

CLIENT UPDATE: April 2024

April 11, 2024

Markets, Taxes, & 529 Plans

The stock market had an impressive first quarter as the economy made strong job gains and saw an uptick in the housing market. More economists predicted that the Federal Reserve would begin to cut interest rates which should spur the economy further.

This enthusiasm was tempered by the 3.5% rise in March's annual inflation as consumers continue to feel the lingering effects of higher prices. While things have been improving, inflation continues to stay above the Federal Reserve's 2% target rate.

We expect interest rates will stay higher for most of this year. This is not great news if you are borrowing money to buy a house or car. However, it allows the fixed income portion of your portfolio to earn attractive yields not seen in many years.

Taxes

Don't forget that for most people your taxes are due on April 15, 2024

529 Plans

If you have children or grand children who have a 529 Plan, there are some new changes due to the Secure 2.0 Act.

Starting in 2024, you can roll unused 529 assets, up to a lifetime limit of \$35,000, into the account beneficiary's Roth IRA, without incurring the usual 10% penalty for non-qualified withdrawals or generating any taxable income.

Of course, there are some rules to be eligible to convert any leftover funds to a Roth IRA. The three rules to be aware of are:

- You need to have owned the 529 for at least 15 years before you can execute a rollover. Contributions made to the 529 plan in the last five years before distributions start, including the associated earnings, are ineligible for a tax-free rollover.
- Your rollover can't exceed the annual Roth contribution limit, which in 2024 is \$7,000.
- The beneficiary of the 529 plan must also be the owner of the Roth IRA, and they must have earned income at least equal to the amount of the rollover.

There are some other considerations before rolling any 529 Plan funds into a Roth IRA. If it is something you want to pursue, please give us a call and we can analyze if it makes sense in your situation.

Spring has finally arrived in Cleveland and we hope you are enjoying the change of seasons!

Best regards,

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