SJS Investment Services®

APRIL 2023

2023 OUTLOOK Q1

YOUR LEGACY

By Founder & CEO Scott J. Savage

Estate Planning, Multi-Generational Planning, Legacy Planning, Gifting, and Philanthropy Planning. Have you checked these boxes yet in your financial plan? If you are lying awake asking yourself in the quiet of the night, "What should we do with our wealth when we die?", please read on because in this article you will find potential answers, next steps, and resources.

It's natural to have this nagging question appear out of the blue and then fade for a time, only to resurface when you least expect it. Often it's the part of the financial plan that you will "get to later." With this article, my hope is that "later" turns into today once you see how approachable and meaningful this process can be. Here is some encouragement to get you started:

1. **Be intentional** – As you tackle the question of your legacy, take time to contemplate what is important to you and your family. Thinking in terms of purpose, instead of people first, is often very clarifying and exciting.
2. **Create a legacy plan** – The best answers to the question of legacy come in the form of a plan, not a single answer. You have options. Consider them and decide which ones are best

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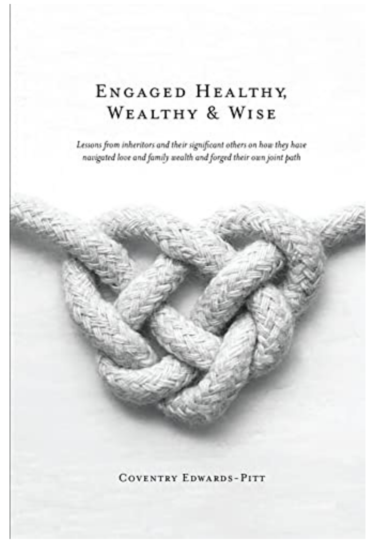
for you. I believe in the saying, "Failing to plan is planning to fail."

3. **It's not one-and-done** – This can be a very freeing reality. The plan you create today does not have to be your forever plan. In fact, it likely *will not* be your forever plan. Revisit your plan every few years and adjust it as your life changes.
4. **Procrastination is the enemy** – Now that you know your plan can and will shift over time, it takes the pressure off of the need for life-long perfection. Waiting only makes the task loom larger. There's peace of mind in knowing that you have set forth guidance for heirs and beneficiaries.
5. **Benefit society sooner than later** – Why wait until you're gone to put your wealth to use in a meaningful cause? Many people take great joy in seeing the impact their wealth is making while they are living. Well-conceived and well-executed philanthropic advice can make an astounding impact right now as well as later.
6. **Prepare for the transfer of wealth** – Ideally, the capital that you pass on to the next generation grows, surpassing your own impact on society. On the other hand, it can be a minefield if inheritors aren't prepared for the responsibility. You can help prepare them now for the potential bias against "silver spoon" wealth, or the guilt and shame that can come from unearned riches.

When you're ready to begin the journey of a well-conceived legacy plan, please let us know if we may be of help. In the meantime, here are some books and references to prepare you for what you'll encounter. These are not hypothetical situations. We see the stories in these books play out often.

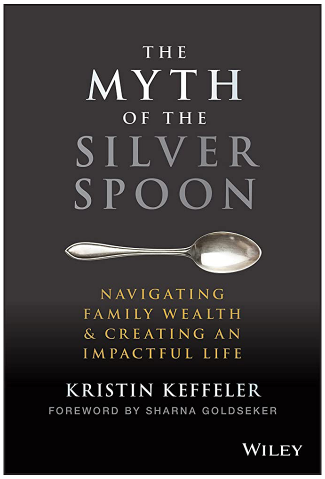
Worthy Reading:

Engaged Healthy, Wealthy & Wise by Coventry Edwards-Pitt



This book imparts lessons from inheritors and their significant others on how to navigate love, family wealth, and forging their own paths. Edwards-Pitt writes about experiences I have encountered advising many SJS clients through the years. Parents and grandparents instinctively want to help their kids and grandkids, and unwittingly "rob" them of the need to "figure it out" on their own. Emerging adults gain a sense of identity by getting a job, paying their bills, renting an apartment, and often, falling in love. When these emerging adults are shielded from these experiences, they never build their own identities. They aren't prepared, often lack the tools, and therefore hide from the burden of responsibility. Edwards-Pitt also heroically challenges the status quo in most planning circles that prenuptial agreements are a necessary risk management box that those with inherited wealth must check. Through her experience, she concludes that the human risks of prenuptial agreements outweigh the legal risks. Based on my experience, I agree with her conclusion.

