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INSIDE:

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Much higher interest rate fantastic effects on pension plans and their funding levels

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While it may seem like we talk about interest rates and their effects constantly, there are very few things especially in the shorter term that effect an economy more and therefore economic growth and capital markets.

It makes sense, lower interest rates help give access to larger amounts of capital in the form of loans at a much less costly service cash flow aka loan payments.

(see **Pension**, Page 2)

Don't fight the FED?

You have likely heard the saying "Don't fight the Fed!" What this means is whatever the Federal Reserve, currently chaired by Jerome Powell are trying to do in the economy, it is not a good idea to get in their way.

As the COVID lock down occurred and our economy was shut down by outside forces, note the 2020 area on the chart on Page 4, the Federal Reserve opened the monetary policy spigot like never before.

Note the movement in the chart, a spike in stimulus suddenly along with the continuation over the following 18 months greatly mirrored the capital markets return which can be shown by the dramatic correlation of the blue line, the Federal Reserve assets and the orange line the almighty S&P 500.

(see **FED,** Page 4)

Higher interest rate:
Pension plans making strong comeback

(continued from Page 1)

Reversing this scenario, higher interest rates have the effects of slowing economic growth in the same way by limiting capital due to higher costs and lowering overall debt amounts as well.

Good news for pension plan owners and recipients

In this higher interest rate environment, we have some really good news for not only pension plan recipients but the owners of pension plans as well. Higher interest rates help pension plan funding (see periodic table looking chart below for the top 100 pension plans), in the form of what is called projected benefit obligations (PBO).

While we understand the calculus of this equation, it's far too difficult to explain in this context but from a very high level, higher interest rates effect of computation of PBO and the higher the rates, the lower the funding amount needed.

Said another way, pension plans generally hold large amounts of bonds and bonds are earning more now.

By looking at figure 3 from the fantastic white paper of Milliman (chart on Page 3), it's easy to see that in 2007 the slashing of interest rates to levels never seen before caused a dramatic loss in pension plan funding.

Not only did this funding drop but again by referencing the chart it's easy to see that this was almost a 1 1/2-decade hurdle that pension plans fought against to regain their funding level.

Fast forward to today, again our Chart 3 favorite, shows pension plans are making a strong comeback in their obligations and with interest rates higher look to be fantastically

(see **Corporate**, Page 3)

2023 Corporate Pension Funding Study https://www.milliman.com/en/insight/2023-corporate-pension-funding-study#

Higher interest rate: Corporate pension plans breathing easier

(continued from Page 2)

and happily funded.

This should be comforting to corporate pension plans (again looking to our periodic chart for those) that likely are breathing easier and this should also be comforting from those pension plan recipients that maybe had concerns on the long-term funding ability of their plan.

One last item worth mentioning, over this period of underfunding (07-22), lump sum buyouts were offered at somewhat extreme values due to the aforementioned lower interest rates and odd calculation, and more importantly due to the fact that many corporations never believed interest rates would ever rise

Social Security, while a type of pension, does not adhere to this situation as its funding is greatly impacted by tax revenues.

