Here's What's Current

M Financial Group

WAIVER ON RMDS EXPIRES—WHAT NEXT?

Since the CARES Act waiver on required minimum distributions (RMDs) from retirement plans has expired, now may be a good time to review the rules for tax-deferred retirement accounts.

Retirement plans, such as 401(k)s and individual retirement accounts (IRAs), enable tax-deferred growth of investments in the plan account, as well as pretax or potentially tax-deductible contributions. The potential to grow wealth on a tax-deferred basis is an attractive feature designed to encourage retirement saving. But the tax deferral benefits of these retirement accounts don't last forever.

The Ground Rules

Generally, prior law said that you must begin taking required minimum distributions (RMDs) from your traditional IRA no later than April 1 of the year following the calendar year in which you reach age 70½. The RMD rules for 401(k) plans were basically the same.

However, the rules also said that participants who are not considered to be 5% owners of the company and are still employed by the employer maintaining the 401(k) plan when they reach age 70½ generally are not required to begin taking RMDs until April 1 of the year following the calendar year in which they retire.

Changes and More Changes

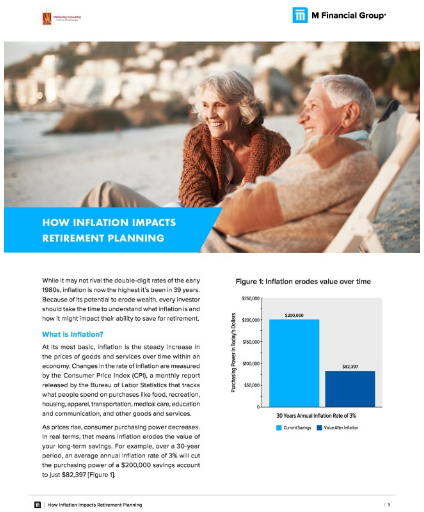
Lawmakers recently changed the RMD rules. For individuals who reach age 70½ after December 31, 2019, the Setting Every Community Up for Retirement Enhancement (SECURE) Act increased the age at which minimum distributions must begin from age 70½ years to 72 years. Additionally, to mitigate some of the economic impact of the pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act waived the minimum distribution requirement for defined contribution plans and IRAs for 2020. However, the waiver introduced under the CARES Act has not been extended into 2021.

Waiver on RMDs Expires—What Next? 1

Waiver on RMDs Expires--What Next?

Since the CARES Act waiver on required minimum distributions (RMDs) from retirement plans has expired, now may be a good time to review the rules for tax-deferred retirement accounts.

Read more >



M Financial Group

HOW INFLATION IMPACTS RETIREMENT PLANNING

While it may not rival the double-digit rates of the early 1980s, inflation is now the highest it's been in 39 years. Because of its potential to erode wealth, every investor should take the time to understand what inflation is and how it might impact their ability to save for retirement.

What is Inflation?

At its most basic, inflation is the steady increase in the prices of goods and services over time within an economy. Changes in the rate of inflation are measured by the Consumer Price Index (CPI), a monthly report released by the Bureau of Labor Statistics that tracks what people spend on purchases like food, recreation, housing, apparel, transportation, medical care, education and communication, and other goods and services.

As prices rise, consumer purchasing power decreases. In real terms, that means inflation erodes the value of your long-term savings. For example, over a 30-year period, an average annual inflation rate of 3% will cut the purchasing power of a $200,000 savings account to just $82,397 [Figure 1].

Figure 1: Inflation erodes value over time

How Inflation Impacts Retirement Planning 1

How Inflation Impacts Retirement Planning

While it may not rival the double-digit rates of the early 1980s, inflation is now the highest it's been in 39 years.

Read more >

Planning for Market Downturn

Because stock market crashes can be terrifying to contemplate, investors often avoid thinking about them at all--especially during long-running bull markets like the one we've seen these past 12 years.

Read more >

M Financial Group
M WEALTH

PLANNING FOR A MARKET DOWNTURN

Because stock market crashes can be terrifying to contemplate, investors often avoid thinking about them at all—especially during long-running bull markets like the one we've seen these past 12 years.

Market downturns, or corrections, tend to happen when people least expect. Like a bad blizzard or dangerous hurricane, investors know another is likely to occur—but when and how big are anyone's guess. Even though no one can predict when the next storm will hit, there are things investors can do to feel better prepared for the next severe market decline.

And contrary to human behavior, the best time to act is before the next market downturn occurs. Waiting until the winds start to gust, or the rain starts to fall, can be costly. So, what can investors do now to prepare for market volatility in the future?

STAY INVESTED

First, it's important to acknowledge that basic human instincts are at odds with what it takes to invest successfully over the long term. After all, what did our ancestors do when faced with danger? It was either fight or flight. "Do nothing" probably wouldn't have been a good strategy, but it's exactly what most investors should do when a sharp downturn occurs.

