The Independence

OAK PARTNERS INC. | SPRING 2024

Health Savings Accounts:

GETTING THE MOST OUT OF YOUR HSA

Andy Smith

From how much to contribute to considerations for investing the money, here's how to use the account to save on your tax bills.

- Health savings accounts (HSAs) offer a "triple tax benefit" for federal taxes.
- A good strategy is to contribute enough to the HSA to cover the next year or more of out-of-pocket medical expenses.
- Contributing the maximum annual contribution and investing for the long term is the best way to get the most benefit from your HSA.
- Avoid using the HSA as your emergency fund because nonqualified withdrawals are subject to ordinary taxes and possibly penalties.

THE BENEFITS OF HSAs

HSAs offer three major benefits for federal income taxes:

- Contributions reduce your taxable income without having to itemize deductions.
- Growth of the account is tax-deferred.
- Distributions for qualified medical expenses—for you and your family—are tax-free.

If you're in a position to use this long-term strategy, the HSA can help cover significant expenses in retirement. Using tax-free distributions instead of tax-deferred accounts may also prevent you from jumping to a higher tax bracket or incurring higher Medicare premiums.

COSTLY HSA MISTAKES TO AVOID

Using the account for non-qualified expenses. If you do this before age 65, there's a double whammy: paying ordinary tax on the withdrawal plus a 20% penalty. That's worse than the 10% early withdrawal penalties from retirement accounts. After age 65, withdrawals for non-qualified expenses result in paying ordinary tax on the amount.
Leaving a large balance to a non-spouse beneficiary. Upon the account holder's death, the non-spouse beneficiary will have to pay taxes on the balance in that same year. This could bump your beneficiary into a higher tax bracket. This is why it's better to draw down the account in retirement to pay for medical expenses, as opposed to preserving it for your heirs. Fortunately, a spouse who inherits an HSA assumes ownership of the account and doesn't pay tax on the balance.

Technology, AI, and Humanoid in the Future Economy

Jeff Hadt, Wealth Advisor

Navigating the ever-evolving landscape of the technology sector and its impact on the markets in 2023, it's hard to not repeat the buzzword of the year, AI. Witnessing the accelerated integration of technology into the workplace, the emergence of humanoids stands out as a path to automation and production efficiency. Over the next decade, the adoption of humanoids is positioned to revolutionize various industries; therefore, reshaping the way we work and continuing to generate profitability to companies on the forefront. Humanoids, with their advanced capabilities and adaptability, are set to change traditional roles and processes across sectors of the economy. This includes manufacturing, healthcare, hospitality, and customer service. Advanced humanoid robots possess the potential to shift what was traditional human labor, streamline operations, and boost productivity in unprecedented ways.

In roles like customer service and hospitality, humanoids are anticipated to impact the way businesses interact with clients and guests. With real time processing language and empathetic responses, robotics can elevate the overall customer experience while freeing up human employees to focus on more complex tasks and creative endeavors.

I believe that manufacturing will see the most immediate impact. Humanoids equipped with advanced sensors and AI algorithms can work alongside human counterparts, increasing production processes and ensuring precision in assembly lines. Their ability to perform repetitive tasks with unwavering consistency will not only reduce errors but also optimize resources; ultimately, driving down costs and improving production quality.

Several leading companies are positioned to play pivotal roles in shaping the landscape of humanoid robotics in the workplace. Companies such as Boston Dynamics, SoftBank Robotics, Hanson Robotics, Tesla, Amazon, and Toyota are some of the frontrunners in developing and implementing humanoid robots into operation.

Amazon has robotic arms like Sparrow and Cardinal, like the first autonomous mobile robot, Proteus. Amazon now has over 750,000 robots working collaboratively with employees, taking on highly repetitive tasks and freeing employees up to better deliver to customers.
The goal should not be to displace human workers but to work effectively within spaces designed for humans. Agility is continuously working on improving the motion quality in droids like Digit, Amazons new two-legged robot. One goal is to reduce the number of steps required for each task at Amazon warehouses, increasing efficiency over time. While some may find the presence of humanoid robots like Digit unsettling, Amazon is encouraging regular employee feedback. This robot is a testament to the symbiotic relationship between technology and human labor. It demonstrates that robots can excel in tasks better suited to their abilities, ultimately allowing humans to focus on higher-value, less risky work.

