



## Q4 McBork Report

November 21, 2023

I hope you are all enjoying this fall season. In late July the S&P 500 Index was up almost up 20%, but by the end of October the index had slipped 10%. However in the last two weeks the S&P 500 Index is up 10% and we are now up 18% year-to-date. So why the volatile moves lately?

We believe that between August and October the markets were focused more on geopolitical events. Now over the last few weeks, the focus has shifted onto third quarter company earnings announcements -- which for the most part have been quite positive.

Clearly dysfunction in Washington is what has been on the minds of many these past few months. We had a looming government shutdown that the government put a Band-Aid on and pushed decisions out to mid-November. Then we had the Speaker of the House ousted, which made rating agencies such as Moody look to possibly downgrade US debt. Not to mention the horrific events that unfolded in the Middle East that made global tensions rise. All of these lead to a lot of uncertainty of what might happen -- and, as I have always said, the markets do not like uncertainty -- thus the markets went down.

Since then the markets have stabilized, reversed course and are near 2023 highs. Why the increase? Just last week, the House was able to avoid a government shutdown (even if it is just kicking the can down the road until 2024). We also found out last week that the annual rate of core inflation decelerated to less than 4%, the smallest rate since mid-2021. Finally, with us still in earnings season, S&P 500 earnings per share (EPS) are tracking up over 5% year over year for the third quarter, on an excellent 80% earnings beat rate. Excluding energy, earnings are tracking to a 10% year-over-year increase. These earnings reports and inflation data are now signaling that the US economy might have avoided a recession and that the Federal Reserve will probably stop increasing rates -- both positives for the stock market.

So things are looking up, but with geopolitical concerns looming, we still recommend to be fully invested but trying to be investing in higher quality companies that have solid balance sheets and typically hold up better on the downside.



## Year End Financial Reminders

(1) If you are over 73 and have retirement plan assets or IRA accounts, you will need to take your **RMD (required minimum distribution)** by the end of the year. If you have not done so yet or are unsure, please get in touch with us as soon as possible. Also, please remember that you can “gift” your RMD or part of your RMD to a charity. Please note: Starting in 2033, the RMD age will increase to 75.

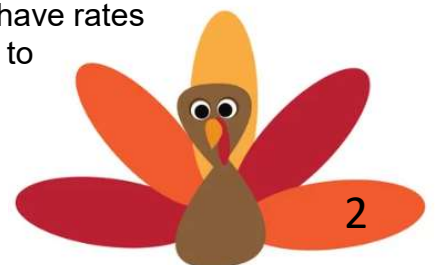
(2) At the end of each year many clients make **gifts of appreciated assets** to charitable organizations from their non-retirement accounts. The charity receives the same benefit as they would have obtained if you were to have written a check, but you avoid paying the capital gains tax on the appreciated asset. Please let us know **by December 8<sup>th</sup>** if you wish to gift appreciated assets in 2023 or if you have any questions about gifting.

(3) Remember that **Traditional and Roth IRA** contributions may still make sense. While there are income limits on the amount that you can contribute, as well as limits on participation for participants in employer-sponsored plans, many individuals are wise to do so before the April 15, 2024 deadline for 2023 tax year contributions. For example, some individuals over 50 may place up to \$7,500 into Traditional or Roth IRA while the comparable limits for individuals under 50 is \$6,500. Please call if you would like to discuss the advisability of making IRA or Roth contributions.

(4) Because the stock market is down from its all-time highs back in early 2022, there is a good chance that you will have less reportable investment income this year. Due to both of these events, it might make sense for those that have a SEP, IRA, or a Rollover IRA to speak to your accountant to see if a **Roth Conversion** might make sense for you this year.

(5) **For 2024**, the IRS has increased the contribution limits to **IRAs and Roth IRAs** from \$6,500 to \$7,000 (\$8,000 for those over 50). They also increased the contribution limits to **401k and 403b plans** by \$500 from \$22,500 to \$23,000. The age 50 catch-up contribution limit has stayed the same and sits at \$7,500. So, if you are over 50, you can now make up to \$30,500 in salary deferrals. **SIMPLE IRA** plans also increased its contribution by \$500 to \$16,000 while the age 50 catch-up contribution stayed the same at \$3,500. For those that have a SIMPLE IRA plan and are over 50, you can max out at \$19,500.

(6) Because interest rates have gone up this year, in some situations, it might make sense to look at placing money in a savings, checking, or money market in a **CD or High Yield Savings or Money Markets**, which currently have rates that are sitting north of 5%. Please remember that you still want to make sure you have ample money available in your Emergency Fund and One-time Large Expense Buckets before you stick your money into these types of risk-free investments.



(7) Estate Planning –With possibly having a few days off during the holiday season, it might make sense to dust off old **Wills, Powers of Attorney (POA), and/or Trusts** and review them to make sure nothing should be changed. If you do not have a will or POA, please let us know and we can talk to you about this.

(8) Quick reminder to those of you with **high school/college students or young adults** in your life itching to learn more about the world of money and investment: We are happy to set up a video conference meeting with your children and grandchildren to offer them “Investments 101.” Winter break provides a great opportunity for such a briefing. Just give us a call and we will make the connection.

(9) Speaking of college, there has been a rule change when it comes to **529 college investment accounts**. Starting in 2024, you can roll unused 529 assets (up to a lifetime limit of \$35,000) into the account beneficiary's Roth IRA without incurring the usual 10% penalty for nonqualified withdrawals or generating any taxable income. The 529 must be at least 15 years old. Any contributions made in the last 5 years are ineligible. The annual Roth contribution limit applies for a maximum of \$7,000 per year. The beneficiary of the 529 must be the Roth owner and the must have earned income to be eligible for the 529 rollover.

Take care, be well, and have a wonderful holiday season.

Sincerely,



Gregory Bork Jr.



The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly.

Investing involves risk including loss of principal. No strategy assures success or protects against loss.

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

This information is not intended to be a substitute for specific individualized tax or legal advice. We suggest that you discuss your specific situation with a qualified tax or legal advisor.

Traditional IRA account owners have considerations to make before performing a Roth IRA conversion. These primarily include income tax consequences on the converted amount in the year of conversion, withdrawal limitations from a Roth IRA, and income limitations for future contributions to a Roth IRA. In addition, if you are required to take a required minimum distribution (RMD) in the year you convert, you must do so before converting to a Roth IRA.

CDs are FDIC insured to specific limits and offer a fixed rate of return if held to maturity, whereas investing in securities is subject to market risk including loss of principal.

