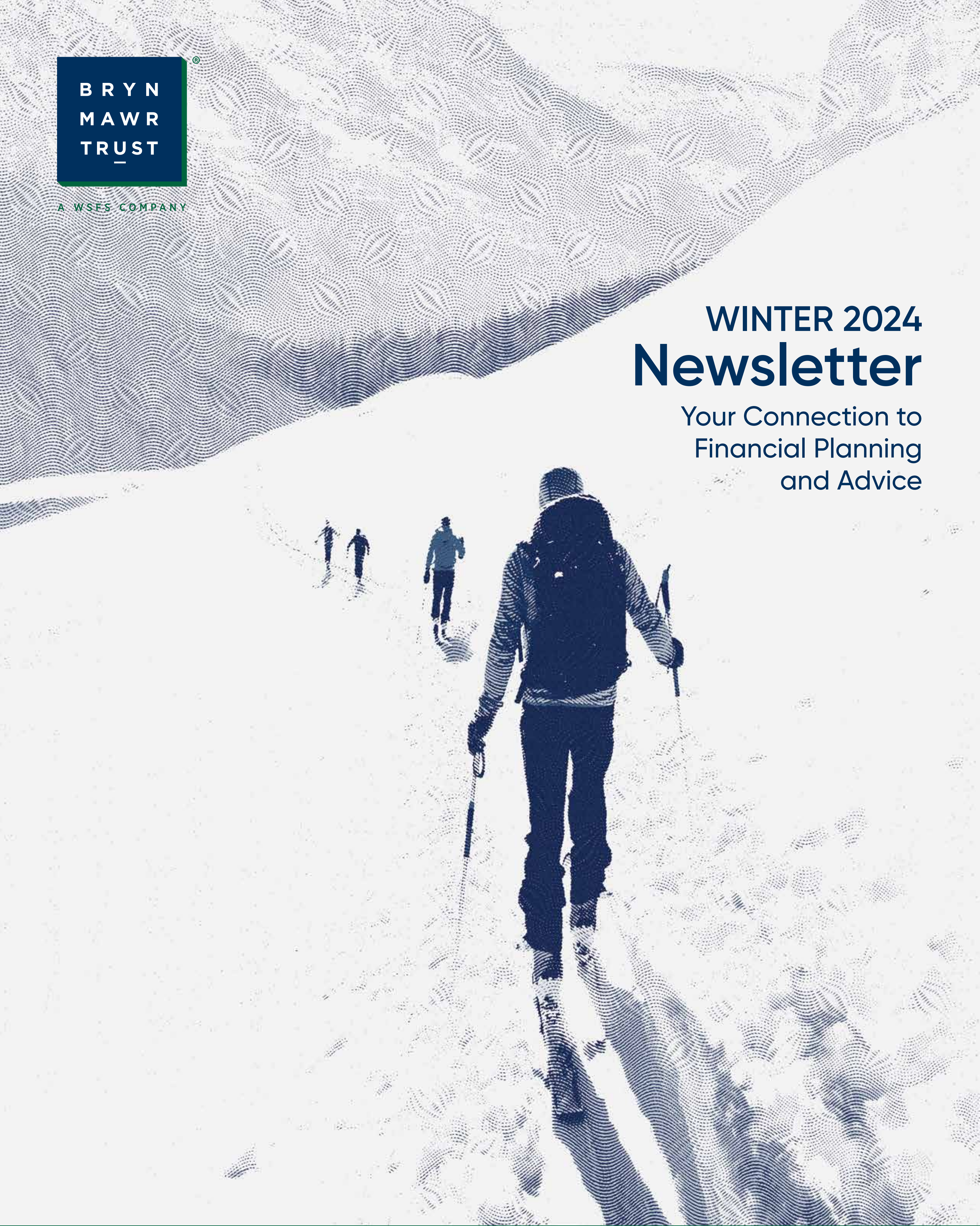

BRYN MAWR TRUST

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WINTER 2024 Newsletter

Your Connection to Financial Planning and Advice

Winter 2024 Economic and Market Outlook – Think Fast, Act Slow

By Phil Wagner, CFA®
Interim Chief Investment Officer
Director, Investment Advisory Services
Bryn Mawr Capital Management

Our Investment Research team has a saying: "Think fast, act slow."