Integration of humanoids into the workplace raises an important question regarding ethics, privacy, and job displacement. As some embrace this transformative technology into multiple sectors of the economy, it is imperative to prioritize ethical considerations to ensure that humanoids are deployed responsibly. Can this rapidly advancing trend be the deciding factor in corporate profitability in 2024? Without a crystal ball, only time will tell.

Marc Ruiz, Wealth Advisor

Buying a Home

One of the most common planning activities our teams are working on with clients is advising them as they sell, buy, and move homes. Lifestyle changes indicate the cycle of life marches on while housing needs and desires evolve. What can be a daunting process for process for a family that may have lived in the same home for decades, is something we deal with quite often. I think it's helpful to walk through some common trends, and best practices I've observed.

So, let's go over a few tips.

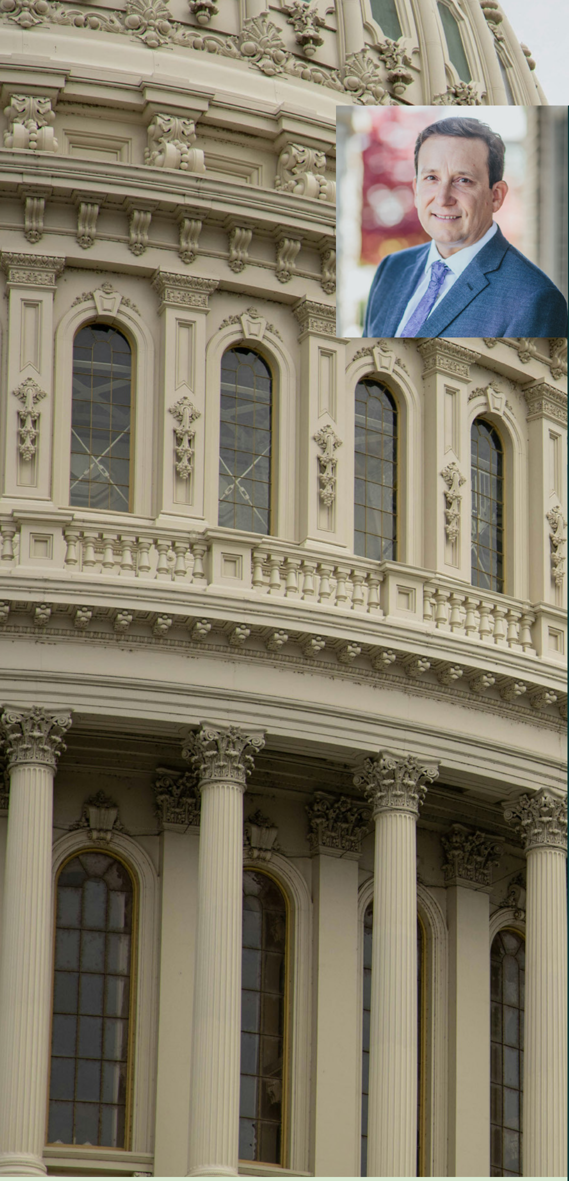
The real estate market in "upgrade" homes in Northwest Indiana, as well as many attractive retirement locations around the country, continues to be very tight. Homes in this segment of the market are often not listed for very long, and sellers entertain multiple offers soon after listing. So, one best practice is to have your ducks in a row before the shopping starts. For cash offers, realtors will often require a verification of deposit letter from a bank or investment firm certifying the buyer has the funds to close. These letters must be "official" and take a few days for the office to request and procure. Therefore, having one in hand instead of scrambling at offer time can make an offer nimbler and reduce stress. The same applies to financed purchases, with many realtors requesting pre-approval letters from a bank or mortgage company for submission with an offer. These letters take even longer to obtain, up to a week or two, so starting this process early is wise in a competitive market.

