



Alive and Well by Robert Sokolowski

Most people only truly pay attention to markets when they are in disarray. Psychologically, this makes sense. Behavioral finance teaches us that “loss aversion” causes us to feel the pain of loss twice as intensely as the pleasure of gain. This means it’s doubly important to remind ourselves of and be grateful for, periods when the market performs well.

If you ask most investors what they consider to be ideal market conditions, they will say something along the lines of strong positive returns and low volatility. If that’s the definition of an ideal market, the first three quarters of 2024 certainly fit the bill. The S&P 500 has returned 22.1% year-to-date and the volatility index has averaged 15 compared to a long-run average of 19.5. We have only seen two corrections of more than 2% all year: -5.4% in April and -8.4% in August. The S&P 500 closed the third quarter at an all-time-high.



While the stock market and the economy are not the same thing, the stock market reflects investors’ expectations of the future for corporations and the economy. If the stock market is the canary in the coal mine for the economy, the canary is alive and well. The market is telling us that the environment for the economy and corporations is healthy and stable. At the moment, we believe this is an accurate assessment.

The economy continues to expand at a healthy rate- averaging 3.23% annualized since 2021. The Atlanta Fed’s GDP Now model estimates GDP grew at a 2.5% annualized rate this quarter. The unemployment rate looks healthy, and we have added millions of jobs over the last few years. Inflation has fallen dramatically from a high of over 9% in 2022 to 2.5% today. The Fed’s preferred measure of inflation (PCE) is even lower at 2.2%.

Continued on page 2

INSIDE THIS ISSUE

Alive and Well.....	1-3
Inherited IRA RMDs.....	3-4

SPECIAL POINTS OF INTEREST

- We will begin to process RMDs in late October and early November. We will contact clients who are required to take distributions to confirm tax withholding and transfer instructions.
- If you would like to schedule a meeting for planning or portfolio questions, don’t hesitate to contact us!



An older data point got a positive revision as well. For two years the data showed that in early 2022 we had experienced what most consider to be a recession- two consecutive quarters of negative GDP growth. The recently released final revision to Q2 2022 GDP saw that number flip from negative to positive- erasing the technical recession. This makes sense given this truly didn't feel like a recession as we lived through it!



Geopolitical Risk

We met with many clients over the past two months. It is clear from those conversations that geopolitical risk is on everyone's minds- from the wars in Ukraine and the Middle East, to potential conflict between China and Taiwan, to US politics and the presidential election. We don't wish to diminish the impacts on human life and health caused by these situations in any way. However, geopolitical risk is always present and if we waited for the dust to settle around the globe, we would never invest at all.

On the US presidential election specifically, we acknowledge the divisiveness of contemporary US politics and we are expecting a close and potentially contested election. Like you, we are monitoring this situation daily and we are ready and willing to make changes to our investment strategy as needed.

Remember that all these risks and future events are well-known to investors across the globe. The market assesses risks and incorporates their potential impact on earnings and interest rates into the prices of stocks every day. A market characterized by low volatility and positive returns is most likely telling us that our *fears about these risks* are greater than their potential harm to markets.

Monetary Policy

Perhaps the biggest story of the quarter was the interest rate cut by the Fed. The Fed raised rates rapidly from March 2022 – July 2023 by a total of 5.25 percentage points. They then held rates at that elevated level for fourteen straight months. Cutting rates was therefore a significant departure from the last two and a half years of policy.

Earlier this summer, the Fed was still strongly focused on the inflation fight, but their language has now shifted. Fed Chair Jay Powell is communicating that he is back to a more normal mindset of balance between both sides of the Fed's dual mandate- stable prices and maximum employment. We had been writing earlier in the year that quirks in the calculation of inflation data were leading to overstated headline numbers and that this should provide a tailwind to the inflation fight later in the year. That is indeed what happened, and the Fed is justified in shifting their priorities.

The unemployment rate has risen slightly from a low of 3.4% in early 2023 to 4.2% today. Increases in the unemployment rate have not been a good indicator historically, but over this period the rise has been caused entirely by an expansion of the labor force. The economy has added over 4 million jobs during this time, and we haven't had a single month of net job losses since April 2020. Most economists consider an unemployment rate of around 4% to be indicative of a very healthy job market- 3.4% probably indicates a labor market that is overheated. Nevertheless, the balance of risks seems to have tilted from inflation toward the labor market, so we were pleased to see the Fed adjust their stance and rhetoric.

Looking Ahead

Market corrections are common, and so far this year we have experienced very few pullbacks. As we wrote in the Q2 newsletter, corrections of -10% or more happen in 63% of years, and historically the largest correction of the year averages about -13.6%. September and October are the worst months of the year seasonally, and we are only halfway through that period. We would still not be surprised to see a pullback between now and yearend, but barring an unforeseen exogenous event or a dramatic weakening of economic data, such a correction would not change our longer-term outlook.

We are happy with the stocks and bonds we own and we don't see any immediate need for changes. We will continue to monitor the risks we see and adapt our investment strategy as appropriate.

