CORNERSTONE
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Insights Newsletter

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HAPPY SUMMER!

I hope you are enjoying the sunshine and taking advantage of the longer hours of daylight!

As your trusted financial advisors, we constantly research and evaluate information to help us stay on the cutting-edge and keep you informed on the issues that may affect you. This newsletter covers several topics that have been top of mind for many of you.

As always, our advice is not one-size-fits-all. As stewards of your wealth, our genuinely committed team is here to understand your needs and provide personalized guidance for **you** and **your family**. Our goal is to help you make decisions with confidence, take care of the people you love, and contribute to the causes you care about.

INVESTMENT COMMITTEE MEETING RECAP – Q1

Quarterly meetings of our Investment Committee are preceded by extensive research, internal collaboration, and consultation with third parties to analyze current economic themes, evaluate portfolio construction, and review funds.

Andrew Ulvestad
AAMS®
WEALTH ADVISOR

After a weak February, markets rallied in March. U.S. markets were up by low single digits, while bond markets were in the same range. International markets also showed modest gains, with developed markets about the same as the U.S. and emerging markets doing slightly better. This was a stronger start to 2023 than most had expected, and it may signal how the rest of the year will play out.

The US economy remained resilient, driven by consumer spending. While consumers are shifting spending from goods to services, overall spending continues at a healthy clip. But three factors—dwindling excess savings, higher interest rates and softening job creation—should curb growth soon. In the short term, the economy may experience slower growth, and markets could struggle given increased risks to earnings growth. The second quarter may be tougher for markets than the start of the year. At the same time, as we look further forward, a strong first quarter has historically been a positive sign for the year as a whole. We can reasonably expect more volatility in the short term, but the longer-term picture remains. The progress on inflation drove the gains during the first quarter. While it is still too high, it is well below where it started the year. With the Fed having hiked rates at a fast pace, markets are now convinced that inflation will come under control, as the benchmark yield on the 10-year U.S. Treasury dropped significantly in March.

Equity markets want the Fed and inflation to get *off of their cloud*. Why? Because equities tend to rally when the Fed ends its tightening cycle, inflation decelerates, and interest rates fall. Assuming the Fed doesn't overtighten and take the economy into a severe recession, S&P 500 earnings should remain solid. If anything, the economy's better-than-expected start this year gives us more confidence in the upside potential. A weaker dollar, quickly improving supply chains, and easing commodity and labor costs should help support margins. The current decline in equities has likely already priced in a mild recession. When we finally get to the recession, sentiment should turn more positive—as markets anticipate coming out of it.

This year, there will be little, if any, help from Washington as lawmakers focus on the battle to avoid a government shutdown over the debt ceiling. We believe they'll avert a shutdown at the eleventh hour—as usual. Until then, the rising uncertainty will also weigh on markets.

Duration measures a bond's price sensitivity to interest rate changes.

During our investment committee meeting in April, we discussed these economic and market themes and analyzed our strategies in detail. Based on our outlook and anticipation that rate hikes will slow or stop, we believe it may be prudent to keep fixed income duration low. While we have a more favorable outlook on value currently, we anticipate that to shift to a more neutral outlook of growth and value as we try to best position ourselves for both the short and long term.

As always, thank you for your continued trust. Market corrections - even recessions - are part of normal market cycles, but it's perfectly natural to be unnerved. Stay focused on your personal goals, don't get overwhelmed by media hype, and remember we're here to help. Contact us if you have any questions or would like to review your plan.

Cornerstone is pleased to bring you this article by Ed Slott and Company, LLC, an organization providing IRA education and analysis to financial advisors, institutions, consumers, and media across the country. Our work with this organization helps us stay up to date on the latest developments in IRA and tax law updates.
As always, give us a call if you'd like to discuss!

ROTH-O-MANIA:
FIVE NEW SECURE 2.0 ROTH SAVINGS OPPORTUNITIES

Twenty-five years ago, Roth IRAs first became available, offering the promise of tax-free earnings and withdrawals. Since then, Roth options have exploded. Employer plans can now offer Roth options and income limits on Roth conversions are long gone. The recently enacted SECURE 2.0 has made it clear that the trend toward more Roth accounts becoming available for retirement savings is accelerating. Roth-O-Mania has arrived!

Here are five new Roth savings opportunities introduced by SECURE 2.0:

1 ROTH EMPLOYER PLAN CONTRIBUTIONS

Most 401(k) (and other workplace retirement savings plans) provide for employer contributions. These contributions are either matching contributions for participants who make salary deferrals, or across-the-board nonelective contributions for all eligible participants.

