



Charles A. Going, CPA\*  
 M. Scott Sebastien, CPA\*  
 Donald E. Fisher, CPA\*  
 Craig C. LeBouef, MBA, CPA, PFS, CFP®\*  
 Darren J. Cart, CPA/PFS\*  
 C. Matthew Ledoux, CPA\*  
 Robert A. Roy, Jr., CPA\*  
 Scott D. Hayes, CPA, MBA\*  
 Seth E. Dabney, CPA  
 Amy B. Spellman, CPA  
 Kaleb B. Andrepont, CPA

2811 South Union Street  
 Opelousas, LA 70570  
 Ph (337) 942-3041  
 Fax (337) 942-7112

1700 Kaliste Saloom Rd., Bldg 5  
 Lafayette, LA 70508  
 Ph (337) 981-5555  
 Fax (337) 984-7187

[www.goingcpa.com](http://www.goingcpa.com)

\* Limited Liability Company

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Dear Client,

This letter contains news and views that I feel will be of interest to you. As always, please call us at your convenience to set up your quarterly investment meeting.

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**Going, Sebastien, Fisher & Le Bouef, LLP News:**

- GSF&L looks at various asset classes that may be suitable for clients’ portfolios to add diversification (reduce risk). We offer Insurance-Linked Securities, Alternative Lending, Market Insurance, Realty, and Real Assets, so feel free to contact us for more details.
- The strategies have a low to moderate correlation to a Global Equities/Global Fixed Income mix; therefore, portfolio volatility.
- Please make note of the above letterhead indicating our Lafayette office has moved to Kaliste Saloom Road. Should you need directions please contact our office.
- We are pleased to announce that we have admitted Amy Broussard Spellman, CPA and Kaleb Andrepont, CPA as associate partners to the firm. GSF&L welcomes all clients from Broussard and Broussard, CPA who are following Amy and are now part of our firm. We look forward to continuing to service your needs for many years to come.
- We are also pleased to announce the acquisition of the accounting practice of Dallas Fleming & Associates. We welcome all of the DM&F clients and look forward to continuing to service your needs as Dallas was able to over the past many years.
- Craig recently attended the Versus Capital Annual Due Diligence Conference. Sessions he attended included The Case for Infrastructure Debt, Real Estate Workshop, Infrastructure Workshop, Farmland Workshop, and Timberland Workshop.

## Investment Views:

- **NASDAQ Markets - Through September 30, 2021 - Year-to-date returns** – Dow Jones Industrial Average 20.95%, S&P 500 28.71%, NASDAQ Composite 27.51%, Russell 2000 14.82%, Morgan Stanley Capital International Europe, Australasia, Far East 11.78%, Barclays US Aggregate Bond -1.54%.

- **Interest Rates (As of December 20, 2021 – Average National Rates) –**

Federal Funds Rate	0.08%	10-Year TIPS	-0.97%
3-Month Treasury Bill	0.05%	10-Year Muni Bonds – Nat'l	1.05%
10-Year Treasury Note	1.41%	15-Year Mortgage Fixed	2.34%
30-Year Treasury Bond	1.82%	30-Year Mortgage Fixed	3.12%
Savings	0.06%	Money Market	0.07%
12-month CD	0.13%		

