SilverStar Insights

for your wealth

SILVERSTAR WEALTH MANAGEMENT
Plan • Invest • Guide

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No Place to Hide! With the Feds continuing their interest rate hikes, bonds have not provided the traditional haven from stock market declines. Bonds are facing downward pressures as interest rise and have fallen with stocks. Those sitting in cash are losing purchasing power due to high inflationary pressures and will likely miss the recovery when it happens, as history has shown. It is very difficult, if not impossible, to time the markets. You would have to get it right twice; when to get out and when you get back in. And, as history has shown in Figure 1, 50% of the highest daily returns happen during Bear markets and 28% within the first two months of a bull market***.*** *As the data suggests, people waiting for good news before getting back into markets may miss up to 78% of the best days since the markets often recover well before the good news.* ***It is time in the markets that counts!***

"You make most of your money in a bear market, you just don't realize it at the time."*—Shelby Cullon Davis, Founder of Davis Funds*

Bear markets can be frightening. As my colleague, Jay Mooreland, states so well, "Most people feel the pain of loss more intensely than the joy from gain."[1] We will discuss the importance of managing our emotions and having a well-defined, long-term financial plan/retirement income plan to ease our concerns, so we can live our lives with purpose, without the stress of headlines.

Market View

2022 Performance of Capital Markets	
S&P 500 - The S&P 500 (Standard & Poor's Index) is a stock market index containing the stocks 28 500 American corporations with large market capitalization that are considered to be widely held.	**-23.87%**
MSCI EAFE – The MSCI EAFE serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia.	**-26.68%**
Barclays U.S. Aggregate Bond – The Barclays U.S. Aggregate Bond Index is an index of U.S. dollar-denominated, investment-grade U.S. corporate, government and mortgage-backed securities.	**-15.84%**
10-Year Treasury Yield Rate (as of 6/30/22)	**3.83%**

Sources: Morningstar (Performance from 1/1/2022 to 9/30/2022)
Treasury.gov (As of 9/30/2022)

With stocks and bonds down around 25% and 15%, respectively, there has been no place to hide. We are now in the 3rd quarter of this bear market, defined as a drop of more than 20% for stocks.

1 .Jay Mooreland. "The Emotional Investor," Paperback Expert, 2015.

We have not seen a market downturn by this amount, without a qualified recession, in over 80 years.[2] Several catalysts led us to where we are today. Covid supply chain issues and Covid stimulus money led to an unprecedented increase in the M2 money supply (checking, savings, and money market accounts) which drove consumer demand and inflation.

Russia's invasion of Ukraine impacted inflation by driving the fuel and food prices up considerably, compounding the Fed's efforts to contain inflation. Food, fuel, and housing are today's key drivers of inflation, although housing inflation is beginning to slow with new mortgage rates around 7% today compared to 3% a year ago.

The Feds expected the inflation to be "transitory" and are now fighting inflation with interest rate hikes and balance sheet reduction with quantitative tightening, reversing the trend of quantitative easing established after 2008 and during the Covid recession.

Some predict that we may already be in a technical recession, but the strong employment numbers suggest otherwise. Either way, the economy is expected to slow, which will put downward pressures on corporate earnings leading some economists to expect a recession in 2023.

The Feds certainly have a challenge in containing inflation while navigating a soft landing without a recession. Although, they have communicated their desire to get inflation down, which is necessary to set up conditions for a healthy economy and set up the next bull market run. There have always been recoveries after bear markets. The challenge is that no one can accurately predict when it will begin. Oftentimes the bull markets start months before a recession is confirmed or ended and before the next bull market**.** Figure 1. Highlights the importance of staying invested during bear markets.

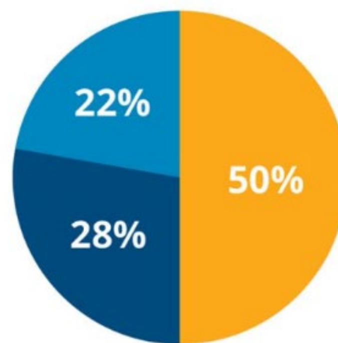
"The investor's chief problem—and his worst enemy—is likely to be himself. In the end, how your investments behave is much less important than how you behave." -**Benjamin Graham**

Figure 1.

