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the envisionary

SPRING 2023 EDITION

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Spring WELCOME

Dear clients and friends,

Welcome to the Spring 2023 newsletter. We continue to stay busy at our office, and we are excited to be able to share. We continue to look into the future with optimism as we are thankful for our client relationships and the ability to provide a unique process and experience. We are also happy Spring is upon us!

Last year we did a client survey relating to what you want to read in this quarterly publication. It proved to be a strong combination of economic data and an appreciation for the leisure and emotional side of life and financial planning. This quarter is packed with information that will provide guidance and clarity relating to recent changes to retirement and savings, as well as some economic commentary. However, just as always, it will also draw on the lifestyle and "what's important" parts of life.

So, grab a cup of coffee, take it all in and know that we appreciate the time you take to build on your knowledge base.

All my best!

Lee Stoerzinger, CFP®

YOUR ENVISIONARY GUIDE:

Pending Recession. REALLY?

Written by Lee Stoerzinger, CFP®

For the past year or so, we have heard that the U.S. economy is headed for a recession. We have had many discussions with clients, and it seems to be reported in every channel of our media platforms. I recently read a financial article that talked about the "pending recession" like it was just a simple fact of life, and we are just waiting around for it. Pending? Really? What's interesting to me is after being in business for thirty years, there is so much talk of this happening ahead of time. What I also find relevant is that there is rarely any context to what a recession is, how it affects the economy, or how the different markets behave during them. It might be valuable to share some thoughts.

Since around the 1950s, we have had ten recessions or so in the United States. That's roughly one every six years. They have happened for different reasons, such as inflation, asset bubbles, low consumer confidence, etc. They have also lasted for various lengths of time. The average has been around ten months in the period I described. So, what is a recession? The NBER's (National Bureau of Economic Research) traditional definition of a recession is that it is a significant decline in economic activity that is spread across the economy and lasts more than a few months. It has also commonly been defined as two negative quarters of negative economic growth in the economy.

How do stocks behave during a recession? The results are mixed. In some recessions, stocks have had positive returns. Not only that, but like all other historic times, different sectors perform better than others, and being diversified can prove valuable. So, the question is, are we headed for a recession? My answer is maybe, to probably, as the Federal Reserve has raised interest rates to a point where economic slowdown may be the outcome. However, the real question is, what does it mean to you and your long-term financial plan? This is a different question than how we measure shorter-term economic information.

At our practice, we are continuously studying economic data and determining how to best guide our clients. This includes how to invest funds in different economic environments. As you may have heard me say, we work in "all weather" in pursuit of helping our clients reach their goals, including recessions. We work closely with money managers, analyze information, make intentional asset allocation decisions based on the available data, and seek to provide planning that provides opportunities for long-term success. We use these guideposts and always will, as we take our client goals very seriously.

As we continue to move forward, you will probably be hearing even more noise about the economy and a possible recession. And that could very well be. However, we prefer carrying an umbrella vs. building an Arc, as this is a natural part of our economy. Like so much in life, context is important, and this is a great example of that.

The views and opinions expressed are based on current economic and market conditions and are subject to change

The Post 2022 Bond Market

Written by Matt Benson, CFP®

In addition to increased risk of loss of principal during periods or rising interest rates, fixed income securities are also subject to various other risks including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors.

Earlier this year, I did a quick write-up on the challenging market environment of 2022. I intended to dive deeper into the stock and bond market and share the context around that data and how it influenced our decisions when allocating portfolios. It was an opportunity to share our take on the money management side of things. With the current information cycle, it seems that more and more of the "market" discussion is framed as stocks, specifically, a few of the biggest names. If that only makes up a small part of your invested wealth, why should it be such a significant driver in the discussion? I wanted to use this article to talk about the non-stock portion of the world, more specifically, bonds. After all, it does have a notional value that is twice as large as stocks, and it can make up half or more of your portfolio, depending on your objective. While bonds come in many different iterations, there are some common themes that I wanted to highlight as we get into 2023.

