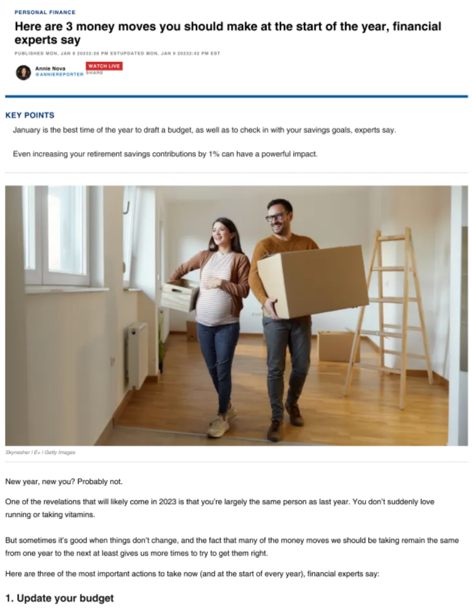
January 2023

In welcoming the new year, this month's newsletter is packed with updates and additional readings we hope you find resonance and an opportunity to explore and learn.

Retirement Planning



PERSONAL FINANCE

Here are 3 money moves you should make at the start of the year, financial experts say

PUBLISHED MON, JAN 9 20232:28 PM ESTUPDATED MON, JAN 9 20232:42 PM EST

Annie Nova @ANNIEREPORTER WATCH LIVE SHARE

KEY POINTS

January is the best time of the year to draft a budget, as well as to check in with your savings goals, experts say.

Even increasing your retirement savings contributions by 1% can have a powerful impact.

Skynesher | E+ | Getty Images

New year, new you? Probably not.

One of the revelations that will likely come in 2023 is that you're largely the same person as last year. You don't suddenly love running or taking vitamins.

But sometimes it's good when things don't change, and the fact that many of the money moves we should be taking remain the same from one year to the next at least gives us more times to try to get them right.

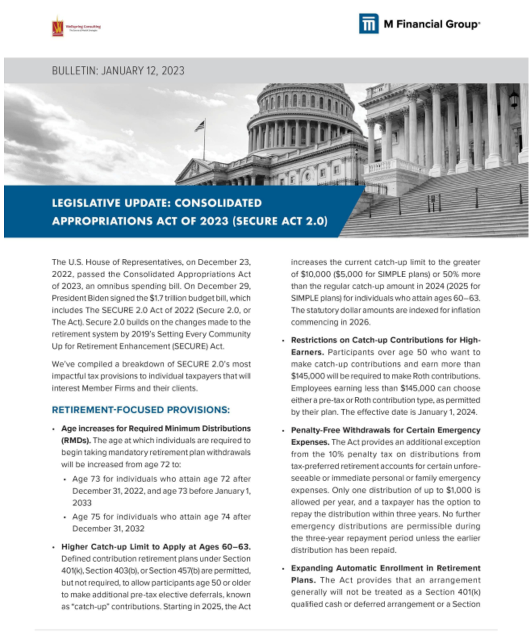
Here are three of the most important actions to take now (and at the start of every year), financial experts say:

1. Update your budget

Here are 3 Money Moves You Should Make at the Start of the Year

January is the best time of the year to draft a budget, as well as to check in with your savings goals, experts say.

Read more >



M Financial Group

BULLETIN: JANUARY 12, 2023

LEGISLATIVE UPDATE: CONSOLIDATED APPROPRIATIONS ACT OF 2023 (SECURE ACT 2.0)

The U.S. House of Representatives, on December 23, 2022, passed the Consolidated Appropriations Act of 2023, an omnibus spending bill. On December 29, President Biden signed the $1.7 trillion budget bill, which includes The SECURE 2.0 Act of 2022 (Secure 2.0, or The Act). Secure 2.0 builds on the changes made to the retirement system by 2019's Setting Every Community Up for Retirement Enhancement (SECURE) Act.

We've compiled a breakdown of SECURE 2.0's most impactful tax provisions to individual taxpayers that will interest Member Firms and their clients.