Best Days in Bear Markets (1992-2021)

Good Days Happen in Bad Markets

S&P 500 Index Best Days: 1992–2021



50 Best Days

During a Bear Market
During the First Two Months of a Bull Market
During the Rest of a Bull Market

Past performance does not guarantee future results. Indices are unmanaged and not available for direct investment. For illustrative purposes only.
Data Source: Ned Davis Research, Morningstar, and Hartford Funds, 2/22.
Source: Hartfordfunds.com, "Timing the Market is Impossible," 10/22

We need to remember that the financial markets are forward-looking and respond to expected future events. That is why at times, good headlines cause bad market performance, and bad headlines cause good market performance.

As Figure 2 shows the value of $10,000 invested from 1992 to 2021, with an ending value of approximately $208,215 being invested 100% of the time, whereby if you missed the ten best days, your ending value dropped to $95,390.

Remember that up to 78% of the best days are in bear and early bull markets! Bad odds to bet against!

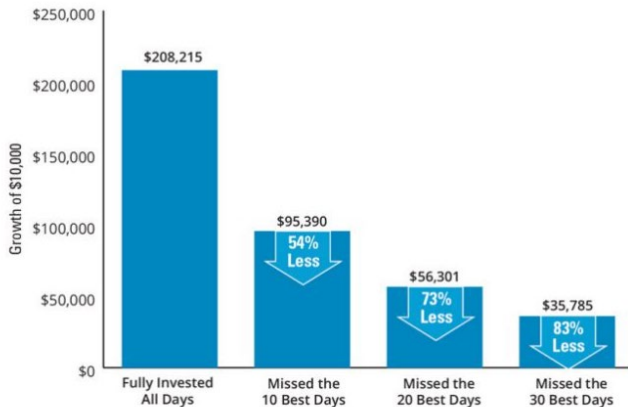
2 Christopher Riggs, "Hitting the Brakes," Alphalytics Research, Webinar, October 17, 2022.

Figure 2.

The Cost of Missing the Best Days

Missing the Market's Best Days Has Been Costly

S&P 500 Index Average Annual Total Returns: 1992–2021



Past performance does not guarantee future results. Indices are unmanaged and not available for direct investment. For illustrative purposes only.
Data Source: Ned Davis Research, Morningstar, and Hartford Funds, 2/22.
Source: Hartfordfunds.com, "Timing the Market is Impossible," 10/22

"The stock market is a device to transfer money from the impatient to the patient."

"A market downturn doesn't bother us. It is an opportunity to increase our ownership of great companies with great management at good prices."
-Warren Buffet

As investors, we know that bear markets happen, and today's headlines and stress are not much different from the ones of the past.

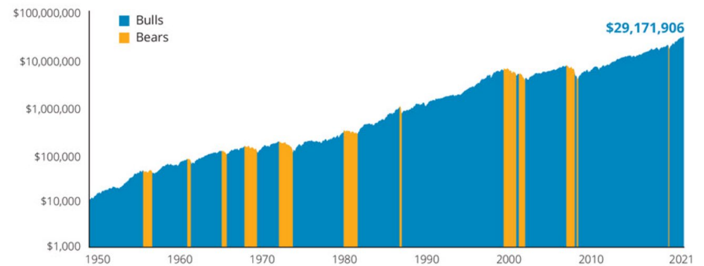
As Figure 3 illustrates, bear markets have always been a part of investing. We as investors should not fear market volatility because, without it, we would never get market-like returns over time!

Volatility is our friend as investors, but it sure does not feel like it in market downturns.

Figure 3.

The Big Picture ($10,000 invested from 1950 to 2021)

Market Cycles – Hypothetical Growth of $10,000 Invested in S&P 500 Index (1950-2021)



Past performance does not guarantee future results. Indices are unmanaged and not available for direct investment. For illustrative purposes only.
Data Source: Ned Davis Research, Morningstar, and Hartford Funds, 1/22.
Source: Hartfordfunds.com, "Timing the Market is Impossible," 10/22

While keeping up with the news is important, we must remind ourselves that bad news is more likely to make headlines than good news. There are numerous studies on how bad news affects our minds and often causes us to make irrational decisions.

