Weekly Market Update

February 20, 2023

by David A. Smith, CFP®, MSFS, AIF® and Michael Cozad, CFP®, MSFS

"In learning, you will teach, and in teaching, you will learn."

~ Phil Collins

Market Watch

Week Ending Feb. 17, 2023

(Source: Briefing.com)

• DJIA: *2023 YTD 2.05%*	33,826.60	-42.60
• NASDAQ: *2023 YTD 12.62%*	11,787.20	69.10
• S&P 500: *2023 YTD 6.24%*	4,079.09	-11.37
• Russell 2000: *2023 YTD 10.51%*	1,946.34	27.55
• 10 Year Treasury:	3.83%	

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Dave's Weekly Commentary

Good morning everyone, it was quite the busy week on many fronts. A lair amount of economic news came out last week and I will write more on that later. The Ukraine situation heated up and the markets seemingly absorbed the news in a relatively benign fashion. But this news is not the major news I want to announce this week.

Michael Cozad, my friend, my senior associate, and the person who will someday lead our organization has secured a spot in the company's name. Smith, Moses and Company, LLC will now be known as Smith, Moses, & Cozad, LLC. As a brief and incomplete history of Michael's journey with us, Michael applied for a financial services internship position with us in October of 2007. He was a freshman just starting on his journey into higher education. We do not usually hire interns or co-ops until the junior or senior year, but Michael convinced me to give him a chance. That opportunity in those four short years was priceless as he learned the financial services and planning industry during one of the worst financial crises this country has faced. Michael learned financial planning, investing, how to calculate tax basis of clients' investments, insurance, tax planning, and retirement planning. As Michael's four years came to an end, he approached me with a plan laid out for his career path as well as his role within the organization. Many events have changed or altered that glide path, but it has all been positive.

Some things can't be taught, and instead are part of a person's core, and as a mentor, you help your mentee strengthen. Michael carefully, honestly, and with integrity and respect, takes care of you as a client and person. I can only encourage and coach this personal outlook in each and every one of our team members and have built our organization upon this foundation.

In the over 15 years since Michael joined SMC, he obtained a B.S. in Business, with a Financial Services concentration, studied diligently to attain a Master's degree in Financial Services, and obtained his CFP® designation. Along the way he married his wonderful wife Elizabeth, had two children, and built a dream home in Sugarcreek Township.

Professionally, Michael serves on FSC's NexGen Council, which as the name implies communicates with FSC's next generation of advisors. Along with me, Michael serves on the Advisor Group's Ensemble Committee, which was formed to share ideas with offices across the Advisor Group network and advise Advisor Group itself.

In closing, I am proud and honored to have Michael in the name of the company and more proud knowing all of you will be in great hands if anything were to happen to me and when the time comes (not now) that I slow down and eventually retire. Congratulations, Michael, it is well deserved. Dave

Some limited news on the markets: On the heels of the CPI report, market participants received a much stronger than expected January retail sales report, higher-than-expected producer price data for January, and another remarkably low level of weekly initial jobless claims. The positive economic news, along with accelerating services inflation, fueled concerns about the possibility of the Fed raising rates more than previously expected and keeping them higher for longer than previously expected. Rate hike concerns were evident in Treasury market action this week, creating some headwinds due to valuation constraints and increased competition for stocks. The 2-yr note yield reached a high of 4.71% before settling up ten basis points to 4.61%. The 10-yr note yield reached a high of 3.92% before settling up nine basis points to 3.83%. Notably, the 1-yr T-bill yield hit 5.00% this week and settled at 5.06%.

Roughly half of the 11 S&P 500 sectors logged a gain this week led by consumer discretionary (+1.6%) and consumer staples (+0.9%). Meanwhile, the energy sector (-6.9%) was the worst performer by a wide margin amid falling oil prices. WTI crude oil futures fell 4.0% this week to $76.57/bbl. Source: Briefing.com

Planning Points, Part 1 of 2 *To read this article in it's entirety, go to https://www.smithmosesandcompany.com/blog*
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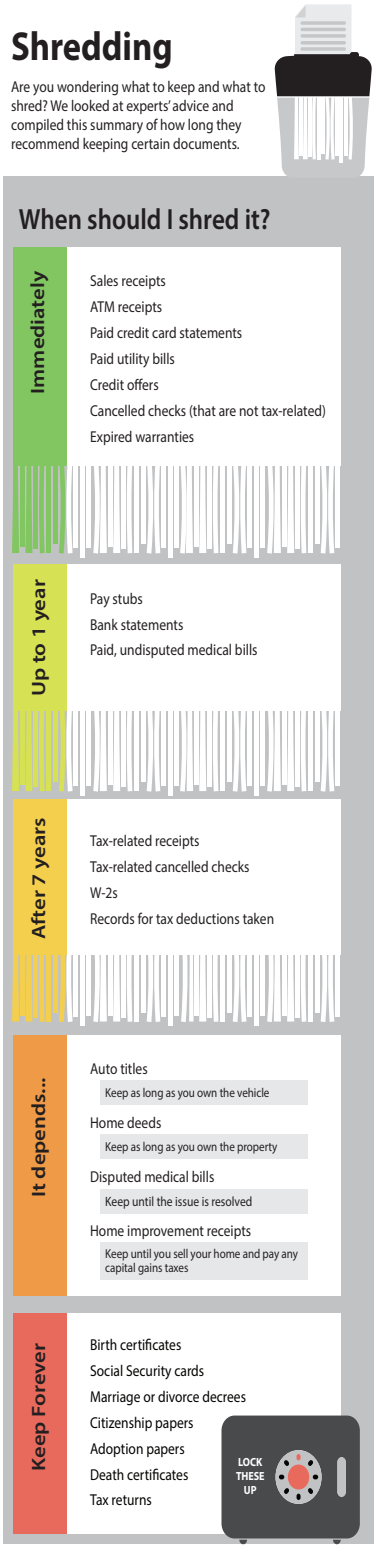
Five Ways SECURE 2.0 Changes the Required Minimum Distribution Rules

