THE COOK REPORT

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THE LONG VIEW

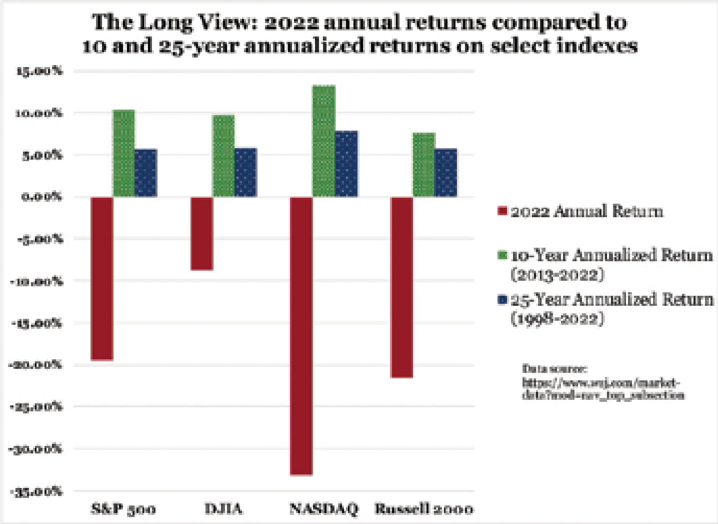
Happy New Year! We hope you had a wonderful holiday season and wish you all the best for a happy, healthy 2023. As we look back on 2022, the sugar high we rode through 2021 clearly ended. Beginning with Russia's invasion of Ukraine through the Fed's latest interest rate increase in December, the year was a sobering one.

Equity markets had their worst year since 2008, weighed down by persistently high inflation and the Fed's aggressive interest rate increases to combat it. Fixed income had its worst year in decades. The energy and commodity sectors were the lone bright spots.

When we have a down year in the markets like we did in 2022, we remind you to expand your horizon to longer periods. Our short-term biases tend to extrapolate recent events and project similar events moving forward. Poor markets combined with some prominent analysts predicting a recession in 2023 make it is easy to expect that more of the same is on the way. We have no idea which way the markets will move this year, but history demonstrates that a turnaround is likely not far off.

To broaden our view, examine the chart below. It compares 2022 index returns with average 10-year annualized (compound) returns from 2013-2022 and 25-year annualized returns from 1998-2022. We chose to look at 25-year returns instead of 20-year returns to capture the tech stock bust in the early 2000s. 20-year returns would have produced better results because the three negative years of 2000-2002 would be left out, with only the Great Recession year of 2008 and last year's returns significantly impacting results. Again, the 10 and 25-year numbers include 2022's index performance.

The main story told by the chart is that time and patience pay off. Even with periods of great market and economic turmoil, staying invested brought almost 6% annualized returns over a 25-year period. Keep your head up as we enter 2023 and know that today's challenges are temporary.



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The Albert T. T. Cook Company is an independent registered investment adviser committed to meeting client objectives with comprehensive, unbiased financial advisory services.

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The Albert T. T. Cook Company
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SECURE 2.0

In the waning days of 2022, many changes to retirement savings rules were passed into law as part of the omnibus spending bill. A few highlights of note in the legislation:

Required Minimum Distributions (RMDs)
Beginning on January 1, 2023, the age for taking RMDs from retirement accounts is raised to 73. If you turn 72 in 2023 and were planning to begin taking RMDs you can wait until 2024 to do so. The age will increase to 75 in 2033. Additionally, beginning in 2024, RMDs will not be required from Roth 401(k) plans (Roth IRAs are currently not subject to RMDs).

Catch-up Contributions
Catch-up contributions for workplace sponsored 401(k) plans will be $7,500 for those age 50 and older. Beginning in 2025, working individuals between the ages of 60 and 63 will be able to make catch-up contributions up to $10,000 annually, which will be indexed to inflation moving forward. For IRA accounts, the $1,000 catch up contribution for those 50 and over will be indexed to inflation beginning in 2024.

Employer Roth matching
Employers will be able to offer employees the ability to receive matching contributions in Roth accounts for workplace sponsored plans. Prior to the legislation, employees may make Roth contributions, but employer contributions were always pre-tax.

529 Plan Roth IRA Rollovers
Those who save for college using 529 plans may now rollover unused plan dollars into a Roth IRA for the beneficiary after 15 years. The amount of the rollover is capped at $35,000 in aggregate lifetime contributions. Contributions also count toward—and cannot exceed—the annual Roth contribution limits. This is a nice gift to those who save for college and find themselves not needing all of the funds they have set aside in 529 plans.

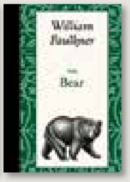
Automatic Enrollment
Businesses starting new 401(k) or 403(b) plans in 2025 will be required to automatically enroll employees in the plan and provide matching contributions of at least 3%. Employees can choose to opt out.

Student Loan Debt
Beginning in 2024, employers will be able to "match" employee student loan payments to a retirement account, providing employees an incentive to save for retirement while paying off student debt.

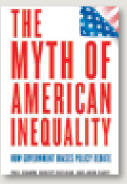
We will continue to stay on top of the changes that were brought about in the bill and look forward to discussing them with you over the year.

With a new year comes new opportunities and a chance to take a fresh look at your financial situation. We anticipate 2023 will be a great year, albeit with the types of challenges that accompany any year. We look forward to sharing in the triumphs and challenges with you and wish you a year of tremendous growth and exciting opportunities!

READER'S CORNER



The Reivers/A Reminiscence (Vintage International, New York, 1962/2011) and **The Bear** (The Saturday Evening Post, May 9, 1942/2016), by William Faulkner, are two classic Faulkner short stories, whose characters appear in both. The first, a comedy of sorts, involves the characters stealing a grandfather's auto, driving it to Memphis, and dealing with unexpected experiences. The second is a coming-of-age story for two boys (one white and one black) on a hunting trip. Both are complex, but worth the effort!



The Myth of American Inequality/How Government Biases Policy Debate (Rowman & Littlefield, New York, 2022) by Phil Gramm, Robert Ekelund, and John Early, argues that research shows that inequality has narrowed over the years, largely due to non-cash sources of income through government income transfer programs.

IN THE NEWS

- "Journal Report/2022 Year in Review" (*The Wall Street Journal*, December 15, 2022) looks back on a truly tumultuous year and thoughts about 2023.
- "Kissinger Sees a Global Leadership Vacuum," by Walter Russell Mead (*The Wall Street Journal*, December 26, 2022) reviews an interview with Henry Kissinger and his recent book, **Leadership: Six Studies in World Strategy** (Penguin, New York, 2022) wherein Kissinger believes there is a dearth of statesmen to deal with the increasingly difficult world issues.
- "10 Innovations From Around the World to help Deal With an Aging Population," by Anne Tergesen (*The Wall Street Journal*, November 16, 2022) deals with the demographic shift of an increasing older population and the opportunities/innovations made possible.