"Only when you combine sound intellect with emotional discipline do you get rational behavior." **-Warren Buffet**

No economist can predict the future with certainty, which is why there is such a wide range of predictions in the news. No one knows for sure. *That is why staying invested and having a portfolio utilizing sound asset allocation, and diversification is so critical!*

"The function of economic forecasting is to make astrology look respectable."
-John Kenneth Galbraith

How to Weather the Storm

We need to focus on what we can control and plan around what we do not control.

- **Create or update your financial/retirement income plan.** Without a plan, you cannot see your big picture and how to tax-efficiently reach your goals with minimal risk. The plan will

also help you in determining what investments you should consider based on your goals, and *your long-term plan is what matters!*

"If you fail to plan, you are planning to fail!"
-Benjamin Franklin

Do not focus on short-term headlines. Times like today are a great time to review and update your plan to help ensure you will be ok. Having a plan allows you to focus on the big picture.

- **Review your asset allocation and diversification**. Having non-correlated assets within investment portfolios helps to reduce the overall risk of the portfolio because when one asset class may be down, others may be up.

  We cannot predict what asset class will be next year's winners. Numerous studies prove that even the well know names in the business cannot. Therefore, it is critical to use many different asset classes and diversify companies within each asset class.

  An properly allocated investment portfolio contains numerous asset classes in the same way a pie recipe contains numerous ingredients. Some ingredients may taste bitter by themselves, but when combined with other non-correlated ingredients, they produce a great-tasting pie. The same is true for allocating investments with non-correlated investments.

- **Avoid emotional investing.** As the charts suggest, we cannot time the markets. The best policy **IF** you are properly allocated and diversified according to your risk tolerance and in alignment with your overall financial/retirement income plan is to block out the noise!

- **Maintain an emergency fund.** Good planning requires that we maintain sufficient cash on hand for unexpected emergencies.

- **Recheck you risk tolerance.** Some investors may believe they are a certain risk level only to find out differently during a bear market. If this is you, please let us know, and we can have discussions about your options. Keep in mind that it is often costly to become more conservative in market corrections. Wisdom and history may suggest becoming more aggressive if your risk level and situation allow for it.

- **Consider tax loss harvesting in non-retirement accounts.** By selling the investments at losses and reinvesting after 30 days allows for tax losses to be used against current, and future gains, and can carry forward remining unused losses to offset future gains. In addition, you can write off $3,000 per year against ordinary income.

- **LIVE YOUR LIFE with PURPOSE** and tune out the noise! Stop and sit back and acknowledge that history shows that bear markets come and go, with new bull markets eventually setting new highs.

Understanding IRA Options and Mistakes to Avoid

In 2021, there was an estimated 13.9 trillion dollars in Individual Retirement Accounts (IRAs) which represented almost double what was estimated to be in 401(k) plans at approximately 7.7 trillion dollars.[3] This differential will likely grow as Baby Boomers retire at around 10,000 per day and will likely roll over their company retirement plans to IRAs for more investment options. To make wise and informed decisions and avoid costly mistakes, it is critical to understand IRAs and the maze of rules and options surrounding them for retirement income, tax, and estate planning considerations.

3 "Value of retirement assets in U.S. 1995-2021, by type," Statista.com, August 5, 2022.

The traditional IRA was first authorized by the Employee Retirement Income Security Act of 1974 (ERISA), which allowed workers who did not participate in a pension plan at work to make up to $1,500 contribution to an IRA in their name for that year. Later, the Economic Recovery Act of 1981 allowed workers' spouses to become eligible to make IRA contributions.

The Tax Reform Act of 1986 expanded the eligibility for tax-deductible contributions to individuals who also participate in an employer sponsor plan but with earnings below specified thresholds.

The limits of IRA contributions have risen from $1,500 in 1974 to $6,000 in 2022. In addition, the Economic Growth and Tax Relief Reconciliation Act of 2001 made provisions for those age 50 and older for an additional "catch-up" contribution of $500 beginning in 2002.

Today, the 2022 catch-up contribution is $1,000 for those 50 and older, in addition to the regular contribution limit of $6,000, allowing someone age 50 or older a maximum combined contribution of $7,000.

