Financial WISDOM

JEMMA
FINANCIAL SERVICES

SPRING 2023

INVESTMENT CORNER

THE MARKET SPRINGS TO LIFE IN THE FIRST QUARTER OF 2023

Stocks had a positive start to 2023, proving their resilience despite facing a few economic headwinds. For the quarter, the S&P 500 Index, comprised of the largest U.S. companies, rose 7.5%. The Dow Jones Industrial Average slightly rose to 0.9%, while the technology-heavy NASDAQ soared 17.1%, its best quarter since the second quarter of 2020. Not surprisingly, the top-performing S&P 500 sectors were Information Technology and Communications Services, both rising over 20% in the quarter.

Bonds, as measured by the Bloomberg U.S. Aggregate Bond Index, also rose in the first quarter, gaining nearly 3%. The yield on the 10-year Treasury, which is often used as a proxy for mortgage rates, fell to 3.5% as of March 31, 2023. At the beginning of the year, the yield was 3.9%.

INFLATION CONTINUES TO DECLINE

Although still elevated, inflation continues to slow, falling for the eighth straight month. The current inflation rate is 6% over the past year – down from the 6.4% increase in January. This rate is the smallest annual gain since the fall of 2021.[1]

Continuing in its efforts to tame inflation, the Federal Reserve raised its benchmark interest rate for the ninth time by 25 basis points at its March meeting. This brings the federal funds rate to a range of 4.75% to 5%.

The Federal Reserve's decision to raise interest rates also affects mortgage rates. The 30-year fixed mortgage has been rising, from 4.7% one year ago to 6.6% at the end of March.[2] An interesting housing trend is emerging as well – the U.S. housing market is showing home prices falling in the west but rising in the east. For example, from January 2022 to January 2023, home prices rose around 10% in Miami and Orlando, respectively, but fell by more than 10% in San Jose and San Francisco.[3]

Continued on page 2.

Spring ushers in a time of new beginnings and a fresh start. Take this time to get financially organized by gathering important financial documents and reviewing account information to make sure they are up to date.

In this edition of our Newsletter, we cover the stock market and economy over the first quarter, the importance of adding a **Trusted Contact** to your accounts, how a **529 Savings Plan** can be a wealth planning tool and what you need to know about **Emergency Savings Accounts**.

At Jemma Financial, we remain committed to helping you achieve your financial goals, making adjustments along the way for every season of your life.

MARKET UPDATE

Performance as of March 31, 2023

	1 YR	3 YR*	5 YR*
Dow Jones	-1.98%	17.31%	9.01%
S&P 500	-7.73	18.60	11.19
Nasdaq	-13.28	17.56	12.60

**Average annual return. Past performance is no guarantee of future results. Source: Morningstar.*

THE IMPORTANCE OF THE FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC)

The recent banking turmoil surrounding the collapse of Silicon Valley Bank and Signature Bank created concern over the level of protection accountholders have on their deposits. It is important for accountholders to know that FDIC insurance covers traditional deposit accounts. This coverage is automatically applied when a deposit account is opened at an FDIC-insured bank.

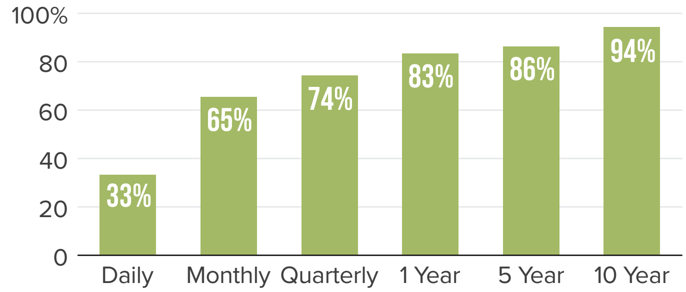
FDIC insurance refunds depositors' money dollar for dollar, up to $250,000 per depositor, for all accounts at the same institution if a bank fails, plus any interest earned up to the default date.

