RAA
An allworth Company
THE COMPASS
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First Quarter 2023

# A STROLL DOWN MEMORY LANE

**By Gary Krasnov, AIF®, CLTC® – RAA Vice President**

Happy New Year! I hope 2023 is off to a great start for you and your family.

I don't know about you, but for me, a new year always brings reflection on where I've been and my vision for the year ahead. Thinking back over RAA's 35-year history, our firm was built by airline pilots responding to the needs and challenges facing their community. One of those pilots was Howard Pritchard. We lost a great one late last year when Howard passed away and he will be dearly missed.

I thought I would take this opportunity to take a stroll down memory lane to remember where we came from, try to weave in the chronology of our company, and honor some of those that came before us.

Our story begins when Howard Pritchard helped many American pilots roll their pension funds into an IRA. Joe Maiden worked with Howard and recruited American Airlines representative Bob Paty, and together they continued that cause. Meanwhile, pilots Kevin Dolan and Tony DeSantis had partnered with Bill Hubble. They saw the need for their colleagues to plan and carefully time their retirements to maximize the benefits promised and built a comprehensive Final Approach program. The calculations around the B Fund pension were complex and solving these challenges added great value to the pilot community. These firms merged with The Lamp Group and became Pritchard, Hubble and Herr (or PH&H). Soon, Jim George and Buck Stevens joined as representatives for Delta Air Lines and aided countless pilots through the Delta bankruptcy.

One of the major philosophies that Howard Pritchard championed, and which is still at the foundation of our approach to advising, is the importance of, not only managing pilots' retirement funds, but of offering additional services. This included estate planning, insurance consultation, tax preparation, and expertise in all aspects of an airline employee's company benefits. These services provided advice both pre-retirement and through the Final Approach retirement program.

The dedication shown to our clients and their families was instrumental in our growth. That full-service approach solidified the trust in our organization. Clients knew they could rely on us for advice in all aspects of their lives.

In 2008, PH&H joined forces with Retirement Advisors of America and became one company.

Retirement Advisors of America was formed in 1991. In August 2006, Retirement Advisors of America (RAA) was purchased by E*Trade, and became E*Trade Wealth Management. Several years later, it was sold back. Currently, we have quite a few original RAA associates, including Rutledge Gordon, Paul Ochel, and of course, Maria Fuentes and her sisters, Lulu and Laura. You may remember that in 2017, we legally changed our name to RAA as we expanded our services to younger pilots and professionals.

While the RAA story continued to evolve, in 1998, another group of pilots recognized that their fellow Delta employees needed help managing their 401(k) plans (which at the time had 217 investment options – so most pilots were unsure of how to select the best choices for themselves). This company, Advisor Financial Services (AFS), also grew and prospered. As the company grew, it became clear – as it did at RAA - that airline employees needed financial advice prior to retirement and that became the focus of AFS.

While still in the Marine Reserves, Jeff Baumert was activated and deployed to Iraq. Jeff had his own financial firm named Foundation Financial Management. Upon his return in 2015, Jeff and his assistant, Jill Pivato, became part of AFS. AFS also partnered with active pilots to help grow their company, many of who are still with us; Karl Petersen, Wade Mason, and Ken Mills, to name a few.

In early 2016, the partners of AFS (Jeff Baumert, Carl Youngdale, and I) got together for some strategic planning to decide how to answer the question of what happens to our firm and clients when we decide to retire. Soon after this meeting, we were approached by John Bentley to discuss the possibility of becoming part of RAA. The more we looked at RAA and the people behind it, the more we realized that this was the solution to our problem.

In July of 2016, AFS became part of RAA. And many of the AFS team are also still with us today. Also, as you all hopefully know, our combined RAA team partnered with Allworth Financial heading into 2020 and embarked on this current chapter of our story.

Needless to say, RAA has grown and evolved over our 35-year history, but what hasn't changed throughout this journey is RAA's commitment to serving the airline community with honesty, integrity, and expert financial advice. While the name has changed many times over the years, it has been, and will always be, the people behind the name that makes RAA special. And that includes you, the families who place their trust in us every day. As I reflect on the years that brought us to where we are now and the mission we stand by regardless of the sign on our door, it's the privilege of helping clients like you that I continue to look forward to most.