IRAs can also be funded with employer plan rollovers. There are four triggering events that may allow for a lump sum IRA rollover from an employer plan:

1. Death of the employee
2. Disability of the employee
3. Separation from service
4. Reaching age 59 ½ (if the plan allows the employee In-Service Distributions while still employed to better diversify and plan for retirement). Employees can still participate in the employer retirement plan if they elect an In-Service Distribution.

People contributing to IRAs and some 401(k)s and other employer-sponsored plans may have a choice to make contributions to a traditional IRA/401(k) (pre-tax/tax-deductible) or to a Roth IRA/401(k) (after-tax/non-tax-deductible) depending on their eligibility.

The traditional pre-tax contributions (seeds) provide a tax deduction on the seed dollars contributed, but distributions (harvest) will be taxable.

Roth contributions are made with after-tax contribution seed dollars and therefore do not get a tax deduction upfront, but distributions (harvest) are 100% tax-free if distributions are qualified. For Roth distributions to be qualified, two conditions must be met:

1. The owner must be 59 ½, dies, or becomes disabled, AND
2. The account must have been established for five years.

The pre-tax or after-tax Roth contribution choice boils down to whether a person wants tax benefits on the contributions/seeds today or on the qualified distribution/harvest later.

Traditional vs. Roth IRAs – The Similarities

Eligibility. To be eligible to make traditional or Roth IRA contributions, the account owner, or their spouse, must have *"earned income"* in the tax year of the contribution up to the contribution amount. Earned income is from working as an employee or from self-employment net income. Pension, rental, or investment income is not earned income.

Before 2020, traditional IRA contributions were not available to those over 70 ½, but the SECURE Act of 2019 changed that, and beginning in 2020, traditional IRA, as well as Roth IRA contributions, are available to all ages if they or their spouse have earned income for that year.

TIP: Children who have *"earned income"* can make IRA contributions. A baby paid for modeling or paying children to do chores around the house is considered earned income. A minor would require a custodial IRA. Contributing to the Roth IRA may be best for children since they are usually in low-income tax brackets, and qualified distributions can be tax-free after age 59 ½.

It is essential to document children's earnings and perhaps even file a tax return for them, even if not required, to record their earned income for that year.

***Example*:** If a child started contributing to a Roth IRA at the age of 10 with $1,000 per year, age of 18 with $3,000 per year, age of 24 with $6,000 per year, and age of 50 at $7,000 per year, at an average rate of return of 8%, they

would have accumulated approximately $2,624,218. At a 10% average rate of return, the accumulated value would be almost double at $5,119,869.

The rule of 72 tells us how long it will take to double your money by dividing the assumed rate of return into 72.

Examples:
72/2% rate of return = 36 years
72/8% rate of return = 9 years

Remember, Roth IRA account distributions may be 100% tax-free if the distributions are qualified versus being 100% taxable from a traditional IRA.

Retirement Saver's Credit. Another important tax benefit some may also be eligible for is the Retirement Saver's Credit which is available for those who make traditional, Roth, and other company-sponsored retirement plan contributions and who have Modified Adjusted Gross Income (MAGI) below certain levels.

To be eligible for this credit, a person must:

1. Be age 18 or older
2. Not be claimed as a dependent on another person's return, and
3. Not be a student

The maximum amount of credit a person may earn is $1,000 ($2,000 if married and filing jointly).

The 2022 Retirement Saver's Credit phaseouts are:

- Married filing jointly; the phaseout begins at $41,000 to $68,000
- Head of household; the phaseout starts at $30,750 to $51,000.
- Singles and married individuals filing separately; the phaseout starts at $20,500 to $34,000

A $1 credit offsets $1 in taxes owed and is far more valuable than a $1 tax deduction. In contrast, a $1 tax deduction for someone in a 22% marginal tax bracket would be worth 22 cents.

Learn more about Retirement Saver's Credit at: https://www.IRS.gov/retirement-plans/plan-participant-employee/retirement-savings-contributions-savers-credit

Tax-deferred. The traditional IRA and the Roth IRA offer tax-deferred growth of the investments within the account.

