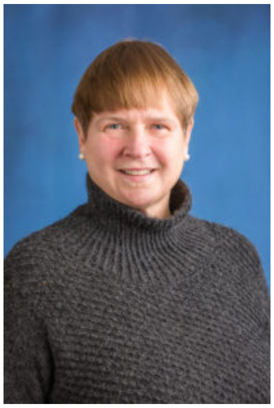
Increased Contribution Limits to Retirement Plans for 2023



By Sarah Ruef-Lindquist
For Pen Bay Pilot

In late October, the IRS announced new limits increasing the amount that taxpayers may contribute to their retirement plans each year beginning in 2023: the amount individuals will be able to contribute to their 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan in 2023 increased to $22,500, up from $20,500 for 2022.

The catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased to $7,500, up from $6,500. Therefore, participants in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan who are 50 and older can contribute up to $30,000, starting in 2023.

The amount individuals can contribute to their SIMPLE retirement accounts is increased to $15,500 from $14,000. The catch-up contribution limit for employees aged 50 and over who participate in SIMPLE plans is increased to $3,500, up from $3,000. This translates into a contribution limit for those aged

50 and older of $19,000.

Similarly, the $6,000 contribution limit for IRAs is increasing to $6,500. The catch-up amount remains the same at $1,000.

These increased amounts expand the ability of workers to put into their tax-deferred qualified plans and IRAs amounts that are able to grow and earn income tax-free, until withdrawn, when income tax is usually due, unless the account is a ROTH, in which case it is not taxed upon withdrawal.

The income ranges for determining eligibility to make deductible contributions to traditional Individual Retirement Arrangements (IRAs), Roth IRAs, and to claim the Saver's Credit all increased for 2023. FMI, visit https://www.irs.gov/newsroom/401k-limit-increases-to-22500-for-2023-ira-limit-rises-to-6500 and consult with your financial and tax advisors to the impact of all of these provisions and changes on your unique financial plans.

Your Guide to Year-End Financial Planning for 2022

As 2022 comes to a close, you'll want to reassess your financial goals, examine any life changes that will affect your saving or spending, and learn about recent developments in the world of taxes and finance that might benefit you. So, before you head to your annual meeting with your financial advisor, read over these questions and use them as a helpful guide for your conversation.

1. Can I Contribute More to Retirement Funds?

While the state of the economy might make you hesitant about setting additional income aside, consider whether you're financially able to maximize (or increase) contributions to your workplace retirement plan. At the very least, find out if you're contributing the minimum to take full advantage of any employer match benefit. Increasing your contributions to a traditional IRA is another option, though you should be mindful that those with higher incomes may not qualify for a tax deduction.

2. Do I Have FSA Dollars to Spend or Carry Over?

Use what you can from your flexible spending account (FSA), and check your employer's plan to see how much of any unused funds you can carry over to the next plan year. Although the rollover option applies to your employer's plan year rather than the calendar year, this year-end assessment is a good reminder to make sure you're on track. If permitted, the maximum FSA carryover amount is $570. If you have a dependent care FSA, you can save as much as $5,000 (family limit) or 2,500 (married filing separately) in 2022.

Now is also a great time to discuss with your advisor maximum health savings account (HSA) contributions if you have a high-deductible health plan (HDHP). This can be a fairly complex topic in general, so it's a great idea to tap into your advisor's knowledge to learn more.

3. Should I Consider Roth Conversions?

If you have some room in your current tax bracket before reaching a higher federal income tax rate, you may want to consider doing a Roth Conversion. This would involve converting some of your pre-tax retirement savings, like in a traditional IRA, into a post-tax account, like a Roth IRA, so you'd never have to pay taxes on future earnings. Taxes would be paid up front on the conversion amount, and you'd enjoy tax-free growth in the future. If this interests you, discuss this strategy with your advisor, who can help determine if it’s an ideal time to do a conversion. He or she can also run projections to see if you would end up paying less in taxes overtime with this strategy.

4. What Is Tax-Loss Harvesting?

If some investments in your portfolio have suffered a loss, the end of the year is a common time to consider if it would make sense to “harvest losses” by selling them. Doing so can offset gains you have realized in your portfolio, as well as up to $3,000 of your earned income. Tax-loss harvesting can get complex, so this is a great topic about which to seek professional help. Be aware: Investments can only be rebought after a certain period, as selling a security for a loss and buying back within 30 days does not qualify.

