



4th Quarter 2023 Newsletter

- ❑ In late October, it became widely believed that the Fed was finished raising interest rates, and that several rate cuts are expected in 2024. This led to a significant rally in small cap and bank stocks. While the S&P 500 is trading at a forward Price/Earnings ratio of ~20x, small cap stocks (S&P 600) are still only trading at a forward P/E of ~15x.¹
- ❑ The Federal Open Market Committee Summary of Economic Projections suggests there will be three one-quarter-point reductions in the federal discount rate in 2024.
- ❑ In 2023, Elser Financial clients gifted more than \$8.6 million tax efficiently to charities through donor-advised funds and qualified charitable donations. Thank you for giving back to your communities!
- ❑ Inflation remains relatively cool at 3.1% in the most recent November inflation report, down from 6.4% to start the year. Personal consumption expenditures fell for the first time since April 2020. (PCE excludes volatile food and energy prices)².
- ❑ The weekly average rate on 30-year mortgages is 6.61%. Rates hit a peak of 7.79% at the end of October before steadily declining. More homebuyers waiting on the sidelines may enter the market as rates continue to decline.³

Contact Us

Phone: **317-731-5615**

Email: admin@elserfp.com

Website: www.elserfp.com

Address: **8900 Keystone Crossing, Ste. 450
Indianapolis, IN 46240**



News and Observations

- ❑ In 2024, the standard deduction increases to \$14,600 (single) / \$27,700 (joint filers), and Social Security benefits increase by 3.2%.
- ❑ The annual amount that each individual can gift without tax implications increases to \$18,000 per recipient, while the lifetime estate tax exemption increases to \$13.61 million per person.
- ❑ The HSA contribution limit increases to \$4,150 single / \$8,300 family (+\$1,000 if 55+).
- ❑ Contribution limits to workplace retirement plans such as 401(k) / 403(b) increases to \$23,000 (\$30,500 if 50+). Traditional and Roth IRA contribution limits increase to \$7,000 (\$8,000 if 50+), while Simple IRA limits increase to \$16,000 (\$19,500 if 50+).
- ❑ Tax rates are scheduled to increase in 2026 (ex: 22% bracket increases to 25%). Talk with your advisor to see if there are ways to take advantage of these last couple lower tax rate years.

Market Index Returns

Q4

YTD

S&P 500 (Large Cap) _____	11.69%	26.29%
Russell 2000 (Small Cap) _____	14.03%	16.93%
MSCI International Index _____	10.57%	18.60%
MSCI Emerging Markets _____	7.93%	10.27%
US REIT Index _____	16.35%	13.96%
Bloomberg Commodity Index _____	-4.63%	-7.91%
BofA 1-3 yr Corporate _____	2.64%	4.63%
& Govt. Bond Index		

We sincerely appreciate your business and referrals.

Secure Act 2.0 – Effective in 2024

- ☒ Going forward, the IRA catch-up contribution limit (currently \$1,000) and the annual QCD limit (previously \$100,000, now \$105,000) will be indexed annually for inflation.
- ☒ RMDs will no longer be required from Roth employer retirement plans (Roth 401(k), Roth 403(b), etc.).
- ☒ Employers have the option to match employee student loan payments with contributions to a retirement account.
- ☒ For 529 plans open for more than 15 years, plan assets can be rolled over to a Roth IRA for the beneficiary, subject to annual Roth contribution limits and an aggregate lifetime limit of \$35,000. Contributions made in the last 5 years and their earnings are not eligible. Normal Roth IRA income limits do not apply, but the beneficiary must have earned income in order to transfer funds to the Roth. *For Indiana 529s, the amount rolled over will incur a state tax credit “recapture” penalty of up to 20%.*
- ☒ Small businesses can offer a starter 401(k) or safe harbor 403(b) plan with a default contribution from 3% to 15% of compensation. These plans would follow the same contribution limits as IRAs, and would not be subject to the same rigorous requirements of traditional 401(k)s.

Weekly Average Mortgage Rates³ as of 12/28/23



¹ <https://archive.yardeni.com/pub/stockmktperatio.pdf>

² https://www.wsj.com/economy/what-to-watch-in-fridays-spending-report-inflation-closing-in-on-feds-target-0778037d?mod=hp_lead_pos1

³ <https://www.freddiemac.com/pmms>