

SilverStar Insights

for your wealth



By Tim Hudson, CFP®, CLU, ChFC, CRPS®

1st Quarter 2023

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SilverStar Wealth Management, Inc.

Located within Cy-Fair FCU
13525 Skinner Rd.
Cypress, TX 77429

Contact Us:

(281) 477-3847

Staff@SilverStarWealth.com

www.SilverStarWealth.com

2022 closed as one of the worst years for investors in recent memory, where stocks closed at -18.11% and bonds at -13.01%, making it the first year since 1969 that both were down in the same year.¹

This new year brings about continued concerns on whether we will enter recession territory, with economists somewhat split on their opinions. We will discuss some data in this report to shed some light on the economy.

In addition, the new Secure Act 2.0 was signed by the president just before the end of the year, which has widespread implications for retirement plans. We will cover some key points of the new law but will present more information in the upcoming webinar soon.

Also, register for our **Upcoming Webinars** and review the Tax Alert section for 1099s and information and **new tax planning services**. Download our **new 2023 Key Financial Datasheet** from our website, www.SilverStarWealth.com, under Resources.

We are Moving. Beginning May 1, 2023, we will have a temporary office at 14150 Huffmeister Rd., Cypress, TX 77429, until our new, larger office we are building at Blackhorse Office Condominiums at Fry and Mound Road is completed, with an expected date of early 2024. Our phone number remains the same.

Save the date for our 2023 **CajunFest** on Saturday, April 29th. Details soon.

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.	-18.11%
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.	-14.45%
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.	-13.01%
10-Year Treasury Yield Rate (as of 12/31/22)	3.88%

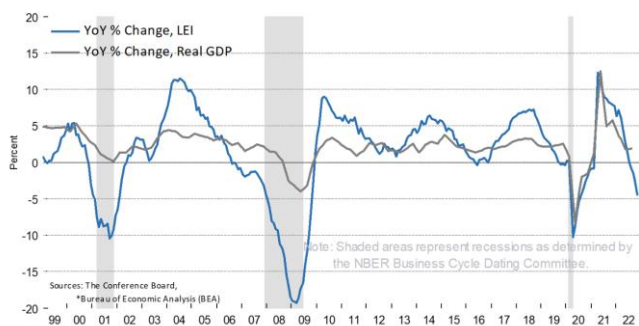
Sources: Morningstar (Performance from 1/1/2022 to 12/31/2022)
Treasury.gov (As of 12/31/2022)

¹ Kestra Investment Management, Markets in a Minute; Market Review and Outlook, January 17, 2023.

We are experiencing a Split-Screen Economy² in that we have bad news coupled with good news leaving economists split on whether we will experience a recession. Many economists feel that if we do experience a recession, it will be less severe than others in the past due to the many positives in the economy we will discuss.

First, the bad news. The Conference Board of Leading Economic Index[®] drops into negative territory, which usually precedes as recession, as shown in Figure 1.

Figure 1. U.S. Leading Economic Index[®]



The ten components of *The Conference Board Leading Economic Index[®]* for the U.S. include: Average weekly hours in manufacturing; Average weekly initial claims for unemployment insurance; Manufacturers' new orders for consumer goods and materials; ISM[®] Index of New Orders; Manufacturers' new orders for nondefense capital goods excluding aircraft orders; Building permits for new private housing units; S&P 500[®] Index of Stock Prices; Leading Credit Index[™]; Interest rate spread (10-year Treasury bonds less federal funds rate); Average consumer expectations for business.

Source: conference-board.org

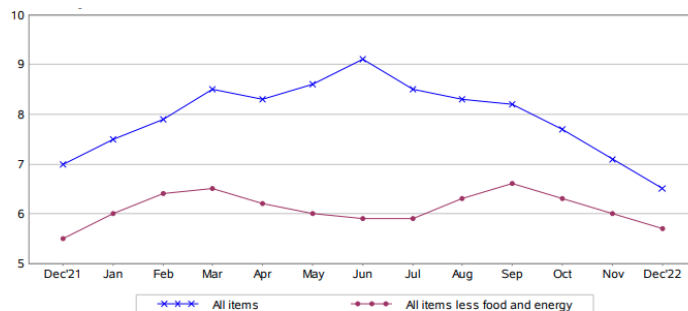
Also, when the Fed's short-term interest rates rise above the 10-year rate, it causes an inverted yield curve which can be another indicator of a pending recession. This inverted yield curve is being caused by the aggressive response from the Fed's to tame inflation by raising short-term rates, and by all accounts, inflation is tampering downward.

