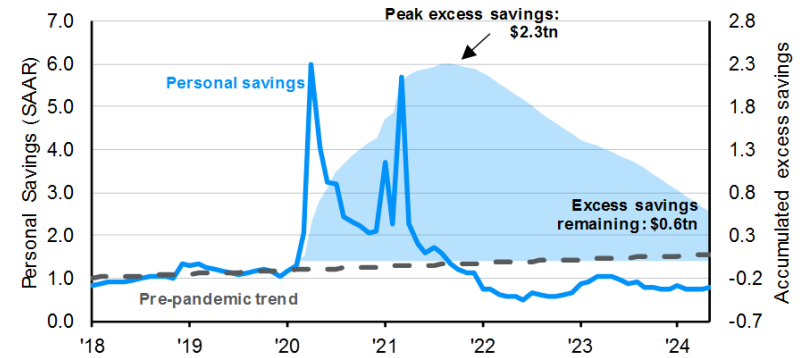
Personal saving rate

Personal savings as a % of disposable personal income, annual



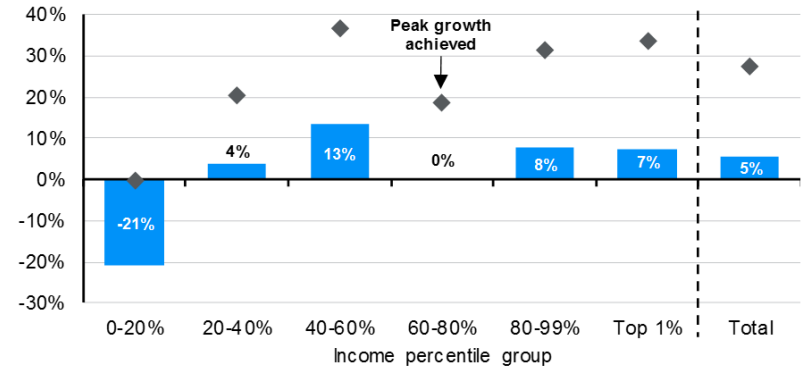
Household excess savings

Trillions of USD



Inflation-adjusted growth in deposits by income percentiles

Checking and savings account balances, % change from 4Q19 to 1Q24



Source: BEA, Federal Reserve, J.P. Morgan Asset Management. (Top right) From March 2020 to August 2021, consumers amassed a peak \$2.3 trillion in excess savings relative to the pre-pandemic trend. Since August 2021, consumers have drawn down on those excess savings, with the remaining reflected in the chart annotation. (Bottom right) Deposits include money in checking accounts, savings accounts, CDs and money market deposit accounts. It does not include direct holdings of money market shares. The diamond reflects the peak growth in inflation-adjusted savings achieved during the period and the blue bar reflects current levels. *Guide to the Markets* - U.S. Data are as of June 30, 2024.

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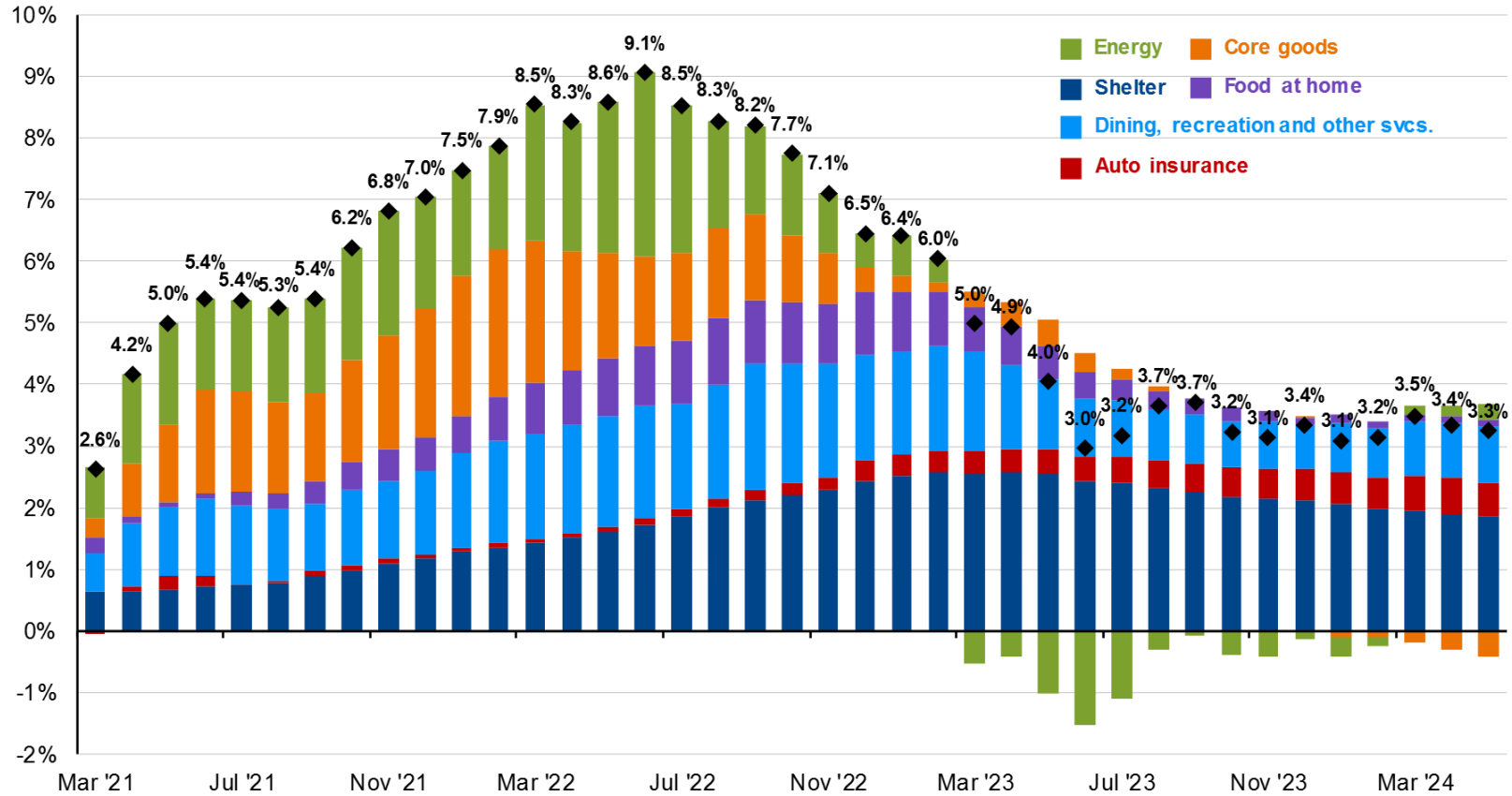
Inflation components

