



## 2023 Q1 Newsletter

Congress was busy during the lame duck session that ended 2022. The budget contained the Secure Act 2.0. This provision was largely bipartisan and contained many updates to retirement plans and other financial regulations. Here are a few highlights:

- Starting this year the age to start required minimum distributions (RMDs) is now age 73.
- The \$1,000 age 50 IRA catch-up contribution will be inflation adjusted starting 2024.
- For individuals earning more than \$145,000 (indexed for inflation), all catch-up contributions to qualified plans are subject to Roth (after-tax) treatment starting 2024.
- Limited tax-free rollovers from Section 529 accounts to Roth IRAs starting in 2024. Leftover monies can be rolled tax free to a 529 if the account has been opened for more than 15 years and up to the annual Roth IRA contribution limit and a lifetime total of \$35,000. This is welcome news for those worried about overfunding a 529.

Ohio also made some legislative updates:

- Senate Bill 33, signed January 2<sup>nd</sup>, now allows income tax deduction for out of state 529 plans for Ohio taxpayers.<sup>1</sup>

While no one likes inflation, many retirement plan contribution limits and tax brackets are indexed for inflation. If you are someone that has the ability or needs to maximize contributions, you will want to note the following:

- The base IRA/Roth IRA contribution limit is now \$6,500 and \$1,000 catch-up
- The base 401k, 403b, and 457 contribution is now \$22,500 and \$7,500 catch-up

The markets and interest rates continue to be volatile. For instance, the 10-year treasury was 4.2% as recently as November, dropped to 3.375% in January and went back above 4.0% March 2<sup>nd</sup> and dropped back down. These swings in the 10-year Treasury rates largely reflect changing inflation expectations. While supply chains and many inflation drivers are slowly improving; other inflation drivers, such as the labor market, are still strong. The bond markets keep wildly reacting to the 24-hour news cycle in trying to predict inflation and interest rates. In recent days the swings are also due to prominent bank failures and the markets subsequently

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<sup>1</sup> <https://news.bloombergtax.com/daily-tax-report-state/ohio-governor-signs-law-relating-to-529-plan-income-tax-deduction-cra-property-tax-exemption>  
<https://www.fox19.com/2023/01/03/ohio-gov-mike-dewine-signs-several-bills-into-law/>

questioning if the Fed will keep raising rates. Furthermore, the debt ceiling debate and negotiations could also trigger more swings in interest rates as the year progresses.

On a personal note, Megan and I welcomed our son Owen into the world on February 15<sup>th</sup>.

Sincerely,

Gary Chidsey, CERTIFIED FINANCIAL PLANNER™

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