IT MAY PAY TO STAY INVESTED

Although stocks rebounded in the first quarter, many investors remain concerned over ongoing inflation, the direction of interest rates and the possibility of a recession.

During times like these, we remind investors to stay invested for the long term, as the probability of the S&P 500 rising in value significantly increases the longer your money remains in the market as shown in the next column.

Chance of S&P 500 Rising Over Each Period



Source: Morningstar. Over a 40-year rolling period ended 3/31/23.

GET A HEAD START ON YOUR 2023 ACCOUNT CONTRIBUTIONS

Get a head start on 2023 contributions for your Health Savings Account (HSA) and Individual Retirement Account (IRA). Now is a great time to take advantage of the higher contribution limits for 2023 so that you can get one step closer to reaching your financial goals.

If you have children or grandchildren, you could also consider giving them the gift of a more secure financial future by setting up an account for them. If you make one initial deposit of $5,000 and invest that account in the market at a hypothetical 8% annual rate for 25 years, the amount could grow to slightly more than $34,000.

Talk to a Jemma Financial Advisor to help determine the best course of action when making your 2023 contributions.

PLANNING FOR THE UNEXPECTED

4 QUESTIONS TO ASK ABOUT EMERGENCY SAVINGS

Life can be unpredictable with unplanned events arising when we least expect it. Whether it's a layoff, vehicle or house repair or medical emergency, being prepared for the unexpected helps alleviate stress and unwanted debt. Building an emergency fund over time provides that extra layer of comfort and protection.

HERE ARE 4 COMMON QUESTIONS ABOUT EMERGENCY FUNDS:

1 How much should you save?

A general rule is to save 3 to 6 months' worth of essential expenses. If you have a family, you may want to save more so you feel at ease knowing your family's expenses are covered. This extra money provides a valuable cushion that can help you recover from an emergency quickly without having to tap into your retirement account or incur more credit card debt.

2 How do you build an emergency fund?

Automate it. Keep track of your essential monthly expenses to help you gauge what you may need to save so you can set a specific savings goal. Once you set this goal, automate it. Set up automatic recurring transfers from your checking account into a savings account.

3 How quickly should an emergency fund be replenished?

As soon as possible. Don't be afraid to use your emergency fund when needed. However, make sure you differentiate a true emergency vs. a non-essential expense. If you spend it down, work to build it back up as soon as you can so that saving becomes an instilled habit.

4 Should it be a separate account?

It may be a good idea. If you keep your emergency fund separate from your regular checking account, you may not be tempted to use this money for a non-essential expense. Consider opening a separate investment account to make the most of your savings.

Be prepared for life's inevitable unexpected expenses. Find out how to get your emergency fund started by reaching out to a Jemma Financial Advisor.

529 PLANS

A POTENTIAL NEW WEALTH-BUILDING TOOL

The Securing a Strong Retirement Act (SECURE 2.0) that passed on December 29, 2022, brings major changes to retirement savings accounts. One important provision, effective in 2024, is the ability for a beneficiary of a 529 plan to transfer the plan's funds into their own Roth Individual Retirement Account (IRA) without paying taxes or penalties.

WHAT IS A 529 PLAN?

529 accounts encourage saving for future higher education costs while providing tax advantages. Typically, these accounts are sponsored by state governments and many states allow you to deduct your contributions on your state income tax return. The money can be withdrawn for qualified educational expenses without paying tax on any investment gains.

Currently, when money is put into a 529 plan, it can only be used to pay for qualified expenses (e.g., tuition, books, computer, and room/board). If the account is overfunded, there is no way to get the extra money out of the account without incurring a 10% penalty on the account's earnings. Issues arise if your child receives a full scholarship that covers their cost of college or if they decide to not attend college.

