



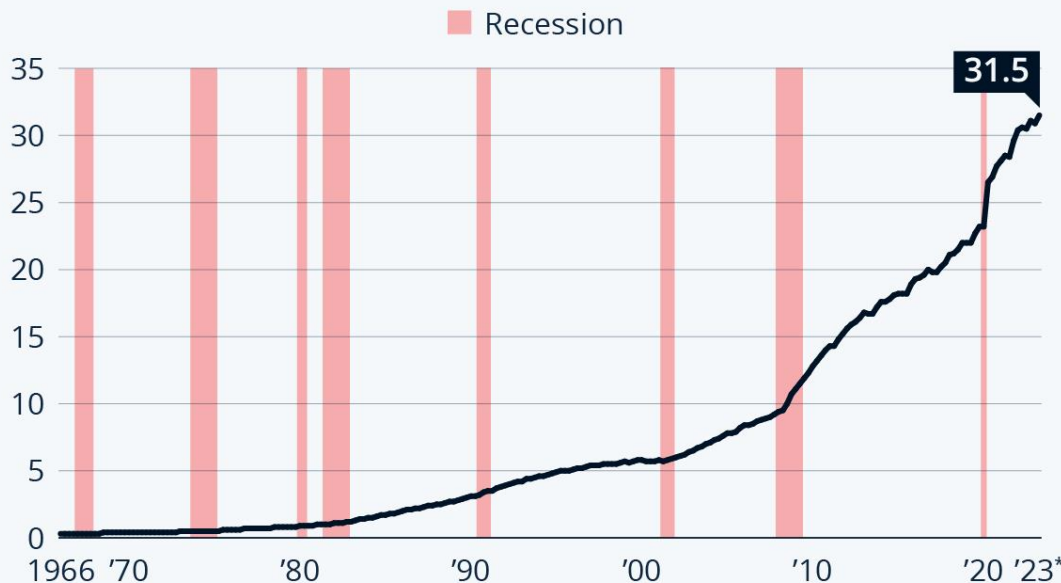
Wealth Care LLC May 2023 Commentary

Let's talk about the National Debt

The amount of money that our country owes due to an excess of borrowing (to spend) over savings/taxation (income) has exploded in the last 15-20 years.

U.S. National Debt Surpasses \$31 Trillion

Gross federal public debt in the United States
(in trillion U.S. dollars)



* as of Jan. 23, 2023

Sources: Fed of St. Louis, Department of the Treasury



statista

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This money is owed to anyone that has lent money to the US government (usually by buying Treasury securities). The US pays interest on these securities, and that interest rate has risen markedly in the last year. So the cost of “servicing” the debt is also rising quickly. Since we have not had a balanced budget since the 1990s, we increase this debt annually. A higher cost of servicing the debt will just mean even more debt-as we can just “print” money at will. Although technically Congress must approve the extra borrowing (the debt ceiling), it always does.

There are three ways to reduce the debt:

- 1) Reduce spending and at the same time increase taxation enough to begin paying off the debt. Few believe this will happen. (We did this briefly in the 1990s).
- 2) Default-that is, just not pay people back. This won't happen either as it was noted above, we can just “create” money to pay our bills.

Which leaves number 3 (what is going to happen):

- 3) Let inflation erode the true cost of the debt. Here's a thought experiment-one day the US government “creates” 31 trillion new dollars and just pays off all the debt. Presumably the purchasing power of every dollar in existence would drop quickly to adjust to all the new money circulating. In other words, we'd have significant inflation. But the debt would be “gone”.

This can be done slowly also (the frog in slowly boiling water analogy). As long as the true rate of inflation is higher than what interest the US is paying on it's debt, the true “cost/value” of the debt is eroding (just like all of our other money). For example, even though you can suddenly receive 4% plus on checking and short term CDs, this is below the rate of current inflation. So just this year, the real value of the National Debt is reduced several percent by the inflation.

Our interpretation is that we should double down on the only investments that are likely to at least keep up (if not “beat”) inflation-that is global stocks.



