STONE PINE
FINANCIAL PARTNERS

Retirement in Focus

Spring 2023

People Have Memories, Markets Don't

One of the best things about the stock market is that it doesn't have any memories. The market does not remember what happened last week or last year. It does not even remember what happened a minute ago. Prices change based on what's happening right now and what people think will happen in the future.

People have memories. Markets don't. And that's a good thing.

So let's take a lesson from the market. Don't spend 2023 bogged down by what happened last year. Give yourself the opportunity to start fresh.

Every day in publicly-traded financial markets, buyers and sellers negotiate prices for every stock and bond. To agree, they have to find a price that they both think is a good deal. This happens over and over, millions of times a day. The next day, it starts all over again. Unlike people, markets don't think about the past. It's about today and expectations for the future.

Markets must be forward-looking to set prices that entice buyers to buy. But prices can't be too low or sellers won't sell. Every piece of available information feeds into the decision-making process so everyone involved can agree on the price for a particular security at a particular moment.

Markets are smarter and faster than we are. While you've been reading this, markets have probably factored in thousands of pieces of new information and adjusted the prices of thousands of different company securities.

That's good news. Markets do the work so you don't have to. You don't need to believe in magic or be able to predict the future to have a good investment experience. Some people might think we're giving the market too much credit. But over our 20 years in business, plus a diligent review of the history of markets over the past 100 years, it quickly becomes apparent that this is simply how markets work.

> "Don't spend 2023 bogged down by what happened last year."

Academic research gives us great insight into investing. Over the past century, stock markets have returned on average about 10% a year, although almost never that amount in any given year. And the annualized inflation-adjusted return on US stocks is 7.3% going back to 1926. Because of big swings year to year, trying to time markets is a losing game. So don't try to outguess markets—go with them. Come up with a plan, take no more risk than you can tolerate, and go spend some time with your loved ones.

Our particular area of expertise is working with retirees. And all of this research on markets, how they work, and their excellent long-term returns is just as valid for retirees as it is for younger

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investors. However, retirees admittedly have more variables to consider and decisions to weigh when it comes to investing. And in particular, the key for retirees is to understand how to build some certainty into their distributions (a safety net) while also harnessing the power of the stock market.

Control what you can control so you can set yourself up for success, and then give yourself some grace. Judge yourself by the quality of your decisions and not by the fluctuation of your overall portfolio in any given week, month or year.

We believe one of the worst things investors can do is to impose their memory on their view of markets. Because then they might "see" patterns that aren't there and make choices that aren't based on research or evidence.

When it comes to investing, the key is not to try to outsmart the market, but to understand how it works and use that knowledge to your advantage. The market is a great information processing machine. It runs on human ingenuity, which is why returns tend to grow over time as people work to innovate and improve the value of the companies they work for.

So start today off with a clean slate—just like markets do every day.

What's Your Interest Rate?

With interest rates on the rise, obtaining a monthly payment for a new home or car loan gives an added meaning to the phrase "sticker shock." While no one likes to *pay* more interest, we haven't yet met anyone that doesn't like to earn more interest.

The benefit or hindrance of high interest rates depends on which side of the transaction you're on. If you're the lender, then you're welcoming a higher return right now. And a lender is exactly what you are when it comes to your savings account! You are lending the bank use of your cash funds and in return they pay you interest. If that interest isn't close to 4% right now, then you might want to consider some alternatives so you can receive a better rate. Believe it or not, many brick and mortar banks are still paying only a fraction of 1% right now! Online savings accounts through banks like Capital One and Ally are good options. But we're finding that even those are below the rate you can get right now in your **TD Ameritrade** brokerage account, the high-yield money market account has a whopping 4.48% as of early March! If you want to make a change, it's as easy as sending an email to **clients@stonepinefinancial.com** and we can transfer in cash from your linked bank account.

Unclaimed Property

According to the National Association of Unclaimed Property Administrators, approximately 1 in 10 Americans has unclaimed property being held by state treasurers. This could be money in various forms, such as security or utility deposits or insurance proceeds. The federal government does not have a central website to search for unclaimed property, but you can search using other methods. You can search for any unclaimed property by finding your state's unclaimed property office and entering in your first and last name. If you go to https://unclaimed.org/, click on the state you want to search and it will redirect you to your state's unclaimed property website. We recommend searching in the state you currently reside as well as any previous states you have lived in. If it turns out that you do have unclaimed property, the state's website contains helpful information on the next steps to take. Fingers crossed that you stumble upon some extra cash!

Your Portfolio Pays More Than Just Financial Dividends

As your financial planners, we often have conversations with you about the return on your investments. Although this is very important and at the core of what we do, it's also important to occasionally take a step back and ask, what is this all for anyway?

In reality, the highest dividend that money pays is control of your time. Whether it's to spend time with your loved ones, travel to exotic places, or grow a lush garden, those actions are the result of decades of good saving and investment habits.

