YAIA's application to transition to the SEC was recently approved.

As a result, we have a new compliance form "Form CRS" that we recently disseminated to all existing clients. It is for retention only. The purpose is an easy to understand two-page summary of YAIA's business. It will include:

- *Firm registration information*
- *Description of services offered*
- *Information on fees and costs*
- *Information on conflicts of interest*
- *Summary of firm and each advisor's disciplinary history (which we have none)*
- *"Conversation starters" for customers to ask their Advisor*

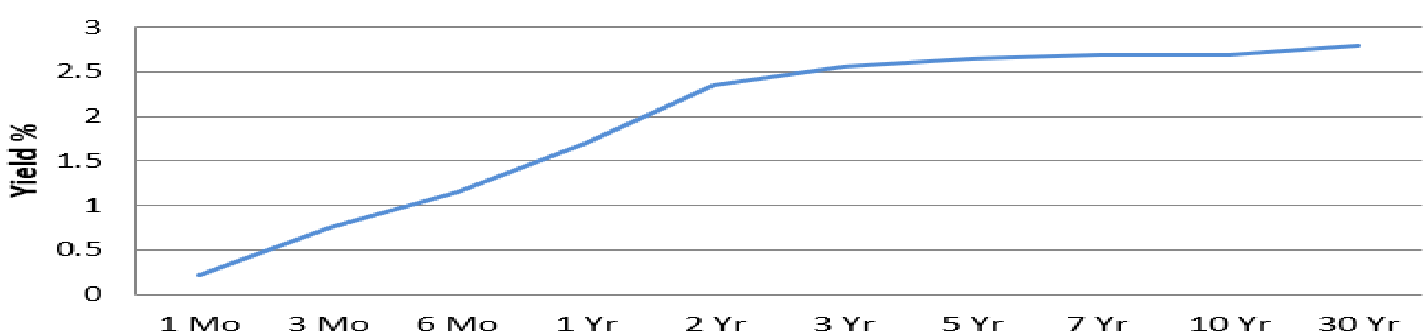
First QUARTER – 2022 CLIENT NEWSLETTER
REVIEW OF THE MARKETS:

Index:	1Q22	2022
S&P 500	-4.60%	-4.60%
S&P Mid-Cap	-4.88%	-4.88%
S&P Small Cap	-5.62%	-5.62%
Morgan Stanley's EAFE (International Stocks)	-5.91%	-5.91%
Barclay's US Aggregate (Bonds)	-5.93%	-5.93%

ECONOMY & MARKETS:

Heading into the Second Quarter of 2022, these are the major headlines impacting the markets:

Federal Reserve's – In its March meeting, the Fed raised its key benchmark by 25 basis points (affecting short-term rates) and the consensus was now a forecast of six interest rate hikes. Over the last 18 months, the Fed's projections have continually changed from one meeting to the next. When the Russian invasion started, there was a flight to safety pushing long-rates downward (rush to safe US bonds) at a time where the Fed is trying to move longer-rates upwards. **This happened at a time where The Fed's preference was for long-term rates to rise faster than short term rates as to not invert the yield curve.** The Fed is now committed to allowing up to $95B bonds to mature each month termed "shrinking its balance sheet" which should help lift long-term rates. Just before 04/13/22 depicted here, the yield curve slightly inverted, which at times, had been a pre-recession sign.



Inflation – The most recent CPI statistic was reported at 8.5% year-over-year with core CPI (ex- "food & energy") at 6.5% for the same time frame. During the past quarter, we saw a spike in oil prices and subsequently, gas prices rose as well. This naturally acts as a tax on the economy and will prove quite draining over time. As we mentioned last quarter: *"In our opinion, the FED may not be fully successful in their strategy to significantly curtail higher inflation by raising interest rates. It's a bit unclear as to how raising interest rates will help alleviate supply chain disruptions and clogged ports."*

Unemployment – Unemployment remains a "head-scratching" statistic. The latest report showed payrolls rising by 431,000 with the biggest gains in hospitality & leisure. The unemployment rate dropped from 3.8% to a new pandemic-era low of 3.6%. This statistic is misleading as the actual participation rate continues to be much lower compared to the pre-Covid era and with many service industries (restaurants) remaining short-staffed.

Economic Statistics (year-over-year basis)	*Most Recent*
▪ GDP growth rate	4Q21 up 6.9%
▪ Inflation (CPI)	Mar up 8.5%
Core CPI (excludes food & energy)	*Mar up 6.5%*
▪ Unemployment rate	Mar up 3.6%
▪ S&P 500 Forward P/E ratio	19.20

SECURE Act 2.0

On March 29th, 2022, The House of Representatives voted 414-5 to pass SECURE Act 2.0. What this entails, we will talk about in this newsletter.

