

# ALBITZ/MILOE & ASSOCIATES, INC.

REGISTERED INVESTMENT ADVISER

## FINANCIAL NEWSLETTER

23133 HAWTHORNE BOULEVARD, SUITE 305, TORRANCE, CA 90505 (310)373-8861

albitzmloe@albitzmloe.com

www.albitzmloe.com

PHIL ALBITZ, CFP®  
CERTIFIED FINANCIAL PLANNER™

PAUL MILOE, CRPS®  
FINANCIAL ADVISOR

CLETE ALBITZ, CFA® CFP®  
CHARTERED FINANCIAL ANALYST®  
CERTIFIED FINANCIAL PLANNER™

SYLVIA SALGUERO  
FINANCIAL ADVISOR

VANCE ALBITZ, CFP®  
CERTIFIED FINANCIAL PLANNER™

### SPRING 2024

## THE CRYSTAL BALL

The financial markets continued their upward trend early in the New Year. We have seen stock market indexes hit new all-time highs. And while we all have a recency bias when markets are going up, here are some interesting numbers.

From the end of the year in 2021 to early March 2024, the major stock market indexes are up a little more than 3½% (annualized). Small caps, utilities, and most of the transports are actually down from the end of 2021. We bring this up as a response to those who say we are in a “bubble.” We don’t think so in the aggregate, but it is certainly apparent that many of the high-flying tech stocks are on unsustainable paths. Also remember that corrections are unavoidable. On average over the past 90 years, there have been about three 5% corrections per year, one 10% correction per year, and a 20% correction about every 3 ½ years. Think opportunity, not disaster.



There has been an enormous enthusiasm for the so-called AI stocks...Artificial Intelligence. Sure, it is exciting what the future may hold in this part of the tech world. It may even be life changing for many. However, AI is not new; it is evolving, and structural changes will take time. These changes will create unanticipated consequences and things won’t always go as planned. Maybe this time will be different as the technology ingrains itself into more and more industries, but one thing that isn’t different is the giddiness a bull market creates for investors and traders. When most everybody is talking about glories of an AI future and crowding on one side of the proverbial boat, it might be time to put on a life jacket or maybe go on shore leave.

The bond market is much more interesting than the stock market at this juncture. Short term rates are still very good and undoubtedly pose direct competition to a volatile stock market. Last year the



pundits were calling for 6 rate cuts by the Fed in 2024. Now, the same pundits are calling for maybe zero or two. Fed chairman Jerome Powell was fairly clear that rates are unlikely to rise from these levels but any reduction in rates will be determined by the economic data they study. Keep this in mind: we still have an inverted yield curve and rate cuts could be construed as an attempt to revive a weakening economy. All the recession talk has disappeared, but it doesn’t mean a recession can’t occur. In fact, it wouldn’t bother us if rates stayed steady here. Isn’t it nice to get 5% yields on short term Treasuries and CDs?

Have you been watching the price of gold? A new all-time high in the price of the precious metal is upon us. The same thing is happening with some of the cryptocurrencies. What is that telling us? Maybe it is saying that there is a decent amount of nervousness regarding the \$34 trillion of debt the U.S. has incurred. The gold price is probably an indicator that is telling us that although the economy seems resilient, there are things that can’t be kicked down the road or covered up under the rug forever.

Basically, in The Crystal Ball, we are just telling you what is happening and not trying to be some type of Cassandra while pretending that the future is knowable. It’s not, but that doesn’t mean you can’t profit from smart money management. Here’s a few thoughts: If you can’t find something to buy, it is probably a time to look for something to sell; peel some profits even though you might feel like complaining next year around tax time; hold enough money in a good yielding cash position that allows for a good night’s sleep; don’t ever succumb to FOMO (fear of missing out) because FOMO is not your friend. Your friend is smart money management.

### Old Stock Market Trading Adage

*“Anything that makes sense,  
won’t make money.”*

# NEW LAW ALLOWS TAX-FREE 529 PLAN ROLLOVERS TO ROTH IRAS

529 plan savers can now transfer unused funds while keeping the tax benefits. Beginning this year, 529 beneficiaries can roll money from a 529 plan to a Roth IRA, free of both income taxes and penalties. The rollover can occur if a beneficiary (such as a child or grandchild) does not attend a college, university, vocational or private K-12 school, or other qualifying institution, or if the student receives a scholarship; and in turn has 529 funds that are left over.

