

# wealthologist

# WISDOM

**ISSUE 16** The Joy is in the Journey

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HOBART WEALTH



# STAYING IN THE PRESENT, LOOKING TO THE FUTURE

## **“The joy is in the journey.”**

I used that phrase recently in one of our Wealthologist videos, the ones that get delivered to your email inbox each week. The sentiment behind it is that we often get caught up in pushing so hard to reach our destination that we forget to stop and look around once in a while. But when we do stop and look around, that’s when we can see how much we’ve achieved and how far we’ve come.

Staying in the present also allows us to better see the obstacles in front of us as we journey to our destination. When we know about potential hurdles and challenges ahead, we are better able to plan, prepare and pivot when necessary.

We don’t always see our own past accomplishments and future challenges clearly. Sometimes, it takes the people who walk alongside us to point out where we’ve excelled and where we’ve fallen short. When these observations and feedback come from people we trust, we can (hopefully) absorb them, learn from them and use them to become better at our jobs, our relationships, and our lives.

At Hobart Wealth, we frequently seek feedback from our clients, asking you to let us know how we’re doing as we serve you. We sent out a client survey in late 2022, with the intent of using your comments to assess our current service and guide our plans for the coming year.

And you didn’t disappoint. We received an avalanche of great insights and thoughts from many of you. Thank you to everyone who participated!

Based on your comments, here’s a look at some of the things you can expect from us this year:

**Wealthologist Wisdom.** This newsletter will show up in your mailbox and/or inbox three times this year. That schedule gives us enough room to talk about the topics you want (and need) to hear without bombarding your mailbox.



**Weekly Wealthologist videos.** Last year, we sent out weekly email updates with quick video updates on markets and the economy. We plan to keep sending these weekly emails to you each Wednesday, including all the timely financial information that could impact your financial plan.

**Monthly Wealthologist live events.** Our monthly virtual events have been a big hit! We’re working on adding new features to these, including tools to allow attendees

to ask questions and engage in conversation with our presenters.

## **Ongoing refinements to our services and processes.**

Our #1 mission is to continually find new ways to provide first-class client service. This involves sharpening our skills in all areas impacting your financial life, including life insurance and tax planning. We’re also implementing new processes and systems that allow us to be more proactive and anticipate what you need—sometimes before you even know you need it!

Finally, it’s our goal to continue fostering a sense of community among all Hobart Wealth clients. We’ll do this by offering educational events to bring tangible, actionable advice to all attendees. Plus every client will have the chance to join our “Do Good Crew” as we roll up our sleeves and volunteer for various organizations and causes in the Charlotte area.

As we work to implement these plans, it’s my goal to stay present and appreciate each day. I hope you’ll join me in taking time to appreciate how far we’ve come – and remember that we’re here to walk alongside you during the journey ahead.

*With Gratitude,*

*Chris Hobart*



## Congratulations to Jim Stillman on his Retirement

After helping hundreds of clients pursue their retirement goals, James “Jim” Stillman has decided to try it for himself! Jim originally started his career in the early 1970s in the printing and publishing industry, eventually moving into management and sales.

In 1985, Jim and his wife embarked on an adventure that changed their lives. “We went on a sailing journey on our 35-foot sailboat from Milwaukee, Wisconsin,” he said. “We went through the Great Lakes, through the Erie barge canal system to New York, then north to Martha’s Vineyard. From there it was south down the intercoastal waterway to the Florida Keys and the Bahamas.”

The whole journey lasted about 1½ years. After returning to Wisconsin, the couple had two kids and moved to North Carolina in 1998. That’s when Jim started in the insurance business, eventually opening a Registered Investment Adviser Firm (RIA) in 2009. He became part of the Hobart team in 2020.

“It’s always been a family business, starting out with me and my wife,” he said. “My daughter Kelly has been with me for about 10 years, and we’ve been part of the Hobart team now for two years.” (Kelly will remain with Hobart Wealth as a Client Services Specialist.)

Jim already has a few plans for his retirement, including helping out with Victory Lanes in Mooresville. But he’s open to new adventures. “I’m looking forward to spending more time in the yard, since we have a new home with lots of grass,” he said. “Maybe some volunteer work or mentoring. I’m so used to working it feels nice knowing I don’t have to anymore, but it also feels kind of weird. I just feel blessed that all the hard work over the years has worked out!”

hey!

