



## 1<sup>st</sup> Quarter 2023 Newsletter

- It is worth noting that the failure of Silicon Valley Bank and Signature Bank were not systematic banking industry problems, but rather a result of 90% of the deposits at these banks exceeding FDIC insurance limits, and a high industry concentration to cash-demanding venture capital and crypto firms.
- For reference, less than 20% of Schwab bank deposits are above FDIC limits, which minimizes the possibility of a bank run, and Schwab bank has reported significant borrowing capacity should they need to cover depositor withdrawals without being forced to sell long-term bonds at a loss.
- Custodians have no legal right or claim to your investments. If a custodial brokerage firm were ever to become insolvent, investment assets would simply be moved to another custodian.
- If you maintain bank deposits above \$250k for companies/individuals or \$500k for joint accounts, talk with your advisor about how you can protect more of your cash.
- Yet again we are reminded that no one can predict market movements. Some market timers said to “sell” before the Federal Reserve meeting in February, only to miss out on positive market performance afterward. A long-term strategy of disciplined rebalancing – selling when markets are high, and buying when they are low – may help investors avoid selling prematurely and being forced to buy back into the market at higher prices.

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## News and Observations

- The Fed’s most recent 0.25% rate increase put the federal funds target rate at 4.75% to 5%, and the market expectation is that they are near the end of rate hikes.
- With interest rates higher now, the Fed has the flexibility to pivot and lower interest rates in the future if needed to combat a recession.
- We have begun to lengthen the duration of our clients’ bond portfolios to take advantage of higher yields for longer periods of time.
- The economy is still strong, with unemployment at a historically low 3.6% and consumer spending increasing 1.8% in January.
- The maximum IN 529 CollegeChoice state tax credit increased to \$1,500/year on a \$7,500 contribution.
- You may live longer than you expect! Research from the Society of Actuaries shows that 33% of males and 50% of females in their mid-50s today will live to be 90.<sup>1</sup> It is never a bad time to make sure that your retirement plan is equipped to combat increasing life expectancies, along with long-term inflation of living and medical expenses.

### Market Index Returns

### 1<sup>st</sup> Quarter

<i>S&amp;P 500 (Large Cap)</i> _____	7.50%
<i>Russell 2000 (Small Cap)</i> _____	2.74%
<i>MSCI International Index</i> _____	8.19%
<i>MSCI Emerging Markets</i> _____	4.02%
<i>US REIT Index</i> _____	2.77%
<i>Bloomberg Commodity Index</i> _____	<b>-5.36%</b>
<i>BofA 1-3 yr Corporate &amp; Govt. Bond Index</i> _____	1.49%

*We sincerely appreciate your business and referrals.*

<sup>1</sup> Society of Actuaries, *Age Wise Longevity Infographic Series-1*, <https://www.soa.org/research/age-wise/>, 2019.