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NEWSLETTER

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Take Advantage of Increased 401(k) and SIMPLE IRA Contribution Limits

By Eric Nager, CRPS®

Most retirement contribution limits for 2022 remain unchanged. Just as in 2021, the maximum you can contribute to a traditional or Roth IRA is \$6,000 with a \$1,000 catch up provision if you are age 50 or older. However, late in 2021, the IRS announced that the contribution limits for 401k plans would increase by \$1,000 to a maximum of \$20,500. The catch-up amount for a 401k plan is \$6,500, so if you are age 50 or older, you can max out your plan with a contribution of \$27,000.

This is significant for a couple of reasons. First, a good rule of thumb is to try to set aside about 15% of your income each year toward retirement. The larger contribution limits for a 401k allow many people to reach this goal

without needing to contribute to any other type of account. For example, a 50-year old earning up to \$180,000 could hit the 15% goal by maxing out his or her 401k contribution.

Second, the increased limits can lower your tax liability. The more you set aside in a traditional plan, the lower your taxable income goes. Of course, many plans offer Roth provisions that are not deductible and you should discuss with your tax and investment professionals which option is better for you. One option is to contribute some to each.

Another contribution limit the IRS adjusted was for SIMPLE IRAs. These are plans for small businesses that employ less than

100 people. The contribution limit was raised \$500 for 2022 to a maximum of \$14,000. If you are age 50 or over, the catch-up contribution is \$3,000 for a total of \$17,000. Incidentally, when you turn 50 at any time during the year, even if it's December 31, the IRS considers you to be 50 for the entire year for contribution purposes.

Even if you are covered by a retirement plan at work, it is still possible to make traditional and Roth IRA contributions, depending on how much you earn. Please check with your tax professional to see if you are eligible. If you are not, it might be possible to make a spousal contribution and it is not too late to make IRA contributions for tax year 2021.

Please remember to notify us if you have had any material changes in your financial circumstances.

PLEASE NOTE: ALL 2021 IRA CONTRIBUTIONS MUST BE IN YOUR TD AMERITRADE ACCOUNT BY THIS YEAR'S TAX DEADLINE OF APRIL 18.

Speaking of taxes, your 1099s from TD Ameritrade will soon be out. They will include investment expenses for taxable accounts if you itemize your deductions. They should also include the cost

basis of all transactions for these accounts, although there might be an occasional exception. Please contact us if you need the cost basis for a particular transaction and

we will be happy to provide that for you. As noted in last month's newsletter, some of the funds we use triggered some significant internal capital gains late last year.

Does the Super Bowl Affect the Stock Market?

The late analyst, Robert Stovall, claimed to have discovered the Super Bowl as an indicator for stock movement. According to him, the stock market will go up in a year when an old National Football League (NFL) team wins and will go down if a former American Football League (AFL) team wins. In order to explain more, let us dive into the history of the game.

Before 1970 when the NFL merged with the AFL, there were two professional football leagues in this country. When the champions of each league first played each other in January of 1967, that was the first Super Bowl. The Green Bay Packers of the NFL won that game, as well as the second Super Bowl, and the stock market was up in both years. In 1969, the New York Jets of the AFL won, and the market was down.



When the leagues merged, the teams split into two conferences with the NFL teams becoming the National Football Conference (NFC) and the AFL teams becoming the American Football Conference (AFC). These divisions still exist today. At the time there were more NFL than AFL teams, so three NFC teams moved over to the AFC in order to balance things out. These teams were the Pittsburgh Steelers, the Baltimore, now Indianapolis Colts, and the Cleveland Browns.

According to Stovall, when one of these old NFL teams, even though they are now in the AFC,

wins a Super Bowl, it counts as an indicator for an up year in the market. And in fact, the Steelers have won six Super Bowls and the Colts two. The original Cleveland Browns moved to Baltimore to become the Ravens, and they have also won two Super Bowls. Of course, if one of these teams is playing a fellow old NFL team, the market wins either way according to the indicator!

How successful has this indicator been? According to the Wall Street Journal, the indicator has been correct for 41 of the 55 Super Bowls so far, or about 75% of the time. This year we have the old NFL Los Angeles Rams playing the old AFL Cincinnati Bengals. Since the Rams won, 2022 is supposed to be a positive year in the market. We'll see! (It's kind of like the groundhog seeing its shadow on Feb. 2nd ... not necessarily reliable!) *Eric Nager, CRPS®*

Chocolates History According to the Wall Street Journal, "Hershey Co said it [ran] low on Valentine's Day candy this year thanks to a shortage of labor and factory capacity." [wsj.com/articles/hersheys](https://www.wsj.com/articles/hersheys) So, how did chocolate become a Valentine's Day staple anyway? The first mention of St. Valentine's Day as a romantic holiday appeared in the writing of Geoffrey Chaucer in 1382. By the late 1840s, the notion of Valentine's Day as a holiday to celebrate romantic love had taken over most of the English-speaking world. It was Cupid's golden age. Into this love-crazed era came Richard Cadbury, scion of a British chocolate manufacturing family. Discovering how to extract the cocoa butter to make "eating chocolate" vs drinking chocolate, Cadbury began marketing his chocolates in beautifully decorated heart-shaped boxes that he himself designed. By adding familiar images of Cupids and roses to these "love" boxes, Cadbury marketed them as having a dual purpose: to hold the delicious chocolates and then to be used as a pretty box to store mementos like love letters and locks of hair. And, thus, the craze began. *Taken from www.history.com/news/valentines*



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