Sources: Federal Reserve, fms.bonds.com, Freddie Mac, FDIC

- **Northern Trust – Weekly Economic Commentary – December 17, 2021** – Inflation around the world has been rising rapidly. Year over year changes in the price level now stand at nearly 7% in the United States...Price levels have been affected by elevated prices for housing, supply chain disruptions and rising labor costs. As we noted last week, inflation is the top story we covered in 2021. At the September meeting of the Federal Open Market Committee (FOMC), the members were evenly split as to whether interest rates should be lifted in 2022. But the tone has changed: all participants now expect higher interest rates next year. The FOMC's updated projections, released this week, call for much higher inflation over the next twelve months.
- **Bureau of Economic Analysis – December 22, 2021** - Real Gross Domestic Product (GDP) – the value of goods and services produced by the nation's economy less the value of the goods and services used up in production increased at an annual rate of 2.3% in the third quarter of 2021, according to the "third" estimate released by the Bureau. In the second quarter, real GDP increased 6.7%. Personal income increased 0.4% in November as compared to a 0.5% increase in October.
- **Bureau of Labor Statistics – December 10, 2021** – On a seasonally adjusted basis, the Consumer Price Index for All Urban Consumers (CPI-U) increased 0.8% in November after rising 0.9% in October. Over the last 12 months, the all items index increased 6.8% before seasonal adjustment. The indexes for gasoline, shelter, food, used cars and trucks, and new vehicles were among the larger contributors. The energy index rose 3.5% in November as the gasoline index increased 6.1% and the other major energy component indexes also rose.

## Craig's Thoughts and Views:

### Retirement Contributions

Below is a summary of the cost-of-living adjustments that affect the dollar limitations for pension plan contributions and other retirement-related items for 2022.

**401(k), 403(b), 457 plans, and Thrift Savings Plans.** The employee contribution limits who actively participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased to \$20,500 up from \$19,500. The catch-up contribution limit for employees aged 50 and over remains unchanged at \$6,500.

**SIMPLE IRA Retirement Accounts.** Contribution limits for SIMPLE IRA retirement accounts increases from \$13,500 to \$14,000. The catch-up contribution limit for employees aged 50 and over remains at \$3,000.

**Traditional IRAs.** The limit on annual contributions to an IRA remains unchanged, at \$6,000. The additional catch-up contribution limit for individuals aged 50 and over is not subject to an annual cost-of-living adjustment and remains at \$1,000.

Taxpayers can deduct contributions to a traditional IRA if they meet certain conditions. If neither the taxpayer nor the taxpayer's spouse is covered by a retirement plan at work, their full contribution to a traditional IRA is deductible. If the taxpayer or the taxpayer's spouse was covered by a retirement plan at work, the deduction may be reduced or phased out until it is eliminated. The amount of the deduction depends on the taxpayer's filing status and their income.

The phase-out ranges for 2022 are as follows:

- For single taxpayers covered by a workplace retirement plan, the phase-out range is \$68,000 to \$78,000, up from \$66,000 to \$76,000.
- For married couples filing jointly when the spouse making the contribution is covered by a workplace retirement plan, the phase-out range is \$109,000 to \$129,000, up from \$105,000 to \$125,000.
- For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the phase-out range is between \$204,000 to \$214,000, up from \$198,000 to \$208,000.
- For a married individual filing a separate return who is covered by a workplace retirement plan, the phase-out range is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000.

**Roth IRAs.** The income phase-out range for taxpayers making contributions to a Roth IRA is \$129,000 to \$144,000 for singles and heads of household, up from \$125,000 to \$140,000. For married couples filing jointly, the income phase-out range is \$204,000 to \$214,000, up from \$198,000 to \$208,000. The phase-out range for a married individual filing a separate return is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000.

**Saver's Credit.** The phase-out range for the Saver's Credit, for low and moderate-income workers, (also known as the Retirement Savings Contribution Credit) is \$41,000 to \$68,000 for

married couples filing jointly, \$30,750 to \$51,000 for heads of household, and \$20,500 to \$34,000 for singles and married individuals filing separately.

## Capital Markets

Year 2021 was an historic year for the markets in some respects. Stocks overcame numerous headwinds during the past three months, including a resurgence in COVID cases, the Federal Reserve began moving to end the current round of Quantitative Easing (QE) program, and a lack of additional stimulus from Washington, DC. The developments, as always, were incorporated into market prices. However, stocks hit all-time highs in the fourth quarter and produced strong returns for 2021.

**Equities.** All four of the U.S. stock indices were higher for the fourth quarter, with the tech-heavy NASDAQ slightly outperforming the S&P 500 while the Dow Industrials modestly lagged the NASDAQ and S&P 500. The small-cap focused Russell 2000, meanwhile, registered only a small gain for the fourth quarter. On a full-year basis, all four major indices posted positive returns, with the S&P 500 slightly outperforming the NASDAQ for the first time since 2016. The Russell 2000 relatively underperformed thanks to lackluster returns during the second half of 2021.

