

Why the 2023 Year-End Market Boom *By Sandy*

Why did the market climb at the end of 2023? The stock market rallied into the end of last year on the forecast of the Federal Reserve to cut three quarter-point rate cuts in 2024. This would take the fed funds rate down to near 4.6% from where we stand now at 5.25% to 5.5%. The futures rates have traders leaning toward six or seven quarter-point rate cuts by the end of 2025. You will likely see positive total returns from bond funds after losses in 2022 and 2023. The longer duration of the bonds or funds mean rising prices of the holdings, which gives a boost to the total return. Tax-free municipals are generally lower risk – and lower yielding – compared to corporate bonds. They also generate income free of federal taxes (and free of state taxes if investors reside in the same state as the issuer). If a municipal bond has a yield of 3.5% and you are in a tax bracket of 32%, that is comparable to a corporate rate of 5.15%. This applies to government agency bonds, (like school district bonds that I prefer) and the income from the bonds are not included in your gross income. I have cringed looking at the bond fund losses in the portfolios so I will be very happy to see the principal values rise.

Happy New Year

2023 Review *By Carol*

2023 was a very busy year for Asset Planning. The SEC is required to do routine audits of RIA firms like us. This year was our turn. The last time we were audited was in 2013 and 9 years before that. The audit was all done on-line and completed in September. We had to provide them with reports and information on-demand and wait for them to respond. The waiting was stressful, but all is fine because we are very transparent in our policies and procedures. At the same time, all our TD Ameritrade accounts were being transitioned to Schwab. I like being busy, but I hope 2024 is more low-key.

Markets staged an impressive reversal in November and December. Expectations for a recession never materialized, inflation fell faster than forecasts, corporate earnings proved resilient and the Fed surprised markets by pivoting to a more dovish future policy.

From an investment-style standpoint, growth significantly outperformed value both in the fourth quarter and for the full year. The reasons were familiar ones: Artificial intelligence (AI) enthusiasm powered tech-heavy growth funds and the fourth quarter expectations for rate cuts were seen as positive for growth stocks. Growth outperforming value is also the opposite of 2022, where higher rates and recession fears resulted in value outperforming growth.

The following chart contains the market returns as of December 31, 2023 YTD. Please note, each client's portfolio is individually constructed, and the benchmarks are presented as a comparison tool.

Top 4 financial items to check off your list in the New Year *By Erin*

1. Make 2023 IRA contributions by the April 15, 2024 tax deadline (if eligible). Please note, Melani needs to have any IRA contribution checks or electronic transfer request by April 10th for processing. If you plan to contribute and don't have your bank already linked with Schwab, please reach out to Melani by end of March to complete paperwork.

IRA contributions are:

- 2023 IRA limit is \$6,500 plus \$1,000 if you are over 50
- 2024 IRA limit is \$7,000 plus \$1,000 if you are over 50

2. Update your retirement contributions with your employer

401k/403b/457 contribution are:

- 2024 employee limit \$23,000 plus \$7500 if you are over 50
- Employer and employee contributions can't exceed \$69,000.

3. Review Important Financial Documents

- Check beneficiaries on all accounts. IRAs & 401ks normally name people as beneficiaries whereas non-retirement accounts can be titled in your trust or direct beneficiaries can be named as a transfer on death (TOD). Don't forget to checking & savings accounts!
- Obtain year end statements for credit card and checking accounts if you plan to retire soon and need to know what your true income and expense needs will be.
- Check in with your estate planning attorney if your trust is old or circumstances have changed. Most of the time, you just need an amendment and not a full redo.

4. Create a file and or scan Important documents

- Create a file with all the important insurance, financial, and legal documents for whomever would need in them your absence.

Benchmarks:	YTD
	2023
60% Equity/40% Fixed	12.13%
50% Equity/50% Fixed	10.47%
40% Equity/60% Fixed	8.57%
US Agg Bond	2.33%
S&P	24.20%
DOW	13.70%
REIT - Real Estate index	7.13%
Benchmarks:	Sept. 2022-
	Sept. 2023
60% Equity/40% Fixed	12.13%
50% Equity/50% Fixed	10.47%
40% Equity/60% Fixed	8.57%

Market Outlook By Carol

As we begin 2024, the markets are down due to the expectation that the rally was overdone, and the market is overbought. Overall, the market outlook for 2024 is positive but it will be very much like 2023 – erratic.

Regarding economic growth, it's easy to assume just because the economy was resilient in 2023, that it will stay resilient. Obviously, that's the hope, but hope isn't a strategy. The longer rates stay high (and they are still high) the more of a drag they create on the economy. There is some economic data that is starting to point towards reduced consumer spending. Point being, it is premature to believe the economy is "in the clear".

Inflation, meanwhile, has declined sharply but it is still above the Fed's 2% target. Many investors expect inflation to continue to decline while economic growth stays resilient, a concept traders coined "Immaculate Disinflation." However, while that's possible, it's important to point out it's extremely rare as declines in inflation are usually accompanied by an economic slowdown. The timing of the Fed interest rate cuts will likely keep the economy on track, which is why the overall outlook for 2024 is positive.

Finally, this is a presidential election year which brings its own sense of volatility up until the election. The markets want clarity and fear the unknown. Once it is clear who the President is and the majority party in the Senate and House of Representatives, the markets usually calm down and rally into the end of the year.

Schwab Alliance Set Up By Melani

We have now successfully transitioned from TD Ameritrade to Charles Schwab, so I wanted to remind you to set up your Schwab Alliance online account if you have not already done so. Schwab requires client approval for many money transactions, account updates, etc. We have experienced a few circumstances where a client needed funds or contributions made ASAP, but their approval was needed, and they did not have their online account set up. Then they realized that their information at Schwab, like a phone number, was outdated and needed to be corrected. This delayed their access to their online account which then delayed our ability to process the transaction. To avoid future stressful situations our goal is to have each client set up with their online account to be able to navigate transactions electronically.

Here are a few items you can complete on Schwab Alliance:

- Update addresses and contact info
 - Change login info
 - Update beneficiaries
- Update tax-withholdings
 - Print and sign forms
 - Approve transfers
- Nickname and organize accounts
- Share read-only info with a spouse or financial professional
- Download statements and tax forms for both TD and Schwab
 - Go paperless

If you do not wish to create an online account, that is ok too. We can still facilitate transactions using paper forms, but the process does take longer.

If you have any questions or need assistance setting up your online account, please contact me by calling the office or by emailing melani@assetplanninginc.com.

The API Team would like to wish you a happy New Year. May your heart be light, your days be bright, and your year be just right!



“I don’t want to look younger when I get older. I want to look happier.” Anna Magnani

2024