Bonds are debt issued by companies and governments to raise capital. Rather than offering ownership, or equity, like stock investments, bonds provide a return of your principal over a given period with the promise of fixed interest payments. If a company goes bankrupt, in most instances, the investors with stock in the company have a total loss. Conversely, a bondholder may have a claim against some of the companies' remaining assets and could stand to recover some of their investment. For these reasons, the expected rates of return on most bonds are far from where they would be for stocks because there is a less inherent risk in owning a company's debt rather than their stock. If an investor requires a portfolio that does not have a lot of price volatility but does need to generate income, a diversified mix of individual bonds, bond mutual funds, or ETF's can make a lot of sense. These holdings are typically listed in the fixed income section of your quarterly statement.

With that broad overview of bonds, it is important also to highlight what external factors impact bonds. The first risk is that the company or government that issued your bond is unable to make the payments. This is called default risk. If you build a portfolio of bonds with the hopes of living off the future bond interest payments, and they are not made, you have a problem on your hands. Looking at the issuer's creditworthiness is imperative as the highest interest rate debt is typically offered that way because there is more underlying risk to that bond than, say a short-term US government bond. The other major risk factor with bonds is interest rate fluctuations. We primarily focus on the fixed-income part of bonds, but they trade daily on the open market. The appeal of bonds is if you buy one for its face value, say $1,000, and you hold it to its term, you get your $1,000 back. Selling it on the open market before its maturity can have an impact on your principal, and that is largely due to fluctuations in the interest rate environment.

The rapid rise in interest rates we experienced in 2022 has been felt in many areas of life, but how does it impact bonds specifically? Let's take an example where the 10-year US Treasury Note, a common benchmark for the bond world, is around 1.0%, like it was in January of 2021. You decided to buy a bond from a company for $1,000, which yields 4.0% per year. If the 10-year US Treasury Note in January of 2023 is now around 4.0%, do you think the same company would issue bonds to raise capital for their company at a higher rate than 4.0% or lower? The market would dictate that the interest rate on the new bonds would be much higher to keep up with market conditions. If you then looked at the trading price of the bond you bought back in 2021, it might be $800 rather than the $1,000 you paid because new similar bonds have been issued with higher interest rates.

The hypothetical example above was lived out in real life by fixed-income investors in 2022. With the Federal Reserve raising interest rates, which normally move up or down by a quarter of a percent, the equivalent of 17 times between March and December last year, investors holding fixed income saw the prices of the bonds they were holding drop in value substantially. Keep in mind this is only locked in if the bonds are sold. If rates have risen to a level to combat inflation where the Fed decides to hold and/or subsequently pull rates back down, that will positively affect the bonds investors hold.

The decisions of the Federal Reserve played into many areas of life. How it impacted our clients and the money we manage for them came up frequently, so I hope this was a helpful overview of the world of fixed income. It has presented opportunities for our firm to add meaningful exposure to fixed-income securities that should be well-positioned for the rate environment to come. We welcome the opportunity to discuss that further should you have questions.

How the envisionary *was born*

Written by Lee Stoerzinger, CFP®

The quarterly publication you are currently reading has been in print for over 28 years. One question we often receive is how it got its name. So, we've decided giving a little history on something we take great pride in would be fun.

Before 2005 when we changed our name to Lee Stoerzinger, Inc., the official name of our company was Envision Financial. When we started the newsletter in 1995, just after a few years in business, we sought to provide a combination of thought-provoking information that was not being offered in the marketplace. The word visionary kept coming up, and after some brainstorming sessions, we found a play on words that combined the name of our company with a long-term vision. And so, that's how "The Envisionary" was born, my friends. To this day, it is unique in the marketplace and works hard to provide knowledge that helps our clients move forward on their journeys.

We hope you continue to enjoy it for many years to come.