We hope to continue to serve you and connect with you in 2023, whether that be at one of our events listed in this Compass, or by stopping into or calling our office for anything you may need. We are here to help in any way we can as you continue along your own journey.

## 2023 UPCOMING EVENTS

As the new year begins, we wanted to make sure you were aware of some upcoming events for 2023. We are looking forward to spending time with you, serving the airline community, and having lots of fun.

Please note that the schedule may be subject to change, and specific details including dates, times and exact locations will be communicated as we get closer to each event.

- **March 2: Ski Day at Park City Mountain**
- **April 25: Ft. Myers Client Seminar**
- **March 28 - April 2: Sun'n Fun Aerospace Expo**
- **May 18: Atlanta Client Seminar**
- **June 20: Dallas Client Seminar**
- **July 6: Seattle Client Seminar**
- **July: Park City Client Seminar**
- **August 9: Costa Mesa Client Seminar**
- **September 12: Tysons Corner Client Dinner**
- **September 13-17: Reno Air Races**

Keep an eye out for more details via email and also please continue to refer to ***www.raa.com/events*** for any updates on the specific dates and times of the events. We hope you will join us and bring your friends, family, or colleagues!

# Yes, The Secure 2.0 Act is a Really Big Deal

With over 90 new retirement plan provisions, the passing of the Secure 2.0 Act means that major changes for both retirees and pre-retirees are on the way.

The new Secure 2.0 Act, which expands on the original Secure Act legislation passed back in 2019, was recently signed into law by the president.

Make no mistake, whether you've just hung up your spurs, you are about to retire, or even if you plan to work for several more years, the Secure 2.0 Act contains sweeping legislation intended to help you become better financially prepared for the future.

While I will delve into the repercussions of the new law in greater detail as the year progresses, for now, I am going to cover a few key provisions of the Secure 2.0 Act, including how it can benefit retirees and pre-retirees.

### How the Secure 2.0 Act affects RMDs:

For those of you who are approaching retirement, or if you have already retired, but have yet to reach your 72nd birthday, chief among the changes brought about by the Secure 2.0 Act are its impact on required minimum distributions (RMDs).

Beginning January 1st of this year (2023), if you have yet to turn 72 (the age at which you previously had to begin taking RMDs), then you can now wait an extra year (until you turn 73) to take your first RMD. (Additionally, beginning in 2033 – just 10 years from now – RMDs will be delayed until age 75.)

A few things to consider: First, if you will turn 72 this year (2023), and you have already planned to take an RMD, you might want to delay your first RMD until next year.

However, and this is key, for people who have saved well and have other sources of income, and/or large balances in their retirement accounts, waiting to take distributions can be a mistake because, in certain scenarios, the longer you wait the bigger the potential risk that you are going to be bumped into a higher tax bracket. (Make certain you are following a plan that "blends" your income in the most tax friendly way possible.)

Lastly, because you are allowed to wait until April 1st of the year after you turn 73 to take your first RMD, remember that if you do wait (say, you are turning 73 in 2024, and you wait until April 1st of 2025 to take your first RMD), you'll be forced to take two RMDs that year: one for 2024 and one for 2025.

### Other key Secure 2.0 Act changes to RMDs include:

• If you turn 73 and, for any reason, neglect to take your RMD, the penalty/fine has been reduced from a full 50% of the required withdrawal amount to 25%.

• Beginning in 2024, if you have a Roth sponsored by your employer, you will be excused by the IRS from the RMD requirements that apply to most other types of retirement accounts.

### How the Secure 2.0 Act affects catch-up contributions:

Although there are income restrictions, as of January 1st, 2025, folks between the ages of 60 and 63, who are participating in their employer-sponsored retirement plan, will be able to make a catch-up contribution of $10,000 per year.

For folks ages 50 and older, the catch-up contribution as of 2023 is $7,500, so this represents a $2,500 increase for the above-mentioned age demographic.

