

Financial WISDOM



WINTER 2024

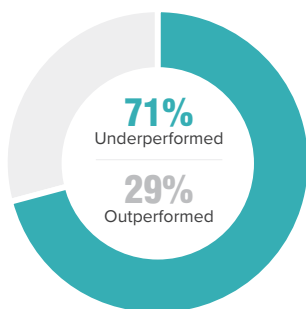


INVESTMENT CORNER

OUTSIZED EQUITY RETURNS IN 2023

Equity investors were rewarded for their patience last year as stocks rallied, bouncing back from a difficult 2022. The S&P 500 Index, an index of the 500 largest U.S. companies, delivered an impressive 26% return and the technology-heavy Nasdaq rose nearly 45%. Growth-oriented sectors fared well and Energy and Utilities were the only two S&P 500 sectors out of the 11 to decline in 2023. Bonds, as measured by the Bloomberg US Aggregate Bond Index, broke their 2-year consecutive losing streak, gaining 5% in 2023.

% OF STOCKS THAT UNDERPERFORMED THE S&P 500 IN 2023



For most of last year, the majority of returns were driven by a select number of mega-cap technology companies. In fact, the Magnificent Seven companies—Alphabet (the parent company of Google), Amazon.com, Apple, Meta Platforms, Microsoft, NVIDIA and Tesla—accounted for approximately 50% of the S&P 500's 2023 gain. Although more companies participated in the market's rally in the second half of 2023, 71% of S&P 500 stocks still underperformed the average return of the Index.

In general, large company stocks outperformed both mid- and small-cap stocks and growth stocks outperformed value-oriented stocks by a wide margin. For example, the Russell 1000 Growth Index of large growth companies rose nearly 43%, while the Russell 2000 Value Index of small value stocks increased only 15% in 2023.

Continued on page 2.

ADDRESSING YOUR 2024 FINANCIAL GOALS

Every year, many people set goals to improve their finances.

We address these resolutions in our Winter Newsletter by providing a timely financial checklist with 2023 and 2024 contribution limits. We also provide a few important things to know when enrolling in Medicare.

Importantly, thanks to Secure 2.0, read about how 529 Plan funds can now be transferred to a Roth Individual Retirement Account, which can be helpful for families with leftover money in a 529 Plan.

Happy 2024!

MARKET PERFORMANCE

% as of December 31, 2023

	1 YR	3 YR*	5 YR*
Dow Jones	16.18	9.38	12.47
S&P 500	26.29	10.00	15.69
Nasdaq	44.64	6.04	18.75

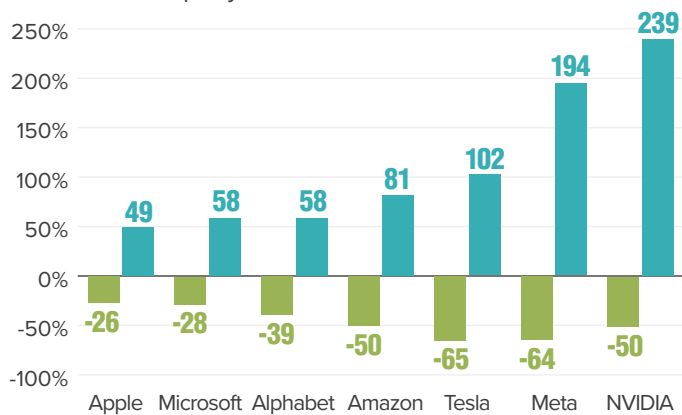
*Average annual total return. Past performance is no guarantee of future results. Source: Morningstar.

After raising rates 11 times from March 2022 through July 2023 to slow the U.S. economy and reduce inflation, the Federal Reserve signaled in December that it may cut interest rates in 2024. A reduction in rates would be a welcomed development to potential homebuyers in the form of lower mortgage rates and to companies seeking to borrow or pay down existing debt. The consumer remains resilient, with inflation holding steady around 3% by the end of 2023 and the unemployment rate remaining under 4% over the past few years.¹

No one can predict what the markets will do in 2024. Therefore, it's best to focus on your long-term financial objectives. To that end, read below for six ideas on meeting these goals.

SEVEN STOCKS DROVE S&P 500 2023 RETURNS

Individual Company Returns



Source: Morningstar

EARLY 2024

FINANCIAL CHECKLIST

The beginning of the year is a good time to make sure you are on your way to meeting your financial goals. Take these smart financial steps in early 2024 to continue on the path to a more secure financial future:

- 1 Review how much you saved and invested in 2023.** Did you make progress toward your short-term and long-term goals? If you did, congratulations! If not, assess what held you back to see if there are steps you can take to save more in the new year.
- 2 Review your allocation to stocks, bonds and cash.** Given the stock market's strong return in 2023, your portfolio may have a larger equity weighting. Also, with higher interest rates, many investors reduced their holdings in stocks and bonds in favor of money markets. Yet, over the long term, stocks have had the highest returns. It's always a good idea to review your overall investment allocation.
- 3 Revisit retirement plan contributions.** If you have a 401(k) or a 403(b) plan through your workplace, you can increase your 2024 maximum contribution of pre-tax wages from \$22,500 to \$23,000. Also consider contributing to your Traditional and/or Roth Individual Retirement Account (IRA). In 2024, the maximum you will be able to set aside in your IRA is \$7,000.
- 4 Make your 2023 IRA contribution.** If you haven't made your 2023 contribution yet, there is still time. Contributions for 2023 can be made through April 15, 2024.