Timing the Market is Impossible



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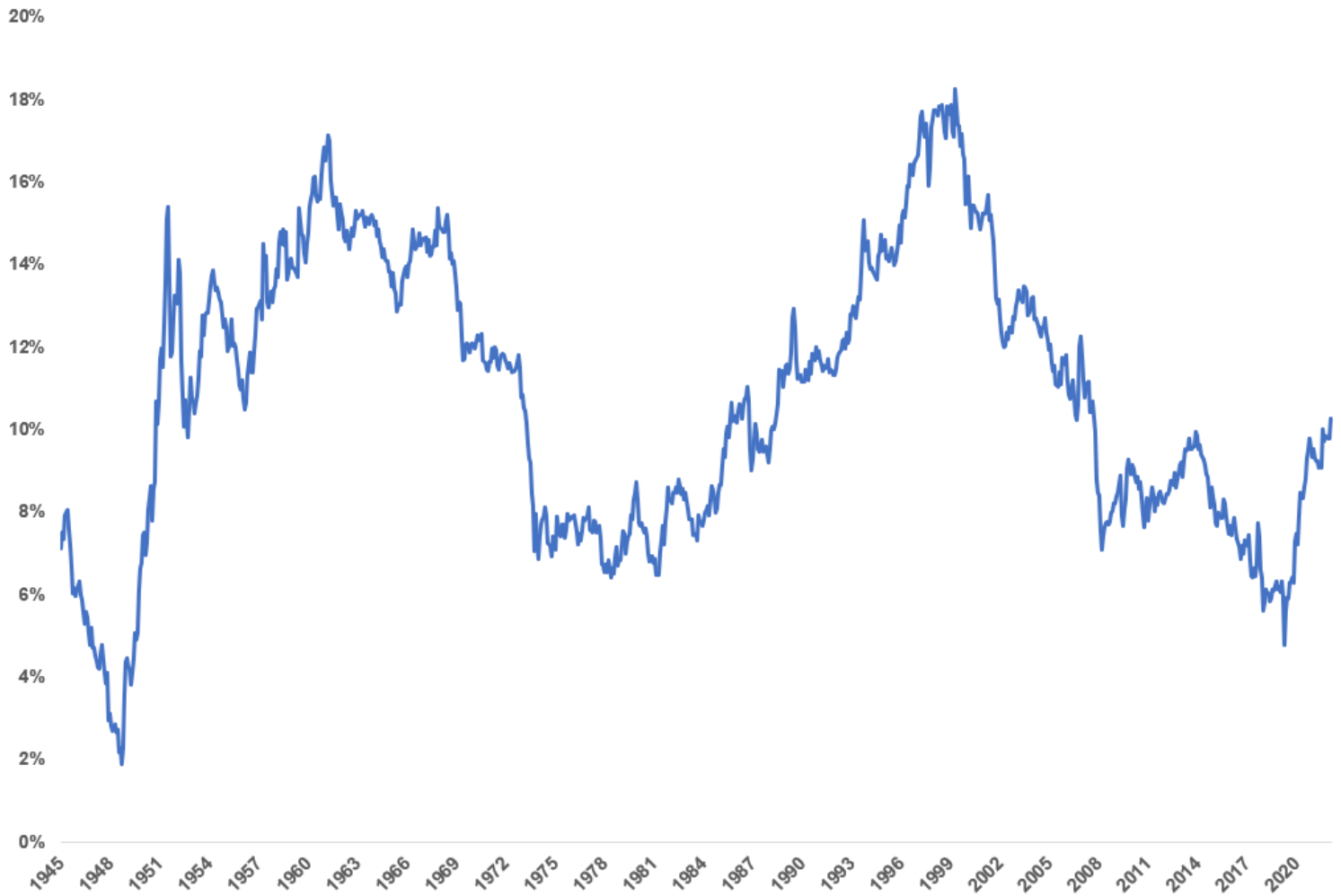
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No One Has Lost Money in Stocks over a Twenty Year period in the last 100 years.