529 plans carry tax advantages for college savers. The main advantage is that investment earnings on account contributions grow tax-free and are not taxable when distributed; so long as the funds are used for qualifying education expenses like tuition, fees, books, and room and board. If the funds are not used for qualifying education expenses, the earnings are subject to income tax and a 10% tax penalty.

This is where rollovers to a Roth IRA would be beneficial. A transfer to a Roth IRA would remove such income taxes and penalties and then allow investments to continue growing tax-free in a Roth account.

## Limitations on 529-to-IRA transfers

The new 529-to-Roth IRA transfer provision has several limitations on the rollovers. These include:

- A \$35,000 lifetime cap on transfers.
- Rollovers are subject to the annual Roth IRA contribution limit and rules. (The limit is \$7,000 in 2024.)
- The rollover can only be made to the beneficiary of the 529 plan — not to the account owner.
- The 529 account must have been open for at least 15 years; changing the account beneficiary will restart the 15-year clock.
- Account owner can't roll over contributions (or earnings on those contributions) made in the last five years.

If you've set up a 529 plan for a beneficiary that may not need the funds for school and could potentially benefit from the new Roth provision, give us a call. We're happy to help analyze if this strategy could provide a retirement benefit from the funds you had set aside for college.

*Investors should consider the investment objectives, risks, charges and expenses associated with municipal fund securities before investing. This information is found in the issuer's official statement and should be read carefully before investing.*

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## 2024 INDIVIDUAL RETIREMENT ACCOUNT (IRA) CONTRIBUTION LIMITS

If you are interested in reducing your taxable income in 2024, you may consider taking advantage of the increased retirement plan, IRA, and health savings account annual contribution limits:

Plan Type	Contribution Limit
401(k), 403(b), 457(b), Roth 401(k) plans, elective deferral limit (under age 50)	\$23,000
401(k), 403(b), 457(b), Roth 401(k) plans, elective deferral limit (age 50 and older)	\$30,500
Limit on additions to defined contribution plans (under age 50)	\$69,000
Limit on additions to defined contribution plans (age 50 and older)	\$76,500
SIMPLE IRA elective deferral (under age 50)	\$16,000
SIMPLE IRA elective deferral (age 50 and older)	\$19,500
<i>IRA / Roth IRA (under age 50)</i>	<i>\$7,000</i>
<i>IRA / Roth IRA (age 50 and older)</i>	<i>\$8,000</i>

## 2024 Health Savings Account Contribution Limits (HSA)

HSA contribution individual coverage	\$4,150
HSA contribution family coverage	\$8,300

Maximizing your contributions to and ensuring your investments are held in the most tax advantaged accounts available to you is important planning. Be sure to discuss these topics with your tax advisor, and if you have questions, feel free to get in touch with us.

## MORE INSIGHTS ON RETIREMENT PLANNING

There is an old saying “retire when you have enough or when you’ve had enough.” However, when contemplating an early retirement, keep in mind that there is more to leaving the work force than just considering the money aspect. Intangibles need to be addressed: like the loss of social interaction with co-workers, the mental stimulus of dealing with and solving work problems, also how are you going to spend your time (many experience the feeling of a lack of purpose in their retired lives). Of course, many who retire wonder why they didn’t retire much earlier. They are so busy that they find it hard to believe that they had time to work in their job. Everybody is a little different and everyone will react in different ways to leaving the work force. In our experience, those who are enjoying a successful retirement are those who were/are able to adjust to changing circumstances. If you are in the throes of making an important retirement decision, just remember that there is much to think about before making such an important final choice.

### Overheard from an Economist:

*“If you torture the data long enough, it will confess to anything.”*

## ALBITZ/MILOE WEBSITE

If you haven’t checked out our website lately, please take a look. It has been revamped to easily check out our blog, our services, family photos, our business philosophy, and much more. It’s easy to navigate and to view. No artificial intelligence here, just good old-fashioned brainpower.