The flow of information that floods investors daily is staggering. Understanding the capital markets and economics permits us to assess the flow of news and decide if it's information or noise. Most of the time it's the latter, but sometimes it is actionable information. For example, about two years ago we noticed a preponderance of evidence suggested the economy in the U.S. was likely to slow. At the time, we trimmed our exposure to smaller and more cyclically-oriented[1] stocks and sectors to favor larger companies as well as those with growth prospects less reliant on an expanding economy. These moves have largely paid off for our Clients.

As 2024 begins, all eyes are on interest rate policy in the U.S. and on the Federal Reserve ("the Fed") which sets those rates. With the world's largest economy, stock market, and bond market, interest rates matter here – and across the globe.

Interest rates are the price of money, and money is the lubricant that keeps economies running. Higher interest rates can prompt consumers and businesses to reduce their borrowing or make spending decisions to accommodate the rising borrowing costs, which can slow economic activity.

Higher interest rates also impact stock and bond prices. This happens both directly, as the required return to investing in a stock or bond has increased, or indirectly, as the issuing company is facing higher costs which impact its profits, cash flow, and ability to pay dividends and interest.

To quickly recap how we got here, since March 2022, the Fed has been aggressively pushing up rates to normalize monetary policy and quell inflationary pressures in the economy. Both were outgrowths of the COVID-19 outbreak in 2020 and the global pandemic response. Remarkably, the U.S. economy has largely shrugged off this rise in the cost of money; while theoretically, spending should have slowed, it did not, primarily because consumers drew down savings and kept spending.

Data released in 2023 provided some evidence that the Fed is getting the inflation genie back in the bottle. At their November and December meetings, policymakers left rates unchanged, noting the slowdown in growth and prices. Other releases have started to show that the expected response to rising rates is starting to take hold: spending is slowing, and job growth is cooling. Now the Fed is at a crossroads: keep rates high (or higher) and inflation under wraps at the cost of slowing growth, or start lowering rates to keep the economy chugging.

We believe the Fed is done with interest rate hikes for the time being, and this will have positive implications for investors in 2024. Clear beneficiaries will be sectors that are sensitive to interest rates such as financial services, utilities, and other higher-yielding companies. Of late, market leadership has been concentrated in a few companies that have the type of enduring growth prospects that make them less sensitive to overall economic conditions. The "Magnificent Seven"[2] typify these types of companies. With interest rate pressure abating, leadership could easily move away from these companies to broader sectors of the market.

Our response would be to shift exposure toward smaller companies and more economically sensitive areas, essentially unwinding the moves we made when our concerns grew about growth prospects. However, a lot still depends on the Fed. We anticipate a slow shift toward dovish policy actions given the Fed's concerns of inflation reasserting itself.