RETIREMENT-FOCUSED PROVISIONS:

- **Age increases for Required Minimum Distributions (RMDs).** The age at which individuals are required to begin taking mandatory retirement plan withdrawals will be increased from age 72 to:
  - Age 73 for individuals who attain age 72 after December 31, 2022, and age 73 before January 1, 2033
  - Age 75 for individuals who attain age 74 after December 31, 2032
- **Higher Catch-up Limit to Apply at Ages 60–63.** Defined contribution retirement plans under Section 401(k), Section 403(b), or Section 457(b) are permitted, but not required, to allow participants age 50 or older to make additional pre-tax elective deferrals, known as "catch-up" contributions. Starting in 2025, the Act increases the current catch-up limit to the greater of $10,000 ($5,000 for SIMPLE plans) or 50% more than the regular catch-up amount in 2024 (2025 for SIMPLE plans) for individuals who attain ages 60–63. The statutory dollar amounts are indexed for inflation commencing in 2026.
- **Restrictions on Catch-up Contributions for High-Earners.** Participants over age 50 who want to make catch-up contributions and earn more than $145,000 will be required to make Roth contributions. Employees earning less than $145,000 can choose either a pre-tax or Roth contribution type, as permitted by their plan. The effective date is January 1, 2024.
- **Penalty-Free Withdrawals for Certain Emergency Expenses.** The Act provides an additional exception from the 10% penalty tax on distributions from tax-preferred retirement accounts for certain unfore-seeable or immediate personal or family emergency expenses. Only one distribution of up to $1,000 is allowed per year, and a taxpayer has the option to repay the distribution within three years. No further emergency distributions are permissible during the three-year repayment period unless the earlier distribution has been repaid.
- **Expanding Automatic Enrollment in Retirement Plans.** The Act provides that an arrangement generally will not be treated as a Section 401(k) qualified cash or deferred arrangement or a Section

Legislative Update: January 12, 2023 1

SECURE Act 2.0

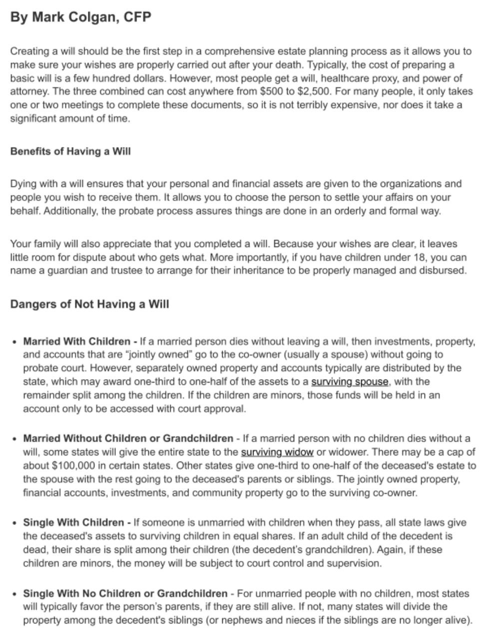
The U.S. House of Representatives, on December 23, 2022, passed the Consolidated Appropriations Act of 2023, an omnibus spending bill.

Even more from Vanguard's summary for plan sponsors and participants, here.

(For business owners, this will be an important read in understanding the changes about your workplace retirement plan and options.)

Read more >

Estate Planning



By Mark Colgan, CFP

Creating a will should be the first step in a comprehensive estate planning process as it allows you to make sure your wishes are properly carried out after your death. Typically, the cost of preparing a basic will is a few hundred dollars. However, most people get a will, healthcare proxy, and power of attorney. The three combined can cost anywhere from $500 to $2,500. For many people, it only takes one or two meetings to complete these documents, so it is not terribly expensive, nor does it take a significant amount of time.

Benefits of Having a Will

Dying with a will ensures that your personal and financial assets are given to the organizations and people you wish to receive them. It allows you to choose the person to settle your affairs on your behalf. Additionally, the probate process assures things are done in an orderly and formal way.

