



HB FINANCIAL GROUP LLC

FINANCIAL SERVICES & WEALTH MANAGEMENT



A Note From Harriett:



Our Toys for Tots toy drive was a success!

Thank you to all of you who dropped off a toy. Thanks to the generosity of our clients, neighbors and community we were able to fill a Toys for Tots box! We look forward to being a toy drive site for Toys for Tots next year as well.



Financial Planning Newsletter—Winter








A Look Ahead in 2024

At the start of 2023, we saw dire headlines about the economy and the markets despite positive economic data. Ultimately, the results in 2023 followed the data, not the headlines. Yes, there were (and are) many concerns and risks. As long as the data stays solid, however, so should the results. And that’s worth keeping in mind looking ahead in 2024, too. Although we see some economic slowing, fundamentals remain sound—and that should support the markets.

So, what does 2024 hold? If you look at headlines, you see a recession, high inflation, trouble abroad, and a market at serious risk. But if you look at the data, the picture is much brighter. Americans are getting jobs and earning more money. Businesses are investing in people, buildings, and equipment. Companies are expected to earn more money driven by sustained consumer spending. In other words, the data says the expansion continues. And, again, if we’re choosing to believe the headlines or the data, the latter is more trustworthy.

2024 Year-End Expectations

				
Inflation	GDP growth	Fed funds rate	U.S. Treasury 10-year yield	S&P 500
2.5%–3%	3.75%	4.75%–5%	4%–4.5%	4,700–4,800

Source: Commonwealth, as of December 14, 2023

A Solid Economic Foundation

Analyzing the economy is simple: people earn and spend money, and businesses hire and invest to support that spending. As long as both pieces are in place, as they are currently, the foundation is solid. Job growth, in particular, remains healthy. Although we’ve seen a slowdown in the employment market, it decreased from extremely high levels and is approaching normal. This normalization is a good thing because it should help keep inflation contained. Similarly, we’ve seen a pullback in consumer confidence to levels typical of the mid-2010s, and business investment has slowed to more typical levels as well. All reflect a return to normal, which is a good thing.

One reason this is positive: a normal economy should generate more normal levels of inflation. That is what we’ve seen in 2023 and what we expect to continue in 2024. Inflation has dropped significantly in 2023 and should continue to do so for the next several months. With housing, we know values have been slowing and rents declining, and that will show up in inflation numbers over the next several months. We also see moderating wage and spending growth. Overall, these slowing trends should continue bringing inflation down.

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Interest Rates and Their Impact

With inflation decreasing, we should see interest rates start to pull back from current levels. Although we likely won't see a significant decline, we also shouldn't see rates continue to move higher. As inflationary pressures ease, and with longer-term rates much higher than they were at the start of 2023, 2024 should also see tighter financial conditions. This is already slowing growth and making further rate hikes by the Federal Reserve (Fed) unnecessary. The interest rate risk is now much lower than it has been—and it should decline even further in the year. We may see rate cuts in 2024, which could spark financial markets again. Overall, policy risks for 2024 are much lower than they were in 2023.

A combination of a growing economy, a surprising level of recent productivity growth, and a steadying financial environment is allowing companies to sell more and improve operations, which is showing up on the bottom line. Rising earnings allow stock prices to climb even in a difficult financial environment, which is undoubtedly a good thing.

And, though we have experienced a difficult financial environment, recent signs indicate it may be easing as rates pull back. Higher rates mean lower valuations, which has been the main driver behind recent stock market declines. As rates moderate, or even pull back a bit, there is an opportunity for markets to rise even further on higher valuations.



Source: Bloomberg

Risks and Opportunities Ahead

Of course, we could see the economy slow even further, which would put many of these gains at risk. More political dysfunction in the U.S. (remember, 2024 is a presidential election year) could derail the expansion. A wider war in Europe or the Middle East could do the same. If inflation comes back, we will certainly see higher rates, which will affect everything. So, there are real risks.

But the same was true at the start of 2023. We saw political dysfunction, a Middle East war, and rapidly rising interest rates—yet we still did okay. There are many risks baked into the economy and markets right now, so things don't have to go perfectly for us to see real opportunities; they just have to go better than expected. In that sense, it's a good thing expectations are low.

