

the SGROI FINANCIAL

NEWSLETTER

Retirement Planning and 2024 Tax Changes

*"The trouble with retirement is that you
never get a day off"*

– Abe Lemons –

For those of you looking to maximize your retirement savings and save on taxes, you're in luck as the contribution limits and tax deductions have increased for the year. This means that for 2024, you'll be able to save more money for retirement and pay less in taxes. Here are some notable changes for the new year:

Employer Sponsored Retirement Plans:

If you participate in an employer sponsored plan such as 401K, 403B, TSP or Deferred Compensation plan, you'll be able to contribute a maximum of \$23,000 for the year. If you're 50 or older, you'll be able to contribute an addi-

tional catch-up contribution of \$7,500, bringing your total maximum contribution to \$30,500.

Traditional and Roth IRAs:

The contribution limits increase to \$7,000, and if you're 50 or older, you'll be able to contribute the additional catch-up contribution of \$1,000, making your total maximum contribution \$8,000.

SIMPLE IRA:

If you're covered by a SIMPLE IRA through your employer, the contribution limits have increased to \$16,000, and if you're 50 or older, you're al-

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lowed to do a \$3,500 catch-up contribution, bringing your total to \$19,500.

HSAs:

If you contribute to an HSA, the contribution limits have increased to \$4,150 for single coverage and \$8,300 for family plans. If you're over age 55, you can contribute an additional \$1,000 as a catch-up contribution.

Standard Deductions:

The standard deduction is increasing to \$14,600 for single filers, and \$29,200 for couples married filing joint.

Annual Gift Exclusion:

The Annual Gift Exclusion has increased to \$18,000 per donee.

Social Security Tax:

The maximum amount of your wages subject to the Social Security tax will be \$168,600. 

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Welcome Matthew Scheff



We are happy to announce the addition of Matthew Scheff to our team! Matthew has joined us as a research analyst and is on the path to becoming an Advisor! A graduate of West Virginia University in 2016, he received degrees in Business, Communications, and Advertising. After college he worked for a startup company called ACV Auctions, Buffalo's first "unicorn" for a little over six years.

He is licensed with the SIE, Series 7, Series 63, and Series 65. He grew up in Williamsville and now resides in the city of Buffalo.

Schwab Transition

As a reminder, we have recently completed the transition from TD Ameritrade to Charles Schwab following their merger announcement back in 2019. We appreciate everyone's patience during this process, as we are still learning more about this platform each day. Our service staff has been exceptionally helpful and understanding throughout this learning curve and we are grateful to have their support!

Congratulations
to the
Clouden family!

We'd like to welcome the latest additions to the Sgroi Financial family! Partner & Financial Planner, John Clouden and his family welcomed their second granddaughter, Landry Samantha and their first grandson Jack William in the past year!

A Letter from the Partners

Giving Thanks!

As we begin a new year it is customary to both look back at the year past but also to look forward with excitement and hope for the upcoming year. When looking back at 2023 it was certainly a year of challenges. The world remained a volatile place and the markets were no different, which tested the mettle of all investors. Through the coordinated efforts of our financial advisors and research staff we were able to successfully navigate the choppy waters to continue to provide value for our clients.

We also wanted to take a moment to acknowledge the hard work of our service staff. 2023 was no walk in the park for them as they were the ones most impacted by the TD Ameritrade/Charles Schwab conversion in September. Through their efforts and diligence, they kept our clients and our advisors mainly insulated from the daily challenges of taking on a conversion of this scope. There are still hiccups from time to time, but they are becoming much fewer and further between as we learn the various new systems and procedures. We are thankful to have them on our team and feel that they are the best in the business!

As we look forward to 2024 we are hopeful that things around the world will calm down. We do have another election looming which will likely cause some consternation among some but historically elections really don't end up having as much impact on the markets as some may think. We can never predict with certainty what lies ahead but rest assured we have our fingers on the pulse daily. Here at Sgroi we also hope that the bulk of the disruption caused by the conversion is mainly behind us.

In closing we want to thank our loyal and valued clients for without you there is no Sgroi Financial. You are the reason why we have been able to continue to grow and thrive. We hope you had a great holiday season and have a blessed new year!

All the best,



Patrick Sgroi,
Partner



John Clouden,
Partner

Mailing Reminder

As a reminder, we will be mailing your quarterly reports annually. If you would like to view them more frequently you can do so through our client portal! Login or sign up here: <https://portal.sgroifinancial.com/login>





Estate Planning 101


The Will

In the first part of this two-part series, we delve into the fundamental component of a comprehensive estate plan- the will. The aspect of a good estate plan that most may be familiar with is a will. A will is a legal document used by a court to distribute your assets upon your death. While a will may not be the only document that is needed depending on your individual circumstances, it is typically the foundation from which estate plans are built.

The directions given by an individual will apply to that individual's probate assets. Probate assets are any assets held by an individual that either are held directly by an individual (not by a trust), and those assets that do not have a dedicated beneficiary designation. Most types of property may or may not be probate property depending on how the individual holds such property, but certain types of property are generally never probate assets. The most common asset that is generally never a probate asset is a qualified retirement account such as a 401(k) or IRA.

