

**June 2023**

As we head into the long hot days of summer, we continue to monitor the latest twists and turns of the latest political and economic news.

Most of the last month was spent with fears of the **US** Government defaulting if the debt ceiling was not raised. And while the posturing made for great news headlines, it doesn't make much sense as long as the **US** can print money. Alan Greenspan, on NBC's **Meet the Press** back in 2011, was quoted as saying, "The United States can pay any debt it has because we can print money to do that. So, there is zero probability of a real default." And while that does not make us feel any better about the Government's out of control spending – which is clearly on an unsustainable path, risk of default is not the main concern.

The debt ceiling being raised is nothing new – in fact it has happened 78 times since 1960. But over the past decade or so, the debt limit has become a prime target for political wrangling. In the past, votes to increase the debt limit were relatively quiet – non controversial affairs. In the end, the House of Representatives and the Senate passed the legislation lifting the debt ceiling that President Biden signed into law on June 3<sup>rd</sup>. The final deal raises the debt ceiling beyond next year's presidential election and into 2025.

Halfway through 2023 we find the S&P 500 Index up close to 16% and the technology heavy Nasdaq up close to 32%. The Aggregate Bond Index (most widely followed Bond Index) up close to 3%.

The Federal Reserve may be nearing the end of its historic rate hiking cycle, bringing Short Term rates from near zero to over 5%. According to Evan Simonoff of **Financial Advisor Magazine**, "It's worth noting that Paul Volcker, the chairman of the Fed in the 80's, didn't raise rates at the same speed the current Chair Jerome Powell, has over the last 12 months."

While, inflation continues to show signs of easing in the government reported numbers, you and I probably don't see inflation easing with everyday expenses. As I have stated in the past letter, I do feel that both rates peaking and inflation easing will set up for better times ahead in the stock and bond market. The concern is the path in getting to that point, is probably going to be a bit bumpy!

**(over)**

Here at Pearson Financial, we are getting closer to the transition/merging of TD Ameritrade to Schwab. Late in June, the first communication from Schwab is going out to account holders in the form of a “negative consent” letter to transfer accounts to Schwab. There is no action needed on your part, nor will any new account paperwork will be required. After Labor Day weekend, on September 5<sup>th</sup>, we will be officially on the Schwab Platform. Below are a few key points regarding the changeover:

- For clients viewing their accounts online - Advisorclient.com clients will receive personalized information for calls to action in the Advisorclient.com (90 days before the changeover) Then, 28 Days before the changeover – a notification in Advisorclient.com will inform clients when it’s time to create their Schwab Alliance credentials. Once credentials are created, clients will get a confirmation of the accounts that will move to Schwab, as well as other resources to help.
- In the month after accounts transition to Schwab, clients will receive two statements for each account. One from TD Ameritrade showing a zero balance because positions and the cash have been moved over to Schwab. The new monthly statement from Schwab will display the full balance of the account moved.
- Ongoing monthly distributions to bank accounts will continue without impact as standing instructions with links to bank checking accounts will stay on file.
- Clients with check writing and debit cards will receive new ones. Clients should receive their new checks and debit cards prior to the conversion. Outstanding checks will continue to be processed for a period of time after the transition date.
- At tax time in early 2024 – you will get a tax form from TD Ameritrade for the pre-conversion activity and one from Schwab for the post conversion activity.

The transfer to Schwab will be the focus for many of you over the next few months. We are here to help make the transition as smooth as possible. If you have any concerns regarding this changeover, please do not hesitate to give us a call. Our team will be able to help with any questions you may have on the transition.

I also wanted to mention that I will be attending a 2-day workshop in July, offered by Ed Slott and Company, LLC – America’s leading experts in IRAs. Its focus will be on the new Secure Act, which was a major piece of legislation that made some dramatic changes to the Retirement Planning Landscape. The meeting will be broken down into 12 sessions, ranging from Planning for the end of Stretch IRAs; Roth Conversion Planning; naming Trusts as IRA beneficiaries; and post Secure Act IRA Estate Planning Strategies. I look forward to talking more about this in future letters.

As always, especially now with all these changes on the horizon, please do not hesitate to reach out to us with any questions or issues that you may have.

Sincerely,



Bryan Bastoni, CFP  
Certified Financial Planner, TM