10% Early distribution penalty tax. The purpose of making contributions to IRAs is to save for retirement. For owners who take early distributions from traditional IRAs and nonqualified distributions from Roth IRAs, there is an additional 10% early penalty tax assessed on early distributions unless the owner meets one of the following exceptions:

1. turns 59 ½
2. dies *(Roth IRA 5-year rule since inception applies to beneficiaries also)*
3. becomes disabled
4. receives "substantially equal payments over the owner's life expectancy" under Internal revenue Code (IRC) 72(t)
5. for unreimbursed medical expenses in >7.5% of AGI (>10% if age 65)
6. for medical insurance premiums if unemployed
7. for higher education expenses as defined by IRC, Title 26, Section 529(e)(s)
8. to build, buy, or rebuild a first home up to a $10,000 distribution limit
9. for expenses for a qualified birth or adoption of a child up to $5,000 per child
10. a reservist is called to active duty after September 11, 2001.

Rollovers. Rollovers are transfers from one retirement plan to another and do not incur the 10% early distribution penalty. Direct rollovers are direct from custodian to custodian, which can happen an unlimited number of times.

The other rollover is an indirect rollover when a check is payable to the IRA owner, and the owner has 60-days to roll the funds over to the new IRA.

CAUTION: An indirect IRA can ONLY happen once every 12 consecutive months.

Traditional vs. Roth IRAs – The Differences

Deductibility of traditional IRA contributions: Contributions to traditional IRAs may be tax-deductible for the year contributed, depending on whether you are your spouse participates in a company-sponsored retirement plan and your Modified Adjusted Gross Income (MAGI). MAGI is the combination of Adjusted Gross Income (AGI), non-taxable Social Security, tax-exempt income, as well as some recaptured tax deductions.

For IRA owners and spouses covered by an employer-sponsored retirement plan, the 2022 traditional IRA deductible phaseouts are:

- Single taxpayers covered by a workplace retirement plan; the phaseouts begin at $68,000 to $78,000 MAGI
- Married couples filing jointly. This applies when the spouse making the IRA contribution is covered by a workplace retirement plan; the phaseouts begin at $109,000 to $129,000 MAGI.
- A taxpayer not covered by a workplace retirement plan married to someone who's covered; the phaseouts begin at $204,000 to $214,000 MAGI.
- Married filing a separate return. This applies to taxpayers covered by a workplace retirement plan; the phaseout begins at $0 to $10,000 MAGI.

If you or your spouse does not participate in a retirement plan at work, then there is no MAGI phaseout, and you can deduct 100% of the traditional IRA contribution.

Now, if your deduction for a traditional IRA contribution is phased out, a non-deductible traditional IRA contribution can still be made with after-tax dollars (no tax deduction). Remember to file the IRS Form 8606. This approach is called the ***Backdoor Roth IRA*** because you are funding non-deductible IRAs with after-tax dollars with the potential to convert to a Roth IRA later.

Roth IRA Conversions. A traditional IRA owner can convert any amount of a traditional IRA, at any age, to a Roth IRA if they are willing to pay the taxes on the converted amount since it is taxed just as distribution would be taxed. The ideal window of opportunity to convert may be just after retirement and before Social Security and required minimum distributions from IRAs begin to help keep you in a low marginal income tax bracket.

Taxation of traditional IRA Distributions and Roth IRA conversions. When an amount of a traditional IRA is converted to a Roth IRA, the amount converted is taxed in the same way as if a person took a distribution from the IRA. If the amount distributed/converted is from a 100% pre-tax account, then 100% of the amount will be taxable.

When an amount of a distribution/conversion contains both pre-tax and after-tax contributions, then the *Pro-Rata Rule* must be used to determine the tax-free exclusion ratio by aggregating the value of all traditional IRAs, including SEP IRAs and SIMPLE IRAs, and then dividing the amount of all after-tax contributions by the aggregate value of all IRAs to determine the tax-free exclusion percentage.

Example:
Susie has two traditional IRAs with an aggregate value of $100,000 and consisting of the following amounts:
$10,000 of after-tax (non-deductible) contributions
$40,000 of pre-tax (tax-deductible) contributions
<u>$50,000 of total earnings</u>
$100,000 Total value of both IRAs

$10,000 after-tax contributions / $100,000 Total value = **10% of distributions/conversion will tax-free and 90% will be taxable.**

Roth IRA Distribution Ordering Rules. Unlike the Pro-Rata Rule used to calculate taxation on traditional IRAs, Roth IRAs follow the Ordering Rules, which state the order in which distributions are made.

