

**ZALAYET, ADLER & SUBA**  
**PRIVATE WEALTH MANAGEMENT GROUP**  
*of Wells Fargo Advisors*

**Mid-Year 2023 Update**

Despite mixed domestic economic data, both stocks and bonds posted positive returns in the first half of 2023. The Leading Economic Index (LEI) which measures statistics on economic health, business cycle stages and consumer confidence fell for the 15<sup>th</sup> consecutive month in May.<sup>1</sup> Moreover, exports from China, the world second-largest economy, fell in May fueling global growth concerns. Continued elevated, though improving, inflation and rising interest rates could slow the economy and trigger a recession of varying magnitudes as these events unfold in real time.

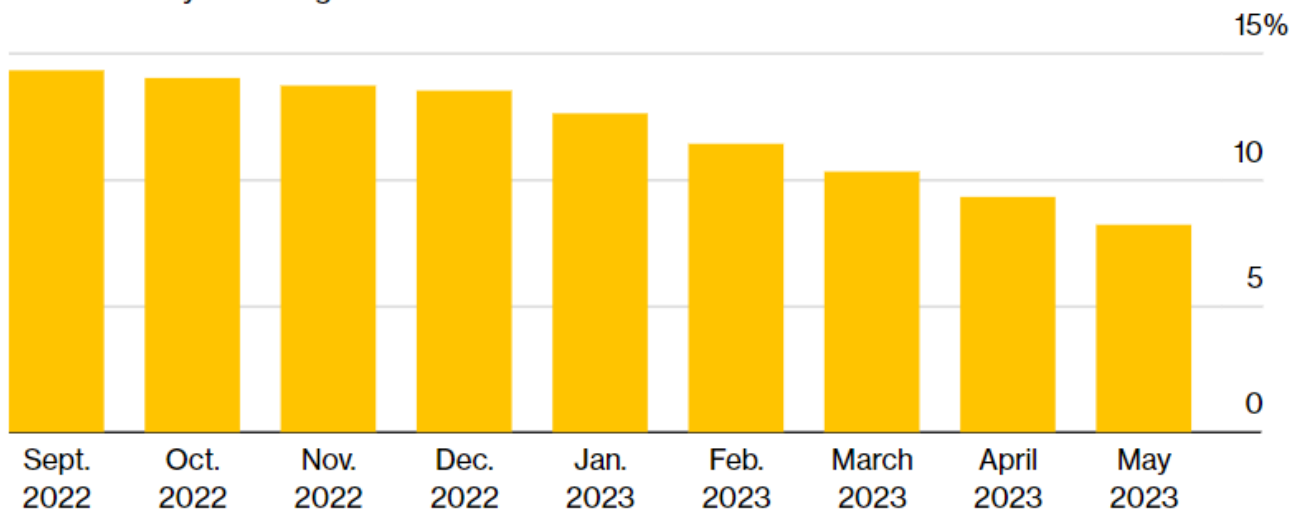
Encouragingly, strength in employment, food price reduction, robust global spending and a debt-ceiling agreement have continued to bolster the economy and financial markets. On June 3<sup>rd</sup>, President Biden signed the bi-partisan debt ceiling agreement into law, averting a first-ever U.S. default. In May, the cost of food worldwide fell to the lowest level in two years.<sup>2</sup> Citizens are playing catch-up from COVID-19 era lockdowns and splurging on travel, dining out, and leisure activities. As a result, businesses are adding staff to meet pent up demand. Consumers will likely regain purchasing power as inflation slows to below wage growth.

**Inflation**

In May the United Nation’s Index of Food-Commodity Prices dropped 2.6%. The cost of grains, vegetable oil and dairy declined while sugar and meat costs increased. In March 2022 the cost of agricultural commodities peaked at the onset of Russia’s invasion of Ukraine.