BE PATIENT

Patience is key. As Oracle of Omaha Warren Buffet says, "The stock market is a device for transferring money from the impatient to the patient." When markets are volatile, either up or down, it's easy for investors to let emotions like euphoria or fear get the better of them, causing them to make impulsive investment decisions. Being aware of how emotions can impact decision-making is a great first step to avoiding making bad investment choices when a market decline does happen.

RESIST THE URGE TO SELL AT THE WRONG TIME

A well-known cognitive bias humans have is loss aversion. Put simply, people have a stronger negative reaction to losing money than they do a positive reaction to gaining the same amount. How does loss aversion play out for investors? It can cause investors to sell at their most panicked, when stock prices have already considerably declined.

Planning for a Market Downturn 1

M Financial Group

TRANSITION TIME? PLANNING COUNTS WHEN CONTINUITY IS THE GOAL

Are you a business owner who wants to retire someday? Do you want to see the business prosper even after your exit, with younger family members and/or other key employees in charge?

According to the 2021 Business Owner Benchmark, 30% of business owners have no succession plan in place. And half of those who do have a plan are concerned about their successors' ability to run the business.[1]

It is possible to achieve the dual goal of retirement and business continuity, but it takes planning.

Because every situation is different, your plan should be tailored to achieve the results you desire. That said, here's just one example of how a transition plan could be crafted.

Step 1: Establish a new entity

Form a new business entity some time before your anticipated retirement date. Let's call this new entity "Company 2"— a limited liability company or LLC. Capitalize this new entity with contributions from the new owners and a small contribution from you.

Step 2: Transition operations

Company 2 operates alongside your old company during a buyout period, with you as the managing member. During that period, your old company finishes its existing work and collects its outstanding accounts receivable.

New work is funneled to Company 2 as it comes in. Company 2 rents equipment from your old company and gradually buys the equipment. Any new equipment that must be acquired during the transition period is purchased by Company 2.

Your old company receives a management fee for your assistance during the transition and is reimbursed for any operating expenses it incurs on Company 2's behalf. You continue to receive a salary from your old company. At a prearranged time and price, the new owners of Company 2 buy out your interest in Company 2.

Transition Time? Planning Counts When Continuity is the Goal | 1

Transition Time? Planning Counts When Continuity is the Goal

Are you a business owner who wants to retire someday? Do you want to see the business prosper even after your exist, with young family members and/or other key employees in charge?

Read more >

M Financial Group

Q4 2021

WEALTH SOLUTIONS CAPITAL MARKETS REVIEW

INDEX					PERIOD ENDING DECEMBER 31, 2021	
U.S. Equity Markets	Qtr	YTD	1 Yr Return	3 Yr Return	5 Yr Return	10 Yr Return
S&P 500 TR USD	11.03	28.71	28.71	26.07	18.47	16.55
Russell 3000 TR USD	9.28	25.66	25.66	25.79	17.97	16.30
Russell 3000 Value TR USD	7.54	25.37	25.37	17.65	11.00	12.89
Russell 3000 Growth TR USD	10.89	25.85	25.85	33.21	24.56	19.39
Russell 2000 TR USD	2.14	14.82	14.82	20.02	12.02	13.23
Russell 1000 TR USD	9.78	26.45	26.45	26.21	18.43	16.54
Non-U.S. Equity Markets						
MSCI ACWI Ex USA NR USD	1.82	7.82	7.82	13.18	9.61	7.28
MSCI EM NR USD	−1.31	−2.54	−2.54	10.94	9.87	5.49
Fixed Income						
Bloomberg US Agg Bond TR USD	0.01	−1.54	−1.54	4.79	3.57	2.90
Bloomberg US Treasury US TIPS TR USD	2.36	5.96	5.96	8.44	5.34	3.09
Real Assets/Natural Resources						
DJ US Select REIT TR USD	17.22	45.91	45.91	16.84	9.65	10.70
S&P North American Natural Resources TR	8.13	39.94	39.94	10.06	1.27	1.27

Past performance is not a guarantee of future results.

GDP (LAGGING INDICATOR)
Q3 2021 (Third Estimate)
Increased at annual rate of 2.3%

EXISTING HOME SALES
Through November 2021
Increased by 1.9%

UNEMPLOYMENT RATE
Through November 2021
Decreased to 4.2% (seasonally adjusted).

CONSUMER PRICE INDEX
November 2021
Increased by 0.8% (seasonally adjusted).

Q4 2021 | WEALTH SOLUTIONS CAPITAL MARKETS REVIEW | 1

Capital Markets Review Q4 2021

The U.S. equity market advanced 9.3% durnig the quarter, earning 25.7% for the full year.

Read more >

Wellspring Consulting Homepage

Phone: (408) 435-1668

For additional inquiries, please email us HERE.