Index	Q3 Total Return	YTD Total Return	1 Year Total Return
S&P 500	5.6%	22.1%	36.4%
DJIA	8.6%	13.9%	28.9%
Nasdaq Comp	1.9%	21.8%	38.6%
MSCI EAFE	7.3%	12.9%	25.2%
Russell 2000	10.2%	11.2%	26.8%
US Aggregate Bond	5.9%	4.6%	11.6%

Inherited IRA Required Minimum Distributions

By Jenn Sokolowski

Since the Secure Act was passed in December 2019, there have been questions about the new distribution rules for inherited IRAs. However, it was clear that the law eliminated the "Stretch IRA" for most non-spousal beneficiaries. Before the passing of the SECURE Act, if a child inherited an IRA from a parent, they could take minimum distributions based on their life expectancy, which would allow them to stretch their IRA distributions (and tax payments) out over their lifetime. Any IRA inherited before 2020 still gets to play by these rules. The SECURE Act changed the rules for non-eligible beneficiaries inheriting IRAs after 12/31/2019.

Financial and tax professionals have had to read between the lines and fill in the blanks for inherited IRAs since the SECURE Act was passed in late 2019. We received proposed IRS regulations in early 2022 which helped and were a surprise to many. Now almost 5 years later we have the final regulations and an answer to the biggest question regarding inherited IRAs – do non-spousal beneficiaries need to take annual distributions (RMDs)? Well, the answer is... sometimes!

Continued on page 4



5 Red Cedar St., Suite 201

Bluffton, SC 29910

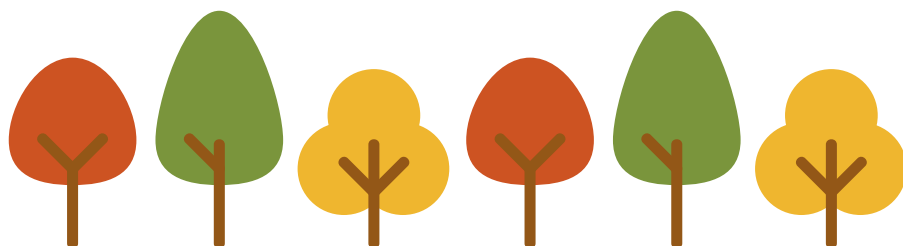
Phone: (843) 271-6088

www.metiswealthllc.com



Jenn Sokolowski, CFP®
Owner & Financial Planner
jenn@metiswealthllc.com

Robert Sokolowski, CFP®
Owner & Investment Manager
rob@metiswealthllc.com



Eligible vs. Non-Eligible Beneficiaries:

Most non-spousal beneficiaries are non-eligible beneficiaries and can no longer take advantage of the stretch IRA. Eligible beneficiaries exempt from the new distribution rules include the following:

- Spouses
- Those with a disability
- Those who are chronically ill
- Beneficiaries less than 10 years younger than the original account owner (friends and siblings, typically)
- Minor children
- Some See-Through Trusts benefiting those above

If you don't fall into one of these categories, you are a non-eligible beneficiary and now have different rules for your inherited IRA.

Ten-Year Rule

These accounts must now be distributed by the end of the 10th year after the decedent passed away. The SECURE Act left a lot of questions unanswered initially about how this needed to be done. Could you wait until the 10th year and take one large distribution, or did you need to take some amount every year?

Death Before or After the Required Beginning Date

Non-eligible beneficiaries who inherit an IRA will fall into one of two sub-groups. The first is if the decedent died before they began taking Required Minimum Distributions (RMDs), and the second is if the decedent had reached their Required Beginning Date which is when RMDs are to begin.

If you inherited an IRA from someone who had not reached RMD age before their passing you do not need to take annual distributions. You can distribute the account however you like over 10 years. It likely makes sense to still take a distribution every year if your income will be consistent. If you anticipate years of lower income, you may want to plan to take larger distributions in those years.

The second sub-group of beneficiaries (who inherited the IRA from someone who was taking their RMDs) are required to take RMDs based on their life expectancy for years 1-9 and then distribute the remaining amount in the account in year 10. For younger folks, this will result in a distribution in year 10 that can be much larger than in years 1-9. It may make sense to take larger annual distributions in years 1-9 to reduce the tax burden in the final year.

The IRS clarified that the 10-year rule for RMDs is not required through 2024 because the final regulations from the IRS were not available yet. If you have not been taking these, there is no need to worry, but be sure to start in 2025.

Although for many beneficiaries, the stretch IRA is dead, there are still some planning opportunities, so consult your financial planner and/or tax professional for recommended strategies.

Important Disclosure: Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this newsletter, will be profitable, equal any corresponding indicated historical performance levels, or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of or as a substitute for, personalized investment advice from Metis Wealth Management & Planning. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. A copy of our current written disclosure statement discussing our advisory services and fees is available for review upon request. Metis Wealth Management may discuss and display, charts, graphs, formulas which are not intended to be used by themselves to determine which securities to buy or sell, or when to buy or sell them. Such charts and graphs offer limited information and should not be used on their own to make investment decisions.