

THE Armstrong REPORT

Spring 2023

**Dedicated to growing
and protecting your wealth.**



FIRM UPDATE

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President

Greetings! I had this all prepared in early March, but then we had the Silicon Valley Bank failure. Time for a new article!

ECONOMY

Many indicators, such as the Conference Board's Index of Leading Economic Indicators (LEI), the yield curve inversion, and a slew of others, point to a recession in the near future. However, recent strength in the stock market, retail sales, and a few other indicators suggest that a recession may either be avoided or put off for a while. The bank stress we are witnessing may compound things, though. We will likely know which is correct within a few months.

MARKETS

While US stocks are not cheap, if we avoid a recession they certainly can climb from here. If, however, we do get a recession, then it is very likely markets take another leg lower. By the way, foreign stocks have quietly been outperforming US stocks recently. Whether this is a flash in the pan or something more enduring, we will have to wait and see. Many of our models have the highest foreign stock exposure in years. Bonds, in the wake of the bank scare, are having a tremendous rally.

HEALTH SAVINGS ACCOUNTS (HSAs)

For years these types of accounts have been one of the best ways to handle medical expenses. Individuals and families must have a high-deductible health insurance plan in order to open and contribute to an HSA. This basically means your premiums should be lower, but you may have more frequent out-of-pocket

expenses while maintaining catastrophic coverage. So, what's the big deal? First, any investment (yes, you can invest the money) growth is untaxed. Distributions for qualified medical expenses are also untaxed. Also, there is no "use it or lose it" mandate. Plus, once you are 65, you can use it for any regular expenses. You will be taxed, but not penalized. Recent federal legislation makes it even better. Please see the HSA Chart—courtesy of Ed Slott's IRA Advisor—in this newsletter for more information.

HOW SAFE IS YOUR MONEY?

With the failure of two banks (as of this writing), the question for many is whether their money is safe in a bank. My answer is, regardless of bank, if you have \$250,000 per social security number or less, you should be fine. If, however, you have more than that in one bank, may I suggest one of two options: 1) Consider reducing your deposit at each bank to \$250,000 or

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MARKETS UPDATE: 3/31/2023, YTD

Traditional Equities					Alternative Strategies
US Large Cap 7.46%	US Mid Cap 4.06%	US Small Cap 2.74%	Foreign Developed 8.62%	Emerging Markets 4.02%	Diversified Alternatives -0.24%
↑	↑	↑	↑	↑	↓
Real Assets			Bonds		
Global REITS 1.65%	Global Natural Resources 4.06%	Commodities -5.36%	US Bonds 2.96%	US 10 Yr Treasury Yield 3.88% 12/31/22	US 90 Day Treasury Yield 3.22% 12/31/22
↑	↑	↓	↑	3.48% 3/31/23	4.80% 3/31/23

Market segment indexes: US Large Company (Russell 1000), US Mid Company (Russell Midcap), US Small Company (Russell 2000), Foreign Developed (MSCI EAFE), Emerging Markets (MSCI Emerging Markets), Diversified Alternatives (Morningstar Diversified Alternatives Index), Global REITS (S&P Global REITs), Global Natural Resources (S&P Global Natural Resources), Commodities (S&P GSCI Commodities), US Bonds (Barclays US Aggregate Bond). All performance referenced is historical and is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

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less per individual, OR 2) consider adding to your LPL accounts. I know that sounds self-serving, but accounts at LPL actually have far more protection and oversight than most realize. Please see a listing of these in this issue. Call your wealth manager if you have questions.

Have a fantastic Spring!

The opinions in this material are for general information only and are not intended to provide specific advice or recommendation for any individual. All performance referenced is historical and is no guarantee of future results.



Regi's son Godric performed 1st Chair Flute at the All-State Band Clinic at Furman University. Pictured here with older brother Creighton and his wife Bridget.

COMMUNITY INVOLVEMENT

Miracle League of
Florence County

\$500

Habitat for
Humanity
(Cinco De Mayo)

\$500

Run for the
Heroes 5K/10K

\$1000



Armstrong Wealth
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WealthTeam

ACCOUNT PROTECTION & OVERSIGHT

LPL's regulatory obligations and controls include the following:

- LPL must identify and segregate securities by customer, and must segregate customers' securities and funds from its proprietary business activities.
- LPL is required to maintain minimum net capital and to set aside a reserve for the benefit of its customers.
- The purpose of these requirements is that if a broker/dealer fails financially, customers' securities and funds should be readily available to be returned to customers.
- In addition, LPL's financial statements are audited annually by an independent public accountant and those financial statements are filed regularly with the SEC.
- LPL is required to purchase a fidelity bond from an insurance company to provide a source of compensation to customers in the event of fraud or embezzlement by employees.
- LPL is required to be a member of SIPC and, for accounts held at LPL, SIPC provides account protection up to a maximum of \$500,000 per customer, of which \$250,000 may be claims for cash. This account protection applies when a SIPC member firm fails financially and is unable to meet obligations to securities customers, but it does not protect against losses from the rise and fall in the market value of investments. An explanatory brochure is available at

www.sipc.org.