5. Do My Charitable Donations Qualify for a Tax Deduction?

Charitable contributions donated directly to a qualified charity or to a donor-advised fund can help you get a federal tax deduction. Keep in mind, however, that this will often only be beneficial if you’re itemizing. It’s worthwhile to discuss with your tax professional if your charitable contributions, in addition to other deductions, will surpass your standard deduction.

6. What Should My Strategy for Stock Options Be?

If you have vested stock options included in your compensation package from your employer, now may be a good time to consider whether it would be more beneficial to sell them in January of 2023 as opposed to this year. Review your stock option statement and plan document with your tax professional and discuss which year may provide you the best opportunity from an income tax perspective.

7. Do I Need to Think About RMDs?

Some retirement accounts are subject to required minimum distributions (RMDs). This means once you are nearing approximately age 72, you may be required to start taking distributions from your retirement accounts, owing taxes on the way out. It's not uncommon for people to forget to take RMDs. What's more, recent legislation has made them a bit more complex, so RMDs for retirees and their beneficiaries are best planned with your advisor to be sure you're following the rules.

8. When Do I Need to Resume Repaying Student Loans, and Do I Qualify for Student Debt Relief?

Student loan payments are set to restart at the commencement of 2023. Under the Biden administration's one-time student loan debt relief plan, payments could be reduced to 5 percent of discretionary income for most undergraduate loans. More information on this plan will be announced in the coming days and weeks. To get the latest, consult this helpful fact sheet and sign up for updates on the U.S. Department of Education website.

9. Should I Update My Estate Plans?

It's always a good idea to review estate plans as part of year-end financial planning. As life events happen, such as marriage or the birth of a child, your estate plan should be updated accordingly with your attorney. At the end of each year, discuss with your family how the life events you've experience over the last year might affect your estate planning. When you meet with your advisor, be sure to update and review beneficiary designations, trustee appointments, power of attorney provisions, and health care directives.

Take Advantage of Your Advisor's Knowledge

Although this year-end financial planning checklist covers a lot of ground, it’s intended to serve just as a springboard for your planning conversations with your financial advisor. You’ll have a great starting point to talk through issues and deadlines that are most relevant to you, and you should be sure to add anything else you want to know to this list so you don’t forget to inquire. An annual planning meeting is a great time to ask any questions you need answered regarding your financial plans for the coming year.

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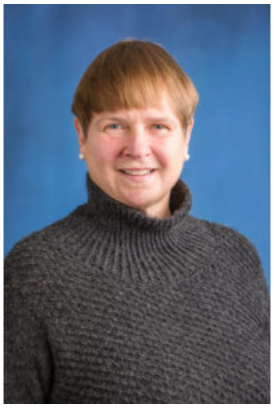
2023 Will Bring Greater Potential for Estate and Gift Tax Savings



By [Sarah Ruef-Lindquist, JD, CTFA]
For [Pen Bay Pilot]

U.S. Taxpayers enjoy a lifetime gift and estate tax exemption. This is the amount a person can transfer at death or during life without triggering a transfer tax.

The exemption amount for 2023 is set to rise $860,000 to $12,920,000 per person ($25,840,000 per married couple) from the 2022 figure ($12,060,000 per person, $24,120,000 for a married couple).

Moreover, taxpayers can use an “annual exclusion amount:” This is the amount one can give away to any number of people each year without triggering the need to file a gift tax return or eat into one’s lifetime exemption. Each year, these amounts are adjusted for inflation.

The annual exclusion amount is set to rise to $17,000 per donee, from $16,000. This can translate into increased flexibility for transferring wealth without incurring taxes on these transfers. Families find this an excellent way for grandparents to help fund education expenses for grandchildren, often using 529 Education Savings Plans that can grow tax-free and be withdrawn tax free for qualifying expenses.

These annually determined, inflation-adjusted exemption amounts are scheduled to 'sunset' at the end of 2025, reverting to levels around $6,000,000, unless Congress takes action to extend them. The annual gifting exclusion amount is not currently slated to revert to lower levels.

Consult with your wealth, estate and tax advisors to understand the impact these changes could have on your particular situation.

Budgeting for the Holiday Season

As the winter gifting holidays approach, current economic conditions might cause you to be more cautious than usual about how much you spend on friends and family this year. If rising costs, a declining stock market, and high interest rates are making you take a second look at your capacity for spending this holiday season, use these tips as a guide to stretch your dollar a little more and help your spirit of giving thrive.