**Food Prices Continue to Rise, Albeit it at a Slower Pace<sup>3</sup>**

■ Year-over-year change



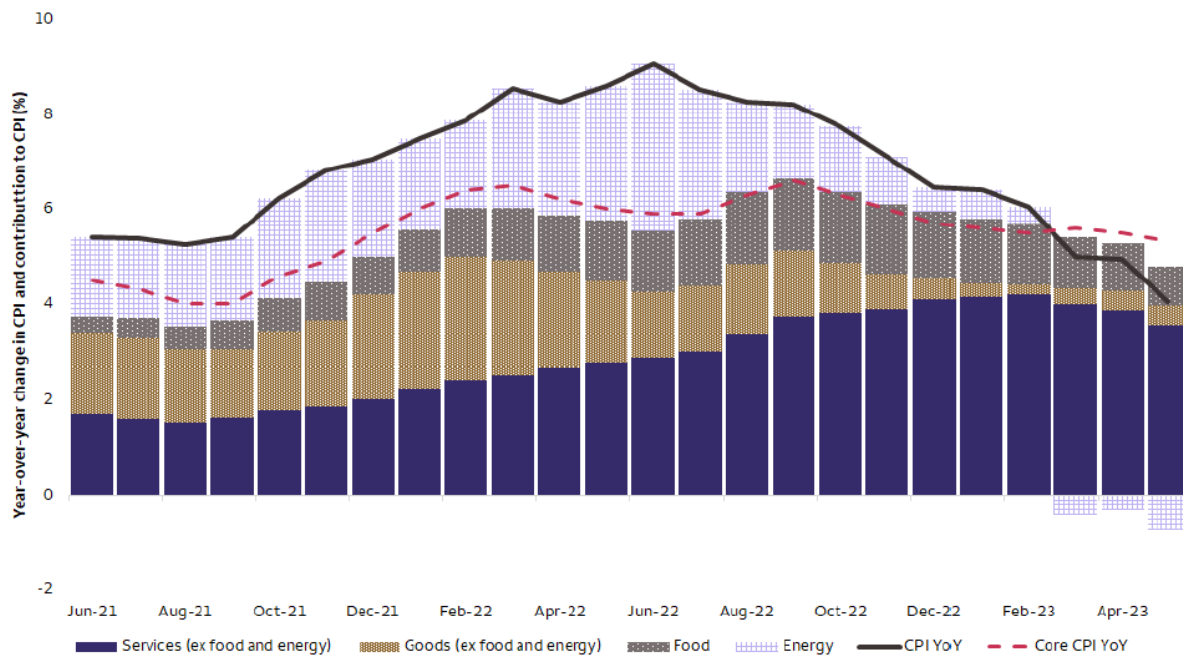
**Investment and Insurance Products:**

<b>NOT FDIC Insured</b>	<b>NO Bank Guarantee</b>	<b>MAY Lose Value</b>
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The May 2023 Consumer Price Index (CPI) showed inflation decelerated.<sup>4</sup> Costs of U.S. consumer goods sold online dropped 2.3%, the ninth consecutive month of declines. However, continued elevated inflation persists for essential items including some foods, pet products and personal care items. More specifically, online grocery costs rose 8.2%<sup>3</sup> from last year. Recently, due to a severe drought in Panama, it is more difficult for vessels to travel via the Panama Canal. This could lead to increased shipping costs and shortages of goods like we witnessed at the height of the pandemic.



**Debt Ceiling**

On June 3<sup>rd</sup> President Joe Biden signed legislation avoiding a U.S. debt default, circumventing a cataclysmic blow to the economy. The bi-partisan deal was passed after lengthy months long negotiations. The measure limits national spending for two years and suspends the \$31.4 trillion debt ceiling until after the 2024 election<sup>5</sup>. The debt limit will expire on January 1, 2025 and will enable the Treasury to rebuild its cash to its normal levels. The debt-ceiling law resolution evaded a first-ever U.S. payments default.

**Federal Reserve – Interest Rates**

The Federal Reserve moved to pause interest rate hikes during their June meeting keeping interest rates in the 5.00% to 5.25% range. This marks the first time the Federal Reserve did not raise rates in their policy-setting meeting since January 2022. With Central bankers still concerned about inflation, they will maintain higher interest rates for the time being. The May U.S. unemployment rate of 3.7% is slightly above the April 50-year low of 3.4%.<sup>6</sup> Low unemployment typically equates to higher spending. However, the Federal Reserves goal is less spending and a decrease in demand which would calm inflationary pressures. Current inflation in the 4-5% range remains above the Fed’s long-term average target rate of 2%. As a result, the Fed may increase rates down the road before the

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central bank starts lowering them. The Fed signaled they would raise rates another half percent by the end of 2023. Although there have been ten increases since the beginning of 2022, interest rates are lagging indicator which takes time to impact the economic cycle.

