

Pat's Planning Post



Good News For 401(k) Participants

Congress is expected to pass major bipartisan legislation in the coming days that should provide additional benefits for 401(k) participants.

A quick summary of what's proposed:

- Required Minimum Distributions will be pushed back to age 73 starting January 1, 2023, and to age 75 starting January 1, 2033
- Automatic enrollment for new participants to 401(k) & 403(b) plans will be required starting in 2025, electing contributions between 3% and 10% of employee pay
- Additional catch-up contributions for participants aged 60-63 of at least \$11,250 starting in 2025 (in addition to the existing age 50 catch up rule)
- Savings for emergencies within 401(k) plans will remove legal barrier to allow employees to save up to \$2,500 in a 'rainy-day' account to access free of penalties and taxes

Combined with the silver linings of inflation which are leading to significant increases to savings contribution limits in 2023, we see this as a win for 401(k) plan participants.

The full article details all the specifics can be found here:

[Read More on WSJ](#)



Liebman's Library

INSPIRED BY
A 30-YEAR TRADITION

In this section, which we call Liebman's Library, Matt Liebman and Sam Liebman will share 1-2 articles or charts per month that caught their attention related to the Investment Markets.

When Matt was in Elementary school, he would walk into his room and find newspaper or magazine articles about sports, politics, business, or markets that Sam had cut out for Matt to read. The tradition has continued for over 30 years.

For this month, we chose a recent Wall Street Journal article highlighting the 2022 outperformance of value stocks as compared to growth stocks. In addition, the article references the superior 2022 performance of the Dow Jones Industrial Average over the more growth and technology-heavy Nasdaq Composite. For those who have known our firm and investment philosophy over the years, you have likely heard us use the term **"Reversion to the Mean."** While there are more elaborate or technical definitions of this phenomenon, we think of reversion to the mean, from an investment perspective, as the concept that investments – particularly broad asset classes – tend not to move in the same direction forever.

Eventually, asset classes or segments that underperformed will often outperform and vice versa. The markets experienced significant mean reversion this year, including the value stock outperformance that the article cites. **The key lesson that we take from this behavior is the importance of independent thought.** Momentum investing (following the crowd) and Contrarian investing (going against the crowd) can work for a period. However, our belief is that consistent independence from the crowd leads to the most durable results.



Dow Shines as Higher Rates Squeeze Nasdaq's Tech Stocks

[Read More on WSJ](#)



Aaron's Action Items

Increased Savings Limits

Now is the time to reassess savings and contribution rates for 2023. The IRS has increased many of the limits imposed on retirement savings plans like IRAs, ROTH IRAs, 401(k)s, 403(b)s, etc. To highlight a few changes:

- 401(k) contribution limit has been increased to \$22,500, up from \$20,500
- 401(k) catch-up contribution limit for employees aged 50 and over has increased to \$7,500, up from \$6,500
- IRA and ROTH IRA contribution limits increased to \$6,500, up from \$6,000 (the catch-up contribution limit of \$1,000 has NOT changed)

There are several additional contribution limit changes related to SEP IRAs, 529 plans, etc., so please reach out to discuss how these changes might impact you. You can find additional information by clicking below.

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