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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 (GSF&L) News:

- GSF&L recently added three new closed end (interval) funds to its Alternative Strategies line up potentially adding more diversification to clients’ portfolios. The three funds have a low to negative correlation with the S&P 500 and Bond Aggregate Index. Through November 2022, the funds returned 7.76%, 5.93%, and 10.22%, respectively, which compares to the SPDR S&P 500 ETF return of -14.17% and iShares Core US Aggregate Bond ETF return of -13.84%. The minimum 2022 distribution rate was 5.98% among the three funds. Feel free to contact Craig or Darren should you wish to learn more about the funds and how they may further diversify your investment portfolio.
- We are pleased to announce that Amy Broussard Spellman, CPA has been admitted as an equity partner to the firm effective January 01, 2023. Please give Amy a call for any professional services you may need.
- Craig recently attended a couple of sessions on the new SECURE Act 2.0 regarding retirement planning opportunities and challenges. The Act made changes to IRA required minimum distribution starting age, Roth IRA related changes, and 529-to-Roth IRA transfer just to name a few. Give us a call should you wish to find out more about the Act and how planning opportunities or challenges may affect you.

Investment Views:

- **YCharts - Through December 21, 2022 - Year-to-date returns** – Dow Jones Industrial Average -6.86%, S&P 500 -18.11%, NASDAQ 100 -32.38%, Russell 2000 -20.44%, Morgan Stanley Capital International Europe, Australasia, Far East -14.01%, S&P GSFCEI (Broad-Based Commodities) 25.99%, and BBgBarc US Aggregate Bond -13.01%.

- **Interest Rates (As of December 22, 2022 – Average National Rates) –**

Federal Funds Rate	4.33%	10-Year TIPS	1.45%
3-Month Treasury Bill	4.25%	10-Year Muni Bonds – Nat'l	2.45%
10-Year Treasury Note	3.69%	15-Year Mortgage Fixed	5.54%
30-Year Treasury Bond	3.74%	30-Year Mortgage Fixed	6.31%
Savings	0.30%	Money Market	0.07%
12-month CD	1.07%		

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

- **Northern Trust – Weekly Economic Commentary – January 6, 2023** – The 2021 holiday shopping season was a big hit, with Americans spending more freely as they emerged from COVID-19. Heading into the 2022 holidays, the question on many observers' minds was: will shoppers flock to stores or will there be a store recession. The holiday season is important to retailers (accounting for 25% or more of annual sales) and in turn for the economy. According to MasterCard SpendingPulse, sales from November 1 to December 24 rose 7.6% in nominal terms. The National Retail Federation expects U.S. holiday retail sales to have grown by 6-8% year over year in 2022. However, complete findings on holiday shopping won't be known until the major retailers release their fourth quarter earnings.
- **Bureau of Economic Analysis – December 22, 2022** - 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 3.2% in the third quarter of 2022, according to the "third" estimate released by the Bureau. In the second quarter, real GDP increased 0.6%. Personal income increased 0.4% in November as compared to a 0.7% increase in October.
- **Bureau of Labor Statistics – December 13, 2022** – On a seasonally adjusted basis, the Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1% in November after rising 0.4% in October. Over the last 12 months, the all-items index increased 7.1% before seasonal adjustment. The energy index rose 13.1% for the 12 months ending November, and the food index increased 10.6% over the last year; these two increases were smaller than for the period ending October.

Craig's Thoughts and Views:

Retirement Contributions

Cost of living adjustments affecting dollar limitations for pension plans and other retirement-related items for 2023 are as follows:

401(k), 403(b), 457 plans, and Thrift Savings Plans. Employee contribution limits who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increases to \$22,500 up from \$20,500. The catch-up contribution limit for employees aged 50 and over increases to \$7,500, up from \$6,500 in 2022.

SIMPLE IRA Retirement Accounts. Contribution limits for SIMPLE IRA retirement accounts increased to \$15,500, up from \$14,000. The catch-up contribution limit for employees aged 50 and over increases from \$3,000 to \$3,500.