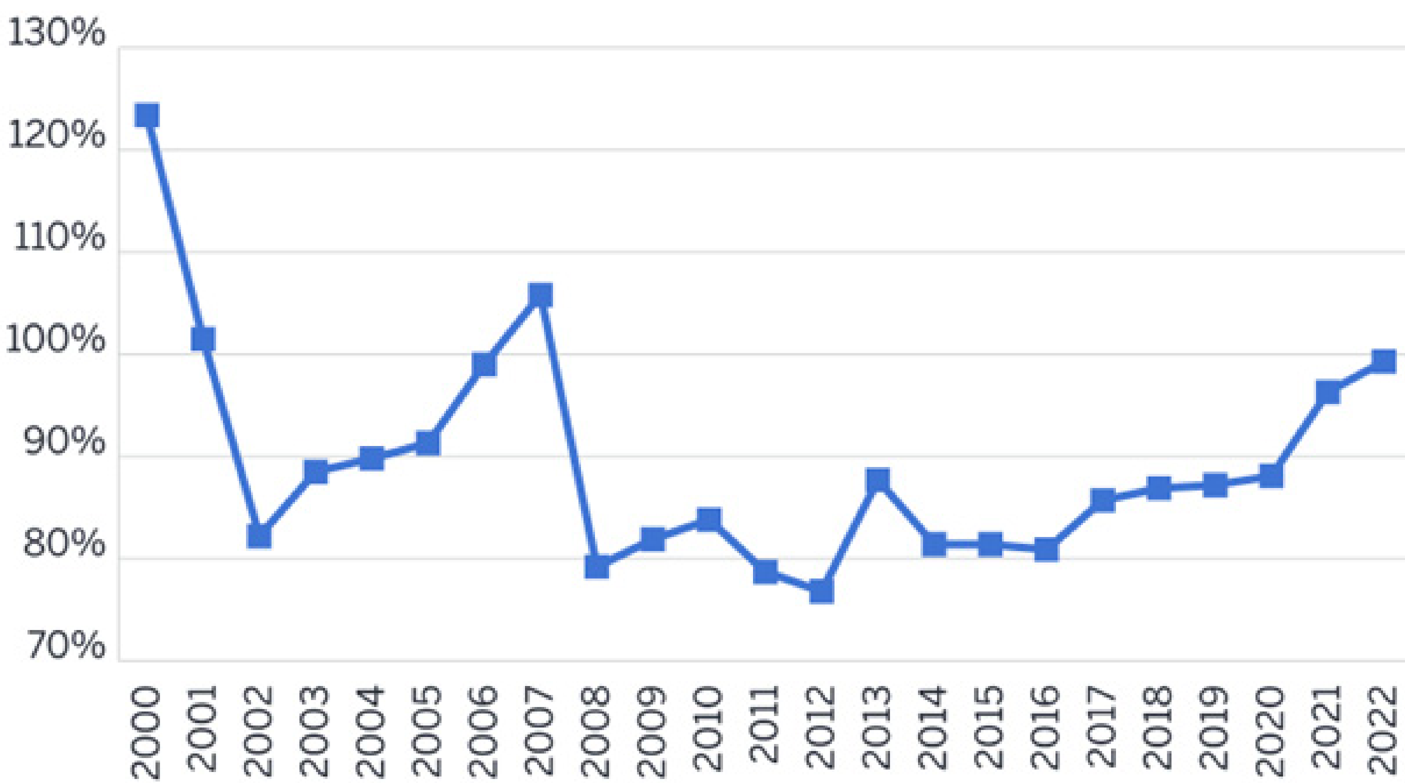
to the levels that they are currently.

It would not be surprising to see the pension plan buyout window completely shut down moving forward, as pension plans on the norm are completely funded.

One last thought, Social Security, while a type of pension, does not adhere to this situation as its funding is greatly impacted by tax revenues.

Figure 3 shows how the aggregate funded ratio has changed since 2000.

Figure 3: Funded ratio, assets/projected benefit obligation

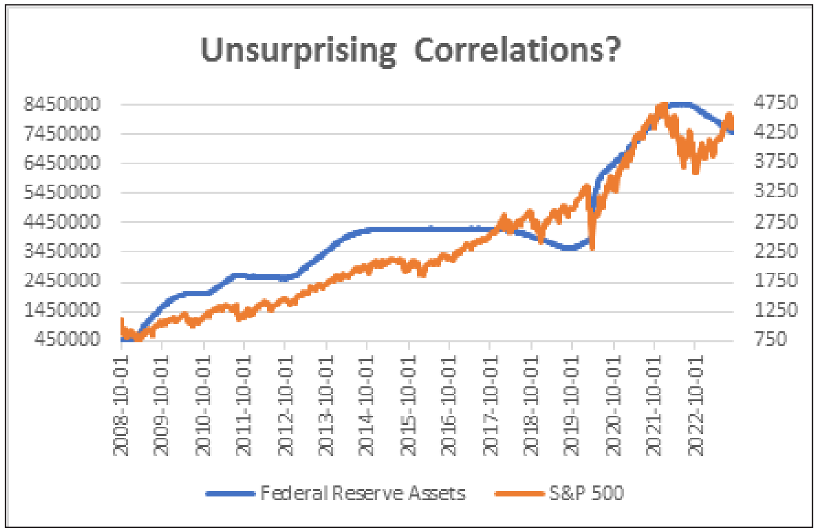


FED has both feet on the brakes

(continued from Page 1)

Fast forward to the far right portion of our chart and you will notice the blue line peeking out and dropping in rather dramatic form. This is the Federal Reserve turning on a dime and withdrawing stimulus from the system.

