**THIRD QUARTER – 2023 CLIENT NEWSLETTER**
**REVIEW OF THE MARKETS:**

| Index: | 3Q23 | 2023 |
|---|---|---|
| S&P 500 | -3.27% | 13.07% |
| S&P Mid-Cap | -4.20% | 4.27% |
| S&P Small Cap | -4.93% | 0.81% |
| Morgan Stanley's EAFE (International Stocks) | -4.11% | 7.08% |
| Bloomberg US Aggregate (Bonds) | -3.23% | -1.21% |

**YAIA does have plans to revamp its website in the upcoming months. We do not plan to make major changes. Stay tuned!**

***<u>Did you know:</u>***
***The name "Wall Street" is really named after a wall. It was a wooden barrier built in 1653 to protect a Dutch outpost (called New Amsterdam) from the British, Native American, and pirates. The Wall (which proved useless) extended from Pearl Street to the Hudson River. Today, it's known to be the financial epicenter of the world as many financial firms historically, established headquarters in and around Wall Street.***

**ECONOMY & MARKETS:**

The stock markets retreated in the third Quarter, but has still provided positive returns year-to-date. The volatility picked up for the markets intra Quarter first due to Fitch's down grade of U.S. debt credit rating then followed by The Federal Reserve (The Fed) signaling it would keep interest rates "higher-for-longer". Interest rates then rose across most maturity dates. For example, the 10-year Treasury Note was approximately 3.86% at the beginning of the quarter and finished about 4.68%. In examining today's Treasury Yield Curve, we can now attain over 5% on Treasury Notes through the two-year time frame. Meanwhile, in late September the Fed's preferred measure of inflation the Core PCE's annual increase was reported at 3.9%, its first sub-4% year-over-year reading in nearly two years. For quite some time, we have been believers that the Fed would maintain this "higher-for-longer" approach. Current consensus expectations are now for the Fed to maintain these high rates until it's July 31st, 2024 meeting. Going back a few months, consensus viewpoint was the Fed would start decreasing rates in the late Fall, 2023. There now is some general concern in the long-run, the Fed will overshoot its objective, which could have adverse effects on the economy. We will point out once again, The Fed does a very good job of changing its forecast over the course of just a few months. General consensus also has projected corporate earnings growth to substantially rebound in 2024 with 12.2% calendar year earnings growth. This comes after 2023 will likely only return a dismal 1.1% in earnings growth. One reason the stock market did so well in early 2023 was due to high market expectations for 2024 (earning's projections may now come down with the Fed's new forecast as it's possible higher interest rates may impact borrowing costs for companies).

There may be a few IRS changes in 2024 that may affect our clients arising from either Secure Act 2.0 or other governmental rulings (*citing a few from Michael Townsend*).

1. Starting in 2024, 529 plan account holders will be able to transfer up to a lifetime limit of $35,000 to a Roth IRA for a beneficiary.
   a. Any rollover is subject to annual Roth IRA contribution limits (can't do $35k at once).
   b. The 529 plan must have been open for at least 15 years (it is unclear if changing custodians or account owners will restart the 15-year clock).
   c. Contributions made to that 529 plan within five years can't be rolled over to a Roth IRA.
2. IRS has delayed the ruling for non-spousal beneficiaries inheriting IRAs. "Heirs and Advisors interpreted the new law to mean that heirs had the flexibly to distribute those assets in whatever way they chose – including waiting until the very last day before the 1-year mark to distribute the entire account." Then, in a 2022 proposal, the IRS proposed rules requiring heirs to take annual distributions. As for now the rules remain unclarified, but hopefully will be resolved soon.

| *Economic Statistics* | *Most Recent* |
|---|---|
| ▪ GDP growth rate (final) | 2Q23 up 2.1% |
| ▪ Inflation (CPI) *year-over-year* | September up 3.7% |
| Core CPI *(excludes food & energy) year-over-year* | *September up 4.1%* |
| ▪ Unemployment rate | September up 3.8% |
| ▪ S&P 500 Forward P/E ratio | 17.7 |