S&P 500 Rolling 20 Year Returns: 1926-2023

(Source: Returns 2.0)



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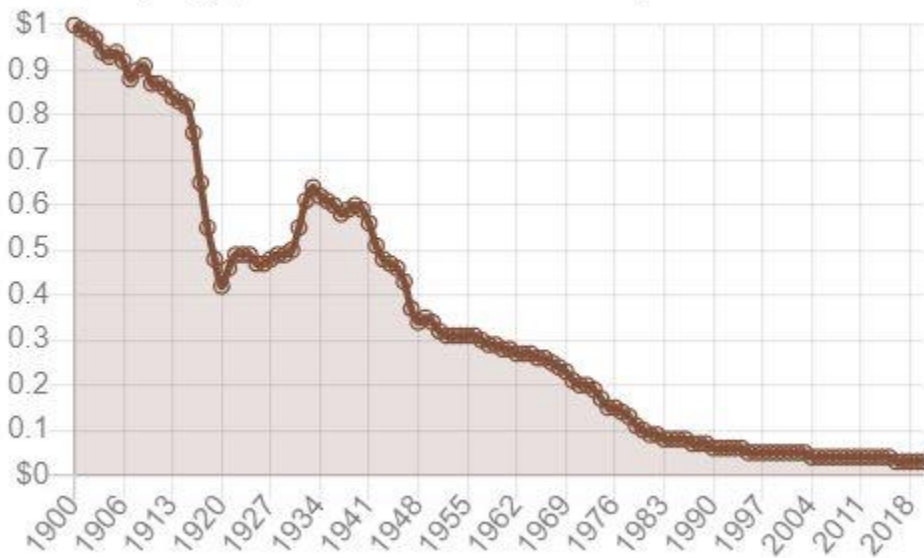
Here is another way to view historical returns-time invested diminishes risk.





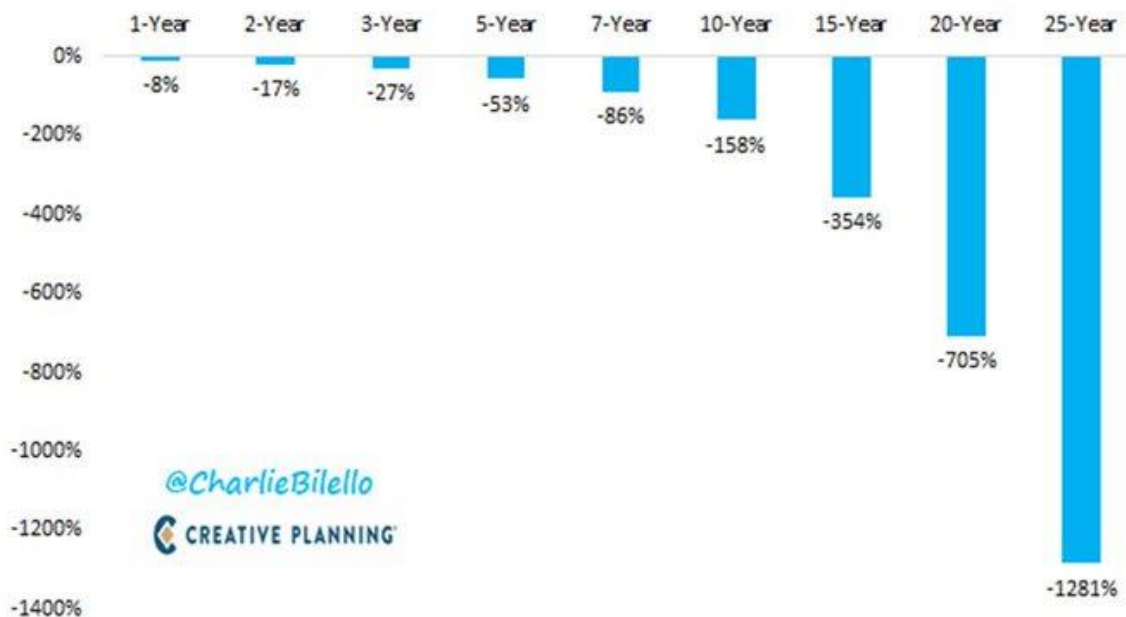
Not investing over the long term is a losing proposition due to the erosion of purchasing power (inflation):

Buying power of \$1 over time, 1900-2020



Another way to view this relationship of keeping cash vs investing:

Average Underperformance: Cash vs. S&P 500 (1928-2022)



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Finally, What was the best thing to do in March 2020 as the pandemic began (and things looked oh so scary):



Source: Vanguard Investment Advisory Research Center calculations using data from FactSet, as of March 23, 2023.