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Economy

Contributors to headline CPI inflation

Contribution to y/y % change in CPI, non-seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management. Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners' equivalent rent, rent of primary residence and home insurance.
 Guide to the Markets - U.S. Data are as of June 30, 2024.

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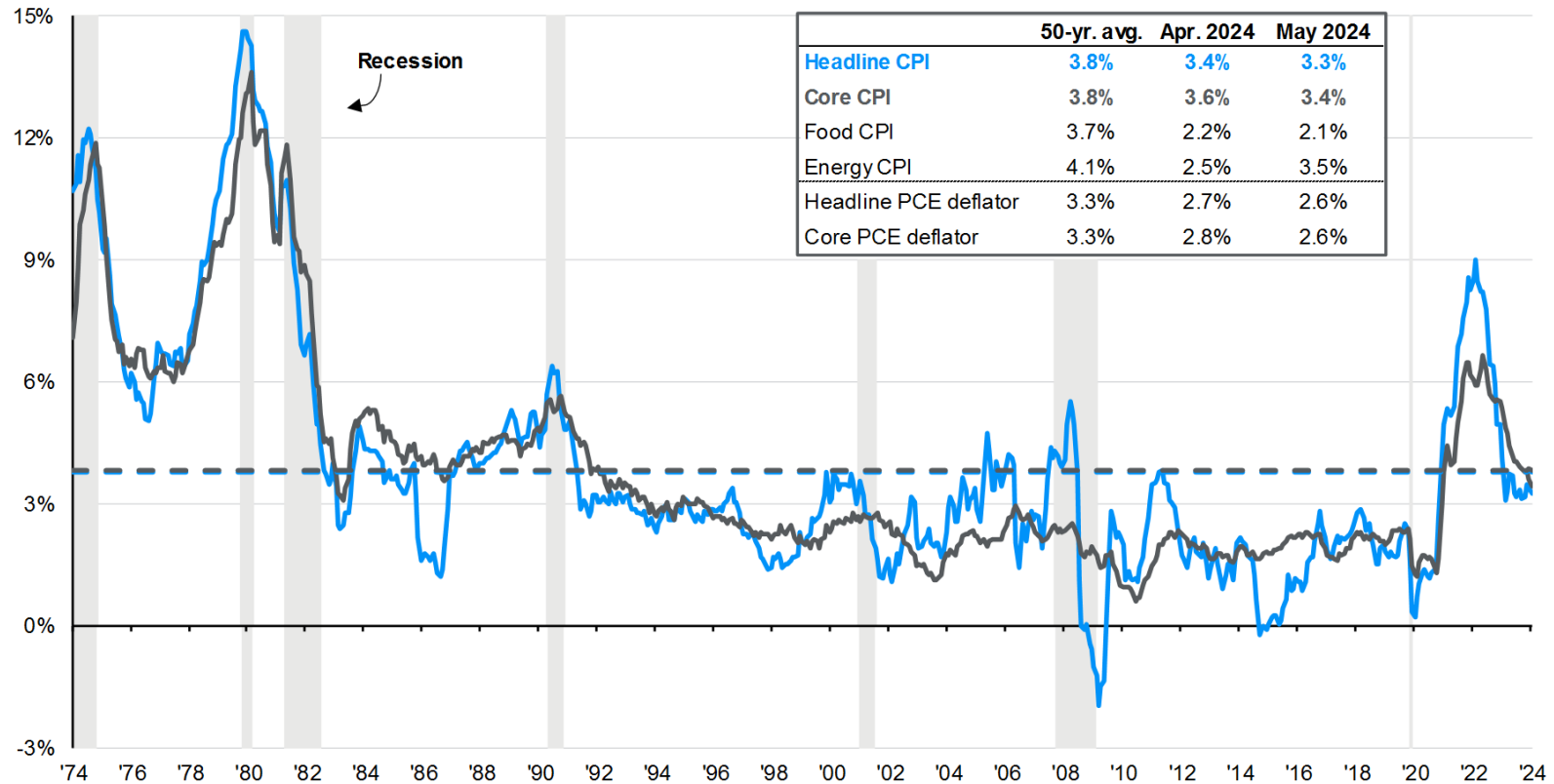
Inflation

