PRINCIPLE
WEALTH PARTNERS

THE PRINCIPLE NEWSLETTER

APRIL 2023

Dear Friends,

Hooray for spring! The birds are chirping, the flowers are blooming, the golf clubs are coming out of the basement, and baseball stadiums are filling up.

A new bull market is on the horizon. The NASDAQ, home of technology and healthcare, recently entered bull market territory, climbing 20% above its October lows. The broad market S&P 500 is on deck.

In this edition of *The Principle Newsletter*, we touch on a few topics that impact many of our clients. We feature highlights of the SECURE Act 2.0, tax strategies to maximize savings, and ideas to make the most of your estate plan.

We hope you enjoy this issue!

Best regards,

Robert S. Paolucci, CFP®
Founder & CEO

What's Inside

SECURE Act 2.0

By Julina Ogilvie, CIMA® CPWA®

SECURE (Setting Every Community Up for Retirement) Act 2.0, passed in December of last year, building on the original SECURE Act passed in December 2019. The goal of both bills is to expand opportunities to save for retirement. Some of the highlights of 2.0 include:

RMDs: The age at which you must begin taking Required Minimum Distributions (RMDs) from traditional IRAs increases from 72 to 73 in 2023 and rises to 75 by 2033. The tax penalty for RMD amounts not taken drops from 50% to 25%.

Catch-Up Contributions: Starting in 2025, catch-up contribution limits to company retirement plans will increase to the greater of $10,000 or 150% of the regular catch-up limit for participants aged 60 to 63, and will increase based on the inflation rate. The current IRA catch-up, $1,000, will be indexed for inflation starting in 2024.

QCDs: Currently, qualified charitable distributions (QCDs) allow individuals who are 70 years old or older to use retirement plan distributions for charitable contributions without incurring income tax, up to a limit of $100,000. Beginning in 2024, this limit will be indexed to inflation. Additionally, from 2023 onwards, individuals can make a one-time gift of $50,000 to a charitable trust or gift annuity as part of the annual QCD.

Tax-Free Rollovers from 529 Plans: Beginning in 2024, assets in 529 Plans can roll over to a Roth IRA as long as the Roth IRA is in the same name as the beneficiary of the 529. The rollover will be limited to the annual limits of a Roth IRA contribution, up to a lifetime limit of $35,000 tax and penalty-free, as long as the 529 Plan account has been open for at least 15 years.

Secure 2.0 contains other changes applicable to retirement plan enrollment, matching contributions on student loan payments, and changes to Roth 401(k)s and Roth IRAs which may be relevant to your situation.

In case you missed it, watch our video highlighting the changes in the SECURE Act 2.0 bill.

Strategies to Maximize Savings

By Colin Dugan, CFP®

The implementation of an effective tax strategy can have a major effect on your savings. We evaluate individual situations to determine the best strategies for you, including:

- Impact of tax categories
- Tax deferral tactics
- Tax optimization techniques
- Charitable giving strategies

Not All Gains Are The Same

Taxes are dynamic. Tax rates and the treatment of different earnings types are subject to change depending on the economic, political, and fiscal environment. The top marginal tax rate on ordinary income is 37% plus the Medicare surcharge of 3.8%, which was enacted as part of the Affordable Care Act of 2010, totaling 40.8%. In addition, depending on where you live, state and local tax rates may be applicable, making the total tax impact even greater.

TAX CATEGORY	FEDERAL TAX RATE/IMPACT
Long-Term capital gains	Up to 23.8%[1] depending on total taxable ordinary income
Qualified dividends	
Short-term capital gains	Taxed as ordinary income up to 37% (+3.8% Medicare surcharge) totaling 40.8%[1] depending on total taxable ordinary income
Interest and Non-Qualified Dividends	
Alternative Minimum Tax (AMT)	May increase your effective marginal tax rate on long-term capital gains and qualified dividends

[1] Includes 3.8% Medicare surtax, which applies to single filers with Modified Adjusted Gross Income (MAGI) above $200,000 and joint filers with MAGI above $250,000.

It Can Pay To Defer

There are many different ways to save using tax-advantaged accounts to defer taxes and maximize the benefits of compounding can make a real difference.

Some ways to save on a tax-deferred basis include IRAs, company retirement plans, 529 Plans, and HSAs, all of which have varying tax benefits in terms of taxation on contributions, earnings, and withdrawals.