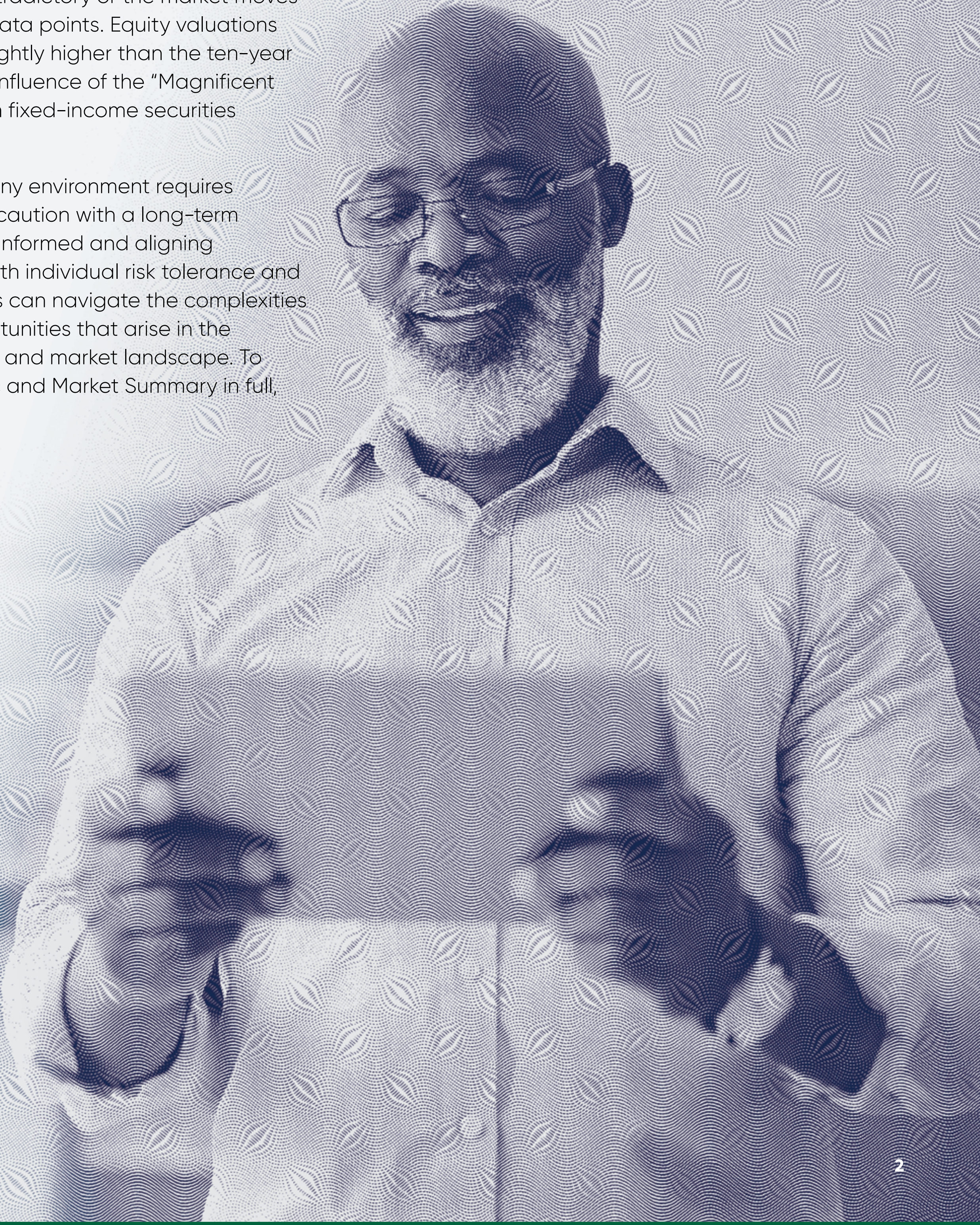
The market, however, may not be as patient. We have seen, and expect to see, market moves based on what investors want the Fed to do.

[1] Cyclically-oriented sectors are more likely to follow the ebb and flow of the economy.
[2] Alphabet (Google's parent), Amazon, Apple, Meta (Facebook's parent), Microsoft, NVIDIA and Tesla.

For example, favorable inflation news often leads to rallies in stock prices on the expectation the Fed will begin cutting rates. This optimism wanes on less favorable news. Investors are projecting up to six rate cuts this year while there is evidence the Fed itself is thinking about half that.

Emotional trading can be hazardous to your wealth. It can be easy to lose sight of a long-term plan when the flood of news is contradictory or the market moves dramatically on single data points. Equity valuations look reasonable, only slightly higher than the ten-year average, even with the influence of the "Magnificent Seven." Income levels on fixed-income securities look compelling.

Successful investing in any environment requires blending optimism and caution with a long-term perspective. By staying informed and aligning investment strategies with individual risk tolerance and financial goals, investors can navigate the complexities and capitalize on opportunities that arise in the ever-evolving economic and market landscape. To read our 2024 Economic and Market Summary in full, visit bmt.com.



Five Steps for a Smooth Transition of Financial Responsibilities

By Garrett Spangler, J.D., LLM
Senior Wealth Strategist
Bryn Mawr Capital Management

People are living longer and are increasingly likely to experience some level of cognitive decline while remaining physically able-bodied, and the day may come when you can no longer manage your finances. With financial exploitation of the elderly on the rise, there are steps you can take to ensure a smooth transition when the time comes to get help with your finances.

1. Start planning early.
Have a conversation with the family member or friend who you would like to assist you. You might never need help managing your finances, but making decisions while you are unimpaired and can identify the right person is important for you and your family.