FOMC Meeting Date	Rate Change	Federal Funds Rate
March 17, 2022	0.25%	0.25% to 0.50%
May 5, 2022	0.50%	0.75% to 1.00%
June 16, 2022	0.75%	1.5% to 1.75%
July 27, 2022	0.75%	2.25% to 2.5%
Sept 21, 2022	0.75%	3.00% to 3.25%
Nov 2, 2022	0.75%	3.75% to 4.00%
Dec 14, 2022	0.50%	4.25% to 4.50%
February 1, 2023	0.25%	4.50% to 4.75%
March 22, 2023	0.25%	4.75% to 5.00%
May 3, 2023	0.25%	5.00% to 5.25%

*Source: Federal Funds Rate History 1990 to 2023 (Forbes.com)<sup>7</sup>*

These topics as well as other economic and geopolitical concerns may continue to impact markets. Some of the items we are monitoring include:

- Consumer confidence rose to 109.7 in June, its highest level since early 2022.<sup>8</sup>
- Employment data remains strong with a 3.7% unemployment rate in May.
- The three year pause on student loan payments will conclude as part of the debt ceiling legislation.
- Homeowners lost 0.7% in equity from the prior year, the first annual decline since 2012.
- Household net worth increased 2.1% in Q1 2023.<sup>9</sup>
- The gas price national average is \$3.549, down from \$4.868 a year ago.<sup>10</sup>
- The average annual cost of health related expenses (health insurance, medical services, drugs, medical supplies) among Americans over age 65 is \$7,030.<sup>11</sup>

**Changes to Required Minimum Distribution (RMD) Start Ages**

The SECURE Act 2.0 was signed into law on December 29, 2022, adding new retirement provisions, including **increasing the Required Minimum Distribution (RMD) age depending on birth year:**

Birth Date	Applicable RMD Age
Before July 1, 1949	70 ½
July 1, 1949 – 1950	72
1951-1959	73
1960 or later	75

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**Turning 72 in 2023?**

You can take your first Required Minimum Distribution (RMD):

- Either by December 31, 2024 -or-
- Delay until no later than April 1, 2025

Recall, if you delay your first RMD to April 1, 2025, you will be required to take 2 RMDs in 1 tax year:

- The first by April 1, 2025 (satisfies 2024 required distribution) -and-
- The second by December 31, 2025 (satisfies 2025 required distribution)

**Tax Season and Retirement Plan Contributions**

For those still working, we want to make sure you are maximizing deferral into retirement plans and taking advantage of other employer options to save like Stock Purchase Plans and deferred compensation. Tax tables can be found on our [website](#) and please consult your tax preparer with deduction questions.

**Important Dates**

Please note the contribution limits and plan funding deadlines below:

- 401k - For 2023, the maximum contribution under age 50 is \$22,500 (up from \$20,500 in 2022). The catch up is \$7,500 for over age 50.
- Traditional and Roth IRA funding for 2022 and 2023 - The maximum allowable contribution for 2022 is \$6,000 with a \$1,000 catch-up over age 50. The maximum allowable contribution for 2023 is \$6,500 with a \$1,000 catch-up over age 50. We have until the tax filing deadline of, April 15, 2023 for 2022 contributions and April 15, 2024 for 2023 contributions. **Please note the deadline is extended to October 16 in federally declared disaster areas (AL, CA, GA).**
- SEP IRA - \$61,000 limit for 2022 with 4/17/23 contribution deadline (or tax filing date). \$66,000 contribution limit for 2023 – deadline to contribute is 4/15/24 (or tax filing date).

**Milestones**

- 50: Catch-up contributions to IRAs and qualified retirement plans
- 59 ½: Can take distributions from qualified retirement plans and possibly in-service withdrawals to IRA without penalty. Can also take distributions from IRAs without penalty
- 62-70: Can apply for Social Security benefits (we will help you estimate the best age to begin Social Security to maximize lifetime benefit)- With good health, social security benefits increase greatly every year you wait.
- 65: Can apply for Medicare
- 73-: Must begin RMDs (Required Minimum Distributions) from Traditional IRA accounts (excluding Roth IRAs)

**Help Protect Yourself from Scams and Fraud**

The FBI estimates that senior citizens lose more than \$3 billion each year to financial scams. Please see the attached brochure on how to help protect yourself and your loved ones.

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**June is Alzheimer's Awareness Month**

**1 in 9 individuals over age 65 are impacted by Alzheimer's**

If a loved one is impacted by Alzheimer's, attached are ways to offer support.

**Quarterly Team News**

**Erekle Chanturia** – Erekle passed Level I of the rigorous Chartered Financial Analyst (CFA®) exam. The CFA curriculum trains the fundamentals of investment tools, valuing assets, ethics, portfolio management, and wealth planning.

