ALTIUS FINANCIAL

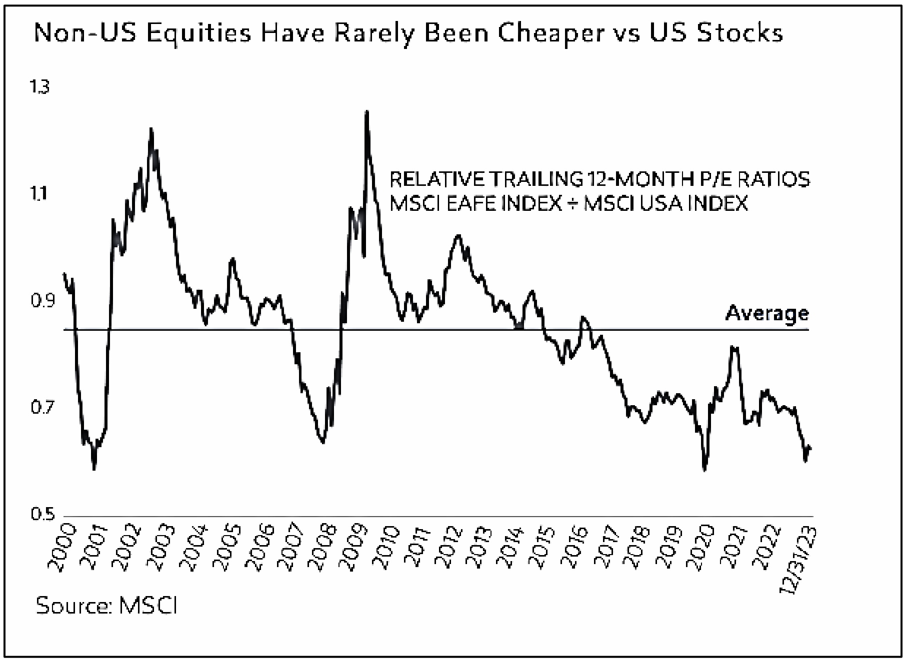
EMPOWERED FUTURE REPORT

SHORT-TERM THOUGHTS ABOUT LONG-TERM MATTERS

February 5th, 2024

The Rotation Continues

In an article they called “Revenge of the Nerds” the folks at Tweedy Browne talked about their thesis that a rotation to value and non-US equities began at the end of 2020. Since September 30th of that year, through December 31, 2023, the MSCI EAFA Value Index has outperformed their MCSI Growth Index by almost double. They also demonstrate, that by trailing Price/Earnings ratios, non-US stocks have “rarely been cheaper” that US stocks (see chart below). If you believe in the idea of reversion to the mean as applied to financial markets and that such divergences in asset class performance will, over time, cycle such that a long run of underperformance may turn into outperformance, at some point, it’s worthwhile to have exposure to these markets.



Of course, all investing involves risk and, with the value approach, there is no guarantee the market will recognize a security’s intrinsic value for a long time, or that a security thought to be undervalued may in fact be appropriately priced when purchased. I’ve been saying for some time that value and international will have its day and it does require much patience. We can’t predict if this rotation toward value and international will continue but with US equity indexes at or near all time highs AND with such rich valuations concentrated in very few companies, investors should again be checking in on their real risk tolerance.

Quote of the Day:

“You can ignore reality, but you can’t ignore the consequences of ignoring reality.”
– Ayn Rand

2024 ALTIUS EVENTS

Quarter 1
March 20 – Q1 In Person Workshop at ALTIUS

Quarter 2
June 5th – Q2 Virtual Workshop on Zoom

Quarter 3
June 5th – Q3 Virtual Workshop on Zoom

September 10th – 25th Anniversary & Client Appreciation Event

Quarter 4
December 4th – Annual Holiday Client Event

TAKE A LOOK INSIDE

Jenn's Jangle - Required Minimum Distributions (RMDs)

Lots of people aren't clear on RMDs so I thought I'd explain. The IRS requires mandatory withdrawals out of qualified and other retirement accounts after you reach a certain age. The thinking is that they (Congress & the IRS) have not taxed you on those earnings yet and you were incentivized to save for your retirement due to them not being taxed but once you're getting to retirement age, it's "time to pay the piper". These are called required minimum distributions (RMDs) and the SECURE Act 2.0, which is an expansion of the original SECURE Act, raised the RMD age from 70½ to 73, at which time individuals must begin taking RMDs from their retirement account(s). The new law only applies to individuals who turn 73 after December 31, 2022. If an individual turned 72 in 2022, this new law does not apply. That individual must take an RMD in 2022, 2023, and beyond.