Write a budget. The headlines and discussions around the pain at the pump might have created a perception that the additional cost would majorly prohibit consumers from spending on other necessities or luxuries, like holiday gifts. Instead of letting the headlines guide your budget, write out an actual breakdown of your income and expenses to see what you can afford.

Pay with cash. Inflation is making it more difficult to afford necessary goods and services, so Americans are increasingly relying on credit cards. But interest rates are also going up.

So, unless you pay off your balance in full, you’ll ultimately be spending way more on your holiday gifts than the sticker price. To keep your spending in check, and to avoid tacking interest payments on to the cost of your purchases, pay with cash—or be sure you can pay off your entire credit card balance. While using a debit card is an alternative option, be warned that this method puts you at greater risk for cybercrime. If your account number is somehow stolen, it’s much easier for a scammer to quickly access your money, and there are fewer consumer protections with a debit card than there are with a credit card.

Shop sales. During the Covid-19 pandemic, many industries were affected by delays or cancellations in product deliveries from overseas. Now that production and transport have mostly resumed, stores have been saddled with excess inventory that they need to clear from their shelves and storage facilities so they can make room for new products. The result? Sharp price slashing. Keep an eye out for sales, coupon codes, and free shipping perks before making a purchase, especially at big box stores.

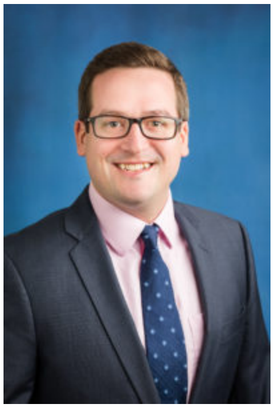
Overstocked products will also find their way to off-price retailers as larger stores sell off their excess and delayed shipments that arrived late. You’ll likely see products and brand names—and possibly new discounts—in these types of stores that you’ve never encountered there before. If you’re looking for a specific gift, compare that item at various retailers to make sure you’re getting the best deal available.

Buy off-season. While most people are focusing on pumpkin spice and sweater season, stores are hoping to get rid of whatever swimsuits, beach towels, and pool floats they still have in stock. If you can suspend your summer mindset for a few more weeks, you could score significant deals on gear for next year. Remember this tip at the end of winter, too, when prices of cold-weather attire are similarly slashed.

Holiday products may be causing stores the same issues as seasonal products. If Halloween, Thanksgiving, or Christmas inventory was delayed last year, stores had to hold these items for months until those holidays came around again this year. So, if you’re seeing those products in stores early, there’s a good chance they might be on sale or show up at an off-price retailer.

Support small businesses. If you have a bit of wiggle room in your budget, purchasing gifts from a small business just might help keep that company in the black during a tough year. Inflation has boosted operational and material costs, causing many small businesses to raise their prices or cut their staff. Buying small helps stimulate the local economy and keep jobs in your community. While the state of the economy might not be ideal for holiday gifting, be assured that there are ways to use current economic conditions to your advantage—and spread some holiday cheer and generosity to everyone on your list.

Employer Sponsored Retirement Plans



By Abraham Dugal, CFP®

Employers play a crucial role in helping their employees save for retirement by offering them an employer sponsored retirement plan that the employees can contribute to, and the employers may even offer a matching contribution to incentivize them to save. The most well-known of these plans are known as 401(k) plans, which allow for employees to contribute money from their earnings on a pre-tax or post-tax basis. The employer can decide whether they would like to make an employer contribution or matching contribution, but they are not required to do so. 401(k) plans offer several different options and are the most customizable retirement plans available.

Savings Incentive Match Plan for Employees, more commonly known as SIMPLE IRA plan, have fewer features but also cost less to the employer to implement and on an ongoing basis. The biggest difference between SIMPLE IRA plans and 401(k) plans are that SIMPLE IRA Plans require that the employer provide a matching contribution to eligible employees. This can be achieved in one of two ways: 1) contribute 2% of all eligible employees' wages whether the employees contribute their own funds or not, or 2) match all eligible employees up to 3% of the employees' contributed earnings to the plan. The SIMPLE IRA is available to all employers with fewer than 100 employees.

In June 2021, Maine signed into law the Maine Retirement Savings program, which will require that all businesses with 25 or more employees will have to offer a retirement savings plan to their employees by April 1, 2023. Those with 15-24 employees will need to offer a plan by October 1, 2023, and finally employers with 5-14 employees will need to make offer a plan by April 1, 2024. Allen Financial Group is here to help!

