RSMA

Wealth Management

DECEMBER 2023

Looking Forward to the New Year

As 2023 draws to a close, the team at RSMA Wealth Management is writing to communicate year-end considerations, thoughts on the capital markets, and a few notes of gratitude.

We'll start with the latter.

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01 A NOTE OF GRATITUDE

Thank you for your continued confidence in our firm, and for your patience and loyalty as we made the incredibly exciting transition to becoming fully independent. We value your business and our relationship with your family above all else, and we look forward to serving you even better in the new year.

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02 YEAR-END CONSIDERATIONS

Here are a handful of key limits and tax rates that will be adjusted in 2024:

- **Income Limits Determining 2024 Tax Rates on Long-Term Capital Gains**

Single	Married Filing Jointly	Tax Rate
$0 - $47,025	$0 - $94,050	0%
$47,026- $518,900	$94,051 - $583,750	15%
$518,901+	$583,751+	20%

- **Medicare Premiums: 2022 Income Limits That Determine IRMAA for 2024**

Single	Married Filing Jointly	IRMAA	Total Monthly Premium
Less than or equal to $103,000	Less than or equal to $206,000	$0.00	$174.70
Greater than $103,000 and less than or equal to $129,000	Greater than $206,000 and less than or equal to $258,000	$69.90	$244.60
Greater than $129,000 and less than or equal to $161,000	Greater than $258,000 and less than or equal to $322,000	$174.70	$349.40
Greater than $161,000 and less than or equal to $193,000	Greater than $322,000 and less than or equal to $386,000	$279.50	$454.20
Greater than $193,000 and less than $500,000	Greater than $386,000 and less than $750,000	$384.30	$559.00
Greater than or equal to $500,000	Greater than or equal to $750,000	$419.30	$594.00

Source / Centers for Medicare and Medicaid Services

- **IRAs & Roth IRAs**

$7,000 – Maximum Contribution Limit for IRAs and Roth IRAs
$1,000 – Age 50+ 'Catch-Up' Contribution

Note: Income levels affect tax deductibility of IRA contributions and the ability to participate in Roth IRA plans.

- **401(k), 403(b), & 457**

$23,000 – Maximum Contribution Limit
$7,500 – Age 50+ 'Catch-Up' Contribution

- **Health Savings Accounts (HSAs)**

$4,150 for individuals
$7,750 for families – Maximum Contribution Limit
$1,000 – Age 55+ 'Catch-Up' Contribution

- **Required Minimum Distributions**

The SECURE 2.0 Act changed the RMD ages. Previously set at 72, the age went up to 73 starting in 2023, and then further increases to 75 in 2033.

- **Qualified Charitable Distributions (QCDs)**

For those who must take Required Minimum Distributions this year and/or next, don't forget about the option to directly transfer your RMD amount to a charity. Doing so allows you the benefits of giving to a charity, while also excluding the amount donated from taxable income (maximum $100,000)—a double benefit.

A Qualified Charitable Donation (QCD) is just the technical term for a direct transfer of funds from your IRA custodian to a qualified charity. The direct transfer is critical—if you receive the money directly first, and then donate it to charity, it no longer qualifies as a QCD.

As mentioned, a QCD excludes the amount donated from taxable income, which for many can help reduce the impact to certain tax credits and deductions, including Social Security and Medicare. Additionally, QCDs do not require the IRA owner to itemize, which means it is possible under current tax law to claim the higher standard deduction and use a QCD for charitable giving.

- **Making a Gift from an IRA to a Charitable Remainder Trust**

The SECURE 2.0 Act allows individuals aged 70 ½ or older to make a one-time gift of up to $50,000 from their individual retirement account (IRA) to a charitable remainder trust (CRT).

Although the $50,000 one-time gift is not tax-deductible, it does count towards the individual's required minimum distributions (RMDs) for the year. This may be particularly beneficial in the event it helps the donor avoid being pushed into a higher tax bracket when taking distributions from their IRA.

03 THOUGHTS ON THE CAPITAL MARKETS

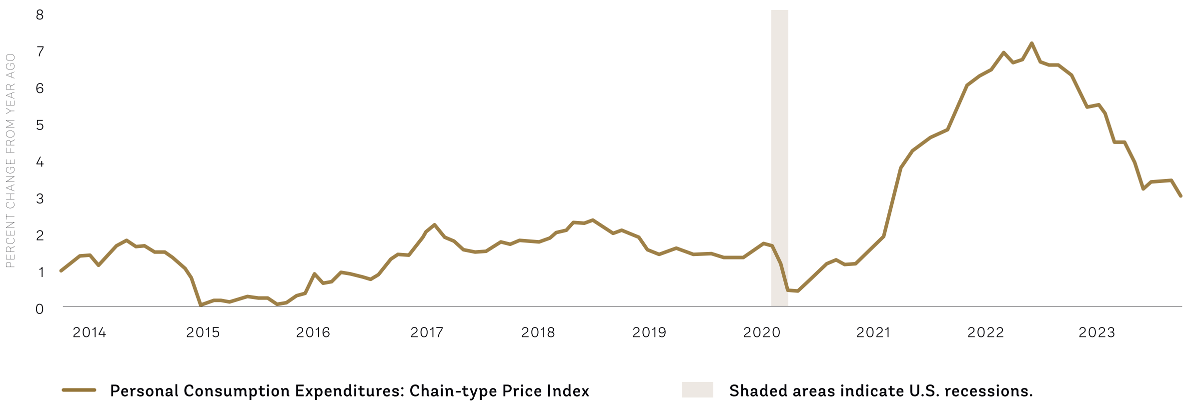
At the outset of 2023, a vast majority of economists were predicting a recession for the U.S. economy.