After the offer, but during the due diligence period before closing, it's very important to make sure all the costs of the new home are understood. The primary surprise I see in this regard is with Homeowner's Association (HOA) dues. Many developments offer lawn maintenance, snow removal and other amenities. The prospect of no longer cutting grass, shoveling snow, or taking care of a pool can be very attractive, but these services of course come with a cost. In addition, some neighborhoods require road and common area maintenance as well as other community-based features. It's easy enough to determine current dues as this information will be available from the realtor and in the listing.

This is where the surprise often comes, including due increases and special assessments which may be on the horizon. While it won't always be possible to anticipate these potential cost changes, it's a good idea to request a copy of the HOA's financials and the minutes from the last year or so of HOA meetings. There is much to learn by reviewing these documents, and the HOA is usually able to provide them on request.

Then we must pay for the glorious new abode. In my experience, families in this age range will often have considerable home equity in their existing home, sometimes being paid off, and will need to "transfer" this equity into the new home. Rarely does the timing of selling the existing home and closing on the new home work out perfectly, so some sort of bridge financing is required. This financing may take a couple different forms such as Home Equity Loans, or Home Equity Lines of Credit (HELOC) or a specifically designed bridge loan product. These loan products will require underwriting of credit, assets and income as well as some level of appraisal. This all takes some time. So once again, starting early on this process can reduce stress at offer and closing time.

Finally, the question of should retirement capital be used for a home upgrade comes up quite often. Unlike some radio and TV financial gurus who would say this should never happen, I work in "real world" financial planning and occasionally the answer is "sometimes". The best approach is to holistically analyze the family's retirement accumulation and income needs in the context of the new home, and then decide if using either a retirement plan distribution or 401(k) loan makes sense considering taxes and planning needs. This also takes a bit of time and effort, so, you guessed it, start early.



THE MARKETS and the Elections

Mario Ruiz, Wealth Advisor

Unfortunately, the financial markets are not immune to politics, and nothing is more political than a presidential election year. Many of my clients are starting to ask if they should be concerned about what might transpire during this election year. Historically speaking the short answer is "no" because in past election years the S&P 500 Index has seen more positive performance than negative. As you'll see in the observations below the markets don't pick sides as much as you might think…

S&P 500 Index Total Returns During Presidential Election Years

U.S. Presidential Election Results	Average Return
A Republican was elected	15.3%
A Democrat was elected	8.5%
All election years	11.58%

OBSERVATIONS

There have been 24 elections since the S&P 500 Index began. In these election years:

- 20 of the 24 years (83%) provided positive performance
- When a Democrat was in office and a Democrat was elected (or reelected), the total return for the year averaged 15.0%
- When a Democrat was in office and a Republican was elected, the total return for the year averaged 12.9%

Source: Morningstar/Ibbotson Associates. Past performance is no guarantee of future results. For illustrative purposes only and not indicative of any actual investment. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. These returns were the result of certain market factors and events which may not be repeated in the future.

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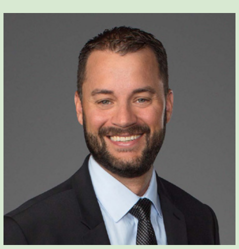
Don't Reinvent the Wheel

Mark Vandevelde, Wealth Advisor



When it comes to investing, one of the biggest mistakes people make is trying to get too cute with their investment process. There is always going to be a fancy new way to invest. Whether it be a new asset class, like cryptocurrency or NFTs, or a new investment product, like high income or leveraged ETFs; it is important to remember that good old asset allocation should be the base of your long-term investment portfolio.

Those hot, new investments may do well for a short period of time, and they may even outpace the market for a while; however, they often fall out of favor just as quickly as they came onto the scene. Meanwhile, asset allocation (paring stocks and bonds in an investment portfolio) is an investment process that has stood the test of time. It may not be as exciting as the shiny new investment, but it has been proven to work over the long term.

So, the next time that you feel the need to invest in a newfangled way, resist the temptation! Remember that if you chase the thing that is hot, you are likely to get burned. Don't reinvent the wheel and don't stray from the proven path. Asset allocation works and will give you the long-term results that your portfolio needs.

