January, 2023

Happy New Year!  As of now, 2023 is certainly starting off better than 2022.

**Market Summary**  
The Federal Reserve appears to be nearing the end of aggressive tightening as inflation may have peaked in October and begins to recede in 2023.  Weaker companies that have been propped up by easy Monetary policy and government subsidies are likely to face strong headwinds in this higher rate environment.  The current Fed Funds rate is in the 4.25 to 4.5% range.  Fed Chairman Powell and other Fed presidents have called for a peak rate of closer to 5%, implying another half percent increase this year.  Markets have priced that expectation in already.  A deviation from this expectation will likely cause bond (and stock) market volatility.   If the Fed Funds rate decreases by year end, we may see a bond and stock market rally.

In general, we plan to rebuild equity exposure for accounts with heavy cash positions as we anticipate eventual market recovery.  Though we expect volatility to continue, we are keeping our eyes on a longer-term investment horizon.  Bear markets on average last between 12-18 months. If we consider the bear market to have started last January, we are 2/3rds the way through. We believe that patience will be the name of the game in 2023.

* The Secure Act 2.0 which was signed into law late last year enacted many changes to investment and distribution rules.  Here is a list of some of the changes:   
            -The penalty for failing to take a Required Minimum Distribution, RMD, from qualified accounts is being reduced from the current 50% to 25% and then to 10% if a correction is made in less than two years.  Previously, almost everyone was forgiven the draconian 50% penalty as long as the distribution was taken once the error was recognized.  The new rule may indicate an intention of the IRS to more strictly enforce this rule going forward.
  + -Beginning in 2024, catch up contributions to a 401k or other qualified plan will be required to go into a Roth account if gross income exceeds certain                   limits.

          -529 Plans can be rolled into a Roth IRA if the 529 is at least 15 years old.  The rollover limit is $35,000.   
          -New exceptions to eliminate the 10% early withdrawal (pre 59 ½) penalty from qualified plans    
                -Up to $10,000 in cases of domestic abuse   
                -For cases of terminal illness.   
                -Up to $22,000 in areas declared a federal disaster zone.   
                -Up to $2,500 per year for long term care expenses

             Thank you for your business.

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