Read Abraham Dugal at 236-4311 or by email at adugal@allenfg.com

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Your Guide to Charitable Giving Through Crowdfunding

As fall quickly approaches, so do the seasons of giving thanks, giving gifts, and for many, giving *back*. In fact, according to the 2021 Charitable Giving Report by the Blackbaud Institute, a cloud software company serving the nonprofit and social good community, 37 percent of all charitable giving happens in October, November, and December. And, thanks to the widespread use of social media, crowdfunding—raising money from a large number of contributors—is becoming the easiest method of soliciting funds for charities and personal causes.

The report also determined that online giving has grown 42 percent over the past three years, with a 9 percent increase in 2021 alone. So, whether you're inspired to donate by Giving Tuesday, a Facebook birthday fundraiser, a teacher's Amazon wish list, or a neighborhood family's GoFundMe page, the chance to donate is just a click away. But there is more you need to know before you click. When you plan to donate to any charitable organization, including via social media, do your research.

Here, we answer common questions about this accessible method of giving.

Is My Crowdfunding Donation Tax Deductible?

Many crowdfunding sites have a symbol or other indicator that the organization is a registered charity and, therefore, tax exempt and eligible to receive tax-deductible contributions. You can also go directly to the organization's website to learn its tax status. In addition, the IRS has a tool called the Tax Exempt Organization Search (TEOS), which allows you to search any charity to determine whether it's registered as a 501(c)(3) organization.

This search can also help you find out if the charity has had its tax-exempt status revoked, which can happen if it hasn't filed the necessary paperwork for three consecutive years (among other reasons). Whether you write a check or donate through a Facebook fundraiser, a donation to a verified 501(c)(3) organization is tax deductible. Keep in mind that some charities, like religious organizations, aren't required to have 501(c)(3) status, but donations to them are still tax deductible.

A donation to an individual, on the other hand, is not. You may feel compelled to give money to a family having trouble paying medical bills via GoFundMe, or to a good friend who launched a campaign to finance a new product via Kickstarter. While those are likely helpful and much-needed donations, they're not tax deductible for the donor.

If you're itemizing deductions on your tax return rather than taking the standard deduction, be sure to keep receipts and detailed records of your donations. Check with your financial advisor for guidance on how to maximize your tax savings.

How Can I Tell If a Request for Donations Is Legitimate?

While it's fairly easy to visit the IRS search tool or a charitable organization's website to research its tax status and government filings, individual or private recipients aren't as easily vetted. Unless you personally know the recipient or can somehow verify their need, it's wise to keep your giving to causes you trust. Of course, social networks do enable you to vet friends of friends, or view posts and comments that will help you to judge whether a cause is legitimate.

You can also look to the specific crowdfunding site to see if an organization does its own vetting. GoFundMe, for example, has a one-year guarantee wherein you can submit a claim through the site if you think you've contributed to a fraudulent fundraiser within that period. If its experts determine your donation went to an illegitimate cause (note: this determination is at the discretion of the site), you will be refunded in full.

What Percentage of Donations Actually Supports the Cause?

This varies from site to site, and it's worthwhile for you to do some digging to make sure your gift has the largest impact. GoFundMe, for example, deducts a transaction fee of 2.9 percent plus $0.30 per donation. Facebook doesn't charge transaction fees for donations to charitable organizations, but does deduct a 2.6 percent plus $0.30 processing fee for donations to personal causes.

Check the details on the specific platform you're planning to use to help you determine whether it makes sense to donate through that site or another way. The charity website will also likely have a transaction fee to cover processing, but if you're skeptical that your funding will actually reach the intended organization, donating directly instead of through social media may be your safest bet.

Is Donating Through Social Media Instead of the Organization Beneficial?

Donating with just the click of a mouse and the use of a credit card is the biggest benefit to this type of charitable giving. It also allows supporters to easily share fundraisers so they can inspire friends, family, and followers to donate to them as well. More than $6 billion has been raised globally through Facebook and Instagram for various causes—the reach is clearly wide. But, in terms of financial benefit to the giver, there is no significant difference between donating directly or donating via crowdfunding.

So, as fall approaches and you feel compelled to share your good fortune with those who are less fortunate, click the "donate" button to your heart's content. Just remember to vet the site and the cause—and feel free to check with your financial advisor—before you do.