Your family will also appreciate that you completed a will. Because your wishes are clear, it leaves little room for dispute about who gets what. More importantly, if you have children under 18, you can name a guardian and trustee to arrange for their inheritance to be properly managed and disbursed.

Dangers of Not Having a Will

- **Married With Children -** If a married person dies without leaving a will, then investments, property, and accounts that are “jointly owned” go to the co-owner (usually a spouse) without going to probate court. However, separately owned property and accounts typically are distributed by the state, which may award one-third to one-half of the assets to a surviving spouse, with the remainder split among the children. If the children are minors, those funds will be held in an account only to be accessed with court approval.
- **Married Without Children or Grandchildren** - If a married person with no children dies without a will, some states will give the entire state to the surviving widow or widower. There may be a cap of about $100,000 in certain states. Other states give one-third to one-half of the deceased's estate to the spouse with the rest going to the deceased's parents or siblings. The jointly owned property, financial accounts, investments, and community property go to the surviving co-owner.
- **Single With Children -** If someone is unmarried with children when they pass, all state laws give the deceased's assets to surviving children in equal shares. If an adult child of the decedent is dead, their share is split among their children (the decedent’s grandchildren). Again, if these children are minors, the money will be subject to court control and supervision.
- **Single With No Children or Grandchildren** - For unmarried people with no children, most states will typically favor the person’s parents, if they are still alive. If not, many states will divide the property among the decedent's siblings (or nephews and nieces if the siblings are no longer alive).

What Happens If You Die Without a Will?

Creating a will should be the first step in a comprehensive estate planning process* as it allows you to make sure your wishes are properly carried out after your death.

**Among the documents listed by the author, we want to add that a will may not cover all aspects of your life's estate. Hence, the use of a living trust is introduced. The addition of an ethical will can make for a strong estate plan.*

Read more >

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M INTELLIGENCE

MAXIMIZING IRAS: STRATEGIES TO TRANSFER WEALTH TO HEIRS

Recent changes to how non-spousal beneficiaries can receive inherited qualified assets (e.g., IRAs, 401(k)s) may increase the tax burden when the IRA holder dies. The beneficiaries will bear the tax bill on inherited qualified assets irrespective of whether the client’s estate is subject to a federal or state death tax. With this popular tax mitigation device no longer available under current law, it may be time to consider alternative tax mitigation strategies.

Qualified plans and IRAs are popular savings vehicles, and with good reason. Qualified plan contributions are generally income-tax deductible, grow tax-deferred, and may be eligible for “matching contributions” by the plan sponsor/employer. As such, qualified plans and IRAs often represent an outsized position in our clients’ portfolios.

Unfortunately, qualified assets are less effective as a means of transferring wealth from one generation to the next. Distributions from these assets are generally fully taxable at the recipient’s ordinary income-tax rate. When crafting a wealth transfer plan, care should be taken to account for the income tax liability associated with the transfer of these qualified assets, and its impact on the net proceeds passed to the next generation.

THE PROBLEM

Prior to the passing of the SECURE Act,[1] non-spousal beneficiaries (typically, the IRA holder’s children, grandchildren, or a “see through” trust for their benefit) were granted the ability to “stretch” the IRA proceeds. A non-spousal beneficiary who elected this option was permitted to take required minimum distributions (RMDs) from the inherited IRA over the course of their life expectancy.[2] This provided two key benefits:

- The beneficiary was only taxed on the RMDs received, which reduced the immediate tax impact by spreading the tax liability over their life.
- The remaining inherited IRA balance stayed invested and tax-deferred, allowing for a longer term of tax deferral and potential growth.

Following the passage of the SECURE Act in late 2019, the stretch IRA was eliminated for non-spousal beneficiaries and replaced with the “10-year rule.”[3] Under the new rule, non-spousal beneficiaries are required to have exhausted the inherited IRA by the end of the 10th calendar year following the year of the IRA holder’s death. While this can provide some planning flexibility, it can also dramatically shorten the term of tax deferral and increase the beneficiary’s income-tax liability.