Optimizing Strategies

Optimizing strategies can provide additional ways to reduce your tax liability through different tactics, including:

Asset location seeks to match investments in accounts in the most tax-efficient manner, which generally means putting less tax-efficient investments, such as real estate investment trusts (REITS), high-turnover mutual funds, and taxable fixed-income securities and funds, in tax-deferred accounts.

Tax-loss harvesting uses losses in investment accounts to reduce potential current and future capital gains taxes.

Withdrawal strategies consider the best timing of determining when and from which accounts to take withdrawals, including for charitable giving.

Giving Back Wisely

Giving back is a goal for many and considering taxes can allow us to enhance our ability to support causes we cherish. As described above, the ability to use Qualified Charitable Distributors (QCDs) as part of giving has been enhanced by the SECURE Act 2.0. Using the right vehicle, such as a Donor-Advised Fund (DAF), can also provide tax benefits while offering flexibility in the timing of giving. Giving appreciated assets, such as securities, directly to an eligible charity allows you to avoid paying tax on the gains while allowing the charity to benefit from the full value of the gift.

Making The Most Of Your Estate Plan

By John Hannigan, CFP®

While it may seem too early to think about estate planning, it's never too soon to think about the disposition of your assets. Outside of your formal estate plan, consider some of the areas below.

Get Organized

While it can be difficult to confront your wishes for the future, this can help your loved ones avoid challenges during an emotional and stressful time, in the event that you are unable to communicate your wishes. Some basic areas to consider are:

BENEFICIARIES ON RETIREMENT PLANS AND LIFE INSURANCE POLICIES

Regularly confirming beneficiary designations are aligned with your broader estate plan may not seem urgent, but if you let something slide, the repercussions could be unfavorable for your loved ones.

TRADITIONAL WILL

Ensures that assets are distributed according to your wishes and identifies the guardians of minor children.

LIVING WILL

Informs others regarding your wishes for end-of-life medical treatment if you're unable to do so yourself.

POWER OF ATTORNEY (POA)

Gives an individual or organization the authority to make financial and other decisions for you if you're unable to do so yourself.

HEALTHCARE PROXY (HCP) *and*
MEDICAL/PHYSICIAN ORDERS FOR LIFE-SUSTAINING TREATMENT (MOLST/POLST)

Gives an individual or organization the authority to make health-related decisions for you if you're unable to do so yourself.

CONTACT INFORMATION

Organize the details of your financial, legal , and healthcare accounts, legal documents, and contact information. Make sure a loved one or other trusted individual(s) know how to access this information.

Talk To Your Kids

Preparing your children can help to ensure that your wealth is well looked after by future generations. There are several steps you can take to help build stewardship:

1. **Build** financial acumen and confidence by instilling concepts of financial literacy
2. **Encourage** your children to work and earn their own money to become independent
3. **Relay** your family values and mission
4. **Involve** them in any causes you support, including through volunteerism

Use Your Annual Gift Tax Exclusion

Taking advantage of opportunities to gift your wealth can help reduce your taxable estate. Each year, the IRS sets the annual non-reportable limit that can be gifted to individuals based on inflation. For 2023, you can give up to $17,000 per person, per year. Although the estate and gift tax exemption is $12.92 million for 2023 ($25.84 per married couple), this threshold is set to sunset in 2026 to half the current amount.

Is A Trust Right For You?

Trusts may be an appropriate part of your estate plan. Depending on the type established, a trust can remove assets from your taxable estate, protect your assets from creditors, reduce estate taxes, and offer control over the direction and timing of assets. Some common trusts include:

Revocable Trust	Created during your lifetime and is changeable and revocable. Assets continue to be part of your taxable estate but avoid probate.
Irrevocable Trust	Helps protect your assets, reduce your taxable estate, and avoid probate. The terms of the trust can't be changed without the permission of the beneficiary or court order.
Irrevocable Special Needs Trust	Allows you to provide for your special needs child without limiting their ability to receive government benefits such as Medicaid and Supplemental Security Income (SSI).
Irrevocable Generation-Skipping Trust	Skips the generation directly after the trust creator, passing ownership of the assets to the next one.