**Team Website Update**

Please note tax planning tables and archived newsletters can be found on our team website:

[www.zasprivatewealthmanagement.com](http://www.zasprivatewealthmanagement.com)

Full biographies of each financial advisor and client associate can be found on our website.

Our website also includes wealth planning areas our team implements as needed, detailed examples of services we provide, articles, newsletters, financial calculators and an account log-on link.

**Conclusion**

Investors should not make portfolio reallocations or substantial changes to long-term investment plans based solely on current events. Our investment planning extends throughout 2023 and well beyond and we continue to align portfolios with economic trends that we believe should continue. It is important to keep unique planning, time horizons and financial goals into focus.

While the Federal Reserve makes every effort to engineer a "soft landing" for the economy and avoid a recession, that is a herculean task to calibrate a \$22 trillion economy and we anticipate continued elevated volatility. Volatility is a normal part of market cycles and behavior and can offer opportunities for building wealth to patient long-term investors. To reiterate investor Warren Buffet's message, financial markets are resilient and patient investors have historically been rewarded in the long-run. A downturn is no reason to exit the market as investors who allow their emotions to dictate strategy can suffer lower returns. It is critical to align investments with goals and needs and then continue to stay on course towards your financial goals (i.e. retirement, college) even through volatile markets.

As always, we are available to discuss any questions you may have and review your goals, needs and current plan. When reviewing your goals and needs, it is important to keep in mind that investments in equities/stocks are intended for 3-5 years and beyond. We re-evaluate plans when investor goals, liquidity needs and time horizons, not financial markets change. Historically, long-term investors have been rewarded for staying invested despite more volatile times and diversification and asset allocation have historically helped to reduce long-term portfolio volatility.

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*Asset allocation and diversification do not ensure a profit or protect against a loss in a down market.*

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*Wells Fargo Advisors is not a tax or legal advisor.*

**Eddie Zalayet, CFP®**

Managing Director - Investment Officer  
PIM Portfolio Manager  
MA International Economics and Finance

**Howard Adler**

Managing Director - Investment Officer  
Senior PIM Portfolio Manager

**Berit Suba, MBA, CFP®**

Managing Director – Investment Officer  
PIM Portfolio Manager  
Chartered SRI Counselor™  
Chartered Retirement Planning Counselor<sup>SM</sup>

**Stephanie Werden, CFP®, CSRIC™, CRPC®**

First Vice President – Investment Officer

**Zalayet, Adler & Suba Private Wealth Management Group  
of Wells Fargo Advisors**

**555 California St Ste 2300  
San Francisco, CA 94104  
(415) 395-2716**

**<https://www.zasprivatewealthmanagement.com/>**

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**PRIVATE WEALTH MANAGEMENT GROUP**  
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- (1) <https://www.conference-board.org/topics/us-leading-indicators>
- (2) <https://news.yahoo.com/global-food-costs-2-low-085426730.html>
- (3) <https://www.bloomberg.com/news/articles/2023-06-12/us-food-prices-are-still-up-8-2-online-even-as-inflation-cools> & <https://news.adobe.com/news/news-details/2023/Media-Alert-Adobe-Digital-Price-Index-Online-Prices-Fall-to-36-Month-Low-Down-2.3-In-May/default.aspx>
- (4) Sources: Bloomberg, Bureau of Labor Statistics, Wells Fargo Investment Institute. Monthly data from June 1, 2021 to May 31, 2023.
- (5) <https://www.reuters.com/world/us/us-debt-ceiling-bill-faces-narrow-path-passage-house-2023-05-31/>
- (6) <https://www.bls.gov/news.release/empstat.nr0.htm>
- (7) <https://www.forbes.com/advisor/investing/fed-funds-rate-history/>
- (8) <https://apnews.com/article/consumer-confidence-spending-economy-inflation-9988737f7e68178328df41b113cb32c6>
- (9) <https://www.msn.com/en-us/money/realestate/u-s-household-net-worth-rose-in-q1-as-equities-value-offset-real-estate-s-dip/ar-AA1ciV81#:~:text=U.S.%20households%27%20net%20worth%20increased%202.1%25%20to%20%24148.8T,to%20a%20Federal%20Reserve%20report%20released%20on%20Thursday.>
- (10) <https://gasprices.aaa.com/>
- (11) <https://www.spritzlerreport.com/post/here-s-what-retirement-looks-like-in-america-in-six-charts>

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