Impacted Account Types:

- Corporate 401(k)
- Traditional IRA
- Rollover IRA
- SEP IRAs
- SIMPLE IRAs
- QRP/Keoghs
- Individual 401(k)
- Roth 401(k) accounts
- 403(b)(7)
- Inherited IRAs

Deadlines: the first RMD must be taken no later than April 1, the year after the client reaches the federal RMD age (72 if born prior to 7/17/1950 or 73 if born on or after 7/1/1950.) Clients who wait until April 1 to take their first RMD are required to take two distributions in the same year: one for the year they turned the federal RMD age and one for the current year. This could have additional tax implications and it's generally not wise to wait for that "second" year. Inherited Traditional and Roth IRAs clients must take distributions by their required distribution date following the original account holder's death.

Calculations: RMDs must be calculated separately for each IRA a client owns. This is end of year value then dividing the amount by the client's life expectancy (IRS publication 590-B). RMDs are not required for Roth IRAs, and do not include them in the calculations. Schwab does NOT calculate inherited RMDs or life expectancy payments but we generally do this for our clients.

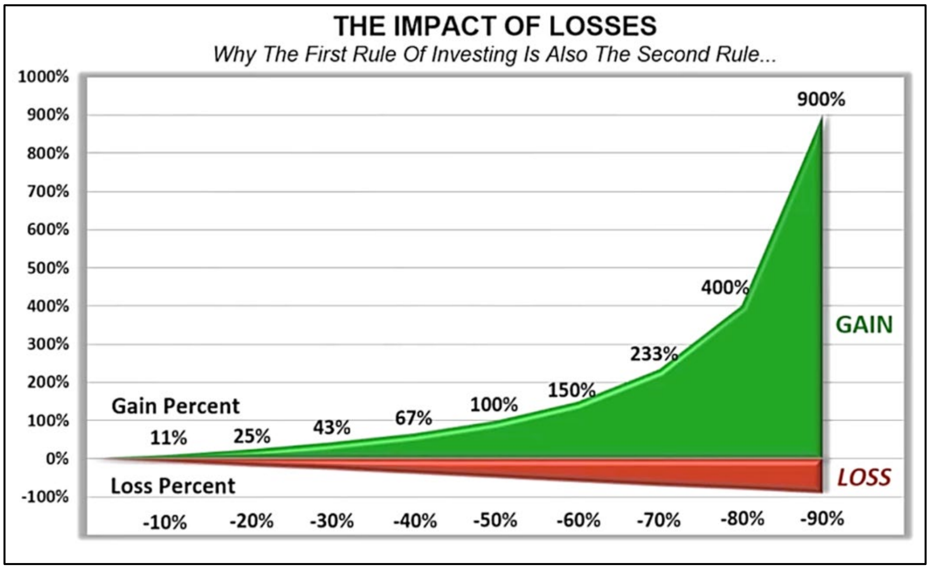
Distributions: Once an IRA RMD amount is calculated, clients can take the total RMD from a single IRA account or a combination of accounts. The client will have to keep track of this for their own tax purposes. RMDs from QRPs/Keoghs, Individual 401(k) plans, or inherited IRAs must be taken from their respective accounts. RMDs may be taken as one disbursement or multiple as long as the calculated gross amount is withdrawn.

Penalties: The penalty for not taking your RMD on time is significant, though the SECURE Act reduced it some. The penalty for a missed or not fully taken RMD has been reduced from 50% to 25%, and possibly 10% if the RMD is timely corrected within two years. It's important to note that a Congressional Committee said, "in many cases, failures to take a required minimum distribution are inadvertent. The Committee thus wishes to reduce the overall tax that applies to such failures, especially in the case of an individual who discovers such a failure and takes steps to correct it." In any case, it's a big mistake to not take your RMD on time and it pays to do it as part of a larger financial plan/strategy.

ALTIUS' 25th Anniversary Party in September

In case you missed our last newsletter, we announced a huge milestone for ALTIUS: our 25th Anniversary!
Our clients' trust and support have been the driving force behind this significant achievement, and we're excited to show our gratitude. Keep an eye out for more information in our newsletter this year about our 25th Anniversary plans and we would love to see you celebrate with us at our 25th Anniversary Party this September.

The Math of Recovery



Warren Buffet is famous for lots of investment wisdom and perhaps his best-known advice is his simple two rules: 1) Never lose money. 2) Never forget Rule #1. While there have been plenty of investments Buffet did in fact lose money on, the reason can be seen graphically to the left.

