



The Independence

OAK PARTNERS INC. | AUTUMN 2023

AI: INVESTMENT FRIEND OR FOE



Steve Kavois, Wealth Advisor

Something happened this spring that took most investors by surprise. We were in a rising interest rate environment, with signs of economic growth slowing, and a FED set on making sure inflation gets under control...and the Nasdaq index took off like a rocket. OpenAI's ChatGPT had just been released to the public and its novelty resulted in hitting 100 million monthly users just three months after its release. Suddenly, this technology, reserved for Sci-Fi nerds previously, hit the mainstream in a big way. Soon, countless quarterly reports for companies not even in the tech industry mentioned how they intend to implement artificial intelligence somehow into their business model. And any stock that was related to the space became a darling for investors. If this sounds familiar to you, then you were probably around to invest in the tech boom of the late 90s. We all remember how that ended, right?

Well, this time it's different, or is it? Yes and no. The .com bubble in the late 90s was a true bubble. They'd say you could throw a dart at a board and hit a stock that would see huge gains. Any company that mentioned "the internet" or had a ".com" in their name seemed to see their share price shoot up regardless of the business model, profitability, or any traditional metric for evaluating a company as an investment. This time it's not quite that bad. Much of the significant attention and growth in the AI space has been reserved for companies making computer chips or developing AI technology. There have been plenty of bandwagon jumpers predicting (or hoping) AI revolutionizes their business at some point in the future. And just like the original tech bubble, there will be some winners that come out of this AI revolution. The key will be figuring out who will be the Amazon versus the AOL. There's a cautionary tale for assuming the big names at the forefront of the revolution will be the winners in the long term. I mean, a little online bookstore outlasted the company that literally connected people to the internet.

So, as we are faced with newcomers to the space as well as old-line companies racing to implement this new technology, just remember your investment objectives and lessons from the past. Artificial Intelligence will certainly impact both our daily lives as well as our investment portfolios. We just don't know how or when that will happen yet. In the meantime, maybe be nice to Siri and Alexa, you may work for them someday.



Bucket Theory FOR DISTRIBUTIONS

Stacey Fargo, Wealth Advisor



Did you know that if you strategically save money in various “buckets” over time, you can significantly reduce your taxes in retirement, especially in the years before you hit RMD age (73). By “buckets”, we mean different investment and or savings accounts that are taxed differently; 401ks, IRAs, Roth IRAs, Individual or Joint Bank or Brokerage accounts, Trust accounts and life insurance policies are all examples of different avenues to save. The larger the net worth you have, the more the “buckets” become imperative. One key factor is the earlier you start planning, the better off you will be in implementing this plan. Uncle Sam takes enough of our money during the working years, so let’s try to get some of that back in retirement!

LET’S TAKE THE FOLLOWING EXAMPLES:

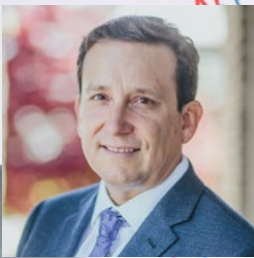
Client A

(age 65) has a net worth of \$500,000 – all in 401ks and IRAs (fully taxable) and needs \$3,000/mo from their investments. All \$36,000 would be taxed each year because the distributions would be coming from taxable accounts. Assuming a normal tax bracket (10% Fed and 5% state), and easy math, for this client to get \$36,000 a year, they would need to distribute \$42,352 in order to pay the taxes and have the amount of money needed for their distributions. This client will need to distribute 17% more in assets in the early years as compared to client B all because of where their assets are saved.

Client B

(age 65) has the same net worth of \$500,000, but they have \$200,000 saved in a joint investment account, and \$300,000 saved in a 401k. This same client needs \$3,000/mo as well, however because they have investments that are not in the IRA, these distributions are not taxed at the time they are distributed. In order to received \$36,000 for the year, they only need to take out \$36,000. With easy math and no growth, with \$200,000 saved in the joint investment account, they would be able to do this for at least 5 years and pay little to no taxes on their distributions (please note taxation can happen during the growth period, but even this can be minimal). With 5 years of distributions like this, Client B is saving over \$30,000 because of the planning they did ahead of time and not needing to pay taxes when they needed distributions.

