



Inflation and Fed Rate Cuts: Hot Topics This Year

By Chris Wayne, AIFA®

Inflation is the rate of increase in prices over a given period of time. This is a broad definition of inflation but since it's still a hot topic, I thought I'd start with the definition.

What causes inflation? Inflation can occur when prices rise due to increases in production costs, wages, and a surge in demand for products and services. Just to name a few reasons. In other words, spending can help with higher inflation. More money means more spending, which means higher prices that can cause higher inflation.

Now let's get to another hot topic, Fed rate cuts. I know we have higher rates, which is great, right? That all depends. If you're buying a house or a car, not so much. It costs more for that purchase. If you're investing in fixed income, it's GREAT! Yields over 4% and even 5% have been a great treat to fixed income portfolios.

How long will it last? Good question. Regardless of when, the question should be, is it the right thing to do? What does cutting the Fed rates mean?

The Federal Funds rate has nothing to do with you or me. It's only for financial institutions to borrow from another financial institution, called overnight loans. If it costs a bank 5.5% to borrow from another bank, do you think that bank will loan money at 5.5%? No, they want to be profitable so they will charge higher rates like 7–8%.

Higher rates have helped reduce inflation as it has slowed spending on larger purchases. If the rates are cut, this lowers the borrowing rates for consumers, which can in turn increase spending.

What happens to inflation? Will it begin to rise? Probably. The end of 2023 into the first quarter of 2024 inflation has increased a tad. It was trending

down and gave the Fed encouragement to discuss rate cuts. But the “hotter than expected” CPI numbers the past few months suggest the “higher for longer” rates will be around longer, kicking the rate cuts further out. Which makes inflation once again “sticky.”

It's amazing the terms used to describe inflation and sticky is the most recent. It's basically referring to prices not adjusting quickly to the changes in supply and demand, leading to persistent inflation.

Now that I've bored many of you, you can now see the Federal Reserve has a hard job determining when to cut rates. Do you want lower inflation, to reduce the cost of goods and services? Or do you want lower rates on borrowing to make bigger purchases? I personally enjoy the higher yields. It's a balancing act and I'm looking forward to the show.

If you want to discuss this topic further, just give me a call. 320-253-2490.





SEO in Disguise

By Kimberly Foster, ChFC®

We're all familiar with fraud in the form of spam calls and texts, but fraudsters are always looking for more sophisticated ways to access data and accounts.

Scammers are using search engine optimization (SEO) to create fake websites that appear in search results for trusted institutions like Schwab. When clients visit these sites, they are exposed to phishing attacks aimed at stealing your information and assets.

What can you do?

To help fight these schemes, do not use search engines—Google, Microsoft Edge, Yahoo!, Safari, Firefox, etc.—to search for Schwab or other important websites.

Always type the known website in your browser.

Use the financial or trusted institution's mobile app. Download apps only from Google Play or Apple's App Store.

Save your favorite websites' correct addresses to your browser's bookmarks for quicker access.

Use two-factor authentication, which requires that you enter a unique code each time you access your accounts.

Learn More

Visit the following sites for more information and best practices.

NATIONAL CYBERSECURITY ALLIANCE

StaySafeOnline.org

FEDERAL TRADE COMMISSION

OnGuardOnline.gov

Scams are on the rise and no one is immune. If you suspect a breach or fraud, contact your financial advisor so they can watch for suspicious activity and collaborate with you on other steps to take.

Sources: 08/2022 Tips for Preventing Fraud Checklist, Charles Schwab & Co., Inc.



Recent Change in Minnesota Withholding for Retirement Accounts

By: Jennifer Lesmeister, AIF®

Starting January 1, 2022 financial institutions are required to withhold state income tax on annuity and pension payments made to Minnesota residents.

Recipients of retirement account distributions are still allowed to opt out of state income tax withholding but must indicate their intention to do so. Letters were sent out by the financial institutions indicating that if the recipient wanted state income taxes withheld, they must fill out and return Form W-4MNP to select a withholding percentage or opt out of withholding. If a recipient did not return the W-4MNP the company would resort to withholding the default rate of 6.25%.

Previously, annuity companies were not required to withhold for Minnesota and plenty specifically exempted Minnesota as a state that a recipient could opt into tax withholding. In other words,

withholding state income tax from a retirement account distribution was not even an option for Minnesotans at many companies until the 2022 rule change.