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4 Ideas for Financial Spring Cleaning

Written by Nicole Ford

1. Review your Account Titling

Ensure your designations are up to date. Life events such as marriage or the passing of a loved one may affect the way your beneficiaries are listed. Life Insurance policies and retirement accounts have beneficiary designations that bypass your will to go to your intended recipients. Also, remember to review your non-retirement investment accounts, which can have transfer-on-death designations, and your bank accounts, which can have payable-on-death designations. None of this changes ownership or the ability to act on the accounts, but it does simplify your planning.

2. Update Your Estate Planning Documents

Beneficiary designations are just one piece of an effective estate plan. According to a recent study conducted by Caring.com and CNBC, 67% of Americans have no estate plan. Estate planning minimizes confusion in the future and allows you the ability to choose who will inherit possessions and valuables, as well as reduce taxes on what you leave behind. Having an up-to-date will, will ensure the appointment of a personal representative to administer your estate. A power of attorney allows someone to act if you cannot, and a health care directive informs others about your wishes for your health care. All three documents are critical to keeping up to date, and it is much easier to get them up to date now rather than get them in place when they may be needed.

3. Reassess Your Budget

Take time to review your spending, income, and savings. As spring blooms, you may be tempted to change how you spend money. According to a recent survey taken by RetailMeNot, 1 in 3 American consumers say they are more inclined to shop with longer days and more sunlight. Be mindful of your financial life over the next few months and make changes in your budget to reflect that. Take the time, update your numbers, and create a securely stored budget.

4. Hold Yourself Accountable

Increased accountability to yourself or your family can go a long way to accomplish your goals, financial or otherwise. Check in with yourself periodically to ensure you are meeting the goals and deadlines you set for yourself and include us to ensure we can help you get to where you want to be.

Secure Act 2.0

The SECURE Act 2.0, or the Setting Every Community Up for Retirement Enhancement Act of 2021, is a bipartisan bill signed into law on December 29th, 2022. The bill aims to increase access to retirement savings plans and encourage more Americans to save for retirement. This bill includes several key changes to retirement savings plans and tax rules that could significantly impact how Americans save for their golden years. Overall, there are over 90 provisions addressed in the bill, and we will discuss a few more impactful changes within this article.

RMD Changes: Beginning January 1st, 2023, the Required Minimum Distribution (RMD) age has increased from age 72 to age 73. This change has no impact on those who have already begun taking RMDs prior to this year; you will continue to do so. By 2033, the RMD age will be pushed up to age 75. This change allows individuals more flexibility in managing their retirement savings and continuing to defer taxes on their retirement accounts.

529 to Roth IRA Rollovers: Another interesting highlight to come out of the SECURE Act 2.0 is the ability to convert unused 529 plan savings to Roth IRAs for the account beneficiaries. Beginning in 2024, if a beneficiary of a 529 plan has unused savings towards education, they may be able to roll this into a Roth IRA for their benefit. Up to $35,000 can be converted into the Roth IRA subject to the account being open for at least 15 years, and annual rollover amounts not to exceed the Roth annual contribution limits. This change gives the 529 account owner another option to consider in the event their beneficiary has yet to use the entire savings for education. Instead of cashing out the 529 plan and paying taxes and penalties, they can now fast-track their Roth IRA.

Increase in Catch-Up Contributions: Under current law, individuals over the age of 50 can make $1,000 catch-up contributions to their traditional and Roth IRAs. Beginning in 2024, the SECURE Act 2.0 would index the catch-up contributions to IRAs to inflation, providing individuals with more opportunities to save for retirement. Also, beginning in 2025, 401k participants ages 60 through 63 can contribute the greater of $10,000 or 150% of the standard catch-up amount to their defined contribution plan. The catch-up amount for people age 50 and older in 2023 is currently $7,500.

Changes to Roth Employer-Sponsored Plans: Under current law, employer matching, and nonelective contributions are made on a pre-tax basis to participants' accounts. The Act will allow (but not require) defined contribution plans (401k plans) to provide participants with the option of receiving matching or nonelective contributions on an after-tax Roth basis. Also, before the passing of the Act, SIMPLE IRAs and SEP IRAs could only accept pre-tax funds. Now, for tax years starting in 2023, both SEP and SIMPLE IRAs can offer Roth options. Employers will need to update plan documents, so it may take time to truly be in effect.