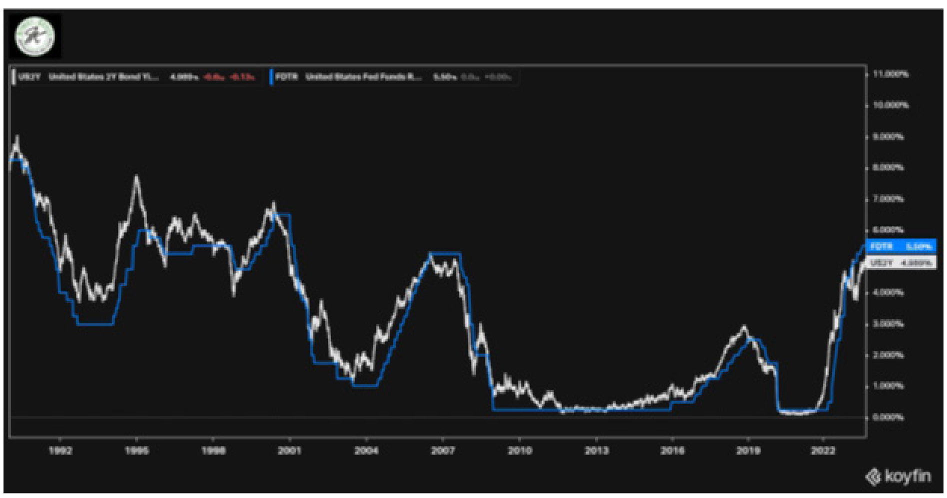
In addition, looking at the attached interest rate chart below, as we've mentioned many times before but worthy of another discussion, interest rates have been pushed upward by the FED skyrocketed in an extremely short and fast period of time.



Source: St Louis Fed FRED, Yahoo Finance, J.K. Financial, Inc.

Hey, don't fight the FED!

Not sure if market participants have forgotten the old mantra, which they so diligently followed

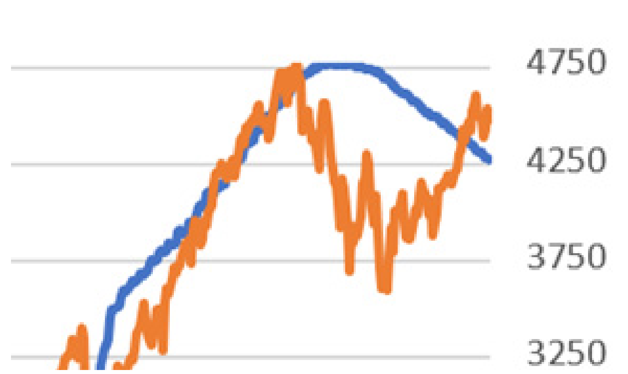


Source Koyfin, J.K. Financial, Inc

on the upside but they have ignored our blow-up portion (far right) of the chart so far, as the Fed has certainly put both of their feet on the brakes.

One last thing worth calling all of our attention to, if we were to push this chart back another decade or two we would find that the Federal Reserve had a much more relaxed hand and did very little monetary policy adjustment. This increase and decrease clearly shown by the blue line on our first chart is a modern monetary item that commenced in its current form after the great financial crisis of 07/09. It's not beyond the possibility of thought, that due to oversteering by the Federal Reserve, (enhancing too much and slowing too much), when the book is written that a reversion back to a much less aggressive Federal Reserve may be on the docket.

This is the topic for another article but worth keeping in mind as we move forward through this process. JK



Blue Line FED Assets (Negative Stimulus), Rust Line SP 500

Cybersecurity best practices

Helpful tips, handy reminders, great examples

This article was first intended to be completed after a 4 hour early spring 2023 seminar attended by us which garnered a ton of fantastic ideas and security measures as well as tips and great examples of becoming more cyber aware and cyber secure.

While the delay was a bit frustrating due to other content jumping ahead in this venue, it did allow us time to marinate over the last few quarters and garner even more experiences, especially over the recent summer, many of which we crowed about in our blog during active intrusion times.