Also, beginning in 2024, IRA catch-up contributions for folks ages 50 and older (currently $1,000) will be indexed for inflation, which could result in a yearly increase.

### How the Secure 2.0 Act affects savers who are not planning to retire for years:

First, for employees, there is a provision for automatic retirement plan enrollment, as well as another for easier retirement plan portability (transfer) when you change jobs.

Something we are in favor of is the automatic enrollment of eligible employees into company sponsored 401(k) and 403(b) retirement plans. And, beginning in 2025, with a starting contribution rate of 3% of pre-taxed income, the Secure 2.0 Act legislates just that. (And, of course, you can opt out.)

The new legislation also makes it easier for those folks who, say, over lengthy careers, have accumulated small islands containing 401(k) balances in the wake of their work history. The new law allows them to bring those balances into their current plan when they change jobs. This encourages people to keep the money in a retirement plan rather than, as so many people do, cash out each time they move on to a new place of employment.

**Other key Secure 2.0 Act provisions for pre-retirees include:**

• Help saving for emergencies: With an annual max contribution limit of $2,500, beginning in 2024, the Secure 2.0 Act contains a provision that allows retirement plans to include a special Roth account that doubles as a penalty-free emergency savings fund.

• Help paying off student loans: Also beginning in 2024, as an inducement to save for retirement, the Act includes an option for employers to contribute extra to an employee's retirement account in an amount that is equal to that employee's student loan payments.

As we mentioned in the introduction, the Secure 2.0 Act contains 90 new retirement account provisions, so its long-term effects, though potentially positive, require a deep understanding of how the decisions you make today will impact your financial situation in the future.

# FAIR WINDS AND FOLLOWING SEAS

In this issue of the Compass, we would like to celebrate and congratulate our dear friends and team members, Fred Kneib and Gary Peterson, on their retirements.

Fred joined RAA as a Financial Advisor in 2017. Prior to joining RAA, Fred served as Managing Principal at Resource Navigation Partners, Inc. He also completed over 34 years of service at Delta and during his tenure, Fred was a Captain instructor as well as a member of ALPA's Retirement and Insurance Committee. Fred has a degree from the United States Air Force Academy and he did post-graduate work in accounting. In addition, Fred is an active member of the community and works with numerous local charities.

Antonio Lopez-Vazquez, RAA's Client Relationship Specialist, mentioned that Fred had a very close relationship with all his clients who expressed how much he'd be missed when he retires. He also mentioned that: "Fred is a very compassionate person and together with his wife, Roxy, he takes care of abused horses."

Bret Butcher, one of RAA's Financial Advisors stated: "Fred was really welcoming and a great mentor in getting me up to speed on all things airline after relocating to Seattle. He's become a great friend over the last few years of working closely together. I wish him luck in all his equine adventures." Moreover, Mark Fanning, RAA's Business Intelligence Analyst, mentioned that he has seen Fred's dedication to serving his clients and those around him first-hand. Mark said, "Fred is an inspiration to me and many others, and he has a lot to do with where I am today in my career path." Lastly, Gary Krasnov, VP of RAA, stated: "When I think about Fred, I think about the old EF Hutton commercials where the tag line was "When EF Hutton talks, people listen." When Fred speaks, everyone listens - he is so genuine and thoughtful."

Gary Peterson joined RAA as a Financial Consultant in 2017. He began his investment career with a major broker dealer as a Financial Advisor in September 2009, where he provided investment strategies and wealth management along with personal financial planning. Gary received a BBA in Marketing from the University of Wisconsin-Madison, as well as an MBA in International Management and Finance from the University of St. Thomas in St. Paul, Minnesota. Gary is also a retired B757/767 Captain. He enjoys cycling, camping, soaring, and spending time with his family.

Gary Krasnov, VP of RAA stated: "Gary had a strong bond and understanding with his clients and that void will be hard to fill." Moreover, Mark Fanning, RAA's Business Intelligence Analyst, mentioned that Gary always brings a great energy to the room and that he's really enjoyed getting to know him over the years.