Secure Act 2.0

This month:

In prior months, we discussed that the new law allows postponing required distributions, has some changes to college savings plans (529), and changes the taxation of 401k “catch up” contributions in 2023.



New Spousal Option for Inherited IRA

A surviving spouse may now elect to inherit their deceased spouse's IRA and take RMDs over the spouse's age. If the deceased spouse were younger than the survivor, this would push back the age at which required minimum distributions must begin.

Increased Catch Up Contributions for Specific Ages

This is a weird one. Beginning in 2025, participants in qualified retirement plans (including SIMPLE IRAs) who are of the ages 60-63 (only) can have a catch-up contribution that is higher than at other ages.

New Option for Qualified Charitable Donations

Many of you contribute part of your RMD to charitable causes, which allows that part of the RMD to be untaxed. Now, a one-time 50K contribution to certain types of charitable trusts will be allowed (but counted as taxable). It's complicated, but few will use this option. Those who do will most likely fund a Charitable Gift Annuity that will pay 5% a year on the contributed funds.

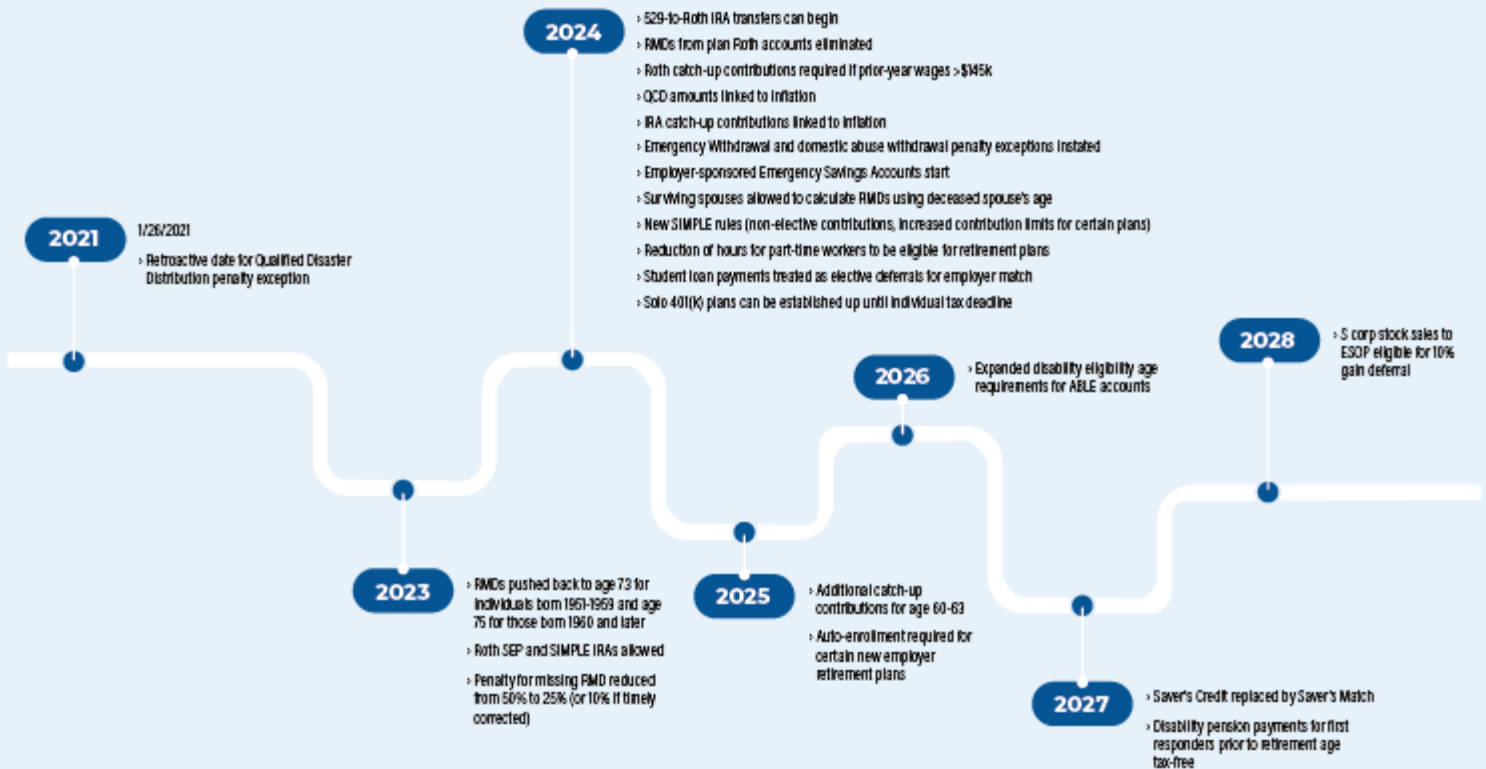
Distributions Allowed for Long Term Care