If there's one thing for those of us with little time or patience for a long read that we would like you to take from this article, it is that **most cyber intrusions come from an e-mail that has a bad actor with a hot link click. Do not click on that bad hot link!**

The second thing and more encouraging, most cyber security situations are not extremely complicated and are allowed by a simple letting of our guards down- see above point.

Handy easy tips

If you're like most (present party included) you have a few favorite passwords and when forced to update, choose some nominal derivative of said password. It may even be some sort of mixture of dates or birth names of family members and special words. For those especially friendly on social media, think Facebook or the like, it may be easier than we think for a bad person to scrape the information that he or she needs to determine our favorite passwords.

Handy tip #1- Use an only known to you phrase or password. Upon hearing this recommendation in our event, most participants jaws dropped including yours truly, as this sounds horrible. But hold on, this may be much easier than you think. If you have some unique funny saying, that of course you don't say publicly it's relatively easy to type and maybe unique to your knowledge, you may have a password. Another one of our favorites which was given to us in idea form years ago is a numeric equation as a password such as 1 + 1=Two or some similarity.

Handy tip #2- Do not ignore the recommended updates! Again, using myself as an example you may have grown to dread the upgrades, especially as web and software becomes easier to adjust because in all of their good intentions, those more proficient in electronics tend to move things around, especially on our handy handheld computers called cell phones. For the record, this was the number two most important item as it is very well known when an update is completed and pretty much immediately known by the bad guy's what patch they are closing thereby leaving those that don't do the update unguarded. Again, pretty easy fix.

USB/Pen drives a no no

Avoid the USB/pen drive at all costs unless you absolutely, 100% know where it came from and that source is safe; as example, brand new from a package. In a great example of a super clever less than scrupulous person, our presenters gave the review of a real live situation that occurred at a conference where a bad guy casually dropped tons of pen drives throughout the conference area. Bear in mind pen drives are a conference favorite that everybody likes to grab just for future use but these bad pen drives had a virus on them and those unsuspecting and unaware few that inserted them into their machine immediately fired up the virus and infected their device. Talk about clever timing and delivery. Wish such thoughts would be used for positives, conversation of another time. While we rarely and only carefully use these drives, there is an occasion where it makes life much simpler. This being the case, as a company policy, we no longer use them in our office for the aforementioned reasons.

Our internal back-office IT department

For over 20 years we have used a local service for our IT support. Over the last half of the decade due to our concern of cyber, as longtime readers will certainly know, we have upped our service with our partner and now have a 24/7

(see **Trusted**, Page 6)

True-up reminder:
401K, other corporate retirement plan contribution

The almighty 401k is by far the most popular corporate retirement and also sets the standard for most of the main stream plans. With this in mind, inserting your company plan name in here is likely fine but be sure to double check just to make sure the limits are in fact not unique to your situation.

In the year 2023 (currently heading towards a close) the maximum amount WE (not including matching) can contribute is $22,500 and for those either age 50 or older or turning age 50 happily in 2023, you get a nice catch-up amount of $7,500 bringing your deferred amount to a whopping $30,000.

Employer retirement plans	
Maximum elective deferral to retirement plans, e.g., 401(k), 403(b)	$22,500
Catch-up contribution limit for 401(k), 403(b), and certain 457 plans	$7,500

From our "Tax Tables" Page at www.street-cents.com

Get it where you want it now, time is running out

In true time flies when we are having fun like format, as of the printing of this Q4, 2023 newsletter, we only have 90 days left to hit those maximums.

Now is a good time to double check that contribution to see if we are on track to where we want to be. With the afore mentioned 90 days left, 2023 is quickly coming to a close but not so close that we cannot make up any desired shortcoming.

Pro-Tip – Contribute evenly throughout the year, with a terminal amount of maximizing in late November or early December.

Pro-Trick – Similar to rushing/upping your contributions near the end of employment to maximize levels, if you are new to an employer and wish to maximize your contributions for the year, dump all you can to maximize your contributions now, with the intention of dropping that contribution level down to a normal level (see Pro-Tip above) after the turn of the calendar.

Do not overfill duplicate plan years

Remember, if you have contributed to a plan earlier in the year via another employer, your new employer will not be able to throttle your contributions back if you happen to go over the total annual limit. Reach out for help and clarity on this!