Community Outreach

Thanksgiving Drive, St. Vincent de Paul Place

On November 18th, several members of our team volunteered at St. Vincent de Paul Place, a food pantry and soup kitchen in Norwich, CT, passing out turkeys and all the fixings to families. Cars lined up in the parking lot so that volunteers could fill their trunks with everything they would need to make a beautiful Thanksgiving meal at home. In addition to volunteering at the drive, Principle Wealth Partners raised funds and food donations for St. Vincent de Paul Place.

For more information on St. Vincent de Paul Place, visit SVDPP.org.

Columbus House New Haven, CT

As members of the shoreline community, we support our neighbors whenever possible. Columbus House, a shelter in New Haven, serves people who are homeless or at risk of becoming homeless. They provide shelter, housing, and other necessities, to foster their personal growth. This year we wrapped up and donated clothes so they were able to stay warm this past winter.

For more information on the organization's work, visit columbushouse.org.

Niantic Jingle Bell 5K

Principle Wealth Partners was delighted to sponsor and participate in the 9th Annual Niantic Jingle Bell 5K, held on Saturday, December 10th. The freezing weather couldn't stop PWP employees Theresa, Kyle, Grace, Kate, Denise, and Ellie, along with over 800 participants from donning bells and holiday garb, and having a fantastic time! Funds were raised for the Brian Dagle Foundation and Brian's Healing Hearts Center for Hope and Healing. The foundation's mission is "dedicated to the healing of grieving adults as well as community education on suicide prevention and awareness." You can learn more about this amazing organization at brianshealinghearts.org.

Welcome to our newest team member

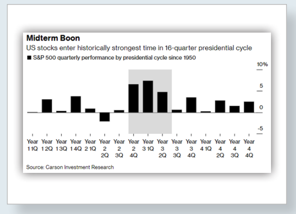
Welcome Laura Trutnau! Laura has worked in the financial services industry for 7 years. In that time, her focus has been on addressing clients' needs with exceptional service. Laura always puts herself in the mindset of clients and prioritizes their requests professionally and efficiently. She enjoys building trusting relationships.

Outside of work, Laura enjoys staying physically active, meditating, and visiting state parks and beaches. In the past, she has served on community boards helping children. Laura lives in North Branford with her two daughters, Caitlin and Kara.

A Look Back at Past Perspectives and Insights

Q4 2022 Quarterly Market Review

Our quarterly market review covers headlines and performance of equity, fixed-income, and international developed and emerging markets for the fourth quarter and discusses the pitfalls and perils of trying to time the market.



October Monthly Movements

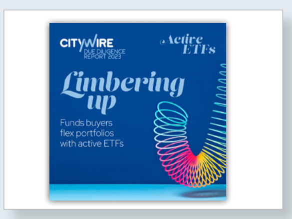
What can we typically expect from the markets around mid-term election time and why?

Forbes TOP 100 RIA Firm in the United States

PWP is top-ranked in the State of Connecticut and #43 in the nation.

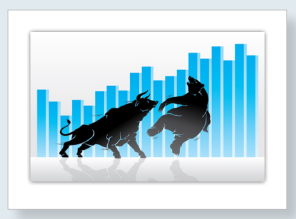
November Monthly Movements

What lies behind the downfall of FTX, and what lessons can be learned from this "too good to be true" scenario?



Citywire Due Diligence Report 2023

As activity in the active ETFs market builds, Andrew Cialek CFP® explains how they can be used to strengthen portfolios.



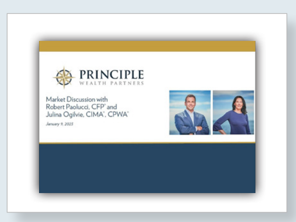
December Monthly Movements

Is there an energy crisis in Europe, and what impact might it have on the European economy?

Click to watch a Market Update video

Midterm Election & Economic Outlook

November Market Update



2023 Market Outlook

Bob Paolucci, CFP®, Founder & CEO, and Julina Ogilvie, CIMA®, CPWA®, Partner & Wealth Advisor, discuss the current state of the markets and the outlook for 2023.