First – Contributions (tax-free at any age)
Next – Taxable Roth Conversions (tax-deductible contributions taxed when converted) *
Next – Non-Taxable Conversions (non-deductible contributions not taxed when converted) *
Last – Earnings (tax-Free if qualified distributions)

** Each Roth conversion carries a separate 5-year rule to recapture the 10% penalty for pre-59 ½ conversion amounts if they are distributed from the Roth IRA within the earliest of five years or before 59 ½ is reached.*

2022 Roth IRA Contribution Phaseouts:
The phaseouts for Roth IRA contributions are:

- Single taxpayers and heads of household begin at $129,000 to $144,000
- Married, filing jointly begin at $204,000 to $214,000
- Married, filing separately $0 to $10,000

Roth IRA contributions are always made with after-tax dollars. People should start funding the Roth IRAs at an early age because as we mature and earn more income, our contributions are quickly phased out, as illustrated above.
There is no tax deduction for making contributions to a Roth account, but qualified distributions from Roth IRAs are always 100% tax-free. Distributions are Qualified when BOTH of the following conditions are met:

1. When the owner turns 59 ½, dies, or becomes disabled, AND
2. The account has been established for five years.

To sum up the differences, with the deductible Traditional IRA you get a tax deduction or benefit for your contribution or (seed dollars) for the year it was made, but the distributions (harvest) made later will be 100% taxable.

With the Roth IRA, you do not get any tax deduction on your contributions (seed dollars) made with after-tax dollars, but qualified distributions (harvest) will be 100% tax-free to you and your heirs. Qualified distributions are when:

1. they are made after 59 ½ due to death or disability, AND
2. the account is five years old.

The year the first contribution was made for, or the first Roth IRA conversion, starts the 5-year clock on January 1st of that year.

Example: John made his first Roth IRA contribution on March 15, 2022, for the tax year of 2021. His 5-year clock begins on January 1st of 2021.

Traditional IRAs have Required Minimum Distributions (RMDs). The SECURE Act, signed into law in December 2019, made several significant changes to retirement plans. One change was to change the age from 70 ½ to 72 (for those who turned 70 ½ in 2020 or later) when RMDs would be required to be taken. To recap distributions:

- **Early** distributions before age 59 ½ are subject to the 10% additional tax penalty.
- **Regular** distributions after age 59 ½ do not pay the early penalty tax
- **Late** or Required Minimum Distributions are required at age 72 for those who turned 70 ½ in 2020 or later and are based on the Uniform Lifetime Table that estimates our life expectancies to determine the amount of the RMD for each year. As each year passes, the factor used will decrease.

Roth IRAs DO NOT have Required Minimum Distributions (RMDs). Another benefit of the Roth IRAs is that they do not have Required Minimum Distributions like traditional IRAs do. **CAUTION:** Roth 401Ks do have RMDs. A way to avoid them would be to roll over to a Roth IRA at retirement.

Inherited IRAs. The SECURE Act of 2019 also made significant changes for the beneficiaries of Inherited IRAs. Those beneficiaries who have inherited IRAs before 2020 can still stretch their RMDs over their remaining life expectancy in many cases.

But, beginning in 2020, many who inherit IRAs from IRA owners who pass away in 2020 or later may have a much more limited time of just ten years to liquidate the inherited IRA except for Eligible Designated Beneficiaries. The SECURE Act contains three types of beneficiaries:

1. **Eligible Designated Beneficiaries** are defined as (1) surviving spouse, (2) the account owner's child under the age of majority, (3)a person who is disabled per IRC Section 72(m)(7), (4) a person who is chronically ill per IRC Section 7702B(c)(2), and (5) person who is not more than ten years younger than the deceased account owner. *In short, these beneficiaries will be able to continue to*

stretch the IRA distributions using their single life expectancy except for minor children, who will have ten years to liquidate the account after they reach the age of majority in their state.

2. **Non-Eligible Designated beneficiaries** are all other *individuals* not listed above in #1. *They have ten years after the date of death to have the IRA fully liquidated*.
3. **Non-Designated Beneficiaries** are any beneficiary that is not a designated beneficiary is a non-designated beneficiary. This includes charities, estates, and trusts that fail as see-through trusts. *Non-designated beneficiaries must liquidate the account by the end of the fifth year after the year of the owner's death.*

In the year of death, be sure that if the deceased IRA owner was required to take a RMD and did not, that one is made in that year!