The Myth of the Silver Spoon by Kristin Keffeler



In her book, Keffeler tackles the emotional realities of inherited wealth. Better still, she offers up tactics to transcend negative thinking and behaviors that can come from wealth and money. These include putting words to difficult feelings and gaining a healthy sense of identity. She also delivers experiences and insight into how affluent parents can raise children to avoid entitlement and helplessness while helping them discover and sustain their own personal vision for a fulfilling, impactful life. If you are at the child-rearing or grandchild-enjoying stage of life, this book is a must-read because it not only provides identifiable stories that teach, it gives you methods that, as a family, you can talk about and practice. It's an ounce of prevention that is worth a pound of cure.

I'd like to say that I "followed all of the parenting rules," and did all this right. But as a parent of four grown children and two young grandchildren, I admit to violating some of the advice offered by these two authors. But their guidance to establish a plan and prepare a vision for "when I'm gone," that I have done. It can be an amazing journey when done with the right advisor. I'd love to help you and guide you and make it a positive, rewarding experience in your life. If you are open to the offer, let's get started by understanding your unique circumstances, and having an open, honest discussion. That's the backdrop, and from it can come the best advice.

TOMORROW'S HEADLINES TODAY

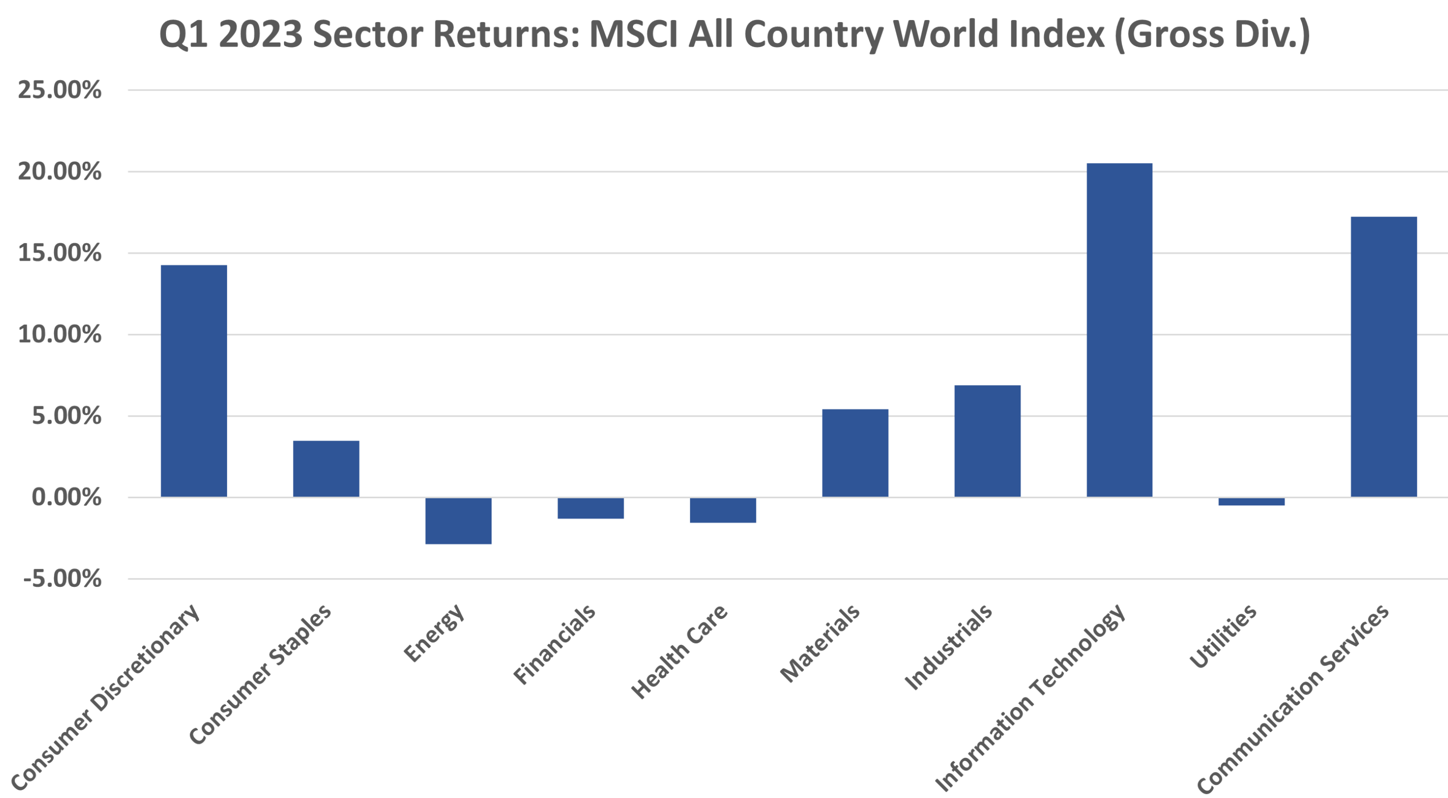
By Chief Investment Officer Tom Kelly, CFA