Now these are simplistic examples, and quite frankly I could write for days about this, but this is exactly where a good financial advisor comes into play both in the early years and in retirement. If it sounds like a puzzle, it can be, so lean on us to see how we can help you strategize for your future! Our understanding and strategic planning can help you avoid hefty taxation in the future and can set you up for years where you might pay little to no taxes for some years in retirement, all while maintaining a healthy monthly income stream.



Probability of Positive Returns

– S&P 500 Index – Since 1937

Mario Ruiz, Wealth Advisor

The volatility that comes with investing in the stock market can easily make the average investor lose perspective, especially if the value of their account falls over a short period of time. To aid in not losing perspective it helps to picture your money in different buckets. Some buckets will be used for shorter term needs and market-based investments aren't the place for the shorter-term needs. However, if you have longer-term needs like a future care purchase or, even as long-term as, having your money grow for the next generation then picturing these funds in longer-term buckets may assist in keeping the proper mind set during volatile times. Following is a chart that displays the odds of achieving a positive return are dramatically increased the longer the investment horizon...

Time Frame	Likelihood of positive return
1 Day	53.25%
1 Month	62.91%
3 Months	69.21%
1 year	76.92%
3 years	87.64%
5 years	92.95%
10 years	97.39%

Source: Bloomberg. Date from 12/31/26 – 6/30/23 The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. These returns were the result of certain market factors and events which may not be repeated in the future. This table is based on the total returns of the S&P 500 Index. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. The index cannot be purchased directly by investors.



A TIME FOR COMFORT

Nick Scheumann, Wealth Advisor

I have been an advisor for over 20 year and for all but the last year or two I typically meet with clients once per year. We have always tried to supplement those meetings with conversations either through scheduled phone calls or even at a wonderful Oak Partners event!

However, recently I have had a few clients who have wanted to meet more than once per year. These meetings are just “brief check-ins” and are not usually a deep dive. They are designed around helping people make sure they are comfortable with their financial positions. Not all clients desire a meeting every 6 months but the few who do are appreciative. What really surprises me is how often I meet with a prospective clients (typically a referral) that has not met with their advisor in more than a year. They usually mention how satisfied the person is who referred them because of the frequent contact we have with our clients. The referral typically feels uncomfortable with our national politics, interest rates, inflation, news media etc.. and want to find faith in a relationship with their advisor. Creating comfort is an important part of financial success. Unpredictable times call for a reliable friend. Oak Partners is honored to be that friend for clients.

For those of you who do NOT keep Oak a secret, thank you.



Use. Your. Points.

Adam Sipes, Wealth Advisor

For someone my age, inflation had never been a serious issue in life until the “Post-Covid” world became a reality. Over time it’s been proven that we need to invest if we want a fighting chance at beating inflation and having our net worth remain relevant. Investing starts with saving, however, not all savings are created equal. The savings I’m referring to are credit card points. We all know someone who loves hoarding them, but honestly that’s most likely not in their best interest. There are 0 ways for us to invest our credit card points, and therefore are losing value day by day. Your 100,000 Southwest credit card points will forever stay 100,000 if not used. The longer you hoard them, the less they’re worth. I’m not going to tell you how to spend them. You can purchase travel accommodations, pay off your card, or redeem them for whatever you’d like, but please do so in a timely manner.



RECESSION FEARS

Shane Crist, Wealth Advisor

At the beginning of the year, all people seemed to be talking about was the looming recession. However, lately many experts have become more confident that the U.S. economy will not slip into a deep recession. So why the change in sentiment? Consumers have continued to spend money and the economy has been incredibly resilient. The Federal Reserve has been laser focused on reining in inflation for the past couple of years. As of July, the annual inflation rate was 3.2%. This is still above where the Fed wants inflation to be but much better than where it was last year. The Bureau of Labor Statistics reported that the U.S. economy added 187,000 jobs in August and unemployment remains historically low at 3.8%. The economy also grew at a faster rate than expected during the first half of the year. This is all good news and has resulted in strong positive performance for the stock market year to date.

Not all news is positive though. Corporate earnings have been declining and interest rates are at their highest level in over 20 years. High interest rates have a negative impact on corporate earnings, economic growth and stock prices. Rising interest rates reduce the amount of disposable income that people have to spend. We have gone through a long cycle of rate hikes and it will take a while to see what the total impact will be to the economy.

Recessions can lead to job losses and other financial difficulties for businesses and individuals. However, the good news is that recessions typically do not last very long and they can create good buying opportunities for long-term investors.