Is the traditional or Roth IRA better? It depends on your situation and belief about where tax rates may be headed. Below are some considerations:

- Determine your current marginal income tax bracket and where it may be later in retirement.
- If saving tax dollars today is more important to you than later, then you may want to consider the traditional IRA.
- If you are not eligible for a deductible traditional IRA contribution, or if you are in a lower marginal tax bracket today than you might expect to be in the future, then you may want to consider the Roth IRA.
- Income tax and estate planning considerations include comparing your highest marginal tax bracket compared to your heirs.
- Consideration for Roth IRA conversions when in lower tax brackets.
- How does each IRA fit into your overall retirement income plan?
- Future rising tax risk coupled with Required Minimum Distributions (RMDs) requires careful consideration of each person's situation and objectives and should motivate investors to consider after-tax Roth contributions (non-tax deductible) to their retirement plans, if available, as well as other taxable accounts (individual, Joint, or Trust) that may allow for attractive tax planning options in our later years.

Tax Planning. Having various IRAs and other investment accounts can help us plan with more options in designing our retirement income for tax efficiencies. ***Having only pre-tax/tax-deductible IRAs can create tax bombs later, especially at the RMD age when distributions must come out at future unknown tax rates.***

Example - Pre-tax accounts only: If someone has only tax-deductible/pre-tax IRAs and 401(k)s and earns $100,000 per year in income and plans to retire with living expenses of $100,000, they will not be able to reduce their marginal income tax rates because the pre-tax IRA distributions for income will be 100% taxable just like their pre-retirement income (paychecks) keeping them in the same marginal income tax bracket.

Example - Pre-Tax and After-tax accounts: If someone has both pre-tax IRA accounts as well as after-tax and taxable accounts, they may be able to take distributions from their tax-efficient taxable accounts and possibly drop their marginal income tax bracket down to lower brackets that may provide numerous tax planning strategies including being able to covert some the pre-tax IRAs to Roth IRAs at lower income tax rates. The optimal time to do so may be in early retirement when the 100% taxable salaries stop and before starting Social Security, since up to 85% of Social Security benefits may be taxable, and before age 72 when Required Minimum Distributions begin.

It is important to note that all IRAs and other investment accounts can utilize the same investment (CD, mutual fund, brokerage account, managed account, and annuities in most cases). It is the account title (Individual, Joint, IRA, Roth IRA, trust, etc.) that determines the taxation of the account, not the underlying investment used.

(Read full article at SilverStarWealth.com under Resources, White Papers)

Tax Alerts

-Inherited IRAs

Before The SECURE Act(Setting Every Community Up for Retirement Enhancement) was signed into law in 2019, many beneficiaries of Inherited IRAs were able to stretch their Required Minimum Distributions (RMDs) over their life expectancies. The SECURE Act changed that for those who inherited IRAs beginning in 2020. Spouses and a few other special beneficiaries defined *as Eligible Designated Beneficiaries* can continue to stretch the IRA distributions over their single life expectancy. Minor children now have just ten years to liquidate the account after they reach the age of majority.

All other individual beneficiaries which will include most non-spouses will now be classified as *Non-Eligible Designated Beneficiaries* and will have just ten years to liquidate the account. Read the full article, *Understanding IRA Options & Mistakes to Avoid* linked to this newsletter for more information on Inherited IRAs.

The SECURE Act language led most advisors and tax professionals to understand that no RMDs were required to for each year, just that the whole account needed to be liquidate by the end of the 10th year. Since then, there has been a great deal of confusion surrounding this issue with the Internal Revenue Service (IRS) suggesting that RMDs would be required each year.

Although, this issue has not been settled, the IRS recently published NOTICE 2022-53 which gives all Inherited IRA beneficiaries a free pass for RMDs for 2021 and 2022 until they issue their final determination. Depending on the final ruling, beneficiaries should prepare to start taking RMDS from Inherited IRAs in 2023, unless the IRS rules are in line to the current and widely interpreted language.

Regardless of their ruling, beneficiaries should not wait too long before taking distributions to avoid larger required distribution in the later years that could cause significant taxation issues.