529 Accounts:
More than just Education

Mike Marshall, Wealth Advisor

The new year brings new changes; in turn, that also applies to the financial world. With the recent passing of the Secure Act 1.0 in 2019 and the Secure Act 2.0 passing in 2023 that has been truer now more than ever.

One of the changes in the Secure Act 2.0 that I am most excited to talk to clients about is the new ability to convert unused funds inside a 529 plan to a Roth IRA for the beneficiary of the 529. This solves one of the biggest concerns that clients generally have around 529 plans: what if my child doesn't go to college or needs all the money in the 529? Prior to the Secure Act 2.0 they were limited in their options, they could transfer the funds to another child or cash out the remaining funds and pay the taxes and potential penalties.

Now there is another option to keep the funds working for your beneficiary. The Secure Act 2.0 will allow the account owner to convert unused funds in the 529 Plan to a Roth IRA for the beneficiary. The Roth IRA, if used correctly can be a powerful tool towards retirement investing as the money grows tax free. There are a couple of stipulations to the Roth conversion such as the 529 plan must have been owned for 15 years prior to the conversion. There is a lifetime limit of $35,000 that can be converted, and you can only convert the Roth IRA contribution limit annually.

With the tax benefits given to the owner in the year of the contribution, the tax-free withdrawals for qualified education expenses and now the ability to convert to a Roth IRA in the future 529 Plans should be a consideration for families interested in investing for their children.

Medicare Premium Sticker Shock?

Bridget Shoemaker

If you're 65, you most likely received a letter or two late last year from the Social Security Administration. These letters outline your social security benefit for 2024. In addition to that letter, you may have also received a letter stating that you will pay increased Medicare premiums. Why, you ask? Because of a fun little acronym; IRMAA (income-related monthly adjustment amount).

Medicare has a lot of parts; here's a quick refresher on the basics. There's Part A (hospital insurance), Part B (Medicare insurance), and Part D (drug coverage). Medicare Advantage Plans (Part C) are also an option. If you are collecting Social Security and Part B and/or Part D, the premiums are automatically deducted from your monthly benefit. How much are those premiums? Well, it depends on your income…from two years prior. For 2024, recipients who file individual tax returns with modified adjusted gross income (MAGI) of $103,000 or less (in 2022) OR for recipients who file joint tax returns with MAGI of $206,000 or less (in 2022), the total monthly premium amount is $174.70 for Part B and $0 for Part D. For those who's MAGI is above those limits…well, that's when IRMAA kicks in.

IRMAA is an additional premium amount you may have to pay for Medicare Part B and Part D. The Social Security Administration (SSA) sets six income brackets that determine your (or you and your spouse's) Medicare premiums. IRMAA is based on the income you reported on your tax return two years prior. However, your tax return from two years ago may not accurately reflect your current income situation. Your income could have decreased for many reasons; you may have retired, reduced work hours to a part-time position, gotten divorced, and or had your spouse pass away. The SSA calls these life-changing events.

But there's good news! The SSA allows you to request an appeal, also known as a reconsideration. This will need to be done in writing by completing a Request for Reconsideration form along with some supporting documentation. I've helped many clients successfully appeal their IRMAA premiums; it gives me great joy to help you send less money to the government. So, if your letter from social security gave you sticker shock, give us a call. We'll be happy to help!

The Gatekeepers to Your Advisor

Jessica Wotherspoon, Executive Assistant

Gatekeepers AKA Assistants can be resourceful and not a hinderance to reaching your Advisor. We are often thought of as unfriendly or maybe even drill sergeants to keep you from talking with your Advisor. We are not the bad guys. We are just the people who control the Advisors' schedule and help assist in the daily operations of servicing our clients. Rest assured; we are here to help you.

We are the first point of contact in the office and are responsible for filtering through phone calls, emails, and meetings for multiple people. We are constantly multi-tasking. Be patient with us. We will always have your best interest.