What if you could get the headlines of the market before everyone else? Do you think it would make you a better investor? Provide you with an edge to get that "superior return" you've always wanted? In some cases, perhaps, but in others, I suspect the market's ability to move unexpectedly could leave you worse off.

What if I told you at the beginning of the year that the largest tech companies would continue their string of layoffs, the bank most tied to serving Silicon Valley technology firms would suffer a bank run and collapse, and central bankers would continue to raise interest rates? Would you have guessed the technology sector in the global stock market (as measured by the MSCI All Country World Index (Gross Div.)) would be up over 20%? Doubtful.

Certainly, there are other factors at play than the ones above (the expectation of an end to Fed interest rate hikes is likely a large contributor to technology outperformance), but that's how the market operates. The variables we think matter often don't (or matter less), and outside events often disrupt or complement even the most well researched thesis.

The market's reaction to tech in the first quarter is another reminder of how hard it is to time and predict the market, even if you "know" what is going to happen. The moral of the story is that we need to remain diversified and invested, even if we think we know how the story might end.



Source: Morningstar, as of March 31, 2023. The MSCI ACWI Index is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets, consisting of 47 country indices comprising 23 developed and 24 emerging market country indices. The index performance figures assumes the reinvestment of all income, including dividends and capital gains. See Important Disclosure Information.

HOW THE SECURE 2.0 ACT MAY IMPACT YOUR FINANCES

By Investment Associate Bobby Adusumilli, CFA

In 2019, the SECURE Act was signed into law with the goal of helping people to save and invest for retirement.[1] In efforts to further improve retirement plan saving and investing, the SECURE 2.0 Act was signed into law in December 2022.[2] We want to highlight how this act may impact your finances.

Option For Roth Matching & Non-Elective Employer Contributions To Retirement Plans

Beginning in 2023, employer retirement plans (such as 401(k)s and 403(b)s) will be able to offer the option for employees to receive matching and non-elective employer contributions as Roth contributions, which are immediately vested. The Roth employer contributions would be added to the employee's taxable income for that year. It is important to recognize that this is optional for your employer, and this feature may not be available yet on your employer's retirement platform.

Increasing The Beginning Age For Required Minimum Distributions (RMDs)

Currently, owners of retirement accounts including Traditional 401(k), 403(b), 457(b), and IRA accounts are required to begin taking RMDs from these accounts starting at age 72. Based on birth year for people who have not already begun taking RMDs, the SECURE 2.0 Act changes the beginning age for RMDs to the following:

Birth Year	Age When RMDs Begin
1950	72
1951-1959	73
1960 or later	75

Required Roth Catch-Up Contributions For High Wage Earners For Employer Retirement Plans

Effective in 2024, for employees age 50+ who made at least $145,000 in wages (will be adjusted for inflation going forward) in the previous year from an employer, any catch-up contribution to that employer's retirement plan must be a Roth contribution. If an employer retirement plan doesn't offer a Roth catch-up contribution option, then catch-up contributions are not allowed for anyone for these employer retirement plans. Roth catch-up contributions do not apply for self-employed individuals, nor do they apply to IRAs such as SIMPLE IRAs.