For example, if you have an investment that loses 50%, it takes a hundred percent return on that investment to get back to zero. Now, with valuations that fluctuate wildly from day to day, there are plenty of holdings that may go down that much or go up that much but the key is, do you have the kind of diversification in your portfolio where you won't see that much of a swing, especially on the downside, on the overall nest egg? As we often say, it's so important to look at the timeframe as well because what can be very volatile in the short-term, can provide enormous long-term value. But, as Buffet teaches, it pays to watch out for losses.

Taylor's Take: Did I Miss the Savings Cutoff?

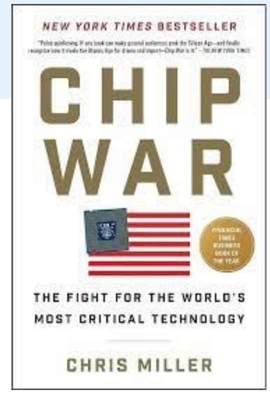
We're one month into 2024 and you're probably thinking about all the plans and goals you have set for the rest of this exciting year but for some of you, 2023 closed a bit too quickly and you'd like to circle back on some of your savings strategies that you intended for that calendar year. So, are you too late? First, I'd like to clarify that it is never too late to start saving. However, if you are looking to make contributions to accounts for a previous tax year, here's a little graphic to help clarify your contribution dates to make sure you are prepared before any of the coming deadlines.

Contribution Type:	Deadline for 2023:
401k,403b,457, employer sponsored retirement plan contributions	December 31, 2023
IRA/ Roth IRA/SEP IRA contributions	April 15,2024 (No extensions included)
HSA contributions	April 15,2024
Simple IRAs	Employee Contributions by 12/31/23 Employer contributions by 4/15/24 (or tax due date including extensions)
Roth Conversions	December 31, 2023

As you can see, some of the deadlines for saving into a tax advantaged plan have already passed. However, there are several that haven't, and you (or your employer) still may have time to both add to a long-term retirement strategy and get a tax benefit as well. Please call or email us if you have any questions about catching up on these important deadlines and savings/investing vehicles.

*If you didn't see my separate email (subject line: ALTIUS Tax Form Reminders) sent on January 19th regarding what and when to expect your tax statements (1099s, etc.) from Schwab and TD for last year, please check your inbox or junk folders, as it will help you plan your tax prep.

Book Recommendation: *Chip War*



One of the hottest topics over the last few years has been the advent of Artificial Intelligence. We've talked about this important development in our workshops, and I hope to have someone with more expertise than me to address it in a future presentation. You may have heard me say that I don't think it's quite right to call this technology "intelligence" but also that I'm mostly positive on it and excited about how it is increasing productivity in so many ways. I'm reading more on the topic and how it could offer value when it comes to our portfolio selections. It's in that context that I decided to read (listen to) Chris Miller's Chip War. It's a story of innovation, competition, and the pursuit of technological supremacy, but also about politics and the future of our world.

This book delves into the intricate and geopolitically charged industry of semiconductor technology, giving a fascinating account of its historical development, the present-day complexities, and its global significance. Miller traces the evolution of microchips from Silicon Valley, spurred by high consumer demand and the pioneering efforts of companies like Fairchild Semiconductor and Intel, to their status in the power rivalry between the United States and China, with Taiwan's TSMC playing a central role in global supply chains.

One of the most striking things to me is the sheer complexity of chip technology and manufacturing. Once you start digging, there's more to every business than meets the eye but Miller sheds light on the specialized and intricate nature of this industry, exemplified by companies like ASML and their ultra-precise lithography systems, which are crucial for advanced chip designs. The book emphasizes the difficulties that nations (especially command and control economies vs freer nations) face in cultivating their own chip manufacturing capabilities, emphasizing global supply chains and the collaborative nature of the industry.

As you might imagine from the title, the book is not just about technology; it's deeply intertwined with politics and economics. Though it's common for us to use the language of war and violence in a business context, I always warn against this because people often succumb to an equivocation between economic "earned" power and the power of force. That said, the tensions surrounding Taiwan, which produces a significant portion of the world's computing power, and the strategic moves by countries like China to establish self-sufficiency in chip manufacturing, highlight political undercurrents that drive the industry. The book also delves into the economic implications, and while a bit scary, is worth understanding in the context that any disruption in Taiwan's chip industry could have massive global economic consequences.

Have an Amazing February!

As we start February it always feels like a transition time with great promise. As I write this, it's snowing outside, though it seems a heavier, wet snow – more like springtime in Colorado, though who knows with our weather that keeps us on our toes, right? I don't know about you, but I've learned to embrace the heart of winter – especially if I can get up and do some skiing. Just last month I spent some time in Australia and New Zealand with my girls and I'll write more about that next month, but in the meantime, here's to a February filled with love, laughter, and an appreciation for here and now.

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25 YEAR ANNIVERSARY