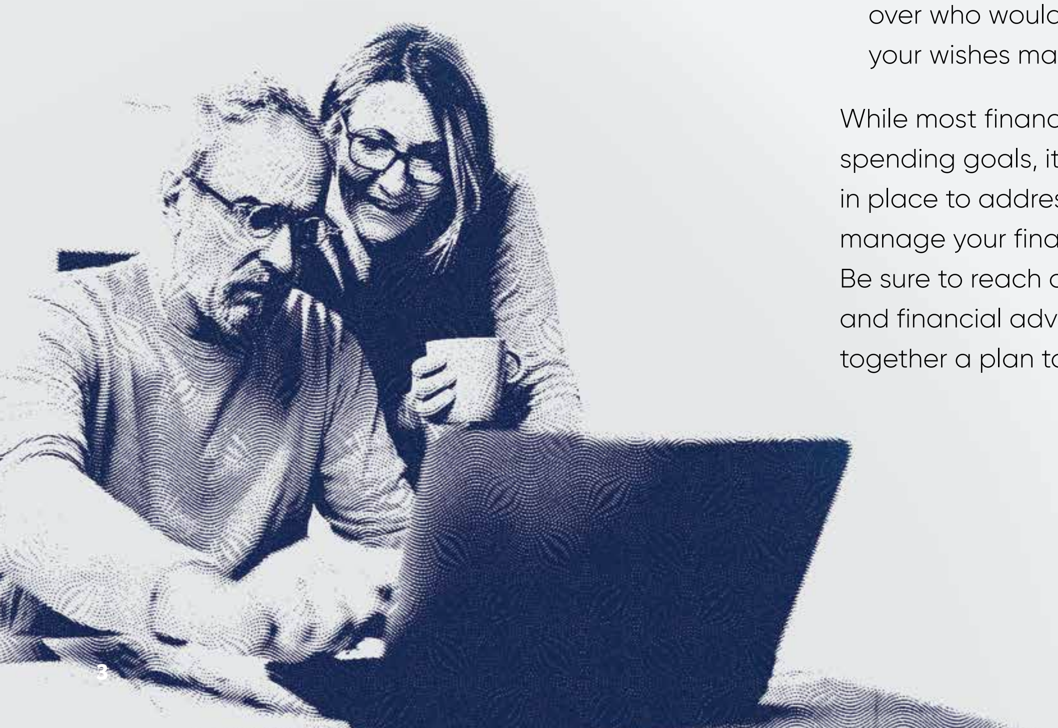
2. Spend time reviewing your financial information with your designee.
Make a list of your financial institutions, account numbers, any relevant contact information, the location of legal documents, passwords for digital devices, and instructions for how to access this information.

3. Consider additional ways to simplify your finances.
Are your income streams set up for direct deposit? Is online bill pay in place for recurring expenses? Have you subscribed to alerts for any inconsistent bills? Getting things in order now will make any transition in the future much more seamless.

4. Consider creating and placing a power of attorney on file with your financial institutions.
While you may still manage your finances, the agent named as the financial power of attorney will be someone you trust. Adding them to accounts before it is necessary can allow them to receive copies of financial statements and check to confirm that they have access to your finances if an emergency arises. Getting a power of attorney in place now will save considerable time and effort in the future.

5. Share your wishes with your family.
Let your loved ones know who you have selected to provide help with your finances when needed. It will reduce the chance of disagreements within the family over who would best be suited for the role and what your wishes may have been.

While most financial planning involves saving and spending goals, it is also important to have a plan in place to address the need for someone else to manage your finances should it become necessary. Be sure to reach out to your estate planning attorney and financial advisor to discuss the options for putting together a plan today.



Associate Spotlight

Jamie P. Hopkins, Esq., LLM, MBA, CFP®
Senior Vice President, Director of Private Wealth Management, Bryn Mawr Trust
Chief Executive Officer of Bryn Mawr Capital Management

Jamie joined Bryn Mawr Trust in October 2023. He has extensive wealth management experience bringing with him innovative thinking, transformative leadership, and a strong reputation for fostering Client relationships. Having previously served as a Managing Partner at Carson Group, Jamie leads Bryn Mawr Trust Private Wealth Management and contributes to shaping thought leadership in the field of planning and advice.

Jamie is a graduate of Temple University School of Law, where he received his LLM, and Villanova University School of Law, where he earned his juris doctorate. He earned a master's degree in financial planning from The American College of Financial Services and a master's degree in business administration from Villanova University.

An educator, executive speaker, and Wall Street Journal best-selling author, Jamie serves on numerous advisory boards in the financial services industry and formerly served as a national trustee member of NAIFA. Jamie placed in the top ten of Investopedia's 100 Top Financial Advisors for 2023 and is the founder and president of FinServ Foundation, a 501(c)(3) non-profit.