The SECURE 2.0 legislation included in the $1.7 trillion appropriations bill passed late last year builds on changes established by the original Setting Every Community Up for Retirement Enhancement Act (SECURE 1.0) enacted in 2019. SECURE 2.0 includes significant changes to the rules that apply to required minimum distributions from IRAs and employer retirement plans. Following is what you need to know.

Newsletter continues on the next page.



What Are Required Minimum Distributions (RMDs)?

Required minimum distributions, sometimes referred to as RMDs or minimum required distributions, are amounts that the federal government requires you to withdraw annually from traditional IRAs and employer retirement plans after you reach a certain age, or in some cases, retire. You can withdraw more than the minimum amount from your IRA or plan in any year, but if you withdraw less than the required minimum, you will be subject to a federal tax penalty.

These lifetime distribution rules apply to traditional IRAs, Simplified Employee Pension (SEP) IRAs and Savings Incentive Match Plan for Employees (SIMPLE) IRAs, as well as qualified pension plans, qualified stock bonus plans, and qualified profit-sharing plans, including 401(k) plans. Section 457(b) plans and Section 403(b) plans are also generally subject to these rules. (If you are uncertain whether the RMD rules apply to your employer plan, you should consult your plan administrator or a tax professional.)

Here is a brief overview of the top five ways that the new legislation changes the RMD rules.

1. Applicable Age for RMDs Increased

Prior to passage of the SECURE 1.0 legislation in 2019, RMDs were generally required to start after reaching age 70½. The 2019 legislation changed the required starting age to 72 for those who had not yet reached age 70½ before January 1, 2020.

SECURE 2.0 raises the trigger age for required minimum distributions to age 73 for those who reach age 72 after 2022. It increases the age again, to age 75, starting in 2033. So, here's when you have to start taking RMDs based on your date of birth.

Date of Birth	*Age at Which RMDs Must Commence*
Before July 1, 1949	*70.5*
July 1, 1949 through 1950	*72*
1951 to 1959	*73*
1960 or later[1]	*75*

Your first required minimum distribution is for the year that you reach the age specified in the chart, and generally must be taken by April 1 of the year following the year that you reached that age. Subsequent required distributions must be taken by the end of each calendar year (so if you wait until April 1 of the year after you attain your required beginning age, you'll have to take two required distributions during that calendar year). If you continue working past your required beginning age, you may delay RMDs from your current employer's retirement plan until after you retire.

2. RMD Penalty Tax Decreased

The penalty for failing to take a required minimum distribution is steep — historically, a 50% excise tax on the amount by which you fell short of the required distribution amount.

SECURE 2.0 reduces the RMD tax penalty to 25% of the shortfall, effective this year (still steep, but better than 50%).

Also effective this year, the Act establishes a two-year period to correct a failure to take a timely RMD distribution, with a resulting reduction in the tax penalty to 10%. Basically, if you self-correct the error by withdrawing the required funds and filing a return reflecting the tax during that two-year period, you can qualify for the lower penalty tax rate.

3. Lifetime Required Minimum Distributions from Roth Employer Accounts Eliminated

Roth IRAs have never been subject to lifetime Required Minimum Distributions. That is, a Roth IRA owner does not have to take RMDs from the Roth IRA while he or she is alive. (Distributions to beneficiaries are required after the Roth IRA owner's death, however.)

The same has not been true for Roth employer plan accounts, including Roth 401(k) and Roth 403(b) accounts. Plan participants have been required to take minimum distributions from these accounts upon reaching their RMD age or avoid the requirement by rolling over the funds in the Roth employer plan account to a Roth IRA.

Beginning in 2024, the SECURE 2.0 legislation eliminates the lifetime RMD requirements for all Roth employer plan account participants, even those participants who had already commenced lifetime RMDs. (Any lifetime RMD from a Roth employer account attributable to 2023, but payable in 2024, is still required.)

Article continues next week.