

TILIA



NEWS

INVESTMENT MANAGEMENT | FIDUCIARY ADVICE | RETIREMENT PLANNING

Contribution Limit Changes for 2023

The IRS recently announced retirement contribution limits for the 2023 tax year:³

Traditional IRA/Roth: \$6,500
Catch up (for age 50+): \$1,000

Simple IRA: \$15,500 + match
Catch up (for age 50+): \$3,500

401k: \$22,500 salary deferral
Catch up (for age 50+): \$7,500
All-in limit (salary deferral + employer contributions):
\$66,000 or \$73,500 for 50+

SEP IRA: Lesser of \$66,000 or 25% of compensation

Max salary considered for matching contributions: \$330k

Income phase out for Roth IRA contribution begins at \$138k for single & \$218k for married filing jointly.

HSA: \$3,850 for single & \$7,750 for family + \$1,000 for each family participant above age 50.

Markets are Awash in Opportunities

The bear market of 2022 has been painful for investors across the board. While the light at the end of the tunnel may still seem far off, the seeds of the next bull market are starting to germinate.

The epicenter of this year's carnage has been bonds & technology stocks. Both areas look poised to deliver strong returns to investors willing to raise their sights beyond the short-term.

For the risk-averse investor, corporate bonds are offering the highest yields since 2008, with investment-grade corporate bonds offering yields of 5 - 6% until maturity in the 3 - 10 year range.¹ With the potential end of the Federal Reserve's rate increases now in sight, locking in these rates on medium-term corporate bonds seems like a smart move.

Investors willing to endure short-term volatility in stocks may have even stronger returns in their future. According to noted NYU professor Aswath Damodaran's valuation work, expected long-term returns for large U.S. stocks rose to 9.53% on November 1st, from just 5.75% on January 1st.²

The upshot is that while short-term economic prospects continue to look shaky, the outlook is bright for long-term investors.

Tilia Welcomes New Investment Research Associate

This fall we were fortunate to add Dustin Hudspeth to the team as an Investment Research Associate. Dustin served 5 years in the Marine Corps and is now pursuing dual degrees in Finance & Accounting at UNCW when he's not working alongside us at Tilia. Dustin has a real passion for investing & we're happy to have him on the team.

Sources:

- 1) <https://data.nasdaq.com/data/ML-corporate-bond-yield-rates>
- 2) <https://pages.stern.nyu.edu/~adamodar/>
- 3) <https://nb.fidelity.com/public/nb/default/resourceslibrary/articles/irslimits>
- 4) <https://www.wsj.com/articles/southern-californias-notorious-container-ship-backup-ends-11666344603>
- 5) <https://www.statista.com/statistics/1250636/global-container-freight-index/>
- 6) <https://www.bls.gov/news.release/cpi.nr0.htm>
- 7) <https://www.globest.com/2022/11/03/apartment-rents-fell-again-in-october/?slreturn=20221015120617>
- 8) <https://www.celsiusenergy.net/p/european-natural-gas-inventories.html#Current>
- 9) <https://www.understandingwar.org/>

A Little Dose of Optimism

Inflation has been the major driver of market weakness this year, and rising prices ranked among the top issues on voters' minds in the recent mid-term elections. Recently, inflation watchers have a few good reasons to feel more optimistic:

1) Supply chain bottlenecks have been a major inflationary pressure since the summer of 2020. One of the most visible signs of this was the long queue of container ships waiting outside of the world's largest ports. In January of 2022, there were 109 ships waiting to unload outside of the ports of Los Angeles & Long Beach. In late October, that number dropped to 4 ships.⁴ The global container freight rate index, which tracks the costs of moving shipping containers around the world, has fallen 70% from the highs of September 2021!⁵

2) October's Consumer Price Index Report showed the smallest 12 month increase since January of 2022. Used car & truck prices fell for the 4th month in a row. Other items including apparel, medical commodities & gas utility services also showed monthly declines.⁶

3) Nationwide apartment rents have fallen for 2 straight months. 89 of the 100 largest cities in the U.S. showed rent declines in October.⁷

4) The fallout of Russia's February invasion of Ukraine exacerbated supply chain issues while subsequent sanctions elevated oil & gas prices around the world. Europe's reliance upon Russian oil put that continent in a particularly tough position. However, as of November 13th, European Union Natural Gas storage facilities were estimated at 96% of capacity, well ahead of the EU target of 85%.⁸ In recent days, we've also seen Russia withdraw from the city of Kherson, the only regional capital seized by Russian troops since the onset of the invasion. The Institute for the Study of War estimates that Ukraine has recaptured 50% of the territory seized since the beginning of Russia's invasion, signaling a possible pathway to peace and resumption of trade.⁹