A Positive Outlook for 2024

There's no doubt real risks remain. But that's always been the case, and 2024 will likely be no different. Here in the U.S., we are relatively isolated from many of the world's problems and can continue to grow regardless. With the labor market healthy, businesses continuing to expand, and inflation coming under control, the economy and the markets can still fare well despite the problems. Pay attention to the risks but keep an eye on the opportunities. It worked in 2023 and is likely to work in 2024, too.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Investments are subject to risk, including the loss of principal. Past performance is no guarantee of future results. This material is intended for informational/educational purposes only and should not be construed as investment advice, a solicitation, or a recommendation to buy or sell any security or investment product.

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Tax Documents You May Receive as a Commonwealth Financial Network Account Owner

Below are the most common tax documents, followed by a description that will help you better understand the purpose of the mailings and when you can expect to receive them.

Non-retirement accounts

Forms 1099-B, 1099-DIV, and 1099-INT: These tax documents include information on the proceeds of any sales and cost basis (when known) of securities within your account, as well as dividends or interest paid within an account for most securities.

The 1099 form also features supplemental information (not reported to the IRS) that you may find helpful in preparing your income tax returns.

Most 1099 tax forms for tax year 2023 will be available online between January 20 and February 10, 2024, and will be mailed shortly thereafter. Like in past years, however, NFS has filed and received a 30-day extension from the IRS that will permit the generation of some 1099 tax forms after February 15, 2024.

Not all issuers send final information to NFS in time to meet the February standard IRS 1099 mailing deadline. NFS uses this extension to ensure that the information on the tax documents you receive is accurate, which, in turn, reduces the need to send a corrected form after February 15.

In the event that final tax reporting information is expected for your account after February, a “preliminary” tax statement will be available online in Investor360° on February 10, 2024. The preliminary form will provide a single view of current tax information to assist in determining early tax liability.

Retirement accounts

Form 1099-R: This form is issued when you have made a distribution from your retirement account or in connection with a Roth IRA conversion or recharacterization.

Form 5498: A Form 5498 provides the fair market value of the account as of the prior year-end, as well as beneficiary information. The 5498 will capture contributions made to a traditional, SEP, or SIMPLE IRA, as well as Roth IRA conversions or recharacterizations completed in 2023.

If you make prior-year contributions between January 1, 2024, and April 15, 2024, these transactions will be captured in an updated 5498 tax document that will be mailed to you by May 17, 2024.

If you have any questions regarding the information shared here, please don't hesitate to call our office at 413-256-0677.

Early March is an ideal time for getting your tax documentation in order. Following these simple tips now may ensure that you don't miss out on valuable deductions and tax credits because you are scrambling for paperwork later.

Organize tax documents and receipts in an expandable binder according to common categories, including:

- **Wages:** Form W-2
- **Interest and Dividends:** Forms 1099-DIV and 1099-INT
- **Other Income,** including: Form 1099-MISC, Form 1099-R, Form 1099-SS, and Schedule K-1
- **Housing:** Form 1098
- **Education:** Form 1098-E and 1098-T
- **Health:** 1099-HC
- **Possible Deductions:** Property taxes, Charitable contributions (monetary and materials)

Put this folder in an easy-to-reach spot so you can easily drop items in.

Put together a checklist. If you are working with a tax advisor, he or she will likely send along a checklist to help you get organized. Use this list, or make your own. Include items that you have addressed in previous years or add new items. The list will become a handy resource to review annually when it's time to gather what you need.

If you have any questions about the suggestions offered here, or if you have other questions about preparing for tax season, feel free to contact me at your earliest convenience.



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❄️ Financial Planning Newsletter - Winter ❄️

There is still time to contribute to your IRA for 2023!

As we have so often discussed, when it comes to planning for retirement, the more you save today, the better prepared you'll be tomorrow. That's why I wanted to remind you that there's still time to contribute to an IRA for the 2023 tax year.

The contribution deadline for 2023 is April 15, 2023, excluding extensions. You can contribute up to \$6,500 for 2023 (\$7,500 if you were age 50 by December 31, 2023). You can contribute to a traditional IRA, a Roth IRA, or both, as long as your total contributions do not exceed the annual limit. You may also be able to contribute to an IRA for your spouse for 2023, even if your spouse did not have any 2023 income.

If you would like to take advantage of this contribution, please do not hesitate to contact us at 413-256-0677 or by e-mail at hbarnes@hbfinancialgroup.com (Harriett) or ccouzelis@hbfinancialgroup.com (Christina) to discuss your options.