# HOBART

We love answering your questions about all things money, from retirement savings to how to save on taxes. Do you have a question for us? Send an email to

[heyhobart@hobartwealth.com](mailto:heyhobart@hobartwealth.com) with the subject line

“Hey Hobart!” And feel free to answer “Hey Hobart!” any time you see Chris around town.

**Q: My husband and I are in our early 60s, and we both have permanent life insurance policies we put in place when our kids were small. Now that they’re grown and out of the house—do we still need them?**

**A: First of all, we’re glad to hear you put life insurance in place during the “kid-raising” years. It means you were thinking ahead about protecting your family.**

Like most things financial, the answer to your question is “it depends.” Everyone’s situation is different. But don’t assume that an empty nest automatically means you no longer need life insurance.

Now that you’re out of the stage of actively raising kids, your reasons for needing life insurance have probably changed. A life policy can be a great tool for making sure your final costs are covered and that your spouse or kids aren’t saddled with medical bills or burial expenses when you’re gone.

You could also use life insurance to pass money to loved ones or organizations you care about tax-free. If someone other than your spouse inherits an IRA or 401(k) from you, they’ll pay taxes on that money. However, life insurance proceeds are not taxed.

If your policies have been in place for many years, it may be possible to get an updated plans with new features, such as a long-term care rider or accelerated death benefits. We recommend meeting with your advisor before deciding whether or not to keep your policies. Your advisor can provide insights about how you could potentially use life insurance to reduce taxes, give more money to your beneficiaries or even pay for future long-term care expenses.

When was the last time you reviewed your life insurance coverage? If you have an old policy or no policy, it may be time for an update. Email Jonathan Padgett, Director of Insurance Planning at [jonathan@hobartwealth.com](mailto:jonathan@hobartwealth.com) to schedule a life insurance review at our office.

# HIGHER FOR LONGER?



JACOB WOODRUM, CFP®

LEAD INVESTMENT STRATEGIST  
INVESTMENT POLICY COMMITTEE MEMBER



All eyes have been on the Federal Reserve and Fed Chair Jerome Powell regarding the outlook for the economy as it pertains to recession risks and interest rate policy. Powell has participated in a number of moderated discussions this year, and the main topics continue to be around future interest rate hikes and policy surrounding the resilient labor market.

Powell did admit that inflation has now become disinflation, meaning the rate of change for increasing prices is slowing. That said, the most recent inflation report came in hotter than expected and the Fed does not expect inflation to decline to the targeted 2% rate until 2024. If the economy continues to slow and specifically, the job market declines, we expect the Fed to pause rate hikes mid-year with the potential for interest rate cuts towards the end of 2023.

The consistent decline in inflation is a primary factor needed to signal we are closer to a point where the Fed stops raising rates. The Fed made it clear in early February that they remain focused on bringing core inflation down to the 2% target. This will be accomplished with another rate hike in March, and possibly two additional 0.25% interest rate increases in May and June.

In our opinion, it is too soon to say if we are out of the woods just yet as there is still some uncertainty with inflation and the labor market. The current environment is dynamic with a number of factors at play. The S&P 500 has had a positive start to the year, as of this writing, but with evident volatility. We expect this to be the norm for the first half of the year. Growth and inflation considerations will be relevant as we progress over the next few months.

Discussions such as these can often make us feel like we are trying to hit a moving target. It reminds me of playing “pin the tail on the donkey” as a kid. Being spun around with a blindfold on and then trying to locate the donkey on the wall was difficult. The ever-changing data and information in the markets can feel a lot like that game. We wish it were as easy as just ripping the blindfold off, but we know in reality the markets are not that straightforward. That said, we do know that fundamental principles in investing prevail over time, and we continue to lean on those strengths in our investment process, asset allocation, and overall goal achievement.

Recent comments by Powell before the Senate Banking Committee indicate the probability for 2023 rate cuts are not likely but this is dependent on many variables and time will tell how this plays out.



# SECURE 2.0 ACT

## MAKES SIGNIFICANT CHANGES TO SAVING FOR RETIREMENT



COREY SUNSTROM, CFP®

DIRECTOR OF FINANCIAL PLANNING  
SENIOR WEALTH ADVISOR

The SECURE Act 2.0 was passed into law in December 2022, and it's a game-changer for retirement savings. The law includes several provisions that will allow for more options and opportunities for savers as they plan their financial future. Here's a look at some of the most significant changes resulting from the act, particularly those related to Roth IRAs and employer retirement plans.