Fun Facts About Jamie:

1. He has run several marathons and at one point ran outside for 3,004 consecutive days, averaging about five miles per day. In his spare time, he often plays sports with his three children.
2. He enjoys writing and has authored eight books. He is currently working on a new edition of his bestseller Rewirement as well as a new book on his running journey.
3. His favorite quotes change with the seasons. A firm believer in "Your why should make you cry," his current favorite is from Winston Churchill: "It's not enough to have lived. We should be determined to live for something."
4. His favorite book is Simon Sinek's Start with Why.
5. As the hometown of his grandparents, Bethany Beach in Delaware holds many treasured memories and is his favorite vacation destination.
6. He lives in Villanova, Pennsylvania with his wife Kathy, their three children, and a loving labradoodle named Baxter.

What the New Social Security Cost of Living Rate and the Medicare Part B Premiums Increase Could Mean to You

By Donald Lyons, CFP,® NSSA®
Wealth Director, Berwyn Office,
Greater Philadelphia Region,
Bryn Mawr Trust

Social Security's 2023 Cost of Living Adjustment (COLA) was one for the record books at 8.7%, marking the biggest adjustment in more than 40 years. It provided many retirees with a much-needed reprieve from the impact of decades of high inflation. At 3.2%, Social Security's COLA will not be as generous for 2024. While this increase is larger than the historical average over the past 20 years, it comes from lower inflation and the Fed's aggressive interest rate increases. Additionally, 2024 Medicare Part B premiums will increase by $9.80 from $164.90 to $174.70.[1]

With more than 71 million Americans receiving Social Security benefits, most are seniors who will see the increase in benefits come January 2024. With the average Social Security benefit at $1,848, a 3.2% COLA means that beneficiaries will see an increase of more than $50 per month, and in some cases more. The COLA applies even for seniors who aren't yet collecting benefits, as anyone age 62 and older will automatically receive a boost.[2]

Maximum Wage Base

The Social Security tax rate of 7.65% (6.2% Social Security, 1.45% Medicare) paid by both employer and employee for a total of 15.3% remains the same. However, the maximum earnings subject to taxes will increase from $160,200 in 2023 to $168,600 in 2024. An additional 0.9% Medicare tax applies to individuals or married couples filing jointly with earned income of more than $200,000 and $250,000, respectively.[3]

Earnings Limits

The earnings limits for 2024 have also increased. For those collecting Social Security before full retirement age, Social Security will withhold $1.00 in benefits for every $2.00 above $22,320 in earnings or earned income. The previous limit was $21,240. The year an individual reaches full retirement age (specifically the months prior), $1.00 in benefits will be withheld for every $3.00 in earnings above $59,520. Previously, the limit was $56,520.[4]

Medicare Part B Premiums

The Center for Medicare & Medicaid announced that 2024 Medicare Part B Premiums, which are automatically deducted from Social Security benefits, will increase by $9.80 (or 5.9%) from $164.90 to $174.70. This is in contrast with last year's decrease of $5.20, meaning the average Social Security beneficiary will see a net increase in monthly benefits of $50.00 or less. The thresholds for Income Related Monthly Adjustment Account (IRMAA), which applies to high-income beneficiaries, also increased from $97,000 and $203,000 for single and married couples respectively to $103,000 and $206,000. Medicare open enrollment started October 15, 2023, and ended December 7, 2023.[5]

From a financial planning standpoint, careful consideration should be given to any potential tax implications as it relates to COLA with a keen focus on tax reduction strategies, including but not limited to, charitable giving, especially for those at Retirement Minimum Distribution (RMD) age 73 paying down debt or reinvestment of surplus funds.

To understand more about your Social Security benefits and other important details, log on to your account at https://www.ssa.gov/myaccount.

[1,3,4] https://www.ssa.gov/cola/
[2] https://www.ssa.gov/news/press/factsheets/colafacts2024.pdf
[5] https://www.cms.gov/newsroom/fact-sheets/2024-medicare-parts-b-premiums-and-deductibles?mod=anlink

Changes to 2024 Taxes May Help 2023 Tax Planning

By Lisa M. Borrelli, CPA, M.T.
Senior Wealth Specialist
Bryn Mawr Capital Management

Thinking back to 2022, it was difficult to consume financial media without seeing market volatility and inflation. Throughout 2023, rising interest rates and cooling inflation[1] have dominated the headlines. A benefit for taxpayers looking at 2023 year-end and 2024 preliminary tax planning is that the increase to individual tax brackets exceeds current inflation.

