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### **Gregory M. Hanson, President**

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## **INCREASED RETIREMENT CONTRIBUTION LIMITS FOR 2023**

Inflation has brought some good news to retirement savers. The Internal Revenue Service (IRS) has increased contribution limits for some retirement accounts in 2023.

The new contribution limit for those with 401(k), 403(b), most 457 plans and Thrift Savings Plans has increased to \$22,500. That is \$2,000, or about 9.8% more than the current limit. The catch-up for those 50 and older also gets a boost, it increased to \$7,500, over 15% from 2022.

Those contributing to Traditional IRA's or Roth IRA's can add an additional \$500 this year, up to \$6,500. Catch-up contributions for those over 50 remain at \$1,000.

The income phase-out range for Roth IRA contributions increases to \$139,000-\$153,000 for single filers and heads of household. For married couples filing jointly, phase-out is \$218,000-\$228,000. Keep in mind to qualify for the tax-free and penalty-free withdrawal of earnings from Roth IRAs, distributions must meet the five-year holding requirement and occur after age 59 1/2.

Individuals with SIMPLE retirement accounts can contribute \$15,500, up from \$14,000. The catch-up for those over 50 has increased to \$3,500, up from \$3,000.

This article is for information purposes only. Always consult with your tax professional before making any changes to your 2023 tax strategy.





## FINDING BALANCE IN 2023

Through all the challenges, newfound opportunities, and highs and lows we've experienced during the last couple of years, it's no surprise why we might be striving for more balance. Whether it's about the markets and global economy or what's happening in our local communities, the news we're hearing on a daily basis has the potential to disrupt the balance of our lives. But with resilience, perspective, and the support of close connections, we can navigate through it all and regain our sense of equilibrium - even after another dizzying year, as 2022 proved to be.

After two years of disruption due to the COVID-19 pandemic, we've been searching for some kind of return to normalcy while still experiencing the aftereffects of the pandemic. Some of those aftereffects included imbalances created by the fiscal, monetary, and public health policies put in place to address the pandemic - and the process of addressing those imbalances has been disorienting at times. If 2022 was about recognizing imbalances built into the economy and starting to address them, we believe 2023 will be about setting ourselves up for what comes next as the economy and markets find their way back to steadier ground - even if the adjustment period continues.

The Federal Reserve (Fed) spent 2022 aggressively fighting inflation by raising interest rates. In 2023, we expect the Fed to find that point where it can stop raising rates as inflation starts to come under control. The Fed's efforts to control inflation throughout 2022 pulled interest rates up from extremely low levels that were historically unprecedented. While that has been painful for bond investors, savers can now get an attractive yield for the first time since 2007 and 2023 will be more focused on how to potentially benefit from this significant shift. Stock market expectations may also see some realignment heading into 2023. The projec-

## BALANCE CONT...

tions for certain market segments became too high in 2022 following a decade of low rates and a burst of extraordinary technology adoption. We expect 2023 will likely be more focused on the opportunities that may emerge from a market sell-off.

LPL Research's *Outlook 2023: Finding Balance* is our guide to how the readjustments in the economy and markets may impact you in the coming year. The disruptions may not be fully resolved and there may be more challenges to come, but progress toward finding balance is well underway. And when those disruptions hit the market, it can be hard to find our footing and stay the course. Those are the times when sound financial advice is more valuable than ever, as it helps us find our center, remember our plan, and stay focused on our goals.

For more information you can read *Outlook 2023: Finding Balance* on our website, [apdwealth.com](http://apdwealth.com).

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## 529 QUALIFIED EXPENSES: HOW CAN YOU USE 529 MONEY?

A 529 plan is an investment account that gives you tax benefits when used to pay for qualified education expenses. If you withdraw money and do not use it for a qualified expense, you could be on the hook for a 10% penalty on earnings *and* have to pay income taxes. What is a qualified expense?

### Education

College, vocational and trade school tuition is a qualified expense for full and part-time students at accredited institutions. You may also use 529 money for K-12 education at private and religious schools. Distributions for K-12 education are capped at \$10,000 per student per year. It cannot be used for daycare or preschool.

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# GREG'S CORNER

The weather is awful! It is two days before Christmas and it's minus ten - not nice. At my age I should expect this, but it shocks me every year and I dislike it more and more. Maybe we'll have to find a winter place somewhere warm like many of you have done!

Our family is doing great. Cal is in St Paul with his girlfriend. She is in law school at St Thomas. Cal will start his Masters program in psychology in the fall at the University of Minnesota or St. Thomas. He is currently working full-time and enjoying it.

Tyler finished fall semester at St John's and continues to do well. His grades are very good and we know he is having a

Lisa and I are good. We went to Florida in November for a work meeting. I am going to Texas to watch a football game in January. A neighbor has a son playing for NDSU, he and I are going to watch the championship game in Frisco TX.



I hope all is good with you and that you enjoyed a great holiday season with your family and friends.

Happy New Year!



**Greg, Cal, Lisa, Tyler**

good time. He is going to live off campus next year with the same group of guys he lives with now. He had hernia surgery the day before Thanksgiving. It was a bigger deal than we anticipated, but he is fully recovered and doing fine.

**Cal & Lisa at a Vikings game**



## 529 CONT...

### Lifestyle

Campus housing, including room and board fees, qualify as well as off-campus housing rentals. Note that the qualified expense for off-campus housing cannot exceed the cost of room and board on campus.

### Technology

The purchase of a personal computer, software and equipment such as a mouse and speakers are all qualified expenses when enrolled at the eligible institution. Internet service is included.

### Student loans

Money from 529 plans can be used for student loans, but

there is a lifetime limit of \$10,000.

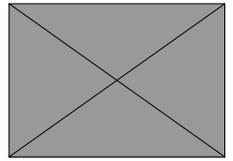
### Non-qualified expenses

In general, the following are non-qualified expenses unless your school charges it as part of a comprehensive tuition fee.

- Health insurance
- Application and testing fees
- Transportation and travel

This is a general overview, always check with the school and your tax advisor about restrictions and additional tax benefits that may apply to your situation.

Prior to investing in a 529 Plan investors should consider whether the investor's or designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's qualified tuition program. Withdrawals used for qualified expenses are federally tax free. Tax treatment at the state level may vary. Please consult with your tax advisor before investing.



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## FEDERAL RESERVE FACTS

### **Why does the Federal Reserve aim for 2 percent inflation over time?**

Low and stable inflation helps the economy operate efficiently. The Federal Open Market Committee (FOMC) judges that an annual increase in inflation of 2 percent is most consistent over the longer run with the Federal Reserve's mandate for price stability and maximum employment.

When inflation is low and stable, individuals can hold money without having to worry that high inflation will rapidly erode their purchasing power. Moreover, households and businesses can make more accurate longer-run financial decisions about borrowing and lending and about saving and investment. Longer-term interest rates are also more likely to be moderate when inflation is low and stable.

### **Which denominations of currency does the Federal Reserve issue?**

The Federal Reserve currently issues \$1, \$2, \$5, \$10, \$20, \$50, and \$100 notes. On July 14, 1969, the Federal Reserve and the Department of the Treasury announced that banknotes in denominations of \$500, \$1,000, \$5,000 and \$10,000 would be discontinued due to lack of use.

