

NEWS



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Major Financial Events in 2023 Set the Stage for What Lies Ahead for 2024

Ohio-based Buckingham Advisors releases educational video to prepare investors and businesses for 2024 changes in financial planning, investments and tax

Dayton, Ohio [December 20, 2023] – [Buckingham Advisors](#) is helping investors and businesses prepare for transitional changes and new opportunities in 2024 with an [educational video](#) focused on financial planning, investments and tax. In the video, the Ohio-based independent financial advisory and business services firm outlines major financial events in 2023 and their impact, defines changes coming in 2024, and explains benefits and opportunities in the new year.

“Helping clients transition from 2023 to 2024 requires a comprehensive understanding of all finance-related changes as well as global, national, and local trends,” said Jay Buckingham, CEO of Buckingham Advisors. “Sharing that knowledge with clients through our educational video and individual follow-up meetings is key to helping them become more comfortable with new financial requirements and potential adjustments in the new year.”

Featured presenters in the video titled, [“Summing Up 2023: Stepping Into 2024”](#) include:

- Ryan Johnson, Managing Director of Investments
- Nicole Strbich, Managing Director of Financial Planning
- Jessica Distel, Managing Director of Business Services and Development

Following are highlights from the video.

HIGHLIGHTS IN INVESTMENTS

After losses from both stocks and bonds in 2022, this year has seen gains in the bond market. The aggregate index through the end of November was up only 1.6% because higher interest rates pushed bond prices lower, offsetting part of the interest earned on bonds through the end of November.

The S&P 500, which has the largest US stocks, gained just over 20%.

Of the 11 sectors in the market, three had gains of 34% or more this year, while the other eight sectors had single digit gains or even losses. The technology sector, which is nearly 30% of the index, had the largest gains at over 50%

The communications and consumer discretionary sectors had strong gains. A handful of the largest stocks in these sectors drove the returns. The media have been calling them the Magnificent Seven, and they include stocks like Microsoft, Amazon, Apple, and Alphabet which is also known as Google.

While the average stock in the S&P 500 only gained 6.6% in the first 11 months of the year, mid-cap and small-cap stocks also saw single digit percentage gains and developed international stocks gained over 12%.

Inflation has been cooling. However, since aggregate prices rarely decline, it's just the rate of increases that is slowing. After year-over-year of aggressive rate hikes, the Federal Reserve appears to be done raising interest rates and we have likely seen the peak in treasury yields in this cycle. Yields are expected to remain range-bound in the short term.

We have been on recession watch for over a year, and many classic indicators that previously forecast a recession have either been ineffective or very early. The difference in this cycle has been that job employment remains historically low and there are still far more job openings than unemployed individuals.

GDP and corporate profits have recently improved and growth is expected in 2024, but without much earnings growth in 2023.

This year's stock market gains have come mostly from higher valuations, though the market is not currently overvalued.

Bond markets have become more interesting and more important than they have been in many years. During much of 2023, Buckingham made changes to clients' bond portfolios by increasing the average maturities on bonds, as well as introducing treasury bond exposure, which itself would be a recession hedge.

A focus has been locking in higher interest rates for longer, and part of the stock selection framework has changed. For example, we now evaluate whether each stock is worth the risk and reward compared to earning 5% on bonds.

FINANCIAL PLANNING IMPACT

2023 started with a new piece of legislation, Secure Act 2.0. This new law made several changes that impacted planning, including extending the age for RMDs to start at age 73. For those born in 1960 or later, RMDs are required at age 75. The law required taxpayers with wages above \$145,000 to make catch-up contributions to their 401k as Roth IRAs in 2024. The IRS recently extended the deadline for this transition until 2026 to allow employers time to adjust their plans. This allows for some 529 owners to transfer their balances into Roth IRAs starting in 2024. Lastly, taxpayers who participate in a simple IRA plan or a SEP IRA plan can elect to make deferrals on an after-tax basis as Roth IRA contributions.

Planning strategies that investors should keep in mind during times of market uncertainty and volatility include reviewing bank accounts and being mindful of FDIC limits. Other steps include taking

advantage of tax planning with strategies like loss harvesting, asset location optimization, implementing distribution strategies, and staying diversified.

Moving into 2024 investors should continue planning for the potential tax law changes in 2026 as the current tax structure is scheduled to sunset in 2025.

TAX CONSIDERATIONS

While section 179 depreciation and bonus depreciation are available for qualified, new and used assets, it is important to note that bonus depreciation has decreased from 100% to 80% in 2023. This will continue to decrease to 60% in the coming 2024 tax year.

There has been a change to the 2023 allowable tax deduction for business related meals with clients. Food items for office meals while traveling for work, and meals at conferences are now 50% deductible in 2023. There was a temporary change for 2021 and 2022 that permitted meals to be 100% deductible to help boost spending at restaurants during the COVID-19 pandemic. A 100% deduction is still allowed for food at company holiday parties, food and beverages given to the public, and dinner for employees that are working late at the office. Entertainment expenses continue to not be tax deductible in 2023.

The Ohio pass-through entity tax was introduced in 2022 for entities such as partnerships and S corporations as a way for some small business owners to maximize their federal tax deduction for state and local taxes paid that were previously capped at \$10,000. For entities that made this election for 2022, or already made the election for 2023 quarterly estimated tax payments should have been made to the state of Ohio through 2023. The election is made for each specific tax year, so a pass-through entity is not bound to the election for future years. This provides the flexibility to evaluate whether to make the election year-by-year depending on a variety of factors. Business owners may pay income tax via quarterly estimated tax payments, payroll withholding, or a combination of the two. The end of 2023 is a good time to review payments that have been made and ensure that payroll withholding is sufficient.

If not enough tax payments have been made, or there have been insufficient tax withholdings to satisfy the Safe Harbor tax requirements, modifications can still be made to payroll tax withholding before year's end to help avoid underpayment of estimated tax penalty.

As of January 1st, 2024, the Commercial Activity Tax or CAT tax exclusion amount will increase from \$1 million to \$3 million. Taxpayers with taxable gross receipts of \$3 million or less per calendar year will no longer be subject to the CAT tax.

ABOUT BUCKINGHAM ADVISORS

Ohio-based Buckingham Advisors is a unique team of professionals that work together to create professional and personal financial success for their clients. Buckingham's professionals are fiduciaries, putting their clients' needs ahead of their own. The company's core purpose is to improve the lives of clients by providing clarity, simplicity, and the professional expertise of Buckingham's financial planners, investment professionals, tax strategists and accounting team. Buckingham specializes in aligning the solutions clients need to help them achieve the best possible financial and life outcomes. The firm offers personal and business financial solutions, providing one team for all their clients' financial needs. A complimentary, initial consultation is available for prospective clients (no cost or obligation). For more information visit [MyBuckingham.com](https://www.MyBuckingham.com).

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