U.S equity indexes returned the following for the fourth quarter: S&P 500 11.03%, Dow Jones Industrial Average (DJIA) 7.87 %, NASDAQ 100 11.28%, S&P MidCap 400 8.00%, and Russell 2000 2.14%. The indices' returns for year 2021 were as follows: S&P 500 28.71%, DJIA 20.95%, NASDAQ 100 27.51%, S&P MidCap 400 24.76%, and Russell 2000 14.82%. (*Source: Morningstar*).

From an investment style standpoint, a late-year rally in large-cap tech helped growth outperform value both in the fourth quarter and for the full year. On a sector level, 10 of the 11 S&P 500 sectors finished the fourth quarter with positive returns, with tech and real estate leading the way. Energy was the best-performing sector in the market as a surge in oil and natural gas prices helped energy outperform. The only S&P 500 sector to post a negative return for the fourth quarter was communication services, as investors rotated out of internet-focused tech stocks into more diversified technology companies such as Microsoft, Apple, and others.

Internationally, foreign markets saw modest gains in the fourth quarter as declines in emerging markets partially offset gains in developed markets. Emerging markets dropped in the fourth quarter due to a stronger U.S dollar. Developed markets posted a positive return for the fourth quarter, although returns were not close to the S&P 500. On an index level, the MSCI Europe Australia Far East (EAFE) Foreign Developed returned 2.74% and the MSCI Emerging Market (EM) return -1.24% during the fourth quarter. For year 2021 the MSCI EAFE returned 11.78% and the MSCI EM returned -2.22%. (*Source: YCharts*).

Commodities saw gains in the fourth quarter as both oil and gold logged positive returns. Oil rallied late in the quarter and gold saw a small gain in the fourth quarter thanks to continued high inflation readings and an increase in market volatility. For the fourth quarter the S&P Goldman Sachs Commodity Index (GSCI) returned 1.51% compared to gold price returning 4.09%. For the year 2021, GSCI and gold returned 40.35% and -3.75%, respectively. (*Source: YCharts*).

## IRA Review

If you are the owner of an IRA, there are some issues that you should be aware of. We assist our clients in avoiding these pitfalls, so they can maximize the use of their IRAs. Each IRA owner has different circumstances and these issues may impact individuals differently. Below are some areas that IRA owners should give attention to.

- First and foremost, it is important to review the current beneficiary of your IRA on at least an annual basis, especially if you have recently experienced an event such as a birth, death, marriage, or divorce. You should also make sure to list a contingent beneficiary or beneficiaries in the event the primary beneficiary predeceases the IRA owner or disclaims some or all of the IRA assets.
- Exercise caution before listing the estate or a trust as the beneficiary of your IRA. These can cause unnecessary required accelerated distribution methods that may be undesirable.
- When taking traditional IRA distributions, attempt to do so in a manner that does not cause IRS penalties. For example, traditional IRA distributions prior to the owner reaching age 59 ½ are subject to a 10% IRS “early withdrawal” penalty. Exceptions to this penalty as defined under the Internal Revenue Code Section 72(t) may be for the following distributions:
  - that are part of a series of substantially equal periodic payments
  - made due to total and permanent disability
  - made due to death
  - to the extent the individual’s unreimbursed medical expenses exceed 10% (7.5% if taxpayer or spouse age 65 or older) of adjusted gross income
  - to pay for health insurance premiums for certain unemployed individuals
  - for qualified higher education expenses of taxpayer, spouse, child, or grandchild
  - for first-time home purchases (\$10,000 limit lifetime and no home ownership in prior 2 years)
  - due to an IRS levy on an IRA
  - to reservists or National Guardsmen while serving on active duty for at least 180 days
  - qualified birth or adoption for individuals under age 18 up to \$5,000
  - Up to \$100,000 for a qualified disaster
  - Coronavirus-related distributions
- Effective for years 2010 and beyond, there is no adjusted gross income (AGI) limit for Roth conversions and married filing separate (MFS) taxpayers can make Roth conversions.
- A 2014 Tax Court decision concluded that the one-IRA-rollover-per-year limitation applies globally to all traditional IRAs owned by an individual rather than on an account-by-account basis. However, there are no limitations on direct rollovers (trustee-to-trustee).
- Beginning in 2015, IRA owners and beneficiaries age 70 ½ or older can make qualified charitable distributions (QCDs) by causing IRA funds to be paid directly from the IRA to the charity.
- Beginning in 2020, traditional IRA owners must begin taking required minimum withdrawals from their IRAs at age 72 (instead of age 70 ½). A penalty of 50% may be assessed on any shortfall below the required minimum distribution amount.
- Beginning after 2017, a recharacterization cannot be used to unwind a Roth IRA conversion.