Penalty-Free Early Withdrawals: The current tax code imposes a 10% penalty for distributions taken from a retirement account prior to reaching age 59-1/2. SECURE Act 2.0 expands the circumstances where penalty-free withdrawals could occur. Exceptions to the 10% penalty include:

- The penalty for early withdrawals is waived for those certified by a physician as having a terminal illness or condition that can reasonably result in death in 84 months or less.
- Effective Jan. 1, 2024, "hardship" withdrawals are available for individuals who have been subject to domestic abuse equal to the lesser of $10,000 or 50% of the vested balance of the retirement account. The withdrawal must occur within one year after the individual became a victim of abuse. And all or a portion must be repaid within three years.
- Effective in 2026, withdrawals of up to $2,500 per year can be made to pay premiums on certain long-term care contracts.

New Rules Around QCDs: For individuals aged 70½ and older, **Qualified Charitable Distributions (QCDs)** remain an excellent option to accomplish their charitable giving. SECURE Act 2.0 allows for an increase to the maximum annual limit for QCDs and provides new opportunities for their use. For 2023, the maximum QCD limit will remain at $100,000 per individual and $200,000 per married couple. Beginning in 2024, the maximum limit will be indexed annually for inflation, which means it will increase year to year.

In summary, the SECURE Act 2.0 is a bill that aims to increase access to retirement savings plans and encourage more Americans to save for retirement. The bill includes several key changes to retirement savings plans and tax rules, including changes to Required Minimum Distributions (RMDs), rollovers of 529 plans to Roth IRAs, increased catch-up contributions, changes to Roth employer plans, penalty-free withdrawals, and new rules around Qualified Charitable Distributions (QCDs). The bill could provide more flexibility and options for savers, allowing them to better plan for their retirement and manage their savings.

Envisionary Nostalgia:

THE GOOD OLD DAYS

We're excited to share another article for our "Envisionary Nostalgia" series, where we travel back in time to the first quarter of 2013. This article was written and published by Lee Stoerzinger and was featured in the 72nd Envisionary. We found it interesting how relatable the information still is to this day. Do you remember reading this article? Let us know!

I remember it like it was yesterday. A client would call, looking for their portfolio balance. We would tell them that we would get back to them in a few minutes. Then we would pick up the phone, call the investment company advisor line, get the balance and any other needed transactions. Finally, we would call the client back and provide the information. It was all very normal and simply part of the relationship we were providing. Of course, these were the days when investment companies provided their share prices annually in the prospectus, and the "big three" television channels barely mentioned the markets in their nightly news reporting.

Fast forward fifteen years (not fifty, but fifteen). It's not about having access to financial information anymore -this is fully assumed. It's about who can provide that information in the best possible manner. There is an entire industry, including print, television and internet, dedicated to providing what they call advice, critical data, and news YOU need NOW to make informed decisions. Very interesting. They never even met you.

So, just a few years ago (in historical terms), someone who needed information would feel perfectly comfortable making a phone call to find the answer, from a timing perspective. There was no personal requirement to have greater access. In fact, we didn't know any better because that's all there was. But more importantly, thinking about how your money is doing is not a part of everyday life. Today, it seems as though daily measures of our finances are not only encouraged but required if we are to yield any type of meaningful success in our lives. We are now programmed to constantly monitor events around the world, wondering how they will affect us and our portfolios each day. What about Europe, or the bank in Nashville that closed? How about that guy in the Netherlands who stole money from people? Our question is this; how's is it going for not only our portfolios, but our emotional state?

The world is moving at a very rapid pace. We get it. And after all, isn't having access to all the information you can better than not, having it? Plus, look how global everything is now. There are things affecting us in ways that we have never been done before, and we need to keep abreast of it. While these comments may seem true on the surface, we believe there is more to the story.