The types of accounts impacted by the new rule include: employee deferred compensation plans such as 401(k)s; IRAs; and annuities.

Some financial institutions may require a recipient to fill out a new Form W-4MNP every year or every time he or she takes a distribution from an account, especially if the withholding percentage needs to be changed from the previous distribution. Luckily, Minnesota Department of Revenue has simplified the form over the years so it is now more straightforward. Most financial institutions will provide you with the form if they are asking you to complete one, but if not, Form W-4MNP can be found on www.revenue.state.mn.us.



Magic Layer Bars

BY ELIZABETH POETT, THE RANCH TABLE

These bars are simple to make and so scrumptious that they seem to disappear in seconds. The layers of dark chocolate, white chocolate, and butterscotch meld with the coconut, walnuts, and sweetened condensed milk for a rich, buttery caramel flavor. These are great for feeding a crowd and are easy to make a day ahead of time. They're fun to bring to a potluck and they travel well. All in all they're a decadent dessert that doesn't need to be served on a plate.

TIP 1: The parchment paper should be large enough to cover both the bottom of the pan and fold at the corners to also cover the sides. You can vary the bars by changing the types of chips (milk chocolate, caramel sea salt, peanut butter, semi-sweet chocolate), and by changing the types of nuts (almonds, pecans, hazelnuts, macadamia nuts, peanuts).

Special Equipment: 9 x 13-inch baking pan and parchment paper

Recipe makes 24 bars. Total time 4 hours and 35 minutes. Active time 15 minutes.

INGREDIENTS:

FOR THE BARS:

2 cups graham cracker crumbs (about 1½ packets whole crackers)
½ cup (1 stick) unsalted butter, melted
1 cup dark chocolate chips
1 cup white chocolate chips

1 cup butterscotch chips
1 cup walnut halves, measured and then crushed
1 ¼ cups unsweetened shredded coconut
14 ounces sweetened condensed milk

FOR THE TOP OF THE BARS:

2 cups dark chocolate chips, melted and drizzled

over the top of the pan after baked and cooled

DIRECTIONS:

1. For the bars: Preheat the oven to 350°. Line a 9 x 13-inch baking pan with parchment paper, covering the bottom and up the sides of the pan.
2. Combine the graham cracker crumbs and melted butter in a bowl and mix until the crumbs are shiny and coated with butter. Press the mixture into the pan using the base of a measuring cup to flatten it. Evenly distribute the dark chocolate chips over the crust, followed by the butterscotch chips and the white chocolate chips. Sprinkle the walnuts over the top of the white chocolate chips. Slowly drizzle the condensed milk over the pan as evenly as possible. Distribute the shredded coconut evenly over the top.
3. Cover the bars with a piece of parchment and press down with your hands to compact the layers. Bake for 20 to 25 minutes, until the edges and top are a light golden brown.
4. Cool the bars completely, ideally overnight, before cutting them into 24 bars.
5. For topping the bars: Melt the chocolate chips over a double boiler, stirring frequently, until smooth. Once bars are cut and on the serving plate, drizzle the melted dark chocolate over the tops of the bars. They will disappear from the plate within minutes!

Enjoy!



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Investment Performance Through March 31, 2024

CATEGORY	3 MOS	YTD	1 YEAR	5 YEAR
Large Cap Value	8.55%	8.82%	24.20%	10.99%
Large Cap Blend	9.58%	9.88%	31.29%	13.78%
Large Cap Growth	11.46%	11.93%	41.86%	15.08%
Mid Cap Value	7.15%	7.77%	24.85%	10.71%
Mid Cap Blend	8.56%	9.27%	26.45%	10.97%
Mid Cap Growth	8.56%	9.40%	27.80%	10.82%
Small Cap Value	3.53%	4.64%	23.14%	10.32%
Small Cap Blend	4.44%	5.63%	22.18%	9.37%
Small Cap Growth	6.20%	7.48%	21.89%	9.19%
Foreign	5.32%	5.23%	16.52%	6.69%
Govt. Bonds (Interm.)	-0.97%	-0.93%	1.07%	-0.32%
Corp. Bonds (Interm.)	-0.57%	-0.49%	2.75%	0.34%

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The LFA Report

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