Traditional IRAs. The limit on annual contributions to an IRA increased to \$6,500, up from \$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 2023 are as follows:

- For single taxpayers covered by a workplace retirement plan, the phase-out range is \$73,000 to \$83,000, up from between \$68,000 to \$78,000.
- For married couples filing jointly when the spouse making the contribution is covered by a workplace retirement plan, the phase-out range is \$116,000 to \$136,000, up from between \$109,000 to \$129,000.
- For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between \$218,000 to \$228,000, up from between \$204,000 to \$218,000.
- 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 \$138,000 to \$153,000 for singles and heads of household, up from \$129,000 to \$144,000. For married couples filing jointly, the income phaseout-out range is \$218,000 to \$228,000, up from between \$204,000 to \$214,000. 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 \$73,000 for married couples filing jointly, up from \$68,000; \$54,750 for heads of household, up from \$51,000; and \$36,500 for singles and married individuals filing separately, up from \$34,000.

Economic Indicators to Watch for 2023

Easing inflation pressures and a resolution of the fiscal turmoil in the United Kingdom fueled a strong rally in stocks and bonds early in the fourth quarter, but hawkish Fed guidance, disappointing economic data, and rising global bond yields weighed on markets in December and the S&P 500 finished the fourth quarter with only modest gains that capped the worst year for the index since 2008.

In sum, 2022 was the most difficult year for investors from a return and volatility standpoint since the Global Financial Crisis. Multi-decade highs in inflation combined with historically aggressive Fed rate hikes and growing concerns about economic and earnings recessions to pressure both stocks and bonds.

At GSF&L, we understand the risks facing both the markets and the economy, and we are committed to helping you effectively navigate the challenging investment environment. Economic data will be important to watch in 2023 because of several factors: The Fed has told us it expects Fed Funds to end 2023 at 5.125%; the bond market is pricing in a 3% chance of that happening; that means the markets expect inflation data and economic data to roll over hard; for that event to be positive for stocks, inflation has to fall faster than growth data, which would allow the Fed to pivot sooner than expected; for that event to be negative for stocks, growth falls faster than inflation and we get stagflation; the key to understand whether inflation or growth is falling faster will be to watch the following indicators.

Core CPI. It's important because Fed Chair Powell has told the markets that the Fed needs to see more progress on services inflation to back off rate hikes.

Jobless Claims. The Fed believes that service inflation won't ease until the labor market deteriorates and people start losing their jobs (which should reduce spending).

Unemployment Rate. This gives us a more comprehensive view of the labor market that will directly impact consumer spending and services inflation.

Service Sector (Purchasing Managers Index) PMI. The service sector of the economy is the biggest, and strongest, part of the U.S. economy. It will need to moderate to ease service inflation.

Monthly Job Adds. The monthly job adds should preferably stagnate or even turn negative for a few months to convince the Fed that service inflation is going to decline.

Jobs Openings and Labor Turnover Survey (JOLTS). Job openings spiked following the economic recovery and for some has been the "poster child" of labor market tightness. The data in the survey is messy but the bottom line is it needs to decline to reflect deterioration in the labor market.

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 7.5% 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 a child (up to \$5,000 per parent, per child)
 - Up to \$100,000 for a qualified disaster
 - Coronavirus-related distributions
- 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.
- Between years 2023 and 2032, traditional IRA owners must begin taking required minimum withdrawals from their IRAs at age 73 (instead of age 72). A penalty of 25% (was 50%) may be assessed on any shortfall below the required minimum distribution amount and maybe reduced to 10% if fixed during the “Correction Window.”
- 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 a 25% penalty (was 50%).
- An inherited IRA must be transferred to another IRA via a trustee-to-trustee transfers rather than by a 60-day rollover.
- The SECURE Act 2.0 made other changes to IRAs and pension plans, so feel free to contact us on other changes made that are too numerous to list here.

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.