

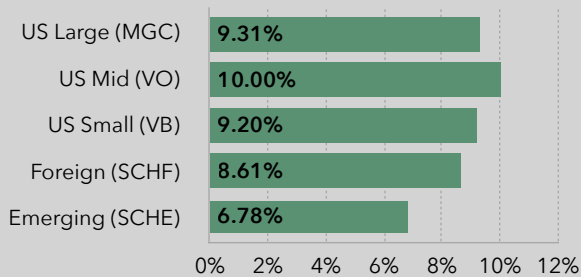
## November 2023

### Economic Data

- 199,000 jobs were added in November as striking auto workers returned to the job; the unemployment fell to 3.7%
- Retail sales were down 0.1% in October with furniture and home furnishings down the most declining 2.0%
- Y/y inflation (CPI) slowed to a 3.2% pace in October while the core rate (less food and energy) fell to 4.0%
- Existing home sales fell 4.1% in October and are down 14.6% y/y; median home price fell to \$391,800

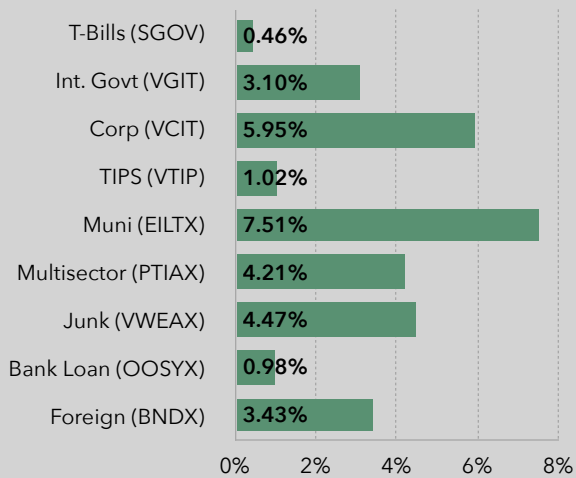
### Stocks

#### November Returns