[1] The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 (Division O of The Further Consolidated Appropriations Act, 2020)
[2] Based upon their non-recalculated single life expectancy; IRS Publication 590-B, Table 1
[3] Exceptions for non-spousal beneficiaries include disabled or chronically ill beneficiaries, beneficiaries not more than 10 years younger than the IRA holder, or a beneficiary who has not yet reached the age of majority.

Maximizing IRAs: Strategies to Transfer Wealth to Heirs M INTELLIGENCE | 1

Maximizing IRAs: Strategies to Transfer Wealth to Heirs

After the passage of SECURE Act 1.0 in 2019, the elimination of the "stretch IRA" gives way to new and old ways of approaching retirement accounts that amass a large sum.

Read more >

Investments

Capital Markets Review Q4 2022

The U.S. equity market gained 7.2% during the quarter but ended the full-year down 19.2%.

[Read more >]

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WEALTH SOLUTIONS
CAPITAL MARKETS REVIEW

Q4 2022

INDEX						PERIOD ENDING DECEMBER 31, 2022
U.S. Equity Markets	Qtr	YTD	1 Yr Return	3 Yr Return	5 Yr Return	10 Yr Return
S&P 500 TR USD	7.56	–18.11	–18.11	7.66	9.42	12.56
Russell 3000 TR USD	7.18	–19.21	–19.21	7.07	8.79	12.13
Russell 3000 Value TR USD	12.18	–7.98	–7.98	5.88	6.50	10.16
Russell 3000 Growth TR USD	2.31	–28.97	–28.97	7.32	10.45	13.75
Russell 1000 TR USD	7.24	–19.13	–19.13	7.35	9.13	12.37
Russell 2000 TR USD	6.23	–20.44	–20.44	3.10	4.13	9.01
Non–U.S. Equity Markets						
MSCI ACWI Ex USA NR USD	14.28	–16.00	–16.00	0.07	0.88	3.80
MSCI EM NR USD	9.70	–20.09	–20.09	–2.69	–1.40	1.44
Fixed Income						
Bloomberg US Agg Bond TR USD	1.87	–13.01	–13.01	–2.71	0.02	1.06
Bloomberg US Treasury US TIPS TR USD	2.04	–11.85	–11.85	1.21	2.11	1.12
Real Assets/Natural Resources						
DJ US Select REIT TR USD	4.76	–25.96	–25.96	–1.37	2.50	5.74
S&P North American Natural Resources TR	18.25	34.07	34.07	14.97	7.13	4.05

Past performance is not a guarantee of future results.

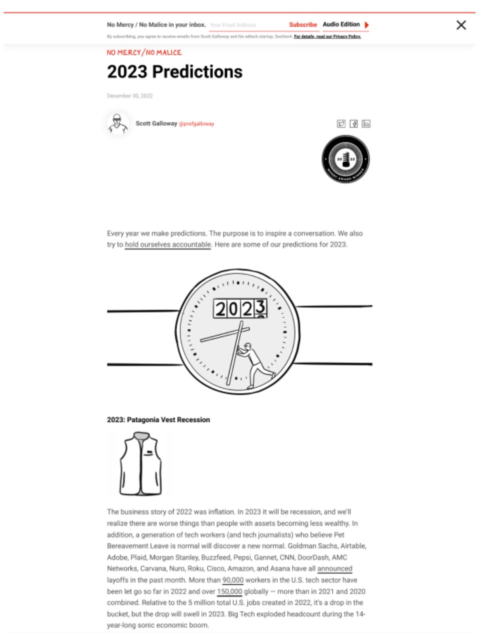
GDP (LAGGING INDICATOR)
Q3 2022 (Third Estimate)
Increased at annual rate of 3.2%

EXISTING HOME SALES
Through November 2022
Decreased by 7.7%

UNEMPLOYMENT RATE
December 2022
Decreased to 3.5% (seasonally adjusted)

CONSUMER PRICE INDEX
November 2022
Increased by 0.1% (seasonally adjusted)

| Q4 2022 — WEALTH SOLUTIONS CAPITAL MARKETS REVIEW | 1



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2023 Predictions

December 30, 2022

Scott Galloway @profgalloway

Every year we make predictions. The purpose is to inspire a conversation. We also try to hold ourselves accountable. Here are some of our predictions for 2023.