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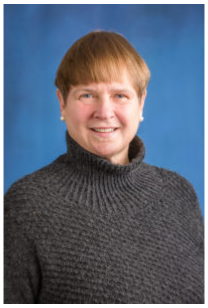
Potential Expansion of IRA Charitable Gifting Opportunity



By [Sarah Ruef-Lindquist, JD, CTFA]
Originally published at [Pen Bay Pilot]

Since 2006, individuals age 70 ½ and older have been able to make direct charitable gifts from their IRA's. The Qualified Charitable Distribution ("QCD") provision was part of the Pension Protection Act of 2006, and has remained a smart charitable gifting option ever since. The dollar limit for any one or combination of multiple QCD's has remained $100,000 per year per taxpayer age 70 ½ or older.

The QCD has not been eligible to fund what are known as "split-interest" gifts. These are charitable strategies that involve a gift to charity and a stream of payments to a non-charitable beneficiary. Charitable Gift Annuities involve a gift to charity in exchange for a promise by the charity to pay the donor and perhaps another person a fixed dollar amount annually for life. The amount payable for life is determined by the age(s) of the individual(s) to be paid and the dollar amount of the gift.

The QCD has also not been eligible to fund either a Charitable Remainder Unitrust or Charitable Remainder Annuity Trust. These trust arrangements involve the payment of either a percentage of the value of the trust annually (in the case of the Unitrust) or a fixed payment amount (in the case of the Annuity Trust) per year to a non-charitable beneficiary (usually the donor, or one or more family members), with the remainder being paid to one or more charities specified in the trust, after a term of years or upon the end of life of the non-charitable beneficiaries, again, as specified in the trust.

The Legacy IRA Act would permit a one-time QCD of up to $50,000 from an IRA to a charitable gift annuity (CGA), charitable remainder unitrust (CRUT) or charitable remainder annuity trust (CRAT). This can be an extremely tax efficient option for charitably inclined individuals to support charity and their own financial plans.

Practically speaking, funding a trust with $50,000 is not generally feasible. A donor could create a CRUT and make an additional tax-deductible gift with other assets, such as appreciated securities, and also make a $50,000 gift using a QCD. This would not be possible under current IRS regulations for a CRAT.

For the establishment of a CGA, however, this provision offers a great opportunity for charitably-inclined individuals and the charities they support. Generally speaking, the rate that would be paid to the individuals under a CGA are far above most market offerings. Here is a sampling of some of the recently published rates from the American Council on Gift Annuities (acga-web.org) that most charities follow in setting the rates they pay on CGA’s”:

Age	Rates: Single Life
70	5.3%
75	6%
80	7%

Age	**Rates: Single Life**
85	8.1%
90+	9%
Ages	**Joint Life**
70 and 73-75	4.9%
75 and 76-77	5.3%
80 and 82	6.1%
85 and 86	7%
90 and 91+	8.8%

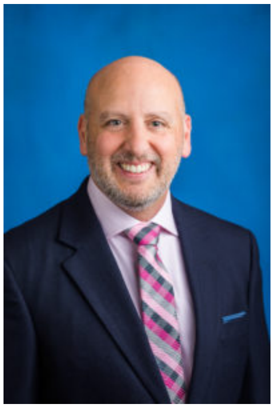
These rates are significantly higher than those currently generated by many fixed-income investments like CD's, Treasuries or some bonds. Typically, a joint life annuity is created by two spouses, and the rates are slightly lower than those for single lives.

It also should be noted that using a QCD can reduce or eliminate entirely the Required Minimum Distribution for those age 72 and older, thus reducing the taxes ultimately paid that would otherwise be payable by the IRA owner taking the distribution.

For non-profit organizations, this could be a significant development if your organization offers charitable gift annuities as a strategy for gifts. For individuals age 70 ½ or older, if you want to learn more, contact your legal and tax advisors about using a QCD of up to $50,000 to fund a split-interest charitable gift.

Stay on Track: 10 Tips for Midyear Financial Planning

*Presented by **Thomas C. Chester, CFP®, AIF®, CPFA®***



Although we all have the best intentions when we set financial goals each January, a lot can happen in 12 months to cause you to veer off course. Nobody wants to arrive at the end of the year and encounter a financial mess. One great way to keep yourself on a steady path to meeting your goals is to do a midyear check so you can make any necessary adjustments before things get out of hand. Use these 10 guidelines to ensure that your spending and investing are on track—and to avoid any surprises come December.