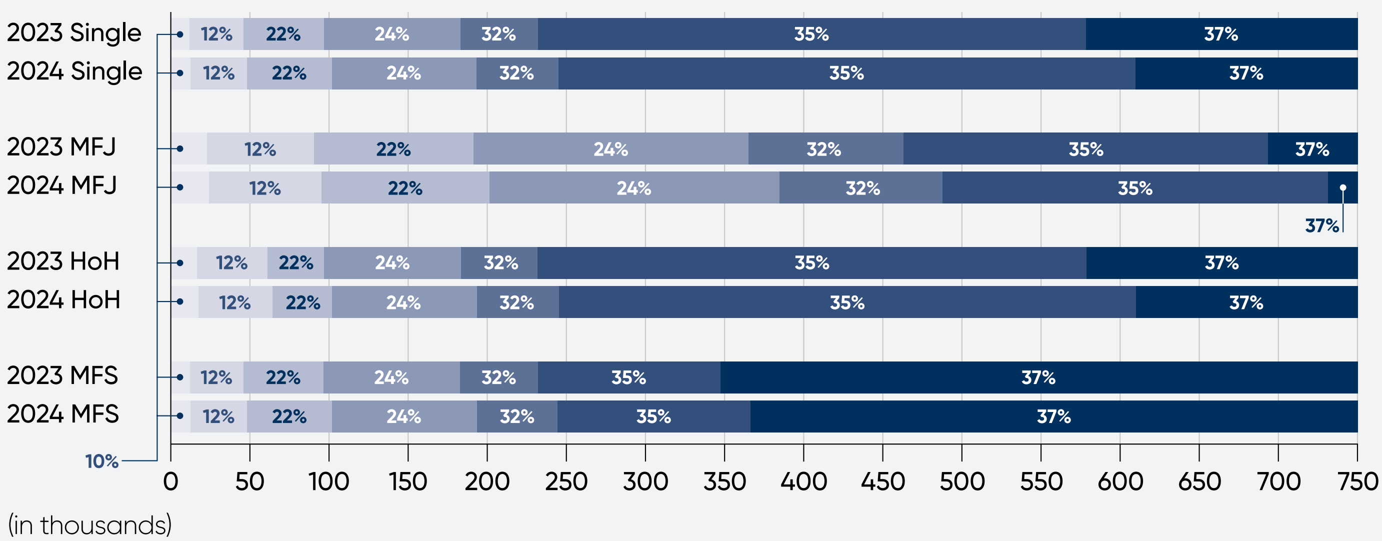
Tax Brackets

In November 2023 the IRS released the 2024 tax brackets,[2] which are structured to be tied to inflation. Below, we cover the adjustments to the income thresholds for each tax bracket and the standard deduction that has been adjusted.

Inflation and Ordinary Tax Brackets

As of October 2023, inflation for the previous 12 months was calculated at 3.2%.[3] The planned 2024 tax brackets are an average 5.4% increase from the 2023 values. This may sound like a big shift to some, but it is immaterial to others. Looking at how much each taxpayer's income is anticipated to increase in 2024 compared to 2023, as well as where one is in their tax bracket, is likely to influence interpretation. Chart 1 shows the impact of a 5.4% inflation increase for single and married filing jointly (MFJ) taxpayers. It is fair to point out that it may be difficult to see a change for those below the 24% tax bracket; the greatest potential impact is for taxpayers in the upper 35% to lower 37% brackets.

Chart 1[4]



[1] https://tradingeconomics.com/united-states/inflation-cpi
[2] Revenue Procedure 23-34.
[3] Consumer Price Index for All Urban Consumers - https://www.bls.gov/news.release/cpi.nr0.htm#:~:text=The%20all%20items%20index%20rose,period%20ending%20in%20September%202021.
[4] The charts included in this article were created by Bryn Mawr Capital Management with data outlined in Rev Proc 23-34 and Rev Proc 22-38.