2023

2023: Patagonia Vest Recession

The business story of 2022 was inflation. In 2023 it will be recession, and we'll realize there are worse things than people with assets becoming less wealthy. In addition, a generation of tech workers (and tech journalists) who believe Pet Bereavement Leave is normal will discover a new normal. Goldman Sachs, Airtable, Adobe, Plaid, Morgan Stanley, Buzzfeed, Pepsi, Gannet, CNN, DoorDash, AMC Networks, Carvana, Nuro, Roku, Cisco, Amazon, and Asana have all announced layoffs in the past month. More than 90,000 workers in the U.S. tech sector have been let go so far in 2022 and over 150,000 globally — more than in 2021 and 2020 combined. Relative to the 5 million total U.S. jobs created in 2022, it's a drop in the bucket, but the drop will swell in 2023. Big Tech exploded headcount during the 14-year-long sonic economic boom.

2023 Predictions

"Every year we make predictions. The purpose is to inspire a conversation. We also try to hold ourselves accountable. Here are some of our predictions for 2023."

[Read more >]

Abuzz About Blockchain Technology

Have you heard the buzz about blockchain?

[Read more >]

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ABUZZ ABOUT BLOCKCHAIN TECHNOLOGY

WHAT IS BLOCKCHAIN TECHNOLOGY?

Have you heard the buzz about blockchain? It's the online record-keeping technology used to create and trade cryptocurrency. While initially used as the online public ledger system for Bitcoin, blockchain is emerging as a potentially valuable innovation across many other industries. It could even become the new standard for how companies store, track, and extract data. In fact, Executive Chairman of the Blockchain Research Institute Don Tapscott in a 2018 interview with website 52 Insights, made the bold claim that "blockchain represents the second era of the internet."

To understand blockchain's growing appeal, let's go back to the 1990s and the birth of the internet age. While the internet ushered in untold opportunity, it also posed never-before-seen challenges. Among them? How to ensure the integrity and safety of purchases and personal information online. Of special concern was how to help parties unknown to each other securely conduct transactions with one another. That's where blockchain, or distributed ledger technology, comes in.

Blockchain gives anonymous parties the comfort of being able to exchange assets with one another without first having to establish a relationship. Tapscott referred to blockchain as the "trust protocol."[i] To understand why, one needs to know how it works.

HOW BLOCKCHAIN WORKS

Unlike traditional databases that compile information in tables, blockchain collects information in groups referred to as blocks. New information gets added to a fresh block, and when the block is full, it gets linked—or "chained"—to the previous block.

Once new information has been added to the chain, it is impossible to alter. In other words, transactions get permanently recorded in the order in which they happen. That's because each block contains a distinct code called a hash. Hash codes are encrypted codes that connect the blocks using an exact time-stamp format.

Each block has its own hash code and also references the hash code of the previous block. So, a new block gets added to the previous block in precise chronological order. This process happens again and again, resulting in one long chain of unbreakable, immutable transaction records. Hence the name, blockchain.

WHAT MAKES BLOCKCHAIN SECURE? THE NODES KNOW

Unlike traditional databases that store information on private servers owned by a single entity, a blockchain is distributed and public. Computers are still needed to store a blockchain, but—as in the case of Bitcoin—those computers are in different places and owned and

[i] Don Tapscott "Blockchain represents the second era of the internet." (2018, April 5). 52 Insights. https://www.52-insights.com/don-tapscott-blockchain-represents-the-second-era-of-the-internet-interview/#postComments

Abuzz About Blockchain Technology 1

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GOAL-BASED INVESTING: AN INTRODUCTION

Goal-based investing offers a holistic approach to managing wealth by carefully aligning your investments with your life and legacy goals. It aims to bring discipline to investing by putting your financial objectives at the center of the investment process.