Look over your budget. This is the most basic step you can take to keep yourself on a path to financial health. Look at your spending through the middle of the year and determine whether you're right where you want to be, you need to cut back, or you have extra funds to spend on holiday gifts. Dozens of budgeting tools are out there to assist you in tracking your budget. Many have a digital platform where you can connect your accounts and track expenses. This pulse check provides an easy way to steer yourself back if you've strayed from your budget. And, if you haven't set a budget, this could be a good time to draft one and establish goals.

Reconsider your retirement contributions. Did you receive a raise during the first half of this year? If you’re not maximizing your contributions to your 401(k), 403(b), IRA, or other retirement plan, and you have additional funds from your increased salary or bonus that allow you to contribute more, it may be worth considering a bump in your retirement allocation.

Assess tax withholdings. It’s a good idea to check you tax withholdings midyear, especially if you’ve had major life events such as a job change or significant pay increases. The IRS has many tools that can assist in determining whether your tax withholdings are appropriate.

Rebalance your investment portfolio. The volatility at the beginning of 2022 may have caused your investments to drift away from your strategy. This is a great time to look at your retirement plans and taxable accounts, rebalancing your portfolios to better align with your goals.

Adjust insurance policies, if necessary. Have you had changes in your life that would warrant additional insurance? If you haven’t gotten around to adding insurance or increasing existing policies to account for marriage, having children, starting a business, buying a house, or other life events, use this midyear check to reevaluate your insurance needs.

Take stock of employee benefits. Be sure that you know when open enrollment for benefits occurs at your company and determine whether you need to make changes to your plans. This is also a good time to check on your FSA and HSA funds, submit receipts, and plan for how to use the remaining balance so you don’t lose that money.

Review your credit report. You’re legally entitled to a free copy of your credit report every 12 months from each of the three national credit bureaus (Equifax, Experian, and TransUnion). Take advantage of that opportunity to check for fraud or mistakes so you can remedy any issues as quickly as possible.

Check your emergency fund. Unexpected expenses do come up, and it's prudent to have an emergency fund on standby to meet them. Without this money tucked away, you may have to take cash meant for other expenses or goals, or even accrue credit card debt to pay for expenses. Most experts agree that you should have three to six months of expenses in an emergency fund. Midyear is a great time to take stock of whether you've sufficiently saved for unexpected costs. If you're running a surplus on your budget, it makes good financial sense to use this surplus to ensure that your emergency fund is in good shape.

Be sure that your estate documents reflect your wishes. You likely won't need to revise your will, trust, living will, or other estate documents, but it's a good idea to review them annually and make sure that they still align with your desires. If you've experienced major life events such as marriage, divorce, or birth of a child, you may want to speak with an estate planning attorney to ensure that your documents are in good order and meet your current needs.

Set financial goals for the rest of the year. Take stock of where you started and where you are midway through the year. Six months is plenty of time for situations to change and goals to shift. If nothing has changed, ensure that you are staying on track with your initial objectives. If major changes have happened in your life, you may want to reassess your financial goals for the remainder of the year.

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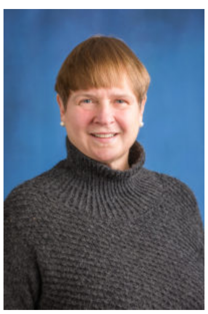
Americans Demonstrate Unprecedented Generosity Through Philanthropy



By Sarah Ruef-Lindquist, JD, CTFA
Originally submitted to Penobscot Bay Pilot

In 2020, a record amount of more than $471 billion was given to charity according to Giving USA, a report produced by the Giving USA Foundation in collaboration with the Lily Family School of Philanthropy at Indiana University.

The issues raised in a global pandemic, challenges to a civil society and the rule of law, climate change and record stock market value levels are believed to have contributed to this record level of giving.

In the month of June, GivingUSA produces an annual report on the prior calendar year's giving. [The report on 2021] giving was recently published and reported a record amount of $484.85 Billion in giving to charity for 2021. The same issues may have been a factor, and the overall distribution of the source of those gifts remains fairly stable: 67% of those gifts were from individuals, 9% from bequests (deceased individuals), 19% from foundations, and 4% from corporate philanthropy.

