A·C·H
Investment Group, Inc.

January 3, 2024

Dear Clients,

Stocks defied the skeptics in a very unpredictable 2023. The Dow Jones finished at an all-time record high on December 28, and the S&P 500 came within a whisker of a fresh all-time high after the index rallied more than 20% for the year.

It wasn't only stock investors who had plenty to cheer about. Bond portfolios, which struggled mightily along with stocks in 2022, staged a furious late-year rally. Bloomberg's broad bond market benchmark returned a solid 5.5% for the year after being negative year to date as late as October.

Last year was especially gratifying given the pessimism at the outset. It also offers some important lessons for investors:

- Don't always follow the herd. They're right at times, but wrong more often than you think. As recently as May 2023, Wall Street strategists forecasted 4,017 for the S&P 500 at year end—about 19% too low. Stocks rise about three times as often as they fall, so be wary of bearish herds.
- Consider cycles and trends. Stocks rarely fall two years in a row. Year three of the four-year presidential cycle (e.g., 2023) has been the best over time. Bear markets tend to recover losses in under a year in the absence of recession (the last bear ended in October 2022). Historical cycle averages point to mid-to-high single-digit gains for stocks in 2024.
- Don't bet against the U.S. consumer. Every economic cycle is different, but the post-pandemic recovery distorted the economy such that traditional economic indicators misled many economists. One takeaway here is stimulus matters—for example, low interest rates, stimulus checks, student loan forgiveness, and even infrastructure spending. Another takeaway is that consumers with jobs will spend. The unemployment rate remains near 50-year lows.
- Focus on the long term. This unusual economic cycle made it extremely difficult to predict where stocks were going, reminding us that "time in the market" is a better mantra than "timing the market." Waiting it out through the down periods, even through wars, a banking crisis, and widespread calls for recession, is the best approach for nearly all investors.

These are all great lessons to tuck away as we turn to 2024. The year may not bring quite as much joy to your portfolio, but with inflation down, unemployment low, corporate fundamentals in good shape, and the Federal Reserve poised to cut interest rates, the ingredients for another profitable year are in place.

I wish you a joyful and prosperous 2024. As always, please reach out to me with questions.

Sincerely,

Janet Fox

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All data is provided as of January 2, 2024.

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All index data from FactSet.

The Standard & Poor's 500 Index (S&P500) is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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Past performance does not guarantee future results.

Asset allocation does not ensure a profit or protect against a loss.

For a list of descriptions of the indexes and economic terms referenced, please visit our website at lplresearch.com/definitions.

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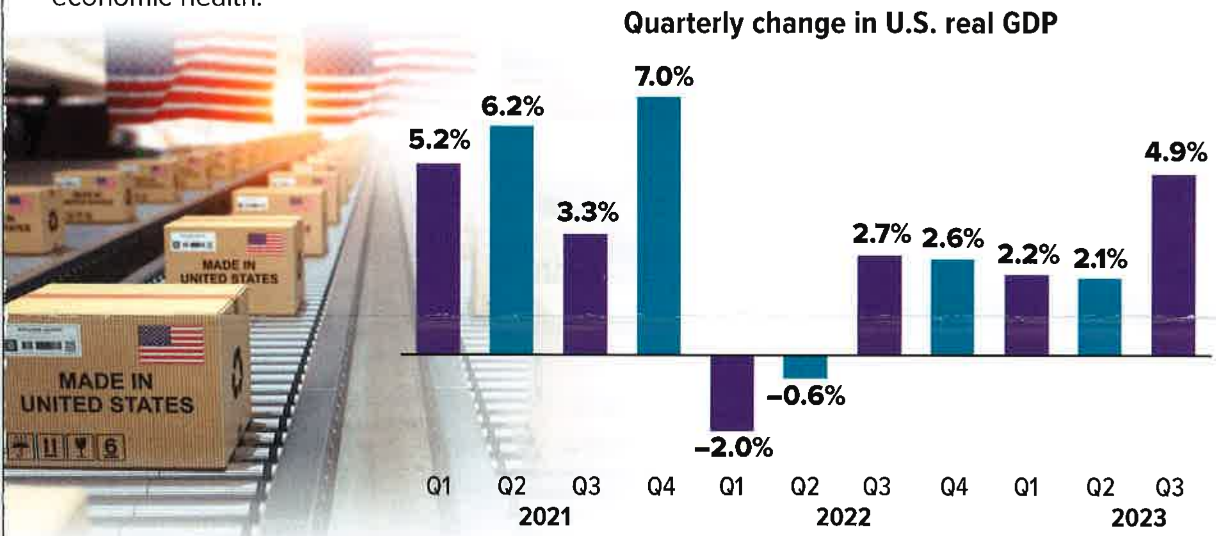
Your Money Management Newsletter

Economy Staying Strong

After a worrisome decline in the first half of 2022 — which sparked fears of a recession — U.S. inflation-adjusted gross domestic product (real GDP) has grown steadily. The third quarter of 2023 showed the strongest growth since the post-pandemic bounceback.