Not only do you get the experience of doing the things you love, but you also get to relive the joy of those experiences each time you remember them. The memories of your experiences are another way your portfolio continues to pay you dividends into the future. So we encourage you to plan the trip, take time to be with your children or grandchildren, or stick your hands into the earth this spring and grow your garden, because your experiences and the precious memories of those experiences are what life is all about!

Top 5 Reasons to Consider a Partial Roth Conversion

One of the major decisions retirees face, particularly in the early years of retirement, is whether to convert funds from a Traditional IRA into a Roth IRA. This can feel like a daunting decision, because after all, who wants to pay more taxes now? But the good news is that you can convert small amounts; it doesn't have to be all or nothing. Although you're making a decision to pay taxes now on retirement funds, the major benefit is that those funds then grow tax-free, which can frankly save you lots of money when done strategically.

Here are five things to consider when making this decision:

1. Wow! You were a great saver and now you have too much money in your IRA! Well, maybe that's going a little too far, but the truth is the benefits of pre-tax savings during your working years can turn into a detriment once you get into retirement. Many retirees find that once they reach the Required Distribution Age, their tax bills increase significantly. If you have a significant portion of your savings in tax-deferred accounts it can be advantageous to strategically move some of these funds to a Roth IRA in order to take advantage of tax-free growth and withdrawals in the future. The most advantageous time to consider this is in the early years of retirement when you have the most control over your taxes and income sources.
2. Paying taxes on some deferred funds now not only has the potential to help you avoid a higher tax bracket in later retirement years but may also help you avoid paying additional taxes like Medicare surcharges (subject to those with higher income). A Roth conversion increases your income the year you convert but then in future years it potentially lowers your taxable income by reducing your future required minimum distributions (RMDs).
3. If you are a married couple, have you considered what happens when one of you dies? One inevitable change: a widow or widower will be a single tax filer which means a lower standard deduction and potentially higher tax rates while also having less income (for example, only one Social Security income stream). This is often referred to as the Widow's Penalty. Having money built up in a Roth IRA, which can be accessed tax-free, can be very advantageous in this scenario.
4. The tax rates are currently at some of the lowest levels in almost a century! If you recall, the Tax Cuts & Jobs Act of 2017 was the catalyst for these low tax rates, but they come with an expiration date of December 31, 2025 when the rates will revert to pre-TCJA.That means you still have 2.5 years to implement some Roth conversions at what might be the lowest rates any of us ever see.
5. Another piece of legislation that makes Roth conversions appealing was the SECURE Act which ended the stretch IRA. This means that when you die, your non-spouse beneficiaries (typically your children) can no longer take required minimum distributions over their lifetime, rather they now have a maximum of 10 years to deplete the account. This can unintentionally bump your children into a higher tax bracket for a number of years which can impact many aspects of their financial lives and send a larger chunk of your hard-earned savings to the government. Although Roth IRAs are also subject to the 10-year rule, those funds are tax-free to your beneficiaries.

Spring Meetings

We will be reaching out to you soon to schedule a time for our spring review meeting. These meetings will be held at the end of April and beginning of May. The meetings will take place either in-person at our office or via Zoom -or you can request a phone call if that's your preference. One of the main items on our agenda will be to focus on your investment portfolio, detailing the safety mechanism we have in place to ensure your future will be secure. Additionally, we will discuss any questions or concerns you might have. ***We look forward to meeting with you this spring!***

Stone Pine Community Service Event

This year we are hosting our first annual Community Service Event! The Stone Pine team loves the outdoors and giving back to our local community, so we are excited for this upcoming volunteer opportunity. The event will take place on Saturday, April 15, 2023 (9 AM - 12:30 PM) at the Tyler Arboretum, a nonprofit arboretum located in Media, PA. Tyler staff will be leading us through several volunteer tasks including garden area cleanup, weeding and planting. Please keep an eye out for an email invitation to this event. ***We hope you can join us!***

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Cybersecurity Tips for Tax Season

Tax season necessitates accessing and sharing personal financial information so it's wise to be on the look-out for potential fraudulent activity. Here are a few cybersecurity tips to protect yourself and prevent possible fraud:

Use a PIN:

The IRS now offers an identity protection PIN. This PIN is a 6 digit number that only you and the IRS know. When you create and use a PIN, it prevents someone else from filing a tax return using your Social Security number or Individual Taxpayer Identification Number. For more information on how to apply for a PIN, please visit the IRS website: https://www.irs.gov/identity-theft-fraud-scams/get-an-identity-protection-pin

Beware of impersonation scams:

In most cases, the IRS will contact you via mail delivered by the U.S. Postal Service. When it comes to making payments, the IRS will never call you to ask for a debit or credit card or demand that you make an immediate payment.

Avoid phishing schemes:

The IRS does not send out emails or texts regarding tax information. If you receive an email or text asking you to provide information regarding your taxes and finances from the IRS or anyone else, disregard it and do not click on any links within the message.

If you receive any fraudulent messages or phone calls, you can report them to the IRS at phishing@irs.gov or by calling 800-366-4484.