Giving growing, donor advised funds gifts included. One of the interesting observations looking historically since before the Great Recession from 2006 through 2019 pointed to growth in all charitable giving of 52% and an increase of 330% in giving through donor-advised funds, which as of 2021 represented 6% of charitable giving overall. Donor advised funds are an alternative to creating a private foundation. Donors make a contribution to an organization like a community foundation or other sponsoring charity (think Fidelity Charitable), and then advise the organization as to the grants to charities they would like the fund to make. Their relative simplicity and lower administrative cost along with favorable tax treatment make them an attractive alternative to creating foundations.

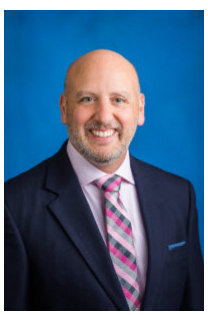
Another observation about 2021 giving is the growth of 22.8% to environmental and animal protection organizations during the pandemic years. The only area seeing a decrease in giving in 2021 was education, which was down almost 3% over 2020 giving.

Bequest giving growth outpaces giving overall. Bequest gifts grew over 5 years by almost 6%, whereas overall giving growth was just over 4% during the same time period. This could represent a part of the unprecedented [transfer of wealth] from the boomer generation (those born between 1944 and 1964), recently estimated to be as much as $30 trillion.

Another Forbes article highlights positive giving trends through Fidelity's Charitable Gift Funds: "Last year (2021), Fidelity Charitable donors recommended $10.3 billion in grants to their favorite charities—which is 13% more than in 2020 and a 41% increase over pre-pandemic levels!"

This is all good news for charitable organizations, reflecting generosity and willingness to share wealth to support the work of non-profits in many areas of society. It also reminds fundraisers of how important it can be to pay attention to the methods of giving that are growing the fastest, like planned gifts through estates and tax-efficient, relatively simple donor-advised funds.

Weekly Market Update, May 31, 2022



Presented by Thomas C. Chester, CFP®, AIF®, CPFA®

General Market News

- The Federal Open Market Committee (FOMC)'s most recent meeting minutes were released last Wednesday and provided further support for the market's expectation of back-to-back 50 basis point (bp) rate hikes at the June and July meetings. “Most participants judged that 50 basis point increases in the target range would likely be appropriate at the next couple of meetings,” the minutes said. It was also reiterated that the Federal Reserve (Fed) may have to push interest rates beyond neutral and into restrictive territory to confidently quell inflation, stating that “a restrictive stance of policy may well become appropriate depending on the evolving economic outlook and the risks to the outlook.” This type of open-ended language has been a staple in the Fed’s recent guidance as they look to remain nimble, balance its desire to effectively fight inflation, and engineer a soft (or “softish”) landing to avoid a recession. Treasury yields were down slightly last week. The 2-, 5-, 10-, and 30-year U.S. Treasury yields fell 4 bps (to 2.48 percent), 1 bp (to 2.71 percent), 3 bps (to 2.75 percent), and 1 bp (to 2.98 percent), respectively.

- Global equities posted sharp gains last week. Investors focused on inflation, which showed hints of easing as the Fed’s favorite inflation gauge, the Core Personal Consumption Expenditure Price Index, fell from a 0.9 percent increase in March to a 0.2 percent increase in April. Additionally, we saw China issue support for its economy and a reopening within Shanghai, which is a start to alleviating supply chain issues within the region. We also saw softening in policy from the Fed as Atlanta Fed Chairman Raphael Bostic stated he would like to see a pause in September after back-to-back 50 bp federal funds rate hikes. Inventories rose within the retail sector, leading to potential relief to inflationary pressure. As a result, the top-performing sectors were consumer discretionary, energy, technology, and financials. The worst-performing sectors were health care, telecom, and utilities. We’ll monitor if the shift in sentiment sticks in the upcoming weeks.

- On Wednesday, the preliminary estimate for the April durable goods orders report was released. The report showed that orders of durable goods grew 0.4 percent during the month, slightly less than the expected 0.6 percent increase. Core durable goods orders, which strip out the impact of volatile transportation orders, increased 0.3 percent against calls for a 0.6 percent increase. This marks two consecutive months with core durable goods orders growth, which is a good sign for overall business spending because core durable goods orders are often viewed as a proxy for business investment. Business spending has seen solid growth throughout most of the past year, as businesses have invested in equipment and other capital expenditures to increase productivity and meet high levels of consumer demand. Given the tight labor market, continued business investment is expected throughout the start of summer.
- On Friday, the April personal income and personal spending reports were released. Personal spending increased more than expected, rising 0.9 percent against calls for a 0.8 percent increase. March’s spending growth was also revised up, from an initial report of 1.1 percent to 1.4 percent. Although some spending growth in March and April was due to rising prices, even real personal spending figures improved more than expected in April, signaling high levels of consumer resilience despite inflationary pressure. This strong result, which echoes better-than-expected growth for retail sales in April, was driven by increased consumer spending on goods and services. Personal income increased 0.4 percent, slightly below the 0.5 percent increase that was expected. Although personal income growth missed modestly against forecasts, this was