### **RMDs eliminated for employer Roth accounts**

One of the biggest changes in the law pertain to how required minimum distributions (RMDs) are handled for Roth accounts in a workplace plan. Roth IRAs are not subject to RMDs during the owner's lifetime, but employer plan Roth accounts – like Roth 401(k)s, Roth 403(b)s and Roth 457(b)s – are currently subject to regular RMD rules. SECURE 2.0 eliminates RMDs for Roth accounts in qualified employer plans beginning in 2024, and savers will not have to take money out of these accounts during their lifetime.

### **Roth option added to SIMPLE IRAs and SEP IRAs**

The SECURE 2.0 Act allows taxpayers to contribute to Roth SIMPLE IRAs and Roth SEP IRAs beginning in 2023. (Previously, these plans could only include pre-tax funds.) Savers can now make contributions to these plans with after-tax money, and they will have to pay taxes on withdrawals in retirement. However, it may take some time for employers, custodians and the IRS to implement the procedures and policies necessary for these contributions to take place.

### **Catch-up contributions on employer plans now Roth**

The act creates a mandatory "Rothification" of catch-up contributions for certain high-income taxpayers beginning in 2024. This means that catch-up contributions for 401(k), 403(b) and governmental 457(b) plans will be made to Roth accounts instead of traditional accounts. This rule does not apply to catch-up contributions for IRAs, including SIMPLE IRAs.

### **Employer matching to include Roth**

Finally, the law gives employers the option to deposit matching and non-elective contributions to employees' designated Roth accounts, like Roth 401(k)s and 403(b)s. This means that employees will have more flexibility when saving for retirement. It also means that employees will have more income on their tax return in the year the contributions are made. (However, that's a small price to pay for tax-free growth.) Keep in mind that it may take some time for employers and plan administrators to update systems, paperwork and procedures to reflect this change.

Overall, the SECURE 2.0 Act is generally good news for those saving for retirement, providing for more flexibility. But the extensive changes resulting from the law make it difficult to know which new rules may apply to your situation. Contact your advisor to understand how these changes might affect your retirement savings plan and what adjustments you may need to make going forward.



# 12 KEY CHANGES INCLUDED IN THE SECURE 2.0 ACT

**HERE'S A FULL OVERVIEW OF ALL THE CHANGES  
YOU NEED TO KNOW ABOUT AFTER PASSAGE OF THE SECURE 2.0 ACT:**

**1**

## **Required minimum distribution (RMD) age increases to 73**

Effective Jan. 1, 2023, the age for taking RMDs is 73. And the penalty for not taking RMDs drops from 50% to 25% of the RMD amount.

**2**

## **RMDs from Roth 401(k) accounts eliminated**

Beginning in 2024, owners of Roth 401(k)s will no longer be required to take minimum distributions from their accounts. (This rule already applied for owners of Roth IRAs.)

**3**

## **IRA and Roth IRA catch-up contribution limits adjusted annually**

Anyone age 50 or over can currently contribute an additional \$1,000 to their IRA or Roth IRA. In 2024, this limit will be adjusted yearly, based on inflation and cost-of-living increases.

**4**

**4**

### **Older pre-retirees can contribute more to 401(k)**

Starting in 2024, 401(k) participants ages 60-63 can contribute an additional \$10,000 to their 401(k). For participants who earn more than \$145,000 annually, all catch-up contributions must be made on an after-tax basis.

**5**

### **RMD credit for annuitized qualified accounts extended**

Owners of qualified accounts which have been annuitized for the owner's life expectancy can now count excess annuitized distributions toward their RMD obligation. (Note: The IRS is working on more guidance and regulations regarding this change.)

**6**

### **Amounts to purchase a Qualified Longevity Annuity Contracts (QLACs) increased**

Secure 2.0 increases the qualified plan amounts used to purchase a QLAC from \$145,000 to \$200,000. This change took effect Jan. 1, 2023.

**7**

### **Rules for Qualified Charitable Distributions (QCDs) loosened**

People age 70 ½ or older can make a one-time gift up to \$50,000 to a charitable remainder unitrust, charitable gift annuity or charitable remainder annuity trust. The amount counts toward the annual RMD for people ages 73+, and the limit will be adjusted for inflation each year.