Until now, employer contributions, including matches on Roth salary deferrals, have been required to be made to a pre-tax account within the plan. However, beginning in 2023, SECURE 2.0 allows for employer contributions to be made to Roth accounts.

Roth employer contributions are allowed in 401(k), 403(b) and governmental 457(b) plans. SECURE 2.0 makes clear that employers are not required to make their contributions on a Roth basis. It is optional, not mandatory. SECURE 2.0 also provides that only vested matching or nonelective contributions can qualify for Roth treatment. For tax purposes, Roth employer contributions will be treated the same as Roth employee contributions. That is, employees will be taxed on the amount of the Roth contribution.

2 ROTH SEPS AND SIMPLES

Many small business owners offer SEP or SIMPLE IRA plans for their employees. SEP IRAs provide only employer contributions. SIMPLE IRAs provide both employer contributions and employee contributions. Employers with SEP or SIMPLE plans have always been required to make contributions on a pre-tax basis. However, beginning in 2023, SECURE 2.0 permits both SIMPLE and SEP Roth IRA contributions.

Employees can now make SIMPLE Roth IRA salary deferrals similarly to the way participants in an employer plan can make Roth contributions (if the plan allows). SIMPLE Roth contributions made by employees may be included in taxable income for the year of the contribution.

SEP and SIMPLE Roth employer contributions may also be offered. If the Roth option is offered, employees can choose to treat employer SEP and SIMPLE contributions as Roth.

3 NO LIFETIME RMDS FOR ROTH PLANS

Beginning in 2024, SECURE 2.0 eliminates the need to take lifetime required minimum distributions (RMDs) on Roth plan dollars. This brings Roth plan RMD rules more in line with Roth IRA RMD rules.

Participants in workplace plans — like a 401(k) or 403(b) — will no longer have to factor their Roth plan dollars into their lifetime RMD calculation. This could result in a significant reduction in the plan RMD from 2023 to 2024.

Additionally, plan participants will no longer be forced to roll over Roth plan dollars to a Roth IRA to avoid taking an RMD on those Roth assets. Does this mean that rolling a plan to a Roth IRA is no longer a good option? Not necessarily. Rolling over the funds to a Roth IRA may still be the best choice due to a multitude of other factors - such as more favorable Roth IRA distribution ordering rules, investment options, easier access, etc.

Roth plan participants will join Roth IRA owners in not being subject to lifetime RMDs. However, beneficiaries of a Roth plan, like Roth IRA beneficiaries, are subject to the RMD rules. With either a Roth plan account or a Roth IRA, any distribution to a beneficiary will likely be income tax free. However, after the SECURE Act, most non-spouse beneficiaries will be subject to the 10-year rule that requires the inherited Roth funds to be fully withdrawn by the end of the 10th year after death.

4 ROLLOVERS FROM 529 PLANS TO ROTH IRAS

SECURE 2.0 allows rollovers from 529 plans to Roth IRAs beginning in 2024. For those who have concerns about what to do with funds "left over" in a 529 plan, this may be a good opportunity. Leftover 529 funds can now be rolled over to a Roth IRA in the name of the 529 beneficiary.

These rollovers from 529 plans to Roth IRAs would not be subject to the income restrictions that normally apply to Roth IRA contributions.

However, there are many restrictions. The 529 plan must have been in place for at least 15 years. Rollover amounts cannot include any 529 contributions (and earnings on those contributions) made in the preceding five-year period. Annual rollovers cannot exceed the annual Roth IRA contribution limit, and total lifetime rollovers cannot exceed $35,000.

5 REQUIRED ROTH CATCH-UP CONTRIBUTIONS

Beginning in 2024, SECURE 2.0 requires any age 50-and-older catch-up contributions made to 401(k), 403(b) or 457(b) plans by certain higher-paid participants to be made as Roth contributions. This includes a participant whose wages received from the plan sponsor for the preceding calendar year exceeded $145,000 (as indexed). Individuals who are not in this group can choose to make catch-up contributions as Roth contributions (if the plan allows) but are not required to do so.

THE FUTURE IS ROTH

In the past several years, we have seen several legislative proposals put forward that would have limited the availability of Roth accounts. For example, there were proposals to do away with back-door Roth conversions and proposals that would have added income limits for Roth conversions.

None of these proposals that would have cut back on Roth accounts found their way into SECURE 2.0. The reason is clear: Congress is desperate for revenue, and Roth accounts raise immediate tax dollars. In fact, four of the five new Roth rule changes discussed in this article can be found in "Title VI — Revenue Provisions" in the SECURE 2.0 law. Roth-O-Mania is likely here to stay, and with it comes more opportunities for tax-free growth and withdrawals for savvy retirement savers.

