

Travel Insurance By Sandy

My favorite discussion with clients is about travel. This year of travel and been very much like the stock market- unprecedented interruptions and volatility. Weather, Covid, storms and outdated scheduling at Southwest stranded travelers all across the US as travelers missed flights and vacations. Do you have travel insurance coverage beyond what an airline may reimburse you? I have an annual travel insurance policy that I pay \$675 for. Some people only take out insurance when they book a flight since it is so easy to add on. I do small group travel so I might sign up nine months or a year in advance, and some travel policies (think cruises) require you to have insurance in place within two weeks of booking a trip. Using an annual policy, I am covered whenever I book.

There are many credit cards that offer benefits but are vastly different. Trip delay covers reasonable out-of-pocket that is not covered by the carrier. Trip cancellation/interruption insurance provides reimbursement for covered expenses when you have to cancel a trip or end it early. AMEX will offer coverage for a delayed or missed flight or lost bag if you paid for the entire trip charged to the card. I use Chase Sapphire Reserve and my daughter uses Chase Sapphire Preferred. For trip delay coverage, my coverage begins after six hours of delay, my daughters card is after twelve hours of delay. They both offer the same \$500 benefit per ticket but the small time difference can matter. Chase offers coverage when you charge a part of your trip. Booking with points or miles? The taxes and fees surcharge of \$5.00 or \$10.00 is enough to enact the coverage and you are covered. My go to guide is The Points Guy to compare benefits on cards.

Retirement Changes By Erin

We are ringing in the new year with a host of changes to retirement as Congress recently passed the SECURE Act 2.0. Some of the highlights are:

- The Required minimum distribution (RMD) age is now 73 for people born between 1951-1959 and age 75 for people born after 1960
- The tax penalty for missing an RMD has been reduced to 25% (penalty is reduced to 10% if corrected within IRS stated window)
- Beginning in 2024, the \$1,000 IRA catch-up contribution for those over 50 will begin to increase with inflation
- Allows for employer matching in Roth 401k plans (match will be taxable to employee)
- Increased retirement plan catch-up contributions for those age 60-63 starting in 2025. The extra amount would be \$3,750 in today's dollars.
- Qualified charitable distributions (giving money tax-free to charity from an IRA) will still be allowed from age 70 ½ but the \$100,000 per year cap with now be indexed to inflation.
- Option to rollover a 529 balance to a Roth IRA if certain conditions are met.

"Inflation is as violent as a mugger, as frightening as an armed robber and as deadly as a hit man."

- Ronald Reagan

Market Review By Carol

Surging Interest rates and high inflation result in the worst year for stocks since 2008 - it is important to note this was after a record 12 year bull market run from 2009-2021 . It was also the first year that BOTH bonds and stocks declined since the 1960s. The 4th quarter was mostly positive and recovered from the lows of September 30. October and November had positive momentum due to the thinking that inflation had peaked and therefore the Fed might stop increasing rates. The Fed squashed those hopes in December by stating that they were still committed to aggressively hiking rates from the current 4.375% to 5%+.

The technology sector continued to have losses: Amazon was down 49% for the year; Google -39%, Apple -26%. While there were some positive returns in oil, energy and pharmaceutical companies, the negative returns were seen in the rest of the stock market sectors too.

In the chart are the market returns as of December 31, 2022 YTD. Please note, each client's portfolio is individually constructed, and the benchmarks are presented as a comparison tool.

Benchmarks:	YTD Dec. 2022
60% Equity/40% Fixed	-15.40%
50% Equity/50% Fixed	-15.49%
40% Equity/60% Fixed	-14.88%
Barclays US Agg Bond	-14.98%
S&P	-19.44%
DOW	-8.78%
Nasdaq	-33.10%
iShares (EFA)Foreign	-16.57%
REIT index (real estate)	-28.90%

Market Outlook By Carol

Economic growth and corporate earnings are expected to decline in 2023. Those negative expectations are mostly priced into stocks. Inflation has shown signs of peaking and declining. The Consumer Price Index has fallen from a high of 9.1% in June to 7.1% in November. The stock market is a forward looking instrument, and while there are economic and corporate challenges ahead in 2023, any positive catalyst will move the market forward. History has shown that steep market declines are normally followed by strong rallies. This is when the market is oversold and there are some good company stocks and funds at lower entry buy-in points.

The increase in Fed interest rate should trickle down to higher interest rates paid on money markets, CDs, treasury and corporate bonds. The bond market has opportunities as new issues have to offer higher interest coupon rates and bonds have never been down more than one year in a row. Money markets are now earning 3-4%+ (not FDIC insured).

Our goal is to have you positioned to take advantage of the future recovery. The dividend stocks we own are still paying dividends and we will see bigger payouts from bonds as we await the stock market recovery.

2023 Retirement Plans By Melani

The tables below include the 2023 contribution and catch-up limits. As well as the projected increase/decrease in Social Security Benefits and Medicare premiums.

The 2023 limits will allow you to contribute up to \$2,000 more in 401(k), 403(b), and 457 accounts, up to \$1,500 more in a SIMPLE Plan and \$500 more in Traditional and Roth IRAs.

Catch-up contributions for 401(k), 403(b) & 457 plans have increased by \$1,000. While there has been no change in the catch-up contribution limits for IRAs.

Also, a reminder that you can make 2022 IRA contributions up to the tax deadline, April 15, 2023.

Contribution & Benefit Limits	2023	2022
401(k), 403(b) & 457	\$22,500	\$20,500
SIMPLE Plan	\$15,500	\$14,000
IRA (Traditional & Roth)	\$6,500	\$6,000

Catch-Up Contributions	2023	2022
401(k), 403(b) & 457	\$7,500	\$6,500
IRA (Traditional & Roth)	\$1,000	\$1,000

Rate of Increase/Decrease	2023
Social Security	8.7%
Medicare	-3%

API's 2022 Highlights

- Sandy was finally able to travel on all of her trips that were cancelled due to COVID in 2020 and 2021.
- Carol welcomed a third granddaughter, Ellie, in December.
- Erin's highlight was her birthday trip to Washington State to visit Snoqualmie Falls, Woodinville wine region, Seattle, Olympic National Park, & their beautiful coastal lavender region.
- Melani's son Jacob started college in the fall. He is attending Cal State Monterey Bay and majoring in Kinesiology.
- Tiarra had a new addition to the family, a cute and very naughty Maltese puppy named Chopper.

Year-end Trading for Tax Savings by Erin

For clients with taxable accounts, you may have noticed sells of portfolio positions at year end. In December, we make trades to minimize or eliminate taxable gains in your accounts. Additionally, you can deduct up to \$3,000 per year in capital losses when you file your taxes. We will later reinvest the funds with the goal of making up the losses but you at least get the tax savings in the meantime.