**8**

### **Roth IRA options available for more employer-sponsored retirement plans**

Savings Incentive Match Plan for Employees (SIMPLE) and Simplified Employee Pension (SEP) plans can now include Roth options for both employee and employer contributions.

**9**

### **Employer contributions can be directed to Roth option in employer-sponsored plan**

Starting in 2023, employer contributions to a participant's 401(k), 403(b) or 457(b) account can be designated to the Roth portion of the plan.

**10**

### **72(t) invalidation for qualified account rollovers eliminated**

Secure 2.0 allows for complete rollovers on accounts where 72(t) distributions were made. The new rule takes effect in 2024.

**11**

### **Remaining 529 funds can be rolled into a Roth IRA**

Effective for 2024, funds in 529 accounts open for at least 15 years can be rolled over into a Roth IRA tax-free. But some limitations apply: Rollovers are subject to annual contribution and income limits, and owners can only roll over \$35,000 total.

**12**

### **New exceptions to extra tax for early distribution from qualified retirement plans**

Starting in 2024, people under the age of 59 ½ will be able to avoid the 10% penalty tax for early distributions from 401(k)s, 403(b)s and IRAs for the following reasons:

**Personal or family emergencies:** One distribution of up to \$1,000 will be allowed annually. The account owner has three years to repay the distribution and cannot take additional distributions until the first one is repaid.

**Victims of domestic abuse:** Account owners who are victims of domestic abuse can withdraw 50% of the account value or \$10,000, whichever is smaller. The account owner then has three years to pay back the funds.

**Terminal illness:** The 10% penalty is waived for account owners who have been diagnosed as terminally ill and projected to live less than seven years.

**Qualified long-term care coverage:** Account owners will be allowed to withdraw \$2,500 a year penalty-free, as long as the funds are used to pay for qualified long-term care insurance. (This change will begin in 2026.)

# OH THE PLACES WE'LL GO

Many of our clients love wandering the world—and so do our team members. We asked them: Where is the best place you've ever been? When did you go and who did you with? Where do you want to go next?



**Peter Falkenberg**  
Client Services Manager

The best place I've ever visited was Ko Phangan in Thailand. It's a beautiful island with a nature-conscious theme. SoQuan and I went there for a few days

in May 2019 when we visited Asia. Great seafood, wonderful people and beautiful scenery. Our next grand trip will be to Italy and Croatia – the history, food and architecture are drawing us!



**Corey Sunstrom, CFP®**  
Director of Financial Planning/  
Senior Wealth Advisor

My favorite place in the world is the Pacific Northwest. While I've traveled internationally, I still love visiting the

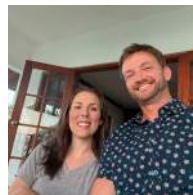
mountains and coast in Oregon and Washington and continue to go back with friends and family. The next place I'd love to visit is Costa Rica. I love the fact it has both coast and jungle – a good place to relax but also explore. Hopefully I'll make it down there in the next few years.



**Andrew Greer, CFP®**  
Senior Wealth Advisor

My favorite place in the world to visit is Italy. The most unique place I've visited is Vietnam with my wife on our honeymoon almost eight years ago. My wife has given

me strict orders that we will be exploring Patagonia for our 10th anniversary in 2025. This will also be her 40th birthday and should be a good diversion from the 4-0!



**Jonathan Padgett**  
Director of Insurance Planning

The best place I've ever been to was Jamaica, which my wife, Jen, and I visited in February 2021. We were able to relax and fully unplug from normal

everyday life and responsibilities. We've got Australia on our list to visit in the next five years. There's such a variety of things to do there, and we enjoy experiencing different cultures and their uniqueness.

## HOBART WEALTH MISSION STATEMENT

We believe that everyone deserves a secure financial future. Our mission is to empower our clients with the knowledge, tools, and guidance they need to make informed decisions about their money. We strive to provide personalized financial planning solutions that not only meet our clients' current needs but also help them achieve their long-term goals. With a commitment to honesty, transparency, and excellence, we aim to be a trusted partner for our clients throughout their financial journey. We are dedicated to helping individuals and families achieve financial freedom and live the life they deserve.



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Please contact Hobart Private Capital, LLC if there have been any changes in your financial situation or investment objectives, or if you wish to impose any reasonable restrictions on the management of your account or reasonably modify existing restrictions. You may contact us by phone at **(704) 553-0123** or email at [hello@hobartwealth.com](mailto:hello@hobartwealth.com).