All of an individual's probate assets will be dispersed as directed by the individ-

ual's will, which may provide that certain assets must be given to certain people or entities or may divide the probate assets on a percentage basis or both.

If an individual were to pass away without a valid, executed will, they would be deemed to be intestate, which means their probate assets will be divided and distributed as prescribed by their resident state's laws and regulations. For example, in New York State, an intestate individual's estate will be divided by giving fifty (50) percent plus \$10,000 to the individual's spouse, with the remaining amount being divided amongst any living children equally. While this result may not be dissimilar from an individual's theoretical plan, it is always better to ensure that your wishes are fully respected via a will as the laws and regulations can change. This scenario also places a higher burden on surviving family members as the entire process of distributing the estate is overseen by the court system, which can be costly in terms of both time and money. In our next series we will explore the functioning of both a Power of Attorney and a Health Care Proxy work. 



Buffalo News Best of 716

We are extremely grateful for being recognized as the Best Financial Planning firm in the Buffalo News Best of 716 contest two years in a row! Our heartfelt appreciation goes to our community for your unwavering support as we head into our 53rd year of business. A special thank you to our dedicated and hardworking staff whose efforts have played a pivotal role in reaching this milestone!

Best of 716 awards are a community voting poll established by Buffalo News that is determined by the most votes received from 07/06/2023-07/24/2023 and not indicative of a program, nor should it be construed

as a recommendation. Inclusion on the Best of 716 list should not be construed as an endorsement by the Buffalo News. Financial Service Advisors and/or their firms do not pay a fee to be considered or placed on the final list. In addition, the award is not indicative of the financial service advisor's future performance. Working with an award-winning financial service advisor is no guarantee as to future investment success, nor is there any guarantee that the selected wealth managers will be awarded this accomplishment in the future.

“When most people think about the future, they ignore that the future is a distribution of possibilities”

– Howard Marks


This time last year, the S&P 500 was down over 18%, bonds were down over 13% and Federal Reserve Chair Jerome Powell reiterated they would stay the course with rate hikes until the job was done fighting inflation. Many called for a recession in 2023 and the potential for more losses. Fast forward to today, inflation has more than halved, the recession never happened and the Federal Reserve stated rate cuts will be coming in 2024. The S&P 500 is up over 26% in 2023, while bonds, down for most of the year have surged, now up over 5%. What a difference a year makes. Global markets exceeded expectations in 2023, and as we enter 2024, there are some things to be cautious about, however, we still see opportunities.

■ There are 2 main risks to be aware of. The first is the Federal Reserve. Powell, in his latest speech, signaled the end of rate hikes and the beginning of rate cuts. There is a huge disparity between what the Fed is saying and what the market believes. The market is pricing in 6-8 rate cuts, while the Fed is projecting 3. If the Fed walks back on rate cut expectations, this could cause volatility, as the market would have to reevaluate where inflation is heading. The other risk is most of the gains we have seen are priced in, and we will need a new catalyst to reignite this bull market. Heading into 2023, corporate earnings expectations were dismal, as a recession was predicted by many. Although S&P 500 earnings were not amazing in 2023, they were much better than feared. Now, as we enter 2024, it's the total opposite. Consensus has earnings growth above the long-term average, meaning there is little room for disappointment. This doesn't mean that the upcoming earnings season won't be positive, but it will have to be because of good results, not "better than feared".

■ Safety is not without risk. Cash is more attractive than it has been in years, yet 2023 was a reminder that there is an opportunity cost in not owning equities or

bonds. We see plenty of the same heading into 2024. With the Federal Reserve set to cut rates, this could mean bonds can once again be that hedge to volatility. With fixed income, yields are historically higher than normal and you have the opportunity for price appreciation. Moving to stocks, the S&P 500 is a market-cap-weighted index, meaning a company's size determines its share of the index. This year, the index's top stocks, aptly named the "Magnificent 7" drove most of the returns. Meanwhile, the Equally-Weighted version, which allocates to all 500 names equally, saw more modest returns and was negative at one point during the year. As we move to a new year, we could see a reversal of this, meaning greater market breadth creating opportunities to outperform.

■ In our portfolios, the theme of quality runs through our investment views. We believe that high-quality bonds, meaning government and investment grade fixed income have the chance to deliver above-average returns, and if we do see any downside in the equity markets, quality fixed income can hedge against that. We also are focusing on "quality stocks". Companies with low debt on their balance sheets are well positioned to combat any recessionary fears we could see in 2024, and historically have outperformed during periods of economic slowdowns.

■ In closing, we see greater opportunity to source potential winners as the market grows less concentrated and looks past the "Magnificent 7." With the Fed nearer to an interest rate pivot, our focus leans towards stocks with quality characteristics and sustained earnings growth amid a potential slowdown in the economy. We want to thank you for all the trust you've given Sgroi Financial through the years, and as always, please don't hesitate to reach out to your advisor whenever you need anything or have questions. Have a great New Year and see you in 2024! 

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