still a solid result that marked seven consecutive months with rising incomes, highlighting the strength of the labor market recovery over that period.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	6.62%	0.81%	–12.21%	0.32%
Nasdaq Composite	6.85%	–1.53%	–22.21%	–11.17%
DJIA	6.28%	0.96%	–7.85%	–2.03%
MSCI EAFE	3.48%	0.63%	–11.45%	–10.77%
MSCI Emerging Markets	0.91%	–2.82%	–14.63%	–21.53%
Russell 2000	6.49%	1.41%	–15.51%	–15.87%

Source: Bloomberg, as of May 27, 2022

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	1.14%	–8.47%	–7.77%
U.S. Treasury	0.75%	–7.81%	–6.98%
U.S. Mortgages	1.62%	–6.83%	–7.12%
Municipal Bond	1.35%	–7.59%	–6.92%

Source: Morningstar Direct, as of May 27, 2022

What to Look Forward To

On Tuesday, the **Conference Board Consumer Confidence** survey for May was released. Consumer confidence declined by less than expected during the month. The index fell from an upwardly revised 108.6 in April to 106.4 in May, against calls for a further drop to 103.6. This result left the index above the recent low of 105.7 recorded in February 2022. Confidence has been challenged since last summer largely due to concerns about inflation and the pandemic. The index hit a post-lockdown high of 128.9 in June 2021. Since then, the declines we’ve seen highlight the negative impact of concerns about inflation and Covid-19 infections over the past year. Looking forward we’ll likely need to see further signs of slower inflation before confidence returns to the highs of last summer. That said, although confidence has been challenged over the past year, consumer spending growth has remained relatively strong. This fact is an encouraging sign that consumers remain willing and able to purchase goods and services, despite rising concerns about the economy.

On Wednesday, the **ISM Manufacturing Index** for May is set to be released. Economists expect the index to fall modestly, from 55.4 in April to 55 in May. This is a diffusion index, where values above 50 indicate growth. Accordingly, this result would signal continued expansion for manufacturers, just at a slightly slower rate. We’ve seen solid improvements for manufacturing output throughout the course of the year, supported by high demand for manufactured goods. That said, a potential slowdown in growth in the months ahead is possible, given the headwinds created by rising prices for goods and labor. Slower growth is still growth, however, so the expected result would indicate continued expansion for manufacturers despite these headwinds.

On Friday, we’ll see the release of the May **employment report**. Economists expect to see 329,000 jobs added during the month, down from the 428,000 jobs added in April but still strong on a historical basis. If estimates prove accurate, the May report would mark 17 consecutive months with strong job growth, highlighting the impressive labor market recovery over the past year and a half. The underlying data is also expected to show positive signs. The unemployment rate is set to drop from 3.6 percent in April to 3.5 percent in May. In February 2020, the unemployment rate bottomed out at 3.5 percent, so a return to this historically low level in little more than 2 years would be another example of the labor market's strong improvement over the course of the pandemic. Finally, wage growth is expected to increase 5.2 percent on a year-over-year basis in May, down from 5.5 percent in April. This would be a positive result for the Fed, given concerns about widespread inflationary pressure.

We'll finish the week with Friday's release of the **ISM Services Index** for May. This measure of service sector confidence is expected to drop from 57.1 in April to 56.3 in May. As with the manufacturing survey, this is a diffusion index, where values above 50 indicate expansion. Service sector confidence has dropped this year, after hitting a record high of 68.4 in November 2021. Rising medical risks earlier in the year and persistent inflation have served as headwinds in 2022. That said, due to high consumer and business demand for services, confidence should remain largely in line with pre-pandemic levels in the months ahead. We've seen spending patterns start to shift from goods to services over the past few months. Pent-up demand and diminishing pandemic fears have boosted service sector spending.

Disclosures: *Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the* *prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than $50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.*

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