We are in tune with the Advisors' calendar. We know when to go to the Advisor to get help. Let us help you first. If not, we have full access to the Advisor to get the job done. We may ask a ton of questions, but it is only to allow us to address your questions/concerns/requests. You may have a request that we can handle or if not, we can schedule a quick phone call with your Advisor to answer questions/concerns. When we understand what you need or want by getting the correct information, this will help us evaluate if we can assist or if you need to have a conversation with your Advisor. The information provided by you will provide a more immediate and effective conversation with the Advisor. Having a gatekeeper allows your Advisor to be more productive with their time. They have more time to focus on your accounts, researching financial products, and educating themselves on the markets to help them make better decisions and pursue growth opportunities. This will also free up more time for them to go through their daily tasks as an Advisor.

Consider us as a benefit to helping you service all your needs of your investments. We will always have your best interest at heart and make sure you are taken care of.

New Beginnings Blooming at Oak

Crystal DeHaven, Director of Client Experience

With the Spring season upon us there are many great things blooming here at Oak Partners, Inc.

Our team is growing due to promotions, the arrival of babies and new adventures. Meet some of the new team members that have joined our team over the last couple of months.

Meghan Jackson, Executive Assistant - Meghan attended Purdue Calumet and later transferred to Indiana State University to study Communications. She joined Principal Management Group in October of 2023 as an Executive Assistant. Meghan currently resides in Dyer with her husband, Rob and two boys, Hunter, and Jack. In her free time, she enjoys spending time with her family, cheering on her kids at the soccer field, and traveling.

Klimentina Pejovski, Executive Assistant - Klimentina graduated from Indiana University Northwest in May of 2023 with a bachelor's degree in Accounting/Finance. She joined the Capital Management Group as an executive assistant in October of 2023, and enjoys learning more about the finance industry every day. Klimentina grew up in locally in Northwest Indiana. She loves to travel, spend time with family/friends, and meet new people.

Isabella Kowalczyk, Executive Assistant - Isabella has been living in Northwest Indiana since she was little and has spent many of her summers visiting her family in Poland. She graduated from IU Northwest with her undergraduate degree in business administration and is currently pursuing her master's degree in data science at IU Bloomington. She worked in customer service and retail for several years and is excited to develop her skills in the finance industry. Isabella currently resides in Schererville; she loves God, spending time with family and friends, traveling, fashion, and learning new languages.

Lexi Lieber, Communications Coordinator - Lexi Lieber started with Oak Partners, Inc in January 2024. She recently graduated from St. Ambrose University in 2023 with a bachelor's in public relations & strategic communications (minor in Journalism). Lexi grew up on the south side of Chicago, but now lives with her boyfriend, Antonio, in Hobart. Lexi is very family oriented as spending time with her loved ones is a main priority. In her spare time Lexi loves taking her dog, Luna, everywhere she goes.

New Beginnings Blooming at Oak Continued

Diana Soria, Communications Coordinator - Diana Soria started with Oak Partners, Inc in February of 2024 after working several years in the dental field. She has experience in personal training. Diana also completed a program in cardiac sonography. Diana and her husband, Antonio, have been NWI residents since 2018. They love spending time with their daughter, Jazlyn, by going on walks with their husky and German shepherd. In her free time, she enjoys reading, taking care of her plants, weightlifting, and spending time with her extended family.

Jonny Zematis, Executive Assistant - Jonathan graduated from Butler University in Indianapolis with a BS in Finance and Marketing. Oak Partners was his first internship of three relating to wealth management before he graduated. He is returned to the firm as an Executive Assistant. Jonathan spends time with his family and girlfriend of four years in his free time. He also enjoys snow and water skiing along with some off-roading adventures in his Jeep. Jonathan is perusing the Series 7 & 66 certifications. These will qualify him to assist the team in account maintenance.

In May we are planning to open our 3rd NWI office in St. John. To help develop that practice we have added a new advisor, Xavier Reed.

Xavier Reed maintains three securities licenses held through LPL financial; Series 7, 63, and 65. Xavier lives in downtown Valparaiso with his wife and two dogs where they spend their time enjoying all the downtown area has to offer. Outside of work, Xavier also enjoys outdoor sports, cooking, and spending time with friends and family.
With our annual State of the Markets events many of you have already had a chance to meet some of these new faces. If you have not, please share a welcome next time you pop in the office.

Upcoming Events:

Secure SHRED Day – April 18th 1-5 pm
at the Crown Point office

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