Richard G. Clifford
Robert J. Clifford
Terry Courtney
Dan Matoske

CA FINANCIAL SERVICES

Douglas C. Johnson
Brian C. Johnson
Joe Van Ausdle

828 8th Avenue • Lewiston, Idaho 83501 • (208) 746-3270 • FAX (208) 743-9514 • www.cafinancialservices.com

Spring 2023

We hope this letter finds you in good health, well rested from the holidays, and looking forward to the year to come.

Last year was a tough one to endure, it was a year of rapidly increasing rates and high inflation. In fact, the last time inflation was that high was in 1981, over 40 years ago. And, the last time the Federal Reserve raised rates at such a rapid pace was in 1985. The combination of these two rare factors moving together in the same year, caused both stock and bond market holdings to be devalued.

However, we do see better times ahead. The Federal Reserve has announced it is now seeing the results it wanted to achieve: inflation is subsiding, consumer spending is lessening, and the job market is starting to cool down. These factors should slow the interest rate hikes, and reduce inflation, which has historically led to higher values.

Each month, we review the investments we hold in our managed portfolios. In 2021, our research showed that despite the Federal Reserve comments, high inflation was coming. In response, we began lowering the term of the fixed income funds to lessen the negative impact of inflation on their value, and take advantage of the rising rates. In a similar manner, we began to move the stock market funds to those that more often pay dividends, as these have historically done better in times of inflation. Both adjustments proved to lessen the impact of last year.

<u>There are also some beneficial changes for this year</u>:

- Traditional & Roth IRA contributions ***increased by $500*** to $6,500, and up to $7,500 for age 50 and over
  - Contributions made **by April 18, 2023** can still count toward the 2022 IRA & Roth IRA maximums.

- Retirement Plan Changes for 2023
  - Employer retirement plan contribution limits ***increased by $2,000*** to an annual maximum of $22,500
    - If age 50 and older, the catch-up contribution ***increased by $1,000*** to a maximum of $7,500

  - SIMPLE IRA contribution limits ***increased by $1,500*** to an annual maximum of $15,500.
    - If age 50 and older, the catch-up contribution ***increased by $500*** to a maximum of $3,500

- Required Minimum Distribution age has ***increased to 73***, for those who turn 72 in 2023

- The annual gift amount has ***increased by $1,000*** to a maximum of $17,000 (if single), or $34,000 (if married)

As we enter our 40th year in business, we wish to convey our sincere and humble appreciation for the opportunity to serve you. Over this time, our clients have become close friends, giving us an even stronger sense of purpose to work hard and do our very best, to help you achieve your individual long-term financial goals. Thank you.

Sincerely,

Dick | Robert | Doug | Brian | Joe

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