Lastly, Bret Butcher, one of RAA's Financial Advisors, stated: "Gary's been great to work with. He's a friend and even though he's retired, I hope to have many more talks with him about homebrewing … over a few beers of course."

Thank you to Fred and Gary from all of us at RAA! You have served your friends and colleagues well. We wish you fair winds and following seas, and the absolute best in your retirements.

Happy retirement, Fred and Gary!


### By Andy Stout, CFA, CFP® - Chief Investment Officer

As an analytical person, each January, I like to take time to look back and reflect on how much the world has changed.

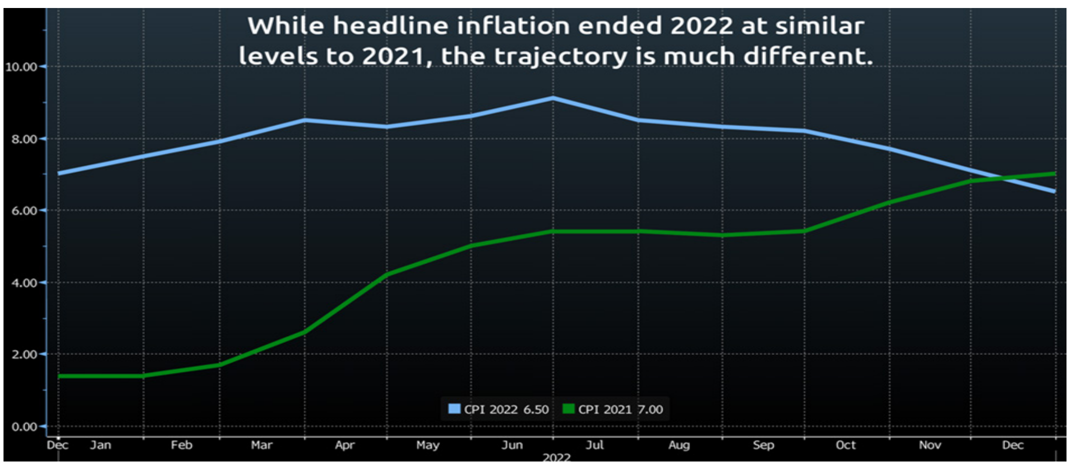
I like to think that looking back will provide me with, not only perspective, but some random breakthrough or first-of-its-kind insight.

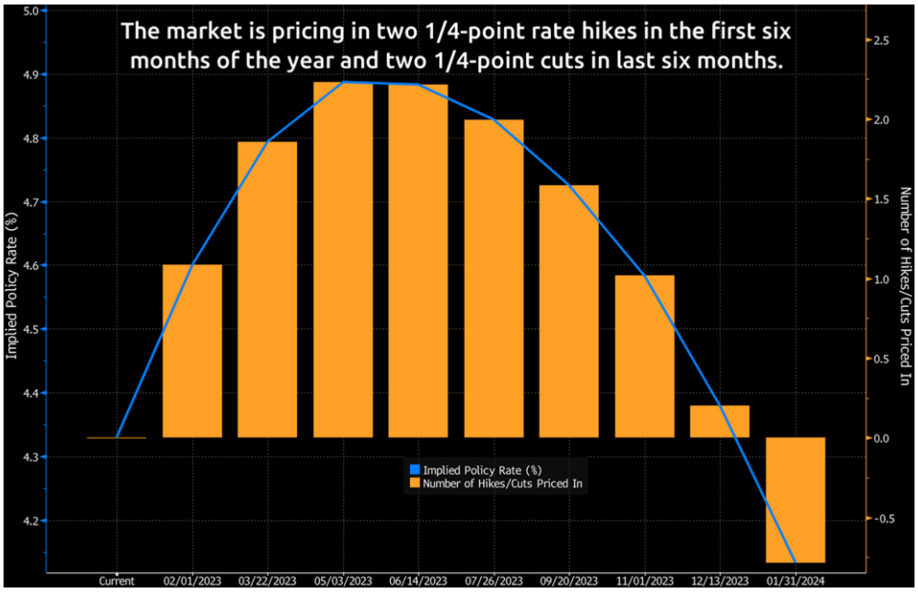
But, each year, like clockwork, I find myself reciting a quote that was first used by French writer Jean-Baptiste Alphonse Karr (and, later, by pretty much everyone I have ever met in my life), which once again rings true this year: The more things change, the more they stay the same.