First, outlined below is a recap of original SECURE Act or "The Setting Every Community Up for Retirement Enhancement Act of 2019" that was signed and made into law in December 2019. The noticeable changes for the retirement accounts were as follows:

2019 (Original Secure Act)

- **The RMD or Required Minimum Distribution age** - was increased from 70½ to 72 years. Once you reach age 72 years, you are required to take required minimum distribution from your traditional IRAs. However, you have up to April 1st of the following year you turn 72 to take first year distribution. Subsequent RMDs must be taken by December 31st of each year.
- **Repeal of maximum age of IRA contributions** - Now you can contribute to an IRA after age 70.5 years if you have earned income.
- **Inherited IRAs** - The SECURE Act eliminates "Stretch IRAs" for certain beneficiaries *(stretching the Inherited IRA RMD over the beneficiary's lifetime)*. Under this new law, a non-spousal beneficiary may not be able to use the "Stretch IRA". Now, all amounts in the IRA accounts must be distributed by the end of the 10th year following the year of the owner's death. The exceptions to the stretch IRA are for beneficiaries designated as the surviving spouse, disabled or chronically ill individuals, individuals who are not more than 10 years younger than the employee (or IRA owner), or child of the employee (or IRA owner) who has not reached the age of majority. Those categories may still be able to use the more tax-advantageous "Stretch IRA" method. Why the change? = IRS gets more of their tax money sooner!
- **529 Plans** - The SECURE Act allows withdrawal of up to $10,000 during a lifetime to pay off student debt.
- **Adoption / Birth Expenses** - The original Secure Act permits penalty free withdrawal from retirement plans up to $5,000 (each parent) for birth or adoption expenses.
- The Secure Act made it easy for small business to offer a 401(k) plan to employees.
- Employers currently have an option to initiate "auto enrollment" for employees in their current employer retirement plans. This means that employees participate automatically unless they opt out
- Long-time part-time employees can now be eligible for employer plans if their employer offers one.

2022 (Proposed Secure Act 2.0)

In March, 2022 The House of representative voted 414 – 5 in favor of passing "The Securing a Strong Retirement Act" or SECURE Act 2.0. Below are a few provisions in the House SECURE ACT 2.0. *(not all inclusive)*

- **The Required Minimum Distribution Age** - RMD would rise again to 75 years over a period. The RMD age will increase further to 73 in 2023, to 74 in 2030, and to 75 in 2033. People are living longer!
- **RMD Penalties** - The penalty for failure to take required minimum distributions will be reduced from 50 to 25 percent and if corrected in timely manner, the excise tax will be further reduced to 10%.
- **Increase in Catch-Up Contributions** - Under the current law, limit for catch-up contributions for employer retirement plan such as 401(k) for age 50 and over is $6,500 and employees enrolled in SIMPLE IRAs currently can contribute up to $3,000 as a catch-up contribution.
    - ➔ The House proposed SECURE ACT 2.0, annual catch-up contribution will be increased from $6,500 to $10,000 for plans such as 401(k) for participants ages 62 through 64, beginning in 2024. SIMPLE IRAs will also be rise from $3,000 to $5,000 (indexed for inflation).
- **Indexing IRA Catch-up Contributions** - Current IRA catch-up additional contributions permit an additional $1,000 for 50 and older. The current law is not indexed; it now will be indexed (will increase).
- **Optional Employer Match-up Contributions** - Under the current law, all the match-up contributions (or "employer" contributions) from the employer are treated as pre-tax contributions. SECURE Act 2.0 bill has provisions for employees to elect some or all the employer matching contributions to Roth accounts. This bill would allow SIMPLE IRAs to accept Roth contributions. It would also allow employers to offer employees the ability to designate both employee and employer SEP contributions as Roth.

- **<u>Part-time employee enrollment</u>** – The current 2019 SECURE Act set a 3-year timeline (beginning 2021) for part-time workers to be eligible to contribute to their employers' 401(k) plan. The new SECURE Act 2.0 shortens that from three years to two years.
- **<u>Mandatory Auto - Enrollment</u>** - The new SECURE Act 2.0 would now require employers that establish new defined contribution plans (such as 401(k) or 403(b)) to automatically enroll new eligible employees, in the plan. Enrolled employee will be able to (at a pretax level) contribute 3% of the employee's pay as a deferral, increasing annually by 1% up to at least 10% but not more than 15% of the employee's pay (unless the employee opts out). There are a few exceptions though for example new business owners (in business for less than 3 years), small business owners with 10 or fewer employees, church plans and government plans can be exempted.
- **<u>Retirement contribution for employees paying off student loan</u>** - The proposed bill permits the employers (401(k), 403(b), 457(b) or SIMPLE IRA) on an elective basis to match student loan payments, up to a certain percentage of an employee's salary as matching contributions of the employer retirement plan even if the employee made no other contributions to the plan.
- **<u>Retirement savings lost and found</u>** – The proposed Secure Act 2.0 will create a National Lost and Found online database (through the Department of Labor). This new database will help workers find their retirement benefits left with previous employers.

The proposed bill now heads to the Senate for consideration. In all likelihood, the Senate will craft their own package of SECURE Act 2.0. The two bills will then be reconciled which includes sending it back to the House of Representatives to consider changes and then another vote in that chamber before it becomes a law. There is a good possibility that Congress will pass a new Bill this year!

After the final version gets passed, we will notify clients of any potential changes that may affect them.

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