It never happened.

The U.S economy posted GDP growth of 2.2% in Q1, 2.1% in Q2, and 5.2% in Q3, while adding an average of 240,000 jobs per month over the past year. The unemployment rate moved slightly higher over the course of the year, from 3.4% to 3.7%, but remains in-line with pre-pandemic levels.

Inflation also continued to trend lower. The Federal Reserve's preferred inflation gauge, the headline personal consumption expenditures (PCE) price index, registered at 3.0% in October, a substantial improvement from June 2022's peak. Barring some unforeseen spike in inflation in the coming months, it's likely safe to assume the Fed is done raising interest rates in this cycle.

THE PCE PRICE INDEX (YEAR-OVER-YEAR % CHANGE)

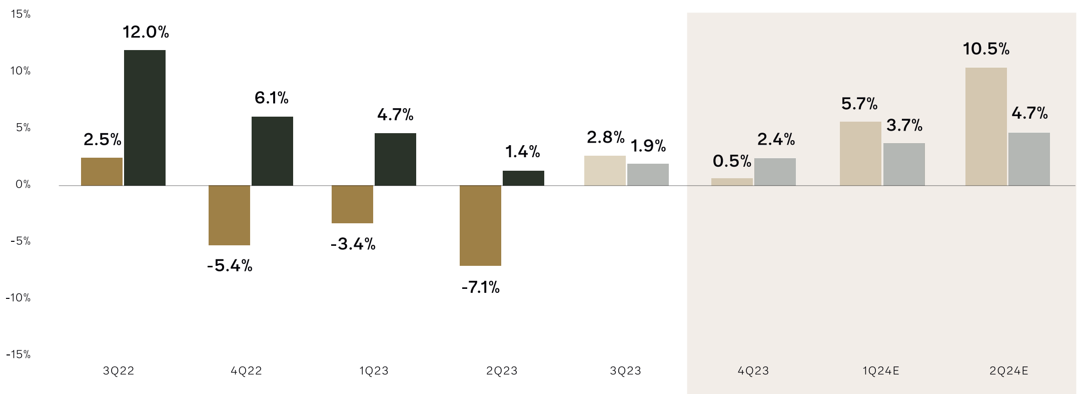


Source / Federal Reserve Bank of St. Louis

This is important because historically, risk assets have responded positively when the Fed ends a monetary tightening cycle. In the previous seven cycles when the Fed stopped raising rates, stocks and investment-grade bonds outperformed cash by 19% and 14%, respectively, over the following two years.

The U.S. corporate earnings picture improved late in 2023 as well. Earnings growth for the S&P 500 index, which was negative for each of the preceding three quarters, turned positive in Q3, with the growth pace expected to steadily improve looking ahead. As you can see from the quarterly earnings-growth expectations in the chart below, the "soft economic landing" appears not only possible, but probable.

QUARTERLY EARNINGS & REVENUE GROWTH (YEAR-OVER-YEAR)



Source / Factset

The U.S. economy was fundamentally strong in 2023, but the year was not without its fair share of negative and unfortunate events.

A regional banking crisis in the spring sparked fears of a broader financial contagion; a debt ceiling standoff threatened to see the U.S. default on obligations, and possibly debt, for the first time in history; sharply rising interest rates in late summer and fall pressured the stock market into correction territory; and of course, war is ongoing in Ukraine and broke out more recently in the Middle East.

Any one of these events could have understandably caused investors shun risk assets in favor of modest—but still nicely positive—yields found in money market funds and even short duration U.S. Treasuries. But it's important to remember that a 4% risk-free yield still needs to be adjusted for inflation (and in some cases taxes) in order to calculate 'real' return. With 3+% inflation in 2023, that's only a 1% real return at best. Year-to-date through the end of November, the S&P 500 is up slightly more than +20%. Most investors still need meaningful allocations to stocks in order to ensure you reach your longer-term objectives of growth and, ultimately, income.

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04 A FINAL NOTE OF GRATITUDE

The team at RSMA Wealth Management wishes you a happy and healthy holiday season, and a Happy New Year. Please do not hesitate to reach out to us if you need anything at all. As always, thank you for being clients.