Membership in Ed Slott's Elite IRA Advisor GroupTM is just one of the tools our advisors use to help you avoid unnecessary taxes and fees on your retirement dollars. Gordon regularly attends in-depth technical training conferences on advanced retirement account planning strategies and estate planning techniques. Additionally, semiannual workshops analyzing the most recent tax law changes, case studies, private letter rulings, Congressional action and Supreme Court rulings help keep our advisors on the cutting-edge of retirement, tax law and IRA distribution planning. Finally, Gordon is immediately notified of changes to the tax code and updates on retirement planning through his membership, as well as 24/7 access to Ed Slott and Company LLC to confer with on complex cases. Raymond James is not affiliated with and does not endorse the opinions or services of ED Slott, Ed Slott and Company, LLC, IRA Help, LLC, or Ed Slott's Master Elite IRA Advisor Group.

Gordon Wollman, Founder and President of Cornerstone Financial Solutions, and Raymond James Wealth Advisor, with Ed Slott at the 2023 Spring workshop for members of Ed Slott's Elite and Master Elite IRA Advisor Group℠.

PREPARE FOR A RECESSION – ROLLING OR OTHERWISE

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Are we in a recession? Or aren't we?

That's been the topic of many news stories over the past year. But economists have varying opinions, depending on their definition of a recession.

Investopedia notes that a recession happens when the economy stops growing and begins to contract.[1] And NerdWallet says that it's generally two consecutive quarters of a slowing economic activity.[2]

But despite historic inflation in the past year, and several interest rate increases by the Federal reserve, due to the strong labor market over the past year (though that is starting to slow down), we still technically aren't in a recession. Some economists say we are headed for a soft landing, which happens when economic growth slows, but doesn't decline. Other economists say we are in a rolling recession.

Forbes reports that a rolling recession is one that doesn't have the same impact on the entire economy, but rather it affects different market sectors at different times.[3] Some sectors might be spared altogether.

The Conference Board predicts that we may soon be in a recession. They predict we will have three quarters of negative economic growth starting in the first quarter of 2023 but predict the downturn will be mild and brief. The good news is they also predict a rebound in 2024.[4]

But the definition of what's happening isn't as important as the fact that we are here to help you navigate it.

Getting Ready for a Recession

Whether it's a rolling recession or the type of recession that hits the entire economy all at once, there are steps we can take to prepare.

The good news is we've already begun taking those steps together. We've talked about it and planned for it in case it happens. But it's always a good idea to have a refresher on some of the basics:[5]

- Stock your emergency fund. Get your budget in order and figure out what you spend per month so that way you can put enough away in your emergency fund to cover three to six months' worth of expenses.

- Focus on paying down debt. We can discuss whether it would be best for you to pay down high-

- Reevaluate your expenditures. See where you can get creative with saving. We can explore this together, but take time to look at your insurance policies, utilities, and cell phone bills to see if you can save in any area.

- Refresh your resume. If you are still in the workforce, it's always a good idea to refresh your resume and get it professionally edited. Layoffs have been impacting thousands of workers since late last year and Investopedia reports that no sector is safe. It's just best to be prepared.[6]

We can't predict what's going to happen in the future, but we can prepare for various outcomes. If you're feeling fearful or want to talk to us about any of this, give us a call and let's work on your plan.

Sources
1 https://www.investopedia.com/terms/r/recession.asp
2 https://www.nerdwallet.com/article/finance/are-we-in-a-recession
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4 https://www.conference-board.org/research/us-forecast
5 https://time.com/6240221/a-recession-is-widely-expected-heres-how-to-prepare/
6 https://www.investopedia.com/biggest-layoffs-2023-7096389

OUR GUARANTEE: Because of our commitment to excellence, upon receiving your verbal feedback, if we don't meet your expectations we will provide a no-cost transition to your next advisor.