The financial world has done an awesome job of providing timely information for those inclined. However, we have found that there is a very large difference between information and knowledge. Those sharing information often benefit only themselves, and those receiving it can become frozen with confusion and fear. Why? Because generic and often conflicting data is difficult to apply. Yet, that feeling of being "informed" is powerful. Knowledge, on the other hand, is looking at a specific situation, and applying specific strategies. We need to step back and keep those differences in mind. For some reason, timeless knowledge is never as emotionally powerful as misguided timely information.

When we think about money, and how it applies to our lives, we feel it is critical to map out a financial plan and follow it. However, we must also remember that it needs time to work. Monitoring progress along the way is great, but in no way does daily measurement of a thirty-year plan do anyone a bit of good.

Finally, the topic of humanitarian progress is a little advanced for this newsletter, but we can't help thinking that we are currently in a period of historic "mismatch" when it comes to how we think about our lives, and the progress we hope to make. The unbelievable progress of today is very exciting, but how often do we find ourselves thinking about the good old days, when things were simpler. This issue is applied to financial planning in a very direct way, because it is a consistent monitoring of our lives. We thought it would be helpful to introduce these concepts, as we feel they uncover a powerful part of the financial thought process.

THE PRAYER OF THE TREES

Written by Lee Stoerzinger, CFP®

A while back, I had a chance to visit the Minnesota Landscape Arboretum for the day with a good friend. It was one of my favorite days of all time. If you haven't been there, it is a true gem of an offering in our beautiful state, especially as we get into the spring bloom season. It has miles of hiking trails, flowers, and designated areas with many types of trees. One of the most memorable things we saw was a small building that had an interesting wall with the following words:

Ye who pass here,
And would raise a hand against us,
Heed well our prayer,
Before you harm us.

We are...
The fuel for your fires on cold nights,
And the friendly shade protecting you from the sun.

Our fruits are the refreshments to quench your thirst.
And cheer you as you journey on.

We are...
The handles of your hoes,
The gates of your homes,
The wood of your cradles,
The shells of your coffins.

We are the flowers of beauty
And bread of kindness for the benefit of all.

We are...
The rafters of your roofs,
The bodies of your boats,
The seats of your stools,
And the boards of your beds.

We are...
The saviors of your soil,
From loss by rain and wind
And to your soil,
We give richness and life.

Ye who pass by,
Listen to our prayer,
And harm us not.

"Turn your dreams into goals and make your goals a reality."

(excerpt taken from Lee's book, *On The Back Burner*)

Check out Lee's book…
On The Back Burner

It's a timely read uncovering the things we say are most important, but have put on the back burner of our lives.

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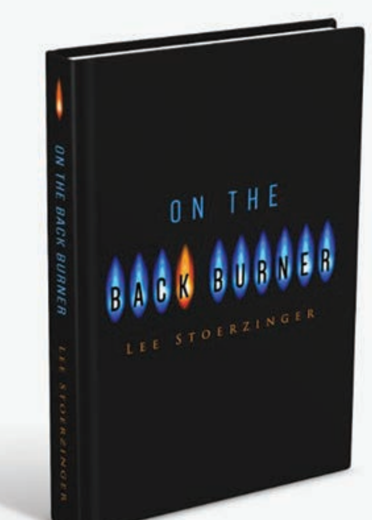


What Our Business Really Means

Written by
Lee Stoerzinger, CFP®

When we think of investing and financial planning, much of the public persona is related to meeting with an advisor and deciding how to invest funds to achieve maximum results. It has been built into our culture. This includes how many firms operate, how it is portrayed in the media, and finally, what people think they need to do to secure their future. While investing is important, there is much more to wealth management and the value a firm like ours offers.