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*Awarded to Robert S. Paolucci, CFP®

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Barron's:
Barron's "Top 100 1,200 Financial Advisors," March, 2023. Barron's "Top 1,200 Financial Advisors" bases its ratings on qualitative criteria: professionals with a minimum of seven years of financial services experience, acceptable compliance records, formal succession plans, high client retention, and more. Financial Advisors are quantitatively rated based on varying types of revenues and assets advised by the financial professional, regulatory records, quality of practice and philanthropic work with weightings associated for each. Because individual client portfolio performance varies and is typically unaudited, this rating focuses on customer satisfaction and quality of advice. The rating may not be representative of any one client's experience because it reflects a sample of all of the experiences of the Financial Advisor's clients. The rating is not indicative of the Financial Advisor's past or future performance. Neither Principle Wealth Partners nor its Financial Advisors pay a fee to Barron's in exchange for the rating, however Principle Wealth Partners does pay to use the award ribbon for marketing materials. Principle Wealth Partners is not affiliated with Barron's or Dow Jones & Company, L.P. All of the information provided has been obtained from sources considered to be reliable, but we do not guarantee its accuracy or completeness, and does not constitute a recommendation. Barron's is a registered trademark of Dow Jones & Company, L.P. All rights reserved.

Forbes:
The 2022 Forbes "Best-In-State Wealth Advisors", April 2022 rankings was developed in coordination with SHOOK research. This award is based on an algorithm of qualitative criterion for advisors who have a minimum of seven years of experience. This algorithm is qualitatively based, through due diligence reviews and quantitative data, factoring revenue trends, assets under management, compliance records, industry experience, and the encompassment of standards of preferred best practices. Portfolio performance is not considered as a part of the criteria. Over 34,500 advisors were nominated and more than 6,000 were recognized for the award. The Advisor does not pay Forbes or Shook in exchange for either the nomination or recognition. However, the Advisor does pay a fee for any marketing materials used that include the award's ribbon. Principle Wealth Partners is not affiliated with Forbes or Shook Research, LLC. This ranking is not indicative of advisor's future performance, is not an endorsement, and may not be representative of individual clients' experience. The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee that it is accurate or complete, it is not a statement of all available data necessary for making an investment decision, and it does not constitute a recommendation.

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CityWire RIA:
CityWire RIA, July 2022 Methodology: This report is based on the most recent Form ADV data reported to the Securities and Exchange Commission at the time of publication, as helpfully gathered by a data partner, Discovery Data. Only firms that manage more than $100m were considered, and which aren't affiliated on a firm level with a broker-dealer or other institution (though a firm's employees may be dually registered). Since we wanted to make sure we were only considering financial planning-oriented RIAs and not money managers, we excluded firms that don't report having many financial planning clients. And, in the spirit of fostering apples-to-apples comparisons, we also generally excluded those where the bulk of assets were non-discretionary. We've also endeavored to remove RIAs whose assets under management aren't truly 'theirs", so we did our best to strike companies that are primarily back-end service providers, operating under brand names that are likely unknown to the retail clients being served. Then we looked at percentage growth in AUM and percentage growth in employees over the last three years, summed those numbers, and came up with our 'growth score.' If a firm grew AUM by $100m over the past three years, it got a leg up in the rankings. From there it was simple to select the winner in each state, and then the runners-up if there were any. After doing all this, we reached out to some of the firms to learn more. The RIAs in this supplement did not ask to be here. There was no way to compensate to be considered or to be named. For that matter, they could not do anything to not be named. The mention of a RIA is not at all an endorsement of its services or its business.

FA Magazine:
FA Magazine, July 2022 FA's RIA survey is a ranking based on assets under management at year end of independent RIA firms that file their own ADV with the SEC. FA's RIA ranking orders firms from largest to smallest, based on AUM reported to us by firms that voluntarily complete and submit FA's survey by our deadline. We do our best to verify AUM by reviewing ADV forms. To be eligible for the ranking, firms must be independent registered investment advisors and file their own ADV statement with the SEC and provide financial planning and related services to individual clients. Firms must have at least $500 million in assets under management as of December 31, 2021, to be included in the print edition of Financial Advisor magazine's 2022 RIA survey. Firms with under $500 million will be included in FA's expanded 2022 online RIA survey. Hybrid RIA firms, corporate RIA firms and investment advisor representatives (IARs) are not eligible for this survey. No fee was paid by either Financial Advisor magazine or Principle Wealth Partners for inclusion on this list, however, a fee was paid for the use of the award logo in marketing materials. Principle Wealth Partners and Financial Advisor magazine are not affiliated.