Chart 1[4] (continued)

	2023 Single	2024 Single	2023 MFJ	2024 MFJ
10%	$0 - $11,000	$0 - $11,600	$0 - $22,000	$0 - $23,200
12%	$11,001 - $44,725	$11,601 - $47,150	$22,001 - $89,450	$23,201 - $94,300
22%	$44,726 - $95,375	$47,151 - $100,525	$89,451 - $190,750	$94,301 - $201,050
24%	$95,376 - $182,100	$100,526 - $191,950	$190,751 - $364,200	$201,051 - $383,900
32%	$182,101 - $231,250	$191,951 - $243,725	$364,201 - $462,500	$383,901 - $487,450
35%	$231,251 - $578,125	$243,726 - $609,350	$462,501 - $693,750	$487,451 - $731,200
37%	$578,126+	$609,351+	$693,751+	$731,201+

	2023 Head of Household (HoH)	2024 Head of Household (HoH)	2023 Married Filing Separately (MFS)	2024 Married Filing Separately (MFS)
10%	$0 - $15,700	$0 - $16,550	$0 - $11,000	$0 - $11,600
12%	$15,701 - $59,850	$16,551 - $63,100	$11,001 - $44,725	$11,601 - $47,150
22%	$59,851 - $95,350	$63,101 - $100,500	$44,726 - $95,375	$47,151 - $100,525
24%	$95,351 - $182,100	$100,501 - $191,950	$95,376 - $182,100	$100,526 - $191,950
32%	$182,101 - $231,250	$191,951 - $243,700	$182,101 - $231,250	$191,951 - $243,725
35%	$231,251 - $578,100	$243,701 - $609,350	$231,251 - $346,875	$243,726 - $365,600
37%	$578,101+	$609,351+	$346,876+	$365,601+

Standard Deductions

Taxpayers are entitled to a standard deduction or can itemize their deductions.[5] The standard deduction is a reduction to ordinary taxable income and, like tax brackets, increases with inflation. In 2024, the standard deduction is set to increase at a rounded average of 5.4% over the 2023 values.

Chart 2

Single		MJF		HoH	
Tax Year:					
2023	2024	2023	2024	2023	2024
$13,850	$14,600	$27,700	$29,200	$20,800	$21,900

Capital Gains Tax Rates

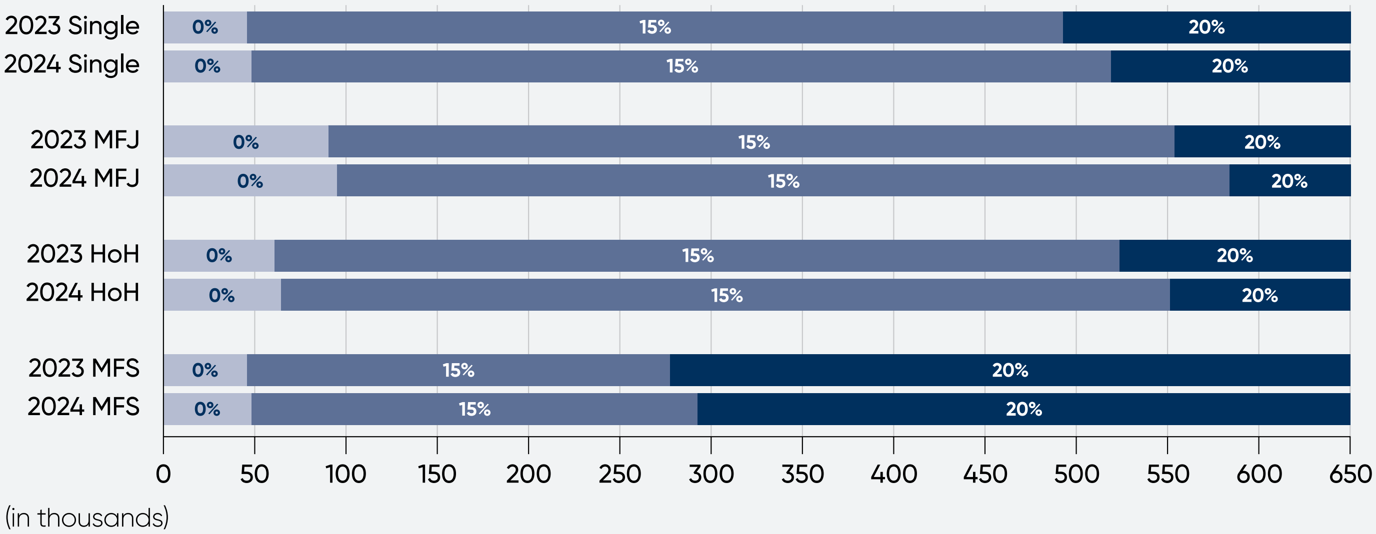
Tax tables can feel intentionally complicated because in the U.S. not only do we have graduated tax rates, we also have multiple classifications of income, each with its own set of rules.