Higher Catch-Up Limits For Employer Retirement Plans For Participants Age 60-63

Currently for employer retirement plans, participants age 50+ may make catch-up contributions of $7,500 to a 401(k) or 403(b), or $3,500 for SIMPLE IRAs. Starting in 2025, individuals age 60-63 will have the ability to make larger catch-up contributions. For a 401(k) and 403(b), the annual catch-up contribution limit for people age 60-63 will increase to the greater of $10,000 or 150% of the regular catch-up amount for 2024. For a SIMPLE IRA, the annual catch-up contribution limit for people age 60-63 will increase to the greater of $5,000 or 150% of the regular catch-up amount for 2025. These catch-up contribution limits will be indexed for inflation beginning in 2026.

Ability To Offer Roth Option For SIMPLE IRA & SEP IRA Plans Beginning In 2023

Limited Ability To Transfer A 529 Balance To A Roth IRA

Starting in 2024, a 529 plan beneficiary whose account has existed for at least 15 years may be able to use their balance to make Roth IRA contributions cumulatively up to $35,000 throughout their lifetime, subject to conditions.

- Annually, the total amount you contribute to a Roth IRA - both via money earned as well as through a 529 account - cannot exceed the Roth IRA contribution limits.
- You must have earned at least corresponding income within the year to contribute 529 account money to your Roth IRA.
- Any contributions and associated earnings made to the 529 account within the previous five years are ineligible to be transferred to a Roth IRA.

This aspect of the SECURE 2.0 Act is complicated, and we expect further rule clarifications in the future.

Employer Matches For Student Loan Payments

Effective in 2024, employers will be able to to offer employer matches for eligible federal student loan payments made by participants. The student loan payments will be treated as salary deferrals for vesting and matching purposes. It should be noted that this is an option for employers, but not an obligation.

For IRAs, The Catch-Up Limit As Well As Qualified Charitable Distributions (QCDs) From Traditional IRAs Will Be Indexed To Inflation Starting In 2024

As always, if you would like to discuss how the SECURE 2.0 Act may impact you and your family, please reach out to us.

LOOKING FORWARD TO Q2 2023

As we enter the second quarter of 2023, we want to highlight a few dates and events to keep in mind:

- **Friday, April 7th:** U.S. stock and bond markets closed and SJS offices closed in observance of Good Friday.
- **Tuesday, April 18th:** U.S. 2022 federal tax returns due.
- **Monday, May 29th:** SJS offices closed and U.S. stock and bond markets closed in observance of Memorial Day.
- **Monday, June 19th:** U.S. stock and bond markets closed in observance of Juneteenth.
- **Wednesday, June 21st:** First day of Summer: Hoping the Summer sun provides happy occasions and warm memories for you and your family!
- **Tuesday, July 4th:** SJS offices closed and U.S. stock and bond markets closed in observance of Independence Day. (Did you notice? We cheated a bit: July 4th is technically Q3, but we got carried away by summertime thoughts and are already excited to celebrate our nation's founding!)

ABOUT SJS INVESTMENT SERVICES

SJS Investment Services has been serving as investment advisor and co-fiduciary for families, individuals, business owners, foundations, public entities, retirement plans, and corporations since 1995 through our proprietary process called MarketPlus Investing®.

With more than $2.0 billion* in assets under management, we bring you major money center investment experience and a team of people whose small-town values put you first, all the time, every time.

*As of 03/31/2023

You come first.

All the time. Every time.™

[1] "H.R.1994 - Setting Every Community Up for Retirement Enhancement Act of 2019". United States Congress, 2019, congress.gov.bill.

[2] "SECURE 2.0 Act of 2022". United States Senate Committee on Finance, 19-Dec-2022, finance.senate.gov.

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