Indeed, much changed over the past year, but an awful lot has remained exactly-the-same.

Case in point, inflation is still elevated, but now it is trending lower. Heading into 2022, the Federal Reserve (our central bank) acknowledged some inflation risks, but now the committee is very worried about inflation sticking around.

Because inflation, as you no doubt know, quickly spiraled out of control, and in response, the Fed went on one of the most aggressive interest-rate hiking campaigns in history, raising the fed funds rate by 4.25%. The market now expects the Fed to increase short-term interest rates by a total of 0.5%






in the first half of this year, followed by 0.5% in rate cuts in the final six months of 2023.

But this does not mean that the Fed will cut rates later this year just because the market currently expects it. On the contrary, last year, the market regularly hoped for the Fed to pivot away from its aggressive rate hikes, which resulted in brief stock market rallies. However, the Fed stood by its guns every time, and those gains, which were built on hope, quickly faded.

To be fair, the Fed's intent was to lift rates into restrictive territory, and it certainly took some time to get there. But now that we are seeing that higher interest rates have in fact achieved the Fed's desired effect, the committee probably won't increase those rates much more.

That said, all this does not mean that our central bank will decide to actually cut rates this year, either.

Over the past year, Federal Reserve Chair Jerome Powell repeatedly discussed the mistakes of the 1970s Fed, when it relaxed monetary policy too soon, making the early 1980s inflationary environment significantly worse. Chair Powell does not want to repeat that mistake. So, it seems he is willing to keep monetary policy restrictive until he's confident inflation will remain low.

**Labor Market Dashboard**

| Indicators | Prior Reading | Current Reading | Trend |
|---|---|---|---|
| Unemployment Rate (U-3) (%) | 3.6 | 3.5 | |
| Underemployment Rate (U-6) (%) | 6.7 | 6.5 | |
| Labor Force Participation Rate (%) | 62.2 | 62.3 | |
| Non Farm Payrolls Change (thousands) | 256 | 223 | |
| Initial Jobless Claims (thousands) | 205 | 190 | |
| JOLTS Job Openings (thousands) | 10,512 | 10,458 | |

### What about the labor market?

The labor market is one of the most significant areas the Fed analyzes to determine inflation risks. The reason is that workers in high-demand occupations can command higher wages, and rising wages can make it more difficult to get rid of inflation. This presents a double-edged sword: a strong job market is good for the economy, but it also forces the Fed to keep interest rates high, which is bad for the economy.