The reason to distinguish between ordinary income, referenced above and most identified as income from wages/earned income, and the income derived from investments is there can be special rules for investment income.[6] This secondary tax bracket is the maximum capital gains rate in the tax code and is often referred to as the capital gains tax bracket. Capital gains tax brackets apply a lower tax rate to income than those previously discussed. The two most common types of investment income that qualify for these lower tax brackets are long-term capital gains (property held for greater than one year) and qualified dividend income.[7]

The increase to the 2024 maximum capital gains rate was also rounded to an average of 5.4% over 2023. The chart below illustrates there is a minimum impact for those who have taxable income below $492,000 (Single) or $553,000 (MFJ) or those comfortably in the 15% capital gains tax bracket.

[5] A year-end tax planning guide may be found at www.bmt.com/wealth/bryn-mawr-capital-management/overview/news-and-insights/where we take a deeper dive into the difference between Standard and Itemized deductions. For today's piece, the focus is on the Standard Deduction.
[6] Investment income can be a very far-reaching topic, for this piece, we are focusing on investments in stocks and bonds.
[7] Qualified dividends are income that "qualifies" for the capital gain tax rates and has been earned on domestic investments that are not hedged for options trading and are held for 61 days (common stock, and preferred stock dividends have a holding period requirement of 91 days). (Definition for Qualified Dividends: Federal Tax Coordinator Analysis (RIA) ¶ I-5115.1) There are exemptions for some foreign corporations to issue qualified dividends, See §IRC 245

Chart 3[8]



	2023 Single	2024 Single	2023 MFJ	2024 MFJ	2023 HoH	2024 HoH	2023 MFS	2024 MFS
0%	$0 - $44,625	$0 - $47,025	$0 - $89,250	$0 - $94,050	$0 - $59,750	$0 - $63,000	$0 - $44,625	$0 - $47,025
15%	$44,626 $492,300	$47,026 $518,900	$89,251 $553,850	$94,051 $583,750	$59,751 $523,050	$63,001 $551,350	$44,626 $276,900	$47,026 $291,850
20%	$492,301+	$518,901+	$553,851+	$583,751+	$523,051+	$551,351+	$276,901+	$291,851+

Estate and Gifts Exemptions

The federal lifetime gift and estate tax exemption amount will increase to $13.61 million per person. This increased exemption amount means that individuals can transfer up to $13.61 million tax-free during their lives or at death, and married couples can transfer up to $27.22 million. Additionally, the Annual Gift Tax Exclusion increased to $18,000 per person in 2024.

This means that for married couples the limit is $18,000 each, for a total of $36,000. If you gift more than this sum, you must file a federal gift tax return in 2025 for the 2024 tax year.

Monitoring changes to the tax brackets can result in effective tax savings strategies; however, there are many factors to consider in tax planning. Be sure to contact your financial advisor to discuss planning strategies for 2024.

[8] The charts included in this article were created by Bryn Mawr Capital Management with data outlined in Rev Proc 23-34 and Rev Proc 22-38

2024 Financial Limits Reference Guide

Employer Plans - TSP, 401(K), 403(b), 457	
• Employee contribution	$23,000
• Catch-up contribution (over 50)	$7,500
• Defined Contribution Limit	$69,000
SIMPLE IRA	$16,000
• Catch-up contribution (over 50)	$3,500
Traditional and Roth IRA contribution	$7,000
• Catch-up contribution (over 50)	$1,000
IRA deduction phaseout (with access to an employer retirement plan)	
• Single/head of household	$77,000 – $87,000
• Married filing jointly	$123,000 – $143,000
• Married filing separate	$0 – $10,000
• Married (spouse with no access to an employer retirement plan)	$230,000 – $240,000
Roth IRA phaseout	
• Single	$146,000 – $161,000
• Married filing jointly	$230,000 – $240,000
• Married filing separate	$0 – $10,000
Annual gift tax exclusion	$18,000
Lifetime estate and gift tax exclusion	$13,610,000

https://www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2024
https://www.irs.gov/newsroom/401k-limit-increases-to-23000-for-2024-ira-limit-rises-to-7000

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1436 Lancaster Avenue
Berwyn, PA 19312