- Eligible individuals can make a qualified HSA funding distribution from their traditional or Roth IRA to a health savings account (HSA). The distribution must be made directly by the trustee of the IRA to the trustee of the HSA. Only one lifetime qualified HSA funding distribution is allowed.
- Beginning in 2020, individuals of any age will be allowed to contribute to a traditional IRA. The individual still must have earned income to contribute.
- Beginning in 2020, the SECURE Act added a new 10% penalty exception for birth or adoption. This exception is limited to \$5,000 per child, and the exception applies to IRAs and defined contribution plans.
- The SECURE Act limits most non-spouse beneficiaries of retirement accounts to 10 years of further compounding. By that deadline, accounts must be emptied with distributions added to the recipient's other taxable income and taxed at ordinary rates or face the 50% penalty.
- An inherited IRA must be transferred to another IRA via a trustee-to-trustee transfers rather than by a 60-day rollover.

### **GSF&L, LLP Registered Investment Advisors:**

We can never know what the future holds, but we can make informed decisions regarding investment strategies and portfolio allocations. We (GSF&L) make changes based on our perception of opportunities in the capital markets. We assimilate fundamental, technical, and economic information to make informed decisions. Of course, it is important to have long-term focus on portfolio management, but with a critical analysis of intermediate strategies.

Managing risks and opportunities are important to portfolios and reaching one's financial needs and goals. Having a complimentary understanding of investment horizon and attitude toward risk are equally important. Markets and economies do not always behave as we expect them to. That is the problem with investing! There is no luck to professional investing. You can no more have a successful, disciplined approach by luck or accident than you can win a chess tournament by luck or accident.

If you know of someone who may fit our financial and investment planning philosophy, please mention our name. We are a small organization and intend to remain so. A solid organization makes it possible for us to spend our time managing our business rather than each other. Because everyone has so much to do, much gets done. We will forego any growth opportunity that may detract from our ability to serve our clients as they have become accustomed to. We never expect to be among the biggest, but our attention to be among the best is not subject to compromise.

Regards,

*Craig*

Craig C. Le Bouef, MBA, CPA/PFS, CFP®

NASDAQ composite measures the performance of all issues listed in the NASDAQ Stock Market, except for rights, warrants, units, and convertible debentures. The S&P 500 is made up of 500 common stocks representing major U.S. industry sectors. The Dow Jones Industrial Average contains 30 stocks that trade on the New York Stock Exchange (NYSE) which reflect the performance of 30 large American companies. The Morgan Stanley Capital International Europe, Australia, and Far East Index (MSCI EAFE) is a market-weighted aggregate of 20 individual country indexes that collectively represent many of the major markets of the world, excluding Canada and the U.S. The Lehman Brothers U.S. Aggregate Bond Index tracks performance of debt instruments issued by corporations and the U.S. Government and its agencies. The returns for this index are total returns, which includes reinvestment

of dividends. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 8% of the total market capitalization of the Russell 3000 index.

All indices are unmanaged. It is not possible to invest in an index.

Past performance is no guarantee of future results. Diversification does not assure against market loss.