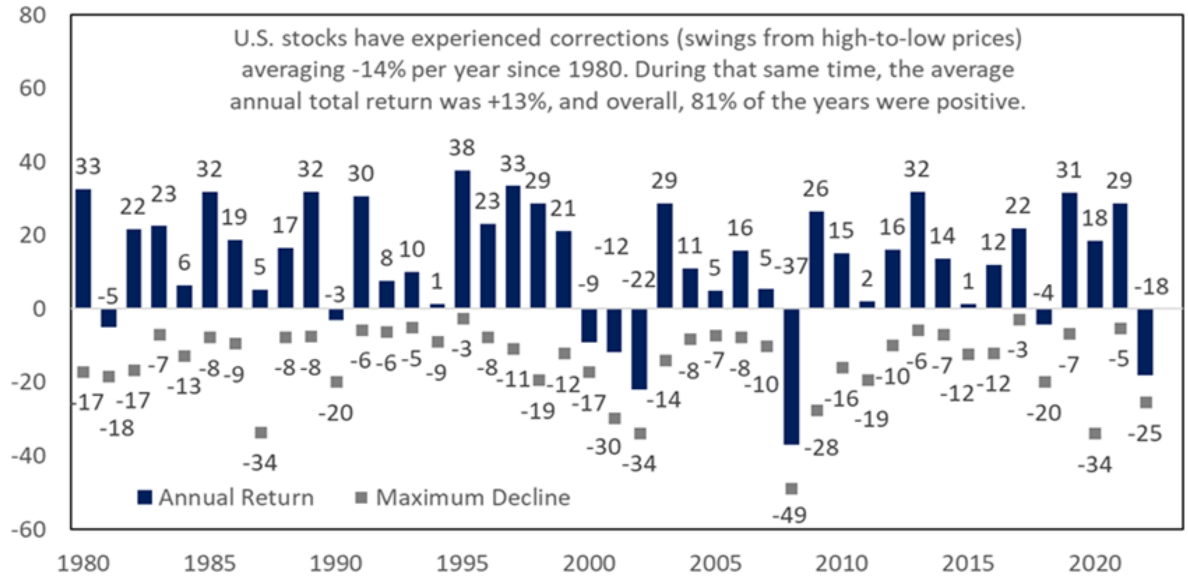

Additionally, the labor market is a lagging economic indicator (as opposed to a "leading" one), meaning, for good or ill, that the broad economy moves before the job market does. So, if the labor market remains robust at the same time as the other areas of the economy weaken, the Fed risks overtightening and causing a recession. That is the landscape we face today. Specifically, manufacturing and housing are facing significant headwinds while the job market remains healthy.

Our Labor Market Dashboard shows most indicators are trending toward strength. Payrolls (or new business hires) and job openings are weakening, but they are still relatively strong.

The robust job data suggests that the Fed might not cut interest rates as the market expects. If the Fed keeps rates high as the economy weakens, the chance of a recession becomes possible. But remember, recessions are a normal part of the economic cycle. After all, there have been 17 recessions over the past 100 years.

If the Fed makes a policy error and keeps rates too restrictive for too long, investors could experience additional market volatility. While markets often exhibit a random walk, they tend to move higher over the long term, even in the face of regularly occurring events that are troubling, including economic slowdowns.

Further, as you can see from the chart below, the market has enjoyed a robust 13% average annual return since 1980, in-spite-of frequent double-digit drawdowns.




Historical data clearly shows that turbulence and economic rough patches are normal, but fortunately, the markets and economy have overcome every setback. However, that does not mean we will not position and update your investment portfolio for the constantly evolving economic landscape.

With that in mind, just some of the moves we have made over the past year to help protect your money include an overweight to value stocks, improving the credit quality of your bonds, and regular tax loss harvesting.

But in the end, when (or if) a news headline about the economy threatens to keep you up at night, just try and remember that the more things change, the more they stay the same. As in, economic downturns and various cycles happen, but the market has always come back stronger.

We will, of course, continue to monitor your investments and make changes that we believe will help support your financial plan.

January 20, 2023

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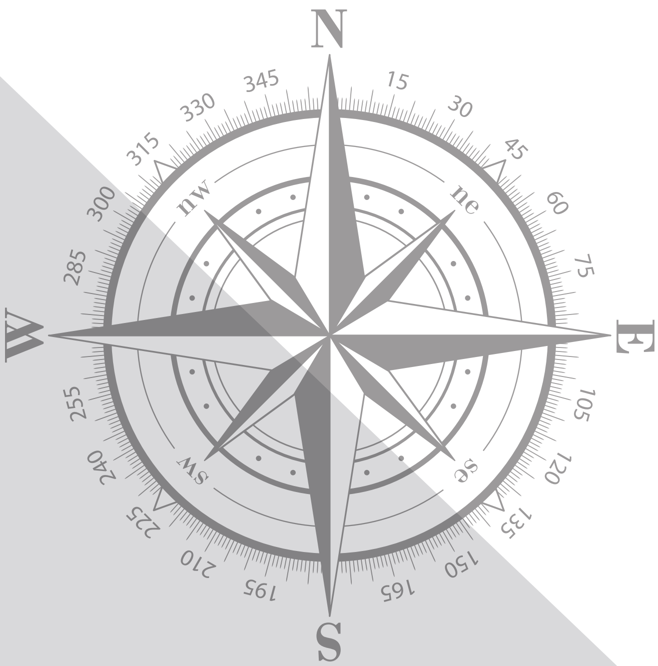


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