With goal-based investing, each investment has a purpose that is tied to a specific objective—for example, saving for retirement or buying a vacation home. Instead of measuring an investment's progress against benchmark returns or market performance, success is measured by how well an investor's portfolio is tracking against the goals set for it.

3 STEPS TO BUILDING GOAL-BASED PORTFOLIOS

One of the benefits of goal-based investing is that it can help investors stay disciplined and focused on their long-term objectives. This is especially important during periods of market volatility, when investors are likely to feel anxious about the value of their investments. Knowing they have a carefully articulated plan that reflects their personal goals can help investors maintain a long-term term view.

HOW GOAL-BASED INVESTING WORKS

STEP 1: IDENTIFY AND PRIORITIZE GOALS

Together with the help of a financial advisor, you should begin by identifying your financial goals—whether it's generating future retirement income, funding a child's or grandchild's college education, saving for a family wedding, or supporting a charitable cause.

The next step involves establishing the timing and characteristics related to each objective. Some may be one-time goals while others could be ongoing or periodic, like meeting annual retirement income needs.

It can be helpful to categorize your goals based on time horizon:

- Short-term goals: 0-4 years
- Mid-term goals: 5-14 years
- Long-term goals: 15+ years

If you have multiple goals, it's important to rank them by their level of importance. Knowing their relative priority makes it easier to determine which you may be able to reduce or eliminate if necessary.

Goal-Based Investing: An Introduction 1

Goal-Based Investing

Goal-based investing offers a holistic approach to managing wealth by carefully aligning your investments with your life and legacy goals.

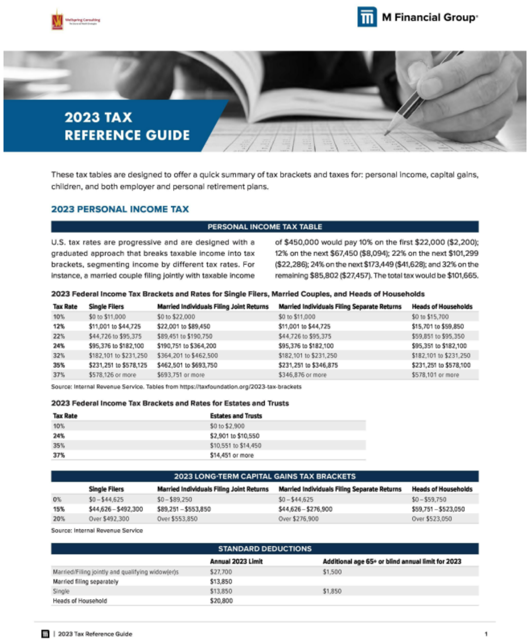
Read more >

Tax Planning

IRS Announces Jan. 23 Start Date for Tax Filing Season

Agency leadership says taxpayers should expect a smoother filing season this year.

[Read more >]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2023 TAX
REFERENCE GUIDE

These tax tables are designed to offer a quick summary of tax brackets and taxes for: personal income, capital gains, children, and both employer and personal retirement plans.

2023 PERSONAL INCOME TAX

PERSONAL INCOME TAX TABLE

U.S. tax rates are progressive and are designed with a graduated approach that breaks taxable income into tax brackets, segmenting income by different tax rates. For instance, a married couple filing jointly with taxable income of $450,000 would pay 10% on the first $22,000 ($2,200); 12% on the next $67,450 ($8,094); 22% on the next $101,299 ($22,286); 24% on the next $173,449 ($41,628); and 32% on the remaining $85,802 ($27,457). The total tax would be $101,665.