Stayed tuned for IRS updates regarding Inherited IRAs!

-New 2023 IRS Numbers:

The IRS announced some increased 2023 retirement plan contribution limits:

- 401(k), 403(b), and 457 contributions are going from $20,500 in 2022 to $22,500 in 2023
- 401(k), 403(b), and 4757 Catch-Up contributions for those 50 and older are going from $6,500 in 2022 to $7,500 in 2023
- IRA contributions are going from $6,000 in 2022 to $6,500 in 2023
- IRA Catch-Up contributions will remain the same at $1,000

We will provide more 2023 tax details in our next newsletter

Source: IRS.gov

Wealth Navigator Tips

HOW TO ADD OUTSIDE FINANCIAL ACCOUNTS TO YOUR WEALTH NAVIGATOR SITE?

1. On your Wealth Navigator homepage, click ***+Add Account*** next to ***Accounts***
2. If you have an online login, select ***I have an online login to this account***
3. Enter the name of your financial institution into the text box and click ***Search***
4. Select the account from the search results and follow the steps to connect
   *If an Acknowledge Institution Notice screen appears, you should read the notice, and then click **Continue**
5. Enter your login credentials for this institution and click **Connect**
   *If there is an issue connecting to your accounts, you will receive a status message describing the problem and you can click on the message to learn how to fix it.
6. Once your credentials have been verified, you can review the accounts brought over through

the connection.

To learn more about connecting accounts, that do not have an online login, please visit our website www.silverstarwealth.com click on **Resources,** then **Wealth Navigator Training** to locate the **Add Accounts User Guide.**

Humor Matters

What do call a couple of chimpanzees sharing an Amazon account? PRIME-mates.

What did the left eye say to the right eye? Between us, something smells.

Why was 6 afraid of 7? Because 7,8,9.

How much did the man sell his dead batteries for? Nothing, they were free of charge!

What did the limestone say to the geologist? Don't take me for granite!

What was the more useful invention than the first telephone? The second telephone.

What's worse than finding a worm in your apple? Finding half a worm.

Why did the golfer wear two pairs of pants when he played? In case he got a hole in one.

What is the largest gem on earth? A baseball diamond!

What do you call a bear with no teeth? A gummy bear.

Source: Parade.com
It may be apparent that we need some good jokes or funny stories. Please send them to us and if we use them, we will send you a gift certificate to your favorite restaurant.

Words of Wisdom

"The stock market is a device to transfer money from the impatient to the patient."
Warren Buffet

"The investor's chief problem—and his worst enemy—is likely to be himself. In the end, how your investments behave is much less important than how you behave."
Benjamin Graham

"The function of economic forecasting is to make astrology look respectable."
John Kenneth Galbraith

"A market downturn doesn't bother us. It is an opportunity to increase our ownership of great companies with great management at good prices."
Warren Buffet

"You make most of your money in a bear market, you just don't realize it at the time."
Shelby Cullon Davis

Be Prepared Guide

We all know the importance of having sufficient cash in an emergency fund for unexpected expenses.

We should also have sufficient food, supplies, and contingent plans for a wide variety of unexpected disasters that can impact our lives as well as the supply chains.

Buy it when you don't need it so you will have it when you need it—the same concept of having insurance.

Those who do not prepare in advance put an enormous strain on the supply chain when there is an emergency and strong demand for goods.

Visit our website to access the *Be Prepared Guide* to better help you and your family prepare and develop your emergency plans. Listed in this valuable report are many links to government and other websites that can assist you in your emergency planning as well as our emergency contact numbers.

Download your *Be Prepared Guide* at: www.SilverStarWealth.com under Resources.

Please call us if you would like to schedule a review of your portfolio and/or update your financial plan.

The SilverStar Team

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Investing involves risk including the potential loss of principal. No investment strategy, including diversification, asset allocation and rebalancing, can guarantee a profit or protect against loss.
Although the information has been gathered from sources believed to be reliable, it cannot be guaranteed. Federal tax laws are complex and subject to change.
This material may contain forward looking statements and projections. There are no guarantees that these results will be achieved. It is our goal to help investors by identifying changing market conditions, however, investors should be aware that no investment advisor can accurately predict all of the changes that may occur in the economy or the stock market.
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