To build a true comprehensive plan, many different parts must be considered. Some of these are taxes, employer retirement plan laws, the economic environment, Social Security, and required returns. In addition, the personal goals, how we think about money, legacy planning, and the emotional and intellectual sides of things are extremely valuable to you and your plan. We don't believe you can have one without the other, as it would be like finishing only part of a puzzle.

Our unique place in our clients' lives allows for a relationship where we learn about all parts of the story. When there is a life event, we most often hear about it right away. When there is a sickness, marriage, or other cause for celebration, we are honored to be part of it and take the opportunity to help by providing solutions at vulnerable times. We have been pallbearers at funerals, assisted at the car lot with purchase decisions, been to retirement parties, and shared many journeys along the way. Plus, on the business side, we are also charged with not only providing everything we know but also understanding what the attorney, CPA, or other entrusted advisor is working for. It is truly an all-encompassing relationship and a strategy we do not take for granted.

So, when we think about what our business really means, it's trust, sharing, and planning for the important things in this life, together. It's about having processes that provide maximum success, helping people understand how money works in their life, clarity about the future, and a road map to get you there. Only then can we talk about the investments and how they can best work for you. That's what our business really means.

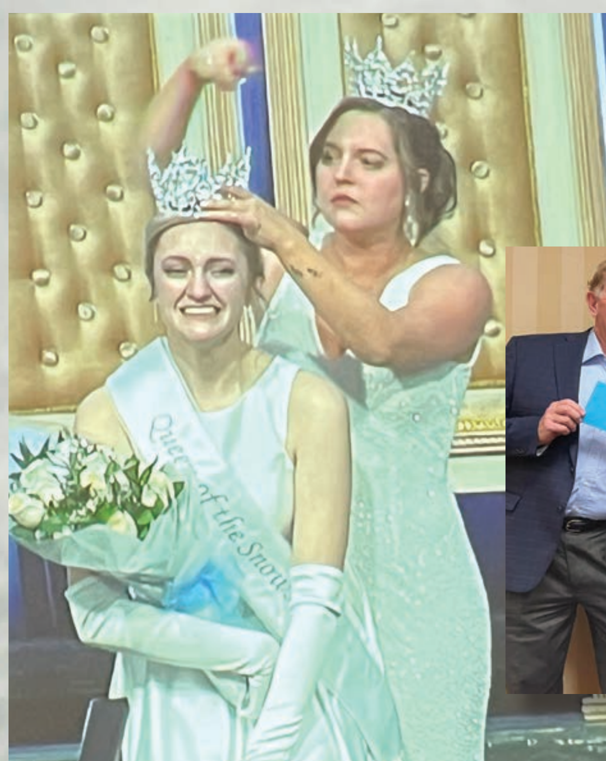
"So, when we think about what our business really means, it's trust, sharing, and planning for the important things in this life, together."

Community Engagement:

Lee's Experience as a St. Paul Winter Carnival Judge

The St. Paul Winter Carnival has been a part of Minnesota heritage since 1886 and has become a keystone to the "frozen" season. It is a celebration that lasts all year, with different events and community service reaching throughout the Twin Cities. From coronations, medallion searches, and fishing contests, it is an opportunity for fun and community involvement!

A few months ago, I was privately asked to serve on the selection committee for the Queen of Snows. Eleven participants went through many different events and speaking engagements, which is quite a grueling process. During the beginning of the process, the selection committee was kept private, allowing the 5-member team (including me) to observe the candidates without them knowing who we were. I was involved in many confidential



interviews, celebrating past royalty, fashion shows, the Queen's tea, and the coronation. It was indeed something special to partake in.

Not previously being involved in Carnival, it was a lot to take in, as many participants have been involved for generations. However, from the very start, I was welcomed with open arms and made to feel part of the festivities. I am genuinely grateful for this experience and the opportunity to get involved in the community!

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Since 1993, the team at Lee Stoerzinger Wealth Management has been helping individuals and families plan for what matters most. Through the unique approach of merging personal values with financial goals, Lee and his team create customized wealth management solutions that are meaningful, comprehensive and designed for optimization.