- LPL purchases an insurance policy that provides customer protection in excess of SIPC coverage up to an overall aggregate firm limit of \$750,000,000, subject to conditions and limitations.
- LPL also purchases additional amounts of professional liability insurance.
- Cash in the Insured Cash Accounts (ICAs) and Deposit Cash Accounts (DCAs) is insurable up to the FDIC insurance limit of \$250,000 per bank, and covers losses if the bank of deposit were to fail. LPL's ICA and DCA program provides \$2.5 million FDIC insurance in the aggregate, when there are enough banks in the program with capacity to accept deposits. The deposit amount in each bank must be under the FDIC insurance limit. (For joint accounts, it's \$500,000 per bank and \$5 million in the aggregate.) FDIC insurance is in addition to the SIPC insurance available for investments in the account.
- LPL will reimburse you for 100% of realized losses in your impacted LPL accounts, which were incurred directly as a result of unauthorized access to an LPL system. For more information, go to lpl.com/disclosures/privacy-security/lpl-cyber-security/cyber-fraud-guarantee.html

ON A SAD NOTE

Janet Brunson has passed away. Please keep her family in your prayers.

2023 HEALTH SAVINGS ACCOUNT (HSA) CHART

HDHPs: Minimum Deductibles and Maximum Out-of-Pocket Expenses*

Year	Self-Only HDHP Minimum Deductible	Self-Only HDHP Maximum Out-of-Pocket Expenses	Family HDHP Minimum Deductible	Family HDHP Maximum Out-of-Pocket Expenses
2022	\$1,400	\$7,050	\$2,800	\$14,100
2023	\$1,500	\$7,500	\$3,000	\$15,000

*Confirm with the health insurance company that the plan is an HDHP.

HSA Contribution Limits

Year	Self-Only HDHP under age 55	Self-Only HDHP age 55+	Family HDHP under age 55	Family HDHP age 55+
2022	\$3,650	\$4,650	\$7,300	\$8,300
2023	\$3,850	\$4,850	\$7,750	\$8,750

Contributions are generally pro-rated for the number of months the individual is enrolled in an HDHP. Contributions can be made by the individual, the employer or anyone, but the annual contribution limit above applies. The contribution deadline is the tax-filing deadline, not including extensions (i.e., April 15th).

HSA Contribution Eligibility

- Must be enrolled in a high deductible health plan (HDHP) to contribute
- Generally cannot have other health insurance that is not an HDHP
- Cannot be enrolled in Medicare or Tricare
- Can't have received care from the Veteran's Administration within the last 3 months (other than preventive care for all veterans or VA hospital care and medical services for veterans with a service-connected disability)
- Cannot be eligible to be claimed as a dependent on someone else's tax return

HSA Tax Benefits & Advantages

Control	Owned and controlled by the individual, not the employer.
Death of HSA Owner	Spouse beneficiary automatically treated as new HSA owner. Non-spouse beneficiary must include HSA value at death as taxable income, but no 20% penalty.
Distributions	Tax-free for qualified medical expenses of the individual, spouse or dependents. Distributions not used for qualified medical expenses are taxable as ordinary income plus a 20% penalty unless due to death, disability, or age 65+.
Employee/Individual Contributions	Tax deductible as an above-the-line deduction (reduces AGI), regardless of individual's tax-filing status or income.
Employer Contributions	Tax deductible to employer and must be "comparable." Employees do not include employer HSA contributions in income.
Investment Gains	Tax-free, if used for qualified medical expenses.
Portability between HSAs	HSA funds can be rolled over or transferred to another HSA (once-per-year rule and 60-day rule applies to rollovers).
Portability from an IRA	IRA funds cannot be rolled over or transferred to an HSA. There is a one-time exception for a qualified HSA funding distribution (QHFD). HSA funds can never be rolled over to an IRA.
Qualified HSA Funding Distribution	A QHFD is a tax-free direct transfer from an IRA to an HSA. It is a one-time only transfer from an IRA that is limited to an individual's maximum HSA contribution for the year. Only pre-tax IRA funds can be transferred (exception to the IRA pro-rata rule). Does not apply to ongoing SIMPLE or SEP IRAs. After a QHFD, individual must remain HSA eligible for a 1-year testing period to avoid taxes and penalties.
Use-It-Or-Lose-It Rule	N/A - Unused HSA funds continue to belong to the owner.

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SAVE THE DATE

APRIL 27TH

How to Convert a 529 Plan to a Roth IRA
4:00 PM Eastern

MAY 25TH

What Are Buffered Annuities?
4:30 PM Eastern

JUNE 29TH

Triple Tax Advantaged —The Ins and Outs of Health Savings Accounts (HSAs)
4:30 PM Eastern

Always on a Thursday





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