Current-dollar (nominal) GDP measures the total market value of goods and services produced in the United States at current prices. By adjusting for inflation, real GDP provides a more accurate comparison over time, making its rate of change a preferred indicator of the nation's economic health.



Source: U.S. Bureau of Economic Analysis, 2023 (seasonally adjusted at annual rates; Q3 2023 based on advance estimate)

$27.6 trillion

Projected U.S. gross domestic product for 2023 in current dollars, based on advance data for the third quarter. In 2022, current-dollar (nominal) GDP was $25.7 trillion.

Source: U.S. Bureau of Economic Analysis, 2023

Practical insights for your **FINANCIAL GOALS**

Do You Have These Key Estate Planning Documents?

Estate planning is the process of managing and preserving your assets while you are alive, and conserving and controlling their distribution after your death. There are four key estate planning documents almost everyone should have regardless of age, health, or wealth. They are: a durable power of attorney, advance medical directive(s), a will, and a letter of instruction.

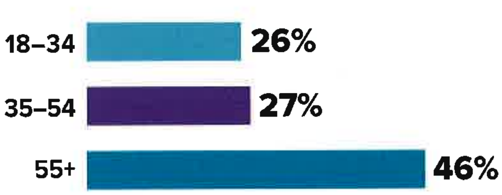
Durable power of attorney

Incapacity can happen to anyone at any time, but your risk generally increases as you grow older. Consider what would happen if, for example, you were unable to make decisions or conduct your own affairs. Failing to plan may mean a court would have to appoint a guardian, and the guardian might make decisions that would be different from what you would have wanted.

A durable power of attorney (DPOA) enables you to authorize a family member or other trusted individual to make financial decisions or transact business on your behalf, even if you become incapacitated. The designated individual can do things like pay everyday expenses, collect benefits, watch over your investments, and file taxes.

There are two types of DPOAs: (1) an *immediate* DPOA, which is effective at once (this may be appropriate, for example, if you face a serious operation or illness), and (2) a *springing* DPOA, which is not effective unless you become incapacitated.

Percentage of Americans with a will, by age group



Source: Caring.com, 2023

Advance medical directive(s)

An advance medical directive lets others know what forms of medical treatment you prefer and enables you to designate someone to make medical decisions for you in the event you can't express your own wishes. If you don't have an advance medical directive, health-care providers could use unwanted treatments and procedures to prolong your life at any cost.

There are three types of advance medical directives. Each state allows only a certain type (or types). You may find that one, two, or all three types are necessary to carry out all of your wishes for medical treatment.

- A living will is a document that specifies the types of medical treatment you would want, or not want, in a particular situation. In most states, a living will takes effect only under certain circumstances, such as a terminal illness or injury. Generally, one can be used solely to decline medical treatment that "serves only to postpone the moment of death."
- A health-care proxy lets one or more family members or other trusted individuals make medical decisions for you. You decide how much power your representative will or won't have.
- A do-not-resuscitate (DNR) order is a legal form, signed by both you and your doctor, that gives health-care professionals permission to carry out your wishes.

Will

A will is quite often the cornerstone of an estate plan. It is a formal, legal document that directs how your property is to be distributed when you die. Your will should generally be written, signed by you, and witnessed. If you don't leave a will, disbursements will be made according to state law, which might not be what you would want.

There are a couple of other important purposes for a will. It allows you to name an executor to carry out your wishes, as specified in the will, and a guardian for your minor children.

Most wills have to be filed with the probate court. The executor collects assets, pays debts and taxes owed, and distributes any remaining property to the rightful heirs. The rules vary from state to state, but in some states smaller estates are exempt from probate or qualify for an expedited process.

Letter of instruction

A letter of instruction is an informal, nonlegal document that generally accompanies a will and is used to express your personal thoughts and directions regarding what is in the will (or about other things, such as your burial wishes or where to locate other documents). This can be the most helpful document you leave for your family members and your executor.

Unlike your will, a letter of instruction remains private. Therefore, it is an opportunity to say the things you would rather not make public.

A letter of instruction is not a substitute for a will. Any directions you include in the letter are only suggestions and are not binding. The people to whom you address the letter may follow or disregard any instructions.

Take steps now

Life is unpredictable. So take steps now, while you can, to have the proper documents in place to ensure that your wishes are carried out.

A New Year, A New Opportunity to Save with a 529 Plan

The start of a new year is typically a time when people resolve to implement or recommit themselves to a personal financial goal. This year, why not consider opening a 529 plan account, or increasing your contributions to an existing account, to enhance your child's or grandchild's financial future? 529 plans are the most flexible they've ever been since their creation more than 25 years ago.

A college fund ... and more

Education, in any form, can be a key life building block. A 529 plan is specifically designed for education savings. The main benefit of a 529 plan is tax related: earnings in a 529 account accumulate tax-deferred and are tax-free when withdrawn (which could be many years down the road) if the funds are used to pay qualified education expenses. Some states may also offer a tax deduction for contributions. For withdrawals not used for qualified education expenses, the earnings portion is subject to income tax and a 10% penalty.