BARRON'S TOP 1,200 FINANCIAL ADVISORS 2009, 2011-2020, 2022, 2023

2018-2023 BEST-IN STATE WEALTH ADVISOR FORBES

RAYMOND JAMES® GLOBAL TOP 50 ADVISORS 2018 - 2022

RAYMOND JAMES® CHAIRMAN'S COUNCIL 2011 - 2023

2023 BEST-IN STATE WEALTH MANAGEMENT TEAMS FORBES

FINANCIAL TIMES TOP 400 FINANCIAL ADVISORS 2018–2019

Except Forbes Best-In-State Wealth Management Teams, these rankings and awards were achieved by Gordon Wollman, Founder & CEO, CFS and Wealth Advisor, RJFS. These rankings may not be representative of any one client's experience, are not an endorsement, and are not indicative of future performance. Neither Raymond James nor any of its Financial Advisors pay a fee in exchange for these awards/ratings. Raymond James is not affiliated with Barron's, Shook Research, Forbes, Financial Times, or Ignite Research. Investment performance is not an explicit component because not all advisors have audited results and because performance figures often are influenced more by clients' risk tolerance than by an advisor's investment-picking abilities.

Barron's Top 1,200 Financial Advisors: Gordon has been recognized among this competitive field of top advisors twelve times! Barron's is a registered trademark of Dow Jones & Company, L.P. All rights reserved. Time period upon which the rating is based is from 09/30/2021 to 09/30/2022, and was released on 03/15/2023. The rankings are based on data provided by 6,186 individual advisors and their firms and include qualitative and quantitative criteria. Factors included in the rankings: assets under management, revenue produced for the firm, regulatory record, quality of practice and philanthropic work. Investment performance is not an explicit component because not all advisors have audited results and because performance figures often are influenced more by clients' risk tolerance than by an advisor's investment picking abilities.

Raymond James Global Top 50 is an event that takes place in February (2020). Invitees are selected based on 2019 fiscal year production. There are approximately 50 attendees, though that number may vary based on those who are invited and available to attend.

Forbes Best-in-State Wealth Advisors: Source: Forbes.com. As of 4/7/22. Developed by SHOOK Research, the ranking based on an algorithm of qualitative and quantitative data, mostly gained through telephone and in-person due diligence interviews, and quantitative data. This ranking is based upon the period from 6/30/2021 to 6/30/2022 and was released on 4/4/2023. Those advisors that are considered have a minimum of 7 years of experience, and the algorithm weighs factors like revenue trends, assets under management, compliance records, industry experience and those that encompass best practices in their practices and approach to working with clients. Portfolio performance is not a criteria due to varying client objectives and lack of audited data. Out of approximately 39,007 nominations, 7,321 advisors received the award. Please visit https://www.forbes.com/best-in-state-wealth-advisors for more info.

Raymond James Chairman's Council Membership is based on prior fiscal year production, re-qualification is required annually.

The FT 400 was developed in collaboration with Ignites Research, a subsidiary of the FT that provides specialized content on asset management. To qualify for the list, advisers had to have 10 years of experience and at least $300 million in assets under management (AUM) and no more than 60% of the AUM with institutional clients. The FT reaches out to some of the largest brokerages in the U.S. and asks them to provide a list of advisors who meet the minimum criteria outlined above. These advisors are then invited to apply for the ranking. Only advisors who submit an online application can be considered for the ranking. This ranking is based upon the period from 06/30/2016 to 06/30/2019 and was released on 04/18/2020. In 2019, roughly 960 applications were received and 400 were selected to the final list (41.7%). The 400 qualified advisers were then scored on six attributes: AUM, AUM growth rate, compliance record, years of experience, industry certifications, and online accessibility. AUM is the top factor, accounting for roughly 60-70 percent of the applicant's score. Additionally, to provide a diversity of advisors, the FT placed a cap on the number of advisors from any one state that's roughly correlated to the distribution of millionaires across the U.S.

Cornerstone Financial Solutions was recognized on the 2023 Forbes ranking of America's Top Wealth Management Teams Best-In-State, developed by SHOOK Research, is based on an algorithm of qualitative criteria, mostly gained through telephone and in-person due diligence interviews, and quantitative data. This ranking is based upon the period from 4/1/2021 to 3/31/2022 and was released on 01/12/2023. Advisor teams that are considered must have one advisor with a minimum of seven years of experience, have been in existence as a team for at least one year, have at least 5 team members, and have been nominated by their firm. The algorithm weights factors like revenue trends, assets under management, compliance records, industry experience and those that encompass best practices in their practices and approach to working with clients. Portfolio performance is not a criteria due to varying client objectives and lack of audited data. Out of approximately 8,000 team nominations, 2,860 advisor teams received the award based on thresholds. Please see https://www.forbes.com/lists/wealth-management-teams-best-in-state/ for more info.

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PLEASE SHARE THIS NEWSLETTER WITH THEM!

We love meeting new people who are ready to dream about what's truly possible, build a Cornerstone plan to help them get there, and lead a life of impact.