Beginning in 2026, penalty free distributions from a retirement plan will be allowed to reimburse Long Term Care insurance premiums (up to \$2500 indexed for inflation). Clarification is pending on this future option.

Retroactive Contributions to Solo-401k plans will be allowed by the law (you can make a prior year's contributions despite establishing a plan in a given year.)



SECURE Act 2.0 Timeline: An Overview



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Miscellaneous

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We contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle.

— *Winston Churchill* —

AZ QUOTES



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New Investing Tool at Wealth Care LLC



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Plants do not suffer in silence. Instead, when thirsty or stressed, plants make “airborne sounds,” according to a study published today in Cell. Plants that need water or have recently had their stems cut produce up to roughly 35 sounds per hour, the authors found. But well-hydrated and uncut plants are much quieter, making only about one sound per hour. The reason you have probably never heard a thirsty plant make noise is that the sounds are ultrasonic — about 20-100 kilohertz. That means they are so high-pitched that very few humans could hear them. Some animals, however, probably can. Bats, mice and moths could [potentially live in a world filled with the sounds of plants](#), and previous work by the same team has found that plants respond to the sounds made by animals, too. (Sources: [nature.com](#), [cell.com](#))

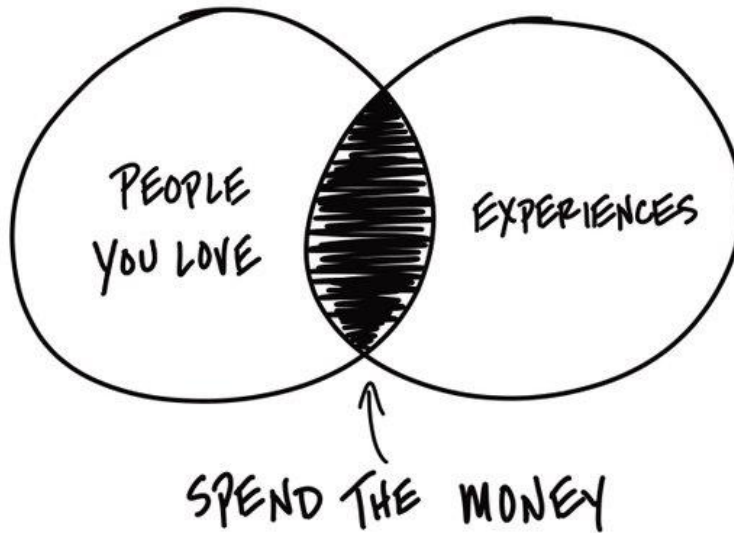
Random Notes

If you try to get rich slowly, it will take a long time. If you try to get rich quickly, it will take even longer.

The luckier you are the nicer you should be. -Morgan Housel

You are what you do. Not what you say or what you believe. -Rob Henderson

If you listen to successful people talk about their methods, remember that all the people who used the same methods and failed did not make videos about it. -Ideopunk



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-CARL

The Wealth Care LLC Team May 1, 2023