In recent years, Congress has expanded the list of expenses that count as "qualified" for 529 plans. Here are some common expenses that qualify:

- **Tuition and fees** — up to the full cost of college/graduate school, vocational/trade school, and apprenticeship programs (schools must be accredited by Department of Education and courses can be online); up to $10,000 per year for K–12
- **Housing and food (room and board)** — for college/graduate school only, provided the student is enrolled at least half time
- **Computers, required software, internet access, books, supplies** — for college/graduate school only
- **Paying student loans** — up to $10,000 lifetime limit

In addition, starting in 2024, families who have extra funds in their 529 account can roll over up to $35,000 to a Roth IRA in the beneficiary's name, subject to annual Roth IRA contribution limits.

Automatic contributions ... and more

Sure, you could build an education fund outside of a 529 plan, but the tax advantages of 529 plans are hard to beat. Plus, 529 plans offer other benefits:

- The ability to set up automatic, recurring contributions from your checking or savings account, which automates your effort and allows you to save during all types of market conditions
- The flexibility to increase, decrease, or temporarily stop your recurring contributions, or to make an unscheduled lump-sum contribution, that reflects the ebbs and flows of your financial situation

Building an Education Fund

Monthly savings	5 years	10 years	15 years
$150	$10,201	$23,292	$40,093
$250	$17,002	$38,821	$66,822
$350	$23,802	$54,349	$93,551
$450	$30,603	$69,877	$120,280

Table assumes an annual 5% return. This is a hypothetical example of mathematical principles and is not intended to reflect the actual performance of any investment. Rates of return will vary over time, particularly for long-term investments. Investments with the potential for higher rates of return also carry a greater degree of risk of loss. Fees and expenses are not considered and would reduce the performance shown if they were included.

- The option to choose a mix of investments based on the age of the beneficiary, where account allocations become more conservative as the time for college gets closer
- A separate account from your regular checking, savings, or brokerage account, which may reduce the temptation to dip into it for a non-education purpose

How to open a 529 account

To open a 529 savings account, select a 529 plan and fill out an application online. You will need to provide personal information, name a beneficiary, choose your investment option(s), and set up automatic contributions or make an initial one-time contribution.

There are generally fees and expenses associated with participation in a 529 plan. There is also the risk that the investments may lose money or not perform well enough to cover college costs as anticipated. The tax implications of a 529 plan should be discussed with your legal and/or tax professionals because they can vary significantly from state to state. Most states offering their own 529 plans may provide advantages and benefits exclusively for their residents and taxpayers, which may include financial aid, scholarship funds, and protection from creditors. Before investing in a 529 plan, consider the investment objectives, risks, charges, and expenses, which are available in the issuer's official statement and should be read carefully. The official disclosure statements and applicable prospectuses, which contain this and other information about the investment options, underlying investments, and investment company, can be obtained by contacting your financial professional.

Don't Forget About Credit When Planning for Retirement

As you plan for retirement, you might not give credit a second thought, especially if your plan includes paying off your mortgage and other debts, and relying more on cash than credit. But retirement could last many years, and your need for credit doesn't necessarily disappear on your last day of work. At some point you may want to buy a second home, move to a retirement community, take out a home equity loan, or buy a vehicle; it's also possible you will face an unexpected expense. Keeping your credit healthy may help you qualify for a lower interest rate or better terms on a loan or credit card, or if a credit check is involved, even help you land a part-time job or obtain a better deal on auto insurance.

When it comes to getting credit, it's not growing older that matters — lenders can't deny a credit application based solely on age. The factors that affect your ability to get credit are the same as for younger people and include your debt-to-income ratio (DTI) and your credit score.

Lenders use your DTI to measure your ability to repay money you borrow. This ratio is calculated by totaling your monthly debt payments then dividing that figure by your gross monthly income. For example, if your retirement income totals $6,000 and your debt payments total $2,000, your DTI is 33%. What's considered a good DTI will vary, depending on lender requirements and loan type, but lenders generally look for a DTI of 43% or less.[1]

If there's a reasonable chance you'll be applying for credit after you retire, consider what your DTI might be as you evaluate your retirement income needs or decide which debts to pay off. And think carefully about taking on new debt obligations, including co-signing a loan for a family member.

Another major factor lenders consider is your credit score. Retirement doesn't automatically affect your score, because credit reports only reflect your history of borrowing and repaying money, not your employment status or your salary. The three things that count the most toward your score are your payment history, the amount you owe on credit cards (including the percentage of available credit you're using), and the length of your credit history.[2] So continue to make credit card or loan payments on time (consider setting up autopay or reminders), aim to use no more than 10% to 30% of your credit limits, and consider the possible negative impact of closing accounts that you've had for years but no longer use.

Another way to help keep your credit healthy throughout retirement is to check your credit report regularly to spot errors or fraudulent transactions. You can order free copies of your credit report from Equifax, Experian, and TransUnion at the official site ***AnnualCreditReport.com***.

1–2) Experian, 2023

Do you have an appropriate estate plan? Are you saving for college or another major expense? Call us for an appointment today.