RADIO 3

Topics

Recession Risk

https://seekingalpha.com/news/3818738-should-investors-be-worried-about-the-yield-curve-inversion?lctg=621020d845ee59442e391f47&mailingid=27238785&messageid=wall_street_breakfast&serial=27238785.2454057&userid=55964959&utm_campaign=WSB_4_2_22&utm_medium=email&utm_source=seeking_alpha&utm_term=wall_street_breakfast

24/7 Trading

https://seekingalpha.com/news/3818441-robinhood-boosts-extended-trading-by-four-hours-shares-jump-7?lctg=621020d845ee59442e391f47&mailingid=27238785&messageid=wall_street_breakfast&serial=27238785.2454057&userid=55964959&utm_campaign=WSB_4_2_22&utm_medium=email&utm_source=seeking_alpha&utm_term=wall_street_breakfast

Inevitable Tax Increases (How can you help your clients)

https://seekingalpha.com/news/3818244-biden-unveils-billionaire-minimum-tax-new-corporate-tax-rate?lctg=621020d845ee59442e391f47&mailingid=27238785&messageid=wall_street_breakfast&serial=27238785.2454057&userid=55964959&utm_campaign=WSB_4_2_22&utm_medium=email&utm_source=seeking_alpha&utm_term=wall_street_breakfast

Secure 2.0 reducing %50 RMD penalty

https://www.thinkadvisor.com/2022/03/30/ed-slott-secure-act-2-0-reduces-draconian-rmd-penalty-broadens-roths/

Agree Disagree Financial Volatility advice.

Recession risk

The yield on the 2-year Treasury briefly exceeded the 10-year on Tuesday for the first time since 2019, in a warning sign that coming Fed rate hikes may trigger a recession. The inversion happened at a level of about 2.39%, but only lasted several minutes before things returned to a 5 basis point spread (another episode happened later on Thursday). A short-lived inversion also occurred in the summer of 2019 amid the trade war with China, and while that was followed by the COVID downturn of 2020, the last persistent inversion of the Treasury curve occurred in 2006-2007.

What it means: Yield curves typically slope upward, so when short-term yields return more than longer-dated ones, it suggests there is reason to worry about the long-term outlook. It can also signal that the high levels of short-term yields are unlikely to be sustained as economic growth slows, which can have an impact on a range of asset prices. "Historically, a recession has not happened without an inversion," explained Ben Emons, global macro strategist with Medley Global Advisors. "So likely, it will be a predictor of a future recession. Timing, however, is unknown. It could take up to two years."

Trading 24/7

Shares of Robinhood (HOOD) spiked 24% on Tuesday as the company increased its extended trading session by four hours. Two hours were added to each side of its prior trading window, meaning customers will now be able to trade from 7:00 a.m. to 8:00 p.m. ET. Popular brokerages like TD Ameritrade (SCHW) already offer those hours, while other trading apps like Webull even feature a trading session that starts at 4 a.m. ET.

Bigger picture: The effort is part of Robinhood's vision to enable 24/7 investing, and will likely mean more trading volumes (and profits) for the company. It can also be advantageous to traders that employ momentum strategies or catalyst-driven trading. For example, outsized price movements during earnings season are typically seen before the opening bell or right after the close, when companies disclose their quarterly results.

"Our customers often tell us they're working or preoccupied during regular market hours, limiting their ability to invest on their own schedule or evaluate and react to important market news," Robinhood wrote in a blog post. "In fact, we've seen a community of Robinhood early birds and night owls who log in exclusively outside of regular market hours."

Economy: Tax the rich

President Biden this week laid out a $5.79T budget plan for the fiscal year starting Oct. 1, including a 20% minimum tax rate on U.S. households worth more than $100M, or the top 0.01% of Americans. Company executives would also be required to hold on to shares they receive for several years after a stock buyback, while the corporate tax rate would be raised from the current 21% to 28%. In 2020, there were fifty Fortune 500 companies that made profits of over $50B, but they didn't pay anything in federal taxes.

Quote: "For most Americans, the last few years have been very hard, stretching them to the breaking point, while billionaires and large corporations got richer than ever," Biden said in a statement. "Right now, billionaires pay an average of 8% on their total income, while a firefighter and a teacher pay double that tax rate. That's not right, that's not fair."