Be aggressive in new plans

Lastly, in new plans, starting from scratch with new contributions, allocation should be wide open and aggressive with the hope of choppy entry points as your contributions make up the majoring of the plan and will take advantage of the ups and downs in the early years of the plan.

JK

Trusted resource recommended for when, not if

(continued from Page 5)
constant monitoring of all of our machines. This does lend itself to an early morning call during the storm season but in true safe over sorry fashion, would rather receive a wake up call than not know that our machines are down.

A recommendation again by our presenters was to have some sort of trusted resource that you could go to in the event of problems. By no means are we recommending the systems that we have, and many of you that work in technical corporations probably have much more sophisticated systems, but as a good practice, it is a good idea to have some sort of go-to technology helper accessible when needed.

Not if but when, lesser if steps taken

In closing, that good old saying "It's not a matter of if, but when" may certainly apply. If we all adhere to some of these simple rules, our threats may be much less, easily detected and quickly extinguished with our collective effort. Be sure to reach out if you have questions and as many of you know, we watch and keep up with this very regularly and write about it at our blog www.street-cents.com.

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Reminders of important 'line in the sand' age-related dates that have recently changed

RMD to commence at 73 years old

If 75 years old after 2033, the RMD age is 75 years old

Take mandatory RMD amount in total , no matter the accounts they come from

Maximum age to defer commencement of Social Security is 70 years old

Earliest to take Social Security is 62 years old

The Secure Act 2.0 completed in very late 2022 made adjustments to many age-related "line in the sand" important dates as well as some other peripheral and yet undetermined information.

RMD (Required Minimum Distributions)

One of the most important and likely most confusing due to the recent multiple updates is the adjustment of Required Minimum Distributions (RMD). They are now mandatory to commence for those aged 73.

Those turning 75 after 2033, your new RMD age is 75. Recall, these just a few years ago, moved from age 70 1/2 to 72, now to age 73 and eventually age 75. No wonder we are all confused!

Bottom line, current earliest required minimum distribution is age 73 until the next scheduled change, if not sooner, in 2033.

RMD practice reminder

While you may have many different IRA type of accounts (consolidating is always best but not always possible) you need only take your mandatory RMD amount in total, no matter the account(s) they come from.

Said another way, Uncle Sam does not care which accounts your RMD's come from, as long as you take the minimum amount needed, as he really wants taxes on those untaxed funds.

Social Security mandatory commencement date reminder age 70

With 75 being the new 65 it is not surprising that many people are choosing to work longer, happily and healthily adding to society in a peak knowledge chapter and pushing their Social Security commencement day off accordingly.

There are many reasons to start Social Security early, on your full retirement age, or wait until that last possible moment. The current maximum age that you may defer commencement of Social Security remains at age 70, well below the new younger thresholds that we hopefully are all feeling.

The earliest one may take Social Security remains age 62, with a 25% discount to the full retirement age (FRA) benefit amount AND has a maximum earnings level of $21,240 from W-2 or 1099 (working income) not pension, investment or other non-working types of income.

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The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investments may be appropriate for you, consult your financial advisor prior to investing.

Parting thoughts for you...

While we have commented frequently on the use of higher rates to slow the economy, the subject even made its way into our second article, our lead article in this newsletter is some of the very comforting and positive affects higher interest rates have on pension plans. This is great news for both pension plan owners and pension plan recipients and we hope you enjoy the analysis.

Our second lead article, why are we fighting the FED, of course does talk about not only interest rates but also the Federal Reserves fire hose and retraction of stimulus dollars and it's uncanny correlation with the capital markets. You will likely find the correlation as amazing as we did.

Finally, our cybersecurity article and update made its way to your eyes. We hope you enjoy the results of a half day seminar with participants from the southern region and instructors from across the country.

Happily to the staff at Dallas Athletic Club, our main holiday party will occur on the Saturday before Thanksgiving, which is Nov. 18 from 3 to 5 p.m.

We thank you for your time for reading this. We always enjoy any comments that you may have and we hope to see you at the holiday party!

Dates:

Nov. 5 - Daylight savings time ends

Nov. 18 - J.K. Financial, Inc. Holiday Party - 3-5 p.m. Save the date!

Nov. 23 - Thanksgiving holiday, U.S. capital markets closed

Dec. 25 - U.S. capital markets closed