We realize that many of our clients don’t necessarily view our website on a daily or even periodic basis. However, we think it is a good idea to check things out as a reminder of why you work with us and the value we provide. Things can change quickly and part of the reason we have earned trust from our clients is because they know they can count on us to handle things when they change. Please feel free to give us your input in ways you think we can improve our website and our working relationship. [www.albitzmiloe.com](http://www.albitzmiloe.com).

## PERSONAL NOTES

*Erica F. – We go back a long way and now we get to work with your brother...Thanks!*

*Thelma N. – It’s always great to hear your voice!*

*Barry and Jill – You are great people with a great family...we treasure knowing you.*

*Vince and MaryKatherine – Your good nature and optimistic outlook are forever welcome!*

## THINGS ARE NOT ALWAYS WHAT THEY SEEM...

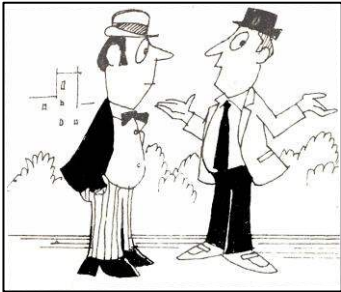
Take a look at this chart. At first glance, you might have thought this parabolic rise is the chart of one of the well known semi-conductor stocks. It could be, but it’s not. It is the price action of **Cocoa**. Have you been wondering why your box of chocolates is so expensive?



## A STORY

I had a friend who was married for 60 years. One of his other friends asked, "Is there a secret to how you've stayed married for so many years?" He answered, "When we first got married we had an agreement; I would make all the major decisions, and my wife would handle the rest."

His friend said, "So that's the secret, huh? That is great to know. What are some of the major decisions you have had to make?"



He replied, "Well, none have come up yet!"

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## PAULA'S RETIREMENT

We have been so fortunate to have Paula represent our firm to our clients for over 20 years. She has been a mainstay and a major asset to the growth and reputation of our company. Earlier this year, Paula told us that she had decided to join her husband in retirement. She gave us plenty of notice and will be with us through the end of June. Of course, we were saddened by the fact we won't see her as often, but we are so happy for her because we know that this is what she wants and it caps a wonderful career. We wish her the greatest retirement ever and hope the future holds the greatest joys for her and her family. Those of you who have had the pleasure of working with her over the years are welcome to call and give her your best regards. We'll all miss her and will look forward to her dropping by to say hello and tell us of all the fun she is having! Thank you, Paula.

## Phil's Opinions and Judgments...



### On FOMO (fear of missing out)...

Most people want to be in the stock market when it is going up, but they don't want to be in it when it is going down. Not too long ago, today's tech high-flyers were down 40-50% (in 2022). Of course, hindsight is clear that those were the buy times. Now that those same stocks are up 50%-80%, many are clamoring to buy. Sure, they could still go much higher and I'm not saying they won't, but isn't the oldest adage in investment history "buy low and sell high?"

### On the Up-Coming Presidential Election ...

It has been said that "people vote their pocketbooks." This will likely be true again this November. Just as important to the outcome of the election will be how much a third party candidate zaps votes from either (or both) of the two primary candidates. Personally, I think it'll have a big impact on the election and will probably drive more chaos.

### On Artificial Intelligence (AI)...

I don't believe that the AI models we now have can create and replicate human judgment; like gut feelings and consciousness. I hope whoever is programming these AI chips has real intelligence and no agenda. Further, I've read that those coming into the work force won't lose their jobs to AI but they will lose their jobs to those who know how to use AI. That makes sense to me.

### On the Women's NCAA Basketball Playoffs...

Personally, I've rarely watched women's college basketball. That changed this year and let me tell you this: these ladies can play the game and the excitement level is every bit as high as in the men's March Madness tournament.

### On Music...

John Prine's rendition of the Stevie Wonder song "I Just Called to Say I Love You" is a simple and sweet rendering of a beautiful sentiment. Check it out if you haven't heard it. "And I mean it from the bottom of my heart."

Until next time,

  
Phil Paul Clete Vance Sylvia

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