That leads us to the good news. Consumers are still spending, as reflected in the 3rd quarter of 2022, with a Gross Domestic production of 3.2% vs. -0.6% in the second quarter.³ With China's

opening will also contribute to global growth while allowing supply chains to normalize.

The Fed's effort to contain inflation is also working. As shown in Figure 2, inflation is turning down after peaking in June. Since then, the annualized rate of change has been 1.9%—far lower than what most experts predicted.⁴

Figure 2. 12-Month Percent Change in Consumer Price Index (CPI) 12/21-12/22.



Source : BEA.gov

However, the era of globalization may be over with more countries becoming more concerned with supply chains due to pandemic, or geo-political risks and are looking to home base more industries versus seeking the cheapest labor source countries. This new mindset will certainly keep constant upward pressures on inflation.

There are some concerns about slowing corporate earnings, but many analysts still have strong projected earnings for many companies for the future, but those projections could be revised again as needed.

Another positive is the strong labor market. After the Covid recession, many people left the workplace and never returned, creating a shortage of workers. This shortage continues today, and since we have never had a recession with a strong labor market, this is the indicator to watch, although it is a lagging indicator. Figure 3. shows that in December, the unemployment rate was 3.5%, reflecting strong employment.

2 The Editorial Board, "The Split-Screen Economy," Wall Street Journal, January 6, 2023.

3 U.S. Bureau of Economic Analysis, BEA.gov, 01/19/2023.

4 Christopher Riggs, "Business Cycle Intelligence Report," Alphalytics Research, January 2023.

Figure 3. U.S. Unemployment (December 2002 – December 2022)



Source: Bureau of Labor Statistics

Coming out of a period of historically low-interest rates allowed business and consumers to restructure their debt at much lower interest rates putting many in much stronger financial positions to weather future financial crises and recessions.

The price of oil is dropping from its highs will also help to alleviate some inflationary pressures. We do not know when the Feds will stop raising interest rates but with inflation showing signs of improving may be indicative that we may be getting close, which should be a big positive for the markets.

As we discussed in our last newsletter, it is important to stay invested according to one's risk tolerance, time horizon, and objectives. We will likely continue to see volatility in the financial markets and should always expect it. Without this market volatility, we could never get the returns that the financial markets offer over time.

Secure Act 2.0 Highlights

President Biden signed into law the long-awaited Setting Every American Up for Retirement Enhancement (SECURE) Act 2.0 at the end of 2022. This new monstrous 4,000-plus page bill will expand the Required Minimum Distribution (RMD) ages for some and reshape rules surrounding

IRAs, Roth IRAs, 401(k)s, 403(b)s, and many other retirement plans. With the many new Roth rules, the government is stamping its approval on the various Roth accounts that will provide much-needed tax revenue now. Below are just a few of the highlights, and we expect to offer a more comprehensive webinar soon.

Extending Require Minimum Distribution (RMD) ages again. The SECURE Act 1.0 passed in 2019 extended the RMD age for those who turned 70 ½ in 2020 or later to age 72. The SECURE Act 2.0 will extend the RMD age to 73 for those who were born between 1951 to 1959. For those born in 1960 or later will have a new RMD age of 75. Those who turn 72 this year can now wait until age 73 to start their RMDs.

Elimination of Employer Plan Roth RMDs. Roth IRAs have never had RMDs, but Roth 401(k) and other plans did. Effective 2024, Roth Plans will join Roth IRAs in not having RMDs.