2023 Federal Income Tax Brackets and Rates for Single Filers, Married Couples, and Heads of Households

Tax Rate	Single Filers	Married Individuals Filing Joint Returns	Married Individuals Filing Separate Returns	Heads of Households
10%	$0 to $11,000	$0 to $22,000	$0 to $11,000	$0 to $15,700
12%	$11,001 to $44,725	$22,001 to $89,450	$11,001 to $44,725	$15,701 to $59,850
22%	$44,726 to $95,375	$89,451 to $190,750	$44,726 to $95,375	$59,851 to $95,350
24%	$95,376 to $182,100	$190,751 to $364,200	$95,376 to $182,100	$95,351 to $182,100
32%	$182,101 to $231,250	$364,201 to $462,500	$182,101 to $231,250	$182,101 to $231,250
35%	$231,251 to $578,125	$462,501 to $693,750	$231,251 to $346,875	$231,251 to $578,100
37%	$578,126 or more	$693,751 or more	$346,876 or more	$578,101 or more

Source: Internal Revenue Service. Tables from https://taxfoundation.org/2023-tax-brackets

2023 Federal Income Tax Brackets and Rates for Estates and Trusts

Tax Rate	Estates and Trusts
10%	$0 to $2,900
24%	$2,901 to $10,550
35%	$10,551 to $14,450
37%	$14,451 or more

2023 LONG-TERM CAPITAL GAINS TAX BRACKETS

	Single Filers	Married Individuals Filing Joint Returns	Married Individuals Filing Separate Returns	Heads of Households
0%	$0 – $44,625	$0 – $89,250	$0 – $44,625	$0 – $59,750
15%	$44,626 – $492,300	$89,251 – $553,850	$44,626 – $276,900	$59,751 – $523,050
20%	Over $492,300	Over $553,850	Over $276,900	Over $523,050

Source: Internal Revenue Service

STANDARD DEDUCTIONS

	Annual 2023 Limit	Additional age 65+ or blind annual limit for 2023
Married/Filing jointly and qualifying widow(er)s	$27,700	$1,500
Married filing separately	$13,850	
Single	$13,850	$1,850
Heads of Household	$20,800	

| 2023 Tax Reference Guide 1

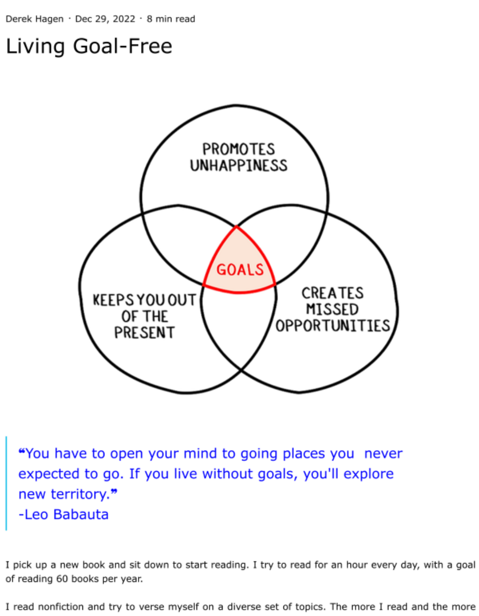
2023 Tax Reference Guide

These tax tables are designed to offer a quick summary of tax brackets and taxes for: personal income, capital gains, children, and both employer and personal retirement plans.

(You can still find a copy for 2022 here.)

Read more >

Conversations Around Money


Derek Hagen · Dec 29, 2022 · 8 min read

Living Goal-Free

"You have to open your mind to going places you never expected to go. If you live without goals, you'll explore new territory."
-Leo Babauta

I pick up a new book and sit down to start reading. I try to read for an hour every day, with a goal of reading 60 books per year.

I read nonfiction and try to verse myself on a diverse set of topics. The more I read and the more topics I read about, the more things start to synthesize, and I learn more about the

"Living Goal Free"

The problem with achieving this goal is that I may have missed other opportunities because I was too focused on one particular outcome *(i.e., avoid tunnel vision)*.

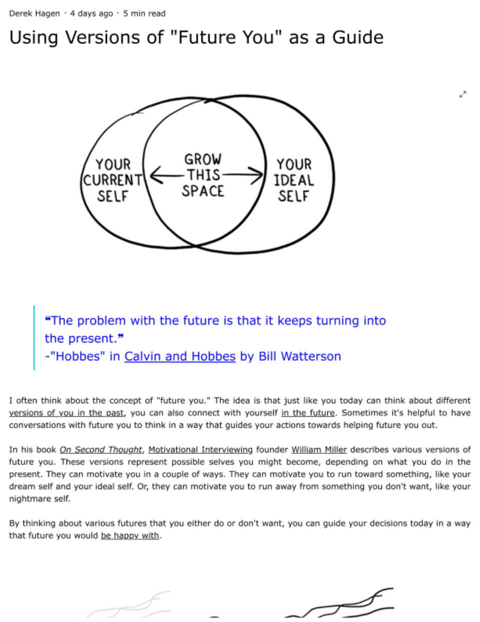
Especially pertinent for individuals that set New Year's resolutions.