Source: [bls.gov](https://www.bls.gov); [cbo.gov](https://www.cbo.gov); [bea.gov](https://www.bea.gov)



Rear-View Mirror

Jessica Dowell, Client Support Specialist

As the last quarter of 2023 kicks off, it's hard to believe 2023 will soon be in the rear-view mirror. As with most families with back to school and holidays, the final three months of the year are also super busy times in the world of finance.

To meet end-of-year planning needs, I would like to give some suggestions on timelines for service requests going into December. While technology has greatly improved and sped up our processes, some items can still take a little longer to complete and are difficult to correct if an error occurs and we run out of time. So, here's a couple best practices to share.

529 contributions for 2023 need to be deposited with the plan provider by the end of December to receive tax benefits for this year. Because for many families, this is still a check and mail process it's best to start this process early and try to get materials back to our office by Friday December 8th. If you are just requesting an ACH deposit to a 529, we can go a little later in December, but the earlier in the month the better to catch and correct any potential issues.

Required Minimum Distributions are obviously important to many of our clients. If you are over the age of 72 and have an IRA or employer sponsored retirement plan, then you are required to take a withdrawal which must be completed by the end of 2023. Our teams are good at staying on top of this process for our clients, but there are a lot of accounts to pay attention to. The same goes for those that have inherited IRA's and need to take their beneficiary RMD's. So, my advice in this area is the same, try to connect with your team by Friday December 8th to help ensure everything goes smoothly, especially if this is your first time taking an RMD.

For those interested in doing a Charitable RMD for tax and giving planning purposes, this process is a bit more manual, which creates the capacity for issues. So, my advice is, if you are planning to do a Charitable RMD, try to provide instructions to our office by December 1st. If you need some advice on this process, it's probably a good idea to get the conversation with your advisors rolling now.

Roth IRA conversions are also based on a calendar year schedule as well. This process takes a bit of time and can run into a couple of different types of snags. So, I am going to suggest December 1st for Roth conversions as well. And once again, if you need advice on this type of planning, it is probably best to get that ball rolling with your advisors now.

Finally, IRA and Roth IRA contributions have a later deadline and can be made for 2023 until April 15th 2024. So don't feel rushed to get these types of deposits made in December. This one can wait until the New Year. So, let's get you "wrapped" up here we can take something off your plate during this busy time of year. Have a great holiday season!

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News & Announcements

Crystal DeHaven, Director of Client Experience

I hope that your fall season is full of fresh crisp air, bonfires and pumpkin spice lattes!

It was a very busy summer! Not only busy for the office this summer, but we packed up the family and moved a town over. As many of you know, the process of moving can be incredibly overwhelming and a daunting task that most avoid for decades. While the timing of higher interest rates was not ideal, the priority of settling our children in a new district trumped all. The process was actually seamless as both a buyer and seller. It has been 12 years since we last moved and we had accrued more “stuff” than we could have imagined...including 2 kiddos that also aggregate a ton of “stuff.” Here are some noteworthy items learned in the moving process:

- Make a binder, keep detailed to-do lists
- Schedule changes in utilities ahead of time
- Clear the clutter, DO NOT WAIT!!!
- Pack early
- You can never have too many sharpies, packing tape, and boxes
- Be flexible whenever you can

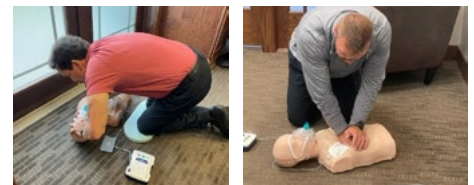
While we are not completely settled yet, the family is making progress. I have learned another level of patience at my older age. In moving to a quieter area, I was also reminded that adventure is exciting and family is EVERYTHING! We couldn't be more excited to start the next chapter in our book.

In addition to the busy summer on the personal side, Oak was no different. If you were able to join the 30th anniversary celebration, thank you! It was such a special night for the Oak family. Please see some of the pictures below!



In September, our Oak team participated in a CPR/AED training program at our office. We appreciate our team taking the time to be prepared should an emergency arise.

Congratulations are in order for our own Stacey Fargo, who is being recognized next month as a Rising Star with LPL Financial. This exclusive gathering will recognize top-producing women advisors throughout the country. We are incredibly proud of her growth at Oak Partners. Congrats Stacey!



Are you following Oak on social media? If not, please do so! We post important information regularly.





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