Catch-up Contributions of High-Income Earners Now Require Roth Funding. For those who earned more than \$145,000 in the prior year will now be required to match catch-up contributions (for those age 50 and older) to their Roth 401(k) or 403(b), and 457(b) plans (**not applicable to IRAs**). Don't have a Roth Plan? Your company better add one because you may lose out on the catch-up contribution without it.

529 College Savings Plans to Roth Transfers. Beginning in 2024, 529 plans that have been maintained for 15 years can now be transferred to Roth IRAs as contributions if the beneficiary is eligible for Roth IRA contributions up to the annual limit with a lifetime maximum of \$35,000. There could be some unique planning opportunities around 529 plans once more clarification is presented surrounding beneficiary changes and funding.

Spousal Inherited IRAs. If a spouse inherits an IRA, they can elect the deceased spouse's age for RMD purposes if it is beneficial to do so.

IRA Catch-up Contributions. Catchup contributions for those age 50 and over will now be indexed for inflation for IRAs.

Special Catch-up Contributions for those age 60-63. Beginning in 2025, employer plans such as 401(k) and 403(b) plans will allow additional catch-up contributions for participants age 60, 61, 62, or 63. In the amount of greater than \$10,000 (indexed for inflation) or 150% of the regular catch-up contribution indexed for inflation.

New Rules for Qualified Charitable Contributions (QCD)s. The QCD allows a person to transfer up to \$100,000 to a qualified charity per year and counts toward their Required Minimum Distribution (RMD) for that year. The \$100,000 limit will now be indexed for inflation beginning in 2024.

Additionally, beginning in 2023, taxpayers will have a one-time opportunity to use a QCD to fund a Split-Interest Entity such as a Charitable Remainder Unitrust (CRUT), Charitable Remainder Annuity Trust (CRAT), or Charitable Gift Annuity (CGA) up to a once-in-a-lifetime limit of \$50,000 indexed for inflation.

New Retirement Account Emergency Withdrawal Exception. Beginning in 2024, retirement account participants may be eligible for an emergency withdrawal of up to \$1,000 per year from their retirement account without the 10% early penalty if the need is unforeseen and necessary. Amount must be repaid before another emergency withdrawal or some other exceptions are met.

New Emergency Savings Accounts linked to Employer Retirement Plans. Effective in 2024, a new type of Emergency Savings Account will be linked to all non-highly compensated employees participating in 401(k) and 403(b) plans where they may contribute up to \$2,500 to this new account.

So Much More!!! There is much, much more to cover within this new SECURE Act 2.0. Stay tuned for a webinar covering more details.

Tax Planning

2022 1099 Mailing Deadlines:

1099 Misc. – **January 31st**

1099 DIV, INT, OID, B –
February 15th*

* The IRS can grant firms a 30-day extension to March 15th



Reminder: If you transferred a brokerage or managed account from another custodian to Kestra/NFS, LLC in 2022, a 1099 from each institution will be sent.

2022 IRA (Traditional and Roth) contributions can be made up until your tax filing deadline.

Two New Client Services:

2. 1099 Downloads to your Vault. Your NFS-Fidelity and SEI 1099s will now be automatically uploaded to your Wealth Navigator website in your Vault when available. (see *Wealth Navigator Tips for more information*)

2. Advanced Tax Planning Optimization Report. We are now offering an optional tax report which will be very helpful in identifying potential tax planning options such as tax bracket management, Roth IRA conversions, charitable gifting, and much more. **See a demo of this new exciting tax planning tool on our January 26 webinar.**

New 2023 Retirement 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 475 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

Wealth Navigator Tips

Download your NFS-Fidelity and SEI 1099s and statements directly from your Wealth Navigator website in your Vault under Brokerage Statements.

Beginning this year, those that have accounts with NFS/Fidelity can now retrieve their 2022 statements and tax documents directly from their secure online Vault. You will now see a new folder titled "Brokerage Documents," When you click on this folder, you will see additional folders titled "Statements", "Tax Documents" and "Correspondence". Click on each one to reveal your past statements and your tax documents, Ta Da! And going forward, these will always download directly to your Vault, which can be accessed 24/7, from the privacy of your own home. We are so very excited to offer this added feature to you, and we hope this will make everyone's lives a little easier, this and every tax season going forward. If it has been a while since you have accessed your personal Wealth Navigator site, feel free to call us at 281-477-3847 or e-mail staff@silverstarwealth.com, and we will be happy to send you a password reset e-mail to get you back on track!