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Economy

CPI and core CPI

% change vs. prior year, seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management.

CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations.

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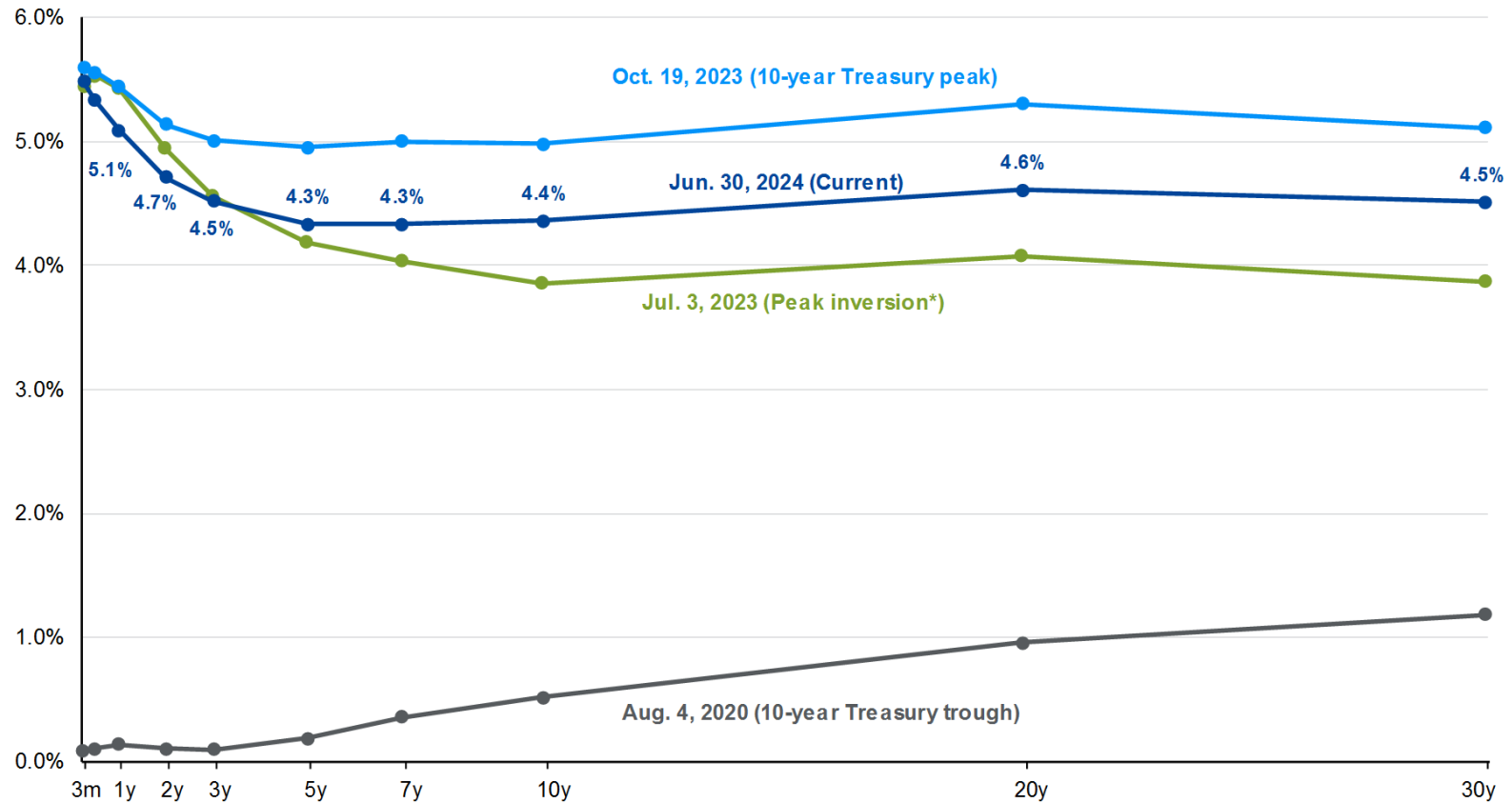


Yield curve

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Fixed Income

U.S. Treasury yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Analysis references data back to 2020. *Peak inversion is measured by the spread between the yield on a 10-year Treasury and 2-year Treasury. Guide to the Markets - U.S. Data are as of June 30, 2024.

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Pictures

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