5 Consider catching up. If you are over 50, set aside additional "catch-up" dollars in your 401(k) or 403(b) and your IRA.

6 Take advantage of the triple tax-free benefits of a Health Savings Account (HSA). For those with a high-deductible health plan,* contributions to an HSA are made on a pre-tax or tax-deductible basis, contributed amounts grow tax free over time, and withdrawals for eligible medical expenses are tax free.

CONTRIBUTION LIMITS

	2024	2023
401(k) & 403(b) Elective Deferrals	\$23,000	\$22,500
401(k) & 403(b) Catch-up Elective Deferrals for 50+	\$7,500	\$7,500
Traditional & Roth IRA Contributions	\$7,000	\$6,500
Traditional & Roth IRA Catch-Up for 50+	\$1,000	\$1,000
Health Savings Accounts (HSA) Contributions	Single: \$4,150 Family: \$8,300	Single: \$3,850 Family: \$7,750
Health Savings Accounts (HSA) Catch-Up for 55+	\$1,000	\$1,000

COMPLETE YOUR 2024 GOALS

A Jemma Financial Advisor can help you and your family set and achieve your financial goals this year.

NAVIGATING THE MEDICARE MAZE

Planning for retirement can be an exciting time that comes with many important decisions: How are you going to spend your free time, where do you plan to live and what's your retirement savings withdrawal strategy to fund your new activities?

As we approach retirement, one of the most significant pieces of the retirement puzzle is figuring out when to enroll in Medicare, in which parts to enroll, and knowing what is covered.

HERE ARE A FEW IMPORTANT THINGS TO KNOW:

1 You must enroll in Medicare to receive benefits.

You are not automatically enrolled. The key month is your birthday month in which you turn 65. There is a three-month window before your birthday in which you can enroll, during your birthday month, or three months after your birthday. This seven-month window is the time for you to enroll. Not enrolling during this time may cause a gap in your coverage and a lifetime late enrollment penalty.



2 Conduct an annual checkup on your Medicare coverage.

During the Annual Enrollment Period from October 15th through December 7th, review your Medicare coverage with a knowledgeable consultant every year, particularly on the pharmaceutical side, as there are often changes to coverage from year to year.

3 **Understand each option and provider** when considering Medicare coverage. There are several different ways to combine Medicare coverage choices to ensure your health and budget needs are met.



For those in their early 60s, ask yourself these questions:

- » If you continue to work, are you going to enroll in Medicare or continue coverage through your employer's plan?
- » If you enroll in Medicare and have a younger spouse, how will their health insurance be covered?

Your employer's health-care plan may fit your needs, particularly if you have a spouse who is under 65 and needs health coverage. For others, enrolling in Medicare and leaving your employer plan may be the right answer. Importantly, you can continue to work for your employer but you could take Medicare at age 65.

“WHEN I’M 64”

A goal that many investors have is saving and investing for retirement. This goal should also include planning for and managing the costs of health care. Don't go through the Medicare process alone. Let the Beatles' song serve as a reminder: valuable guidance on selecting a Medicare plan is available.

MEDICARE WEBINAR

Watch an informative 20-minute discussion between Jemma Financial's Katharine Dudley and Randy Hart, CEBS, President of Hart Benefits Consulting. Randy has over 35 years of employee benefits experience including Medicare navigation.

SCAN THE QR CODE TO TUNE IN!



LEFTOVER MONEY IN A 529 PLAN?

CONSIDER A ROTH IRA TRANSFER

Prior to 2024, 529 Plan funds could only be used to pay for qualified expenses (e.g., tuition, books, computer, and room/board). If the account was overfunded, if a child received a full scholarship covering their cost of college, or if they decided not to attend college, there was no way to get the extra money out of the account without incurring a 10% penalty on the account's earnings.

Now, beginning in 2024, a beneficiary of a 529 plan can now transfer the funds into a Roth Individual Retirement Account (IRA) without paying taxes or penalties.

529 accounts have been encouraging families with a tax-advantaged way to save for higher education expenses since the late 1980s. These accounts are usually 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.

With beneficiaries able to roll over funds into a Roth IRA, the funds have the opportunity to benefit your child/grandchild later in life, becoming a valuable tool to transfer and build wealth over the long term.

IT IS NEVER TOO EARLY TO START SAVING

For parents or grandparents who want to fund an education and help their child or grandchild set aside money for retirement, a 529 Plan may be a smart solution. Speak with a Jemma Financial Advisor to determine if a 529 savings account is right for your family.

KEY POINTS

- ✓ 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 2024, the contribution limit for IRAs is \$7,000.
- ✓ 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.



DID YOU KNOW?

Nearly 60% of U.S. households owned stocks in 2022, up from 53% in 2019, and is the highest household stock-ownership rate recorded.²

2023

2019

¹ U.S. Bureau of Labor Statistics. ² Board of Governors of the Federal Reserve System, 10/23.

*The Internal Revenue Service defines a high-deductible plan as any plan with a deductible of at least \$1,600 for an individual or \$3,200 for a family.

Past performance is no guarantee of future results.

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