Please Note: Due to privacy regulations. Each account owner will need their own Wealth Navigator user access to view these documents. Contact us if you need to establish your own access.

Humor Matters

"The present tax code is about 10 times longer than the Bible, a lot more complicated, and, unlike the Bible, contains no good news."
—Don Nickles, former U.S. senator

Source: [TaxFoundation.org](https://www.taxfoundation.org)

Please send them to us and if we use them, we will send you a gift certificate to your favorite restaurant.

Words of Wisdom

"Change is inevitable. Change is constant."
—Benjamin Disraeli

Office News

Jamie's family enjoyed the snow in their home state of Nebraska during Christmas!



Cooper, Gabby, Jamie, Matt, and Daisy-dog

Tim and Angela enjoyed spending some quality time with their first grandchild, one-year old, Miss Kynlee Hudson.



Upcoming Webinars

How Tax Planning Changes Through Four Stages of Retirement

Thursday, January 26, 2023

6:00 pm to 7:00 pm

Presented by Tim Hudson, CFP®, CLU, ChFC

A replay will be sent to those who RSVP!

LIMITED REGISTRATIONS. RSVP TODAY and Invite a Friend at www.SilverStarWealth.com under Upcoming Events.

Retirees often don't understand how taxes work in retirement. But they're keenly concerned about the size of their tax bill each year. Learn what's involved in creating a retirement tax strategy.

In retirement, your tax rate may vary widely over the years based on the timing and order in which you use different sources of money to pay for your living expenses. You want to apply the tax code in an organized and efficient way.

You need a retirement tax strategy that will:

- Identify the types of taxes you will face at various stages
- Address how taxes impact Social Security and Medicare
- Plan when to tap different accounts so you don't overpay taxes

Attend this webinar to learn:

- The critical tax question you must answer BEFORE retirement The surprises that often make retirement more expensive What the Social Security "tax trap" is and how you can avoid it
- Why tapping assets in the wrong order can trigger higher Medicare premiums
- Why you need to manage taxes even before you retire
- The four stages of retirement and important tax actions in each stage, including tricky IRA challenges
- Mistakes to avoid when it comes to your investment portfolio, health care, and estate planning

Life After Work: How to Create a Good Life in Retirement

Thursday, February 23, 2023

6:00 pm to 7:00 pm

Presented by Tim Hudson, CFP®, CLU, ChFC

A replay will be sent to those who RSVP!

LIMITED REGISTRATIONS. RSVP TODAY and Invite a Friend at www.SilverStarWealth.com under Upcoming Events.

Topics covered will include:

- How to Create Sustainable Income in Retirement
- How much income you need in retirement?
- How to plan for taxes in retirement? How to manage retirement withdrawals?
- 4 popular retirement income strategies
- Action Plan for building a sustainable retirement income stream

Investment Basics: A Guide to Your Investment Options

• Tuesday, March 21, 2023

• 6:00 pm to 7:00 pm

• Presented by Tim Hudson, CFP®, CLU, ChFC

• A replay will be sent to those who RSVP!

• **LIMITED REGISTRATIONS. RSVP TODAY and Invite a Friend** at www.SilverStarWealth.com under Upcoming Events.

Topics covered will include:

- Fundamentals of Investing
- Investment Options Available
- Different Methods of Investing
- Asset Allocation
- How Your Financial Advisor Helps You Navigate Through It All!

[Register and Invite a Friend!](#)

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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This material is intended for informational purposes only and is not intended to be a substitute for specific individualized tax or legal advice, as individual situations may vary. Please consult with a tax advisor before making any decisions regarding Roth IRA contributions or conversions.

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.

The opinions expressed in this commentary are those of the author and may not necessarily reflect those held by Kestra Investment Services, LLC or Kestra Advisory Services, LLC.

Click here to view Form CRS: www.kestrafinancial.com/disclosures

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