Read more >

Using Versions of "Future You" as a Guide

Tangentially, on the prospects of setting New Year's resolution and change.

Read more >


Derek Hagen · 4 days ago · 5 min read

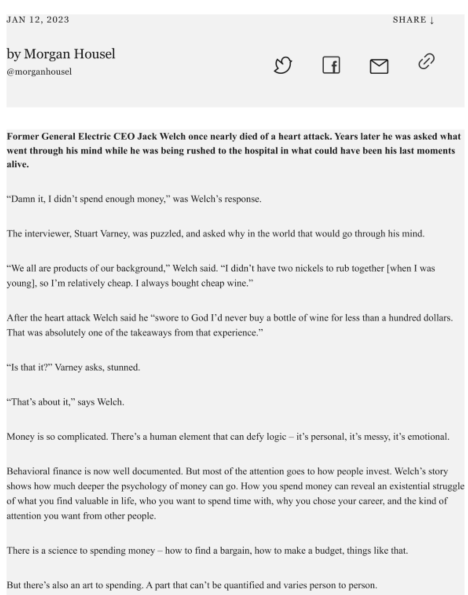
Using Versions of "Future You" as a Guide

> "The problem with the future is that it keeps turning into the present."
> -"Hobbes" in Calvin and Hobbes by Bill Watterson

I often think about the concept of "future you." The idea is that just like you today can think about different versions of you in the past, you can also connect with yourself in the future. Sometimes it's helpful to have conversations with future you to think in a way that guides your actions towards helping future you out.

In his book *On Second Thought*, Motivational Interviewing founder William Miller describes various versions of future you. These versions represent possible selves you might become, depending on what you do in the present. They can motivate you in a couple of ways. They can motivate you to run toward something, like your dream self and your ideal self. Or, they can motivate you to run away from something you don't want, like your nightmare self.

By thinking about various futures that you either do or don't want, you can guide your decisions today in a way that future you would be happy with.


JAN 12, 2023 SHARE ↓

by Morgan Housel
@morganhousel

Former General Electric CEO Jack Welch once nearly died of a heart attack. Years later he was asked what went through his mind while he was being rushed to the hospital in what could have been his last moments alive.

"Damn it, I didn't spend enough money," was Welch's response.

The interviewer, Stuart Varney, was puzzled, and asked why in the world that would go through his mind.

"We all are products of our background," Welch said. "I didn't have two nickels to rub together [when I was young], so I'm relatively cheap. I always bought cheap wine."

After the heart attack Welch said he "swore to God I'd never buy a bottle of wine for less than a hundred dollars. That was absolutely one of the takeaways from that experience."

"Is that it?" Varney asks, stunned.

"That's about it," says Welch.

Money is so complicated. There's a human element that can defy logic – it's personal, it's messy, it's emotional.

Behavioral finance is now well documented. But most of the attention goes to how people invest. Welch's story shows how much deeper the psychology of money can go. How you spend money can reveal an existential struggle of what you find valuable in life, who you want to spend time with, why you chose your career, and the kind of attention you want from other people.

There is a science to spending money – how to find a bargain, how to make a budget, things like that.

But there's also an art to spending. A part that can't be quantified and varies person to person.

The Art and Science of Spending Money

Former General Electric CEO Jack Welch once nearly died of a heart attack. Years later he was asked what went through his mind while he was being rushed to the hospital in what could have been his last moments alive.

Read more >

Wellspring Consulting Homepage

Phone: (408) 435-1668

For additional inquiries, please email us HERE.