

# Q4 2022 News

January 19, 2023

## SECURE 2.0 Act: Later RMDs, 529-to-Roth Rollovers, and Other Tax Planning Opportunities

The Consolidated Appropriations Act of 2023, which was signed into law on December 29, 2022, includes many changes to the retirement planning landscape (known as The SECURE 2.0 Act of 2022) that will affect IRA owners and retirement plan participants.

Here are some of the highlights:

### **Required Minimum Distributions (RMDs) from qualified retirement accounts are delayed.**

The new starting age has been delayed to age 73 for those born between 1951-1959 and to age 75 for those born in 1960 or later. The previous starting age was 72.

### **The penalty for missed RMDs has been reduced.**

The 50% penalty for missed RMDs has been reduced to 25%. If corrected in a timely manner, the penalty is further reduced to 10%.

### **The Qualified Charitable Distributions (QCDs) starting age remains unchanged at 70 ½.**

The annual limit for QCDs, currently \$100,000, will be indexed for inflation starting in 2024.

*Continued on back*



Index	3rd Quarter Total Return	YTD Total Return
S&P 500	7.56%	-18.11%
Russell Mid Cap	9.18	-17.32
Russell 2000	6.23	-20.44
MSCI EAFE	17.34	-14.45
Bloomberg Barclays US Aggregate Bond	1.87	-13.01
Bloomberg Barclays Muni Bond	4.10	-8.53
Dow Jones Industrial Average	16.01	-6.86

\*Index return data as of 12/31/2022 provided by Morningstar Direct<sup>SM</sup>

## Quarterly Market Review

There were few places to hide and “cash was king” throughout 2022 as markets were battered by the shocking war in Ukraine and a tense geopolitical backdrop abroad, along with unwelcome inflation, rising interest rates, and a suddenly aggressive Federal Reserve Board here at home.

- While stocks recovered some ground over the entirety of the 4th quarter, there was no “Santa Claus rally” for stocks. Historically, December has been one of the strongest months for stock market investors, but stocks declined in the final month of 2022, perhaps a fitting end to a disappointing year.
- “Don’t fight the Fed” has been simple and prudent advice for investors over the years, suggesting a conservative approach is called for when the Federal Reserve is raising rates. Caution was certainly in order for 2022 as the Federal Reserve raised rates off of the “zero lower bound” starting in March and subsequently raised rates at the next 6 meetings to a target range of 4.25%-4.50% by December. This added pressure to markets already reeling from Russia’s invasion of Ukraine in February.
- The Bloomberg US Aggregate Bond Index experienced the largest yearly decline on record in 2022, as the Federal Reserve took its most aggressive action in decades to bring down inflation that was initially considered “transitory” but has persisted much longer than anticipated. Bond prices adjusted downward as interest rates moved higher over the year, leaving bond investors with two consecutive years of negative returns for the first time since the Index’s inception in 1986.

## News & Notes

- The concept of TINA (There Is No Alternative) that applied to investors’ preference for stocks over low-yielding bonds over much of the period following the ’08 - ’09 Global Financial Crisis has been shaken up, as bond yields now offer an attractive alternative to stocks.
- November’s mid-term elections resulted in a divided Congress as Republicans narrowly won control of the House, while Democrats slightly expanded their majority in the Senate. After every mid-term election since World War II stocks have been higher one year later.
- U.S. GDP growth is expected to register a positive figure for the 4th quarter and for the 2nd half of 2022 after a slight contraction in the 1st half of the year. Even so, the jury is still out on whether the U.S. economy can avoid a recession in 2023, as many economists and reliable economic indicators such as the Conference Board’s Leading Economic Index® are suggesting.

*Where Families Invest*



## About Us

Triangle Wealth Management is a privately owned investment advisory firm that specializes in assisting families with developing a realistic strategic plan to provide the best opportunity for achieving their long-term financial goals as prudently as possible.

We provide clients structure, clarity, confidence and reassurance as they move toward the next phase of life.

Our clients value our honesty, integrity, transparency and genuine concern for their well-being.

**We are in business to serve our clients.**

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## SECURE 2.0 Act: *continued*

### **Additional employer contributions are now eligible for Roth treatment.**

Beginning in 2023, employers will be permitted to deposit matching and/or nonelective contributions to employees’ designated Roth accounts (e.g., Roth accounts in 401 (k) and 403 (b) plans).

### **High-wage earners will be required to use Roth option for catch-up contributions.**

Starting in 2024, this rule will apply to eligible retirement plan participants who earn more than \$145,000.

### **529 plan to Roth IRA rollovers will be available to some individuals in 2024.**

529 Plan to Roth IRA transfers will be allowed up to the annual contribution limit for the designated beneficiary with earned income. The lifetime limit is \$35,000 and the 529 account must have been open for 15 years or more.

### **Increased retirement plan catch-up contributions for participants in their early 60’s.**

Effective for 2025 and future years, participants who are ages 60 to 63 will have their plan catch-up contribution limit increased to the greater of \$10,000 or 150% of the regular catch-up contribution amount.

To learn more about how the new regulations may impact you and your family, contact your Triangle relationship manager.

## Save the Date January 26<sup>th</sup> at 10:00 am ET

Please join us for our Town Hall Meeting. Scott Loyek, Managing Director, CIO, will provide a review of 2022 and share our outlook for 2023. Kathleen Burkett, Managing Director, Financial Planning, will also provide an update on the regulatory environment and the recent changes to SECURE 2.0 ACT. The presentation will be delivered via Zoom. A registration link will be sent out by email in early January. If you are unable to join us, a replay will be available.

## Congratulations

On December 22, 2022, Sara and Paul Reynolds welcomed their son Charles (Charlie) Fisher Reynolds to the world, a true Christmas miracle.

Please join us in wishing congratulations to the proud new grandparents, aunt, uncle, and parents on the arrival of sweet baby Charlie. We wish you all the love and happiness for you and your growing family.



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