Billionaires make most of their money from capital gains, which are taxed at a lower rate than the paychecks that the majority of American workers bring home. The ultra-wealthy also rack up huge fortunes without ever selling their assets - or what is called unrealized capital gains - which aren't presently subject to income taxes. The new proposal would expand the tax code's definition of "income" by taxing unrealized capital gains, which could mean hefty tax bills for some of America's most prominent billionaires.

Ed Slott: Secure Act 2.0 Reduces 'Draconian' RMD Penalty, Broadens Roths

A sweeping retirement bill, the Securing a Strong Retirement Act of 2022, or Secure Act 2.0, that passed the House late Tuesday increases the required minimum distribution age from 72 to 75 in stages — over 11 years — and reduces the 50% penalty for missing an RMD, Ed Slott of Ed Slott & Co. told ThinkAdvisor on Wednesday.

The bill, which passed the house by an overwhelming 414-5 vote and is expected to be taken up soon by the Senate, also includes "lots of 'Rothification,'" Slott said, "meaning Congress is stepping up Roth contributions."

Why?

"To bring in more revenue, of course," he continued. "This is just more evidence of why Congress loves Roth IRAs; because Roth funds bring in money, since no deductions are available for contributions. The proof once again in this bill is in the 'Revenue Provisions' at the end of the bill. This is how Congress expects to raise funds to cover the cost of everything else in this bill."

The revenue provisions include allowing Roth versions of SEP and SIMPLE IRAs, Slott explained, "as well as requiring catch-up contributions to be made to Roth accounts, and to allow employers to offer matching contributions to Roth accounts."

Secure 2.0 also reduces "the draconian 50% penalty for missing an RMD, to 25% (which is still high) and to 10% if the missed RMD is timely made up," Slott explained. "In reality though, most people don't pay this penalty, because the IRS will usually waive it if the missed RMD is made up upon discovery, and Form 5329 is filed to request the penalty waiver."

Raising RMD Age

Under the bill, the RMD age would "increase from the current age 72, to 73 next year, then to age 74 in 2030, and to age 75 in 2033," Slott said. "Some people will die waiting for that change. At this point Congress should just get rid of lifetime RMDs and stop annoying seniors with these changing calculations every year, especially now since most of these retirement accounts will have to be emptied by 10 years after death anyway."

Raising the RMD age "won't help 80% of the people who according to Treasury's own data take more than the minimum anyway, because they need the money," Slott continued. "So what good does it do to tell people that they don't have to withdraw funds until later age if they need the funds to live on?"

https://www.thinkadvisor.com/2022/01/27/how-10-advisors-are-handling-market-volatility-now-advisors-advice/

What Advisors experience with volatility and their clients: Advice!!

***Spike will read one, do you agree or disagree.**

When markets go through a correction process like we are seeing, individual investors tend to sell when they should be buying …. "Behavioral Investment Counseling" is the single most important service that financial advisors provide by helping investors avoid that costly mistake which we see on an annual basis.

I am not changing allocations in any way, nor would I if the market were down 30% or 40%. That would be a form of market timing which has been shown to be extremely detrimental to long-term investment returns.

I'm talking about rebalancing, which we are doing in our managed portfolios;

It is also useful to remind clients of their financial goals and the reason that they took risk in the stock market in the first place. If this is something that they are not comfortable with, then we will have to reevaluate their goals and what we can achieve with a lower return on investments.

As far as allocations, we are encouraging everyone to hold them for now. Once we have an opportunity to catch our breath and the volatility settles we will reexamine

I recently sent my newsletter to clients for 1Q 2022 and reminded them that since 1926 the S&P 500 has had an average annualized return of 10.49%. J. P. Morgan was once asked by a naive acquaintance what he thought the market would do. "It will fluctuate," the venerable Mr. Morgan replied, inflation challenges?

Those people are usually sitting in a pretty good spot because they can afford the volatility. So they're more inclined to own the stocks and real estate and so on. [That's] because if things go down 30-40% for a while, they know they're still OK. So that group's easier to have the conversation with because they can protect against the upside without worrying too much about this downside.

Mark Laughenburger New Book, Retirement Hero 7702

https://www.thinkadvisor.com/2022/03/25/retirement-spending-needs-a-new-approach-vanguards-ryan-barrows/