FOCUS ON LONG-TERM WEALTH

The SECURE 2.0 Act addresses this issue by allowing beneficiaries to roll over funds into a Roth IRA. This change provides relief to parents and grandparents. If the funds in a child's or grandchild's account are not used for higher education, they can be rolled into an account that can benefit that child/grandchild later in life. In this way, the 529 plan becomes a valuable tool to transfer and build wealth over the long term.

DID YOU KNOW?

In 2009, following the Great Recession, six-month Certificate of Deposit ("CD") rates fell to 0.87% – the lowest in over 5 decades.[4] Now, 14 years later, rates have significantly increased. As of March 2023, a six-month CD is yielding over 4%.[5]

THE DETAILS

Pay attention to certain restrictions when utilizing this new rollover feature. These include:

- Total lifetime limit eligible for transfer from a 529 plan to a Roth IRA is $35,000 per beneficiary.
- A Roth IRA must be established in the name of the child or grandchild.
- Annual contribution limits apply to transfers. For 2023, the contribution limit for IRAs is $6,500.
- The 529 beneficiary receiving the transferred funds in a Roth IRA is subject to the same earned income requirement that applies to all IRA contributions. (To make an IRA contribution, you or your spouse must have earned income.)
- The account must be open for at least 15 years to be eligible for a rollover.
- Contributions and/or earnings made in the 529 plan during the last five years are not eligible to be transferred to a Roth IRA.

SET UP A 529 PLAN

The new provision may present an opportunity for parents or grandparents to open a 529 plan and not only start saving for a child's college but also get a jump start on their retirement savings. It is never too early to start saving. Speak with a Jemma Financial Advisor to determine if a 529 savings account is right for your family.

TRUSTED CONTACTS

THE IMPORTANCE OF A TRUSTED CONTACT

When opening a new account or updating your account information, you may be asked to provide a Trusted Contact. Although not required, it may be a wise decision to name someone you trust as a contact on your investment account.

WHO IS A TRUSTED CONTACT?

A Trusted Contact is someone you authorize your financial firm to contact in specific limited situations. A Trusted Contact can:

- **Confirm your health status.**
- **Confirm your contact information.**
- **Provide details around unusual account activity.**

Your Trusted Contact needs to be at least 18 years old and can be a family member, friend, or another third party you know well and trust. You can also have more than one Trusted Contact but check with your Financial Advisor as the number allowed may vary by firm.

Importantly, naming someone as a Trusted Contact does not give them authority to act on your behalf, execute transactions or engage in activity in your account. A Trusted Contact is different than a Power of Attorney or a Beneficiary.

WHAT ARE THE BENEFITS OF HAVING A TRUSTED CONTACT?

A recent survey revealed that 62% of financial institutions reported an increase in the volume of fraudulent transactions.[6] With financial fraud on the rise, it can be beneficial to have a named Trusted Contact as an additional resource.

An Advisor would get in touch with a Trusted Contact if their client was unreachable due to one of the following situations:

- **Sudden illness or injury**
- **Displacement by a natural disaster**
- **Traveling abroad**
- **Concern over financial fraud**

ADD A TRUSTED CONTACT TO YOUR ACCOUNT

A Jemma Financial Advisor can help you add a Trusted Contact to your account and discuss the advantages with respect to your specific situation.

TRUSTED CONTACT	POWER OF ATTORNEY	BENEFICIARY
Provides an extra layer of protection when something unexpected happens. An advisor can discuss unusual account activity with your Trusted Contact.	Gives one or more persons the power to act on your behalf. A Power of Attorney can manage your property, medical or financial affairs.	Receives assets left to them upon death. Funds are transferred to the Beneficiary after the account owner passes away.

1. U.S. Bureau of Labor Statistics. 2. Federal Reserve Bank of St. Louis. 3. Black Night, Inc., Mortgage Monitor, February 2023. 4. Forbes Advisor. 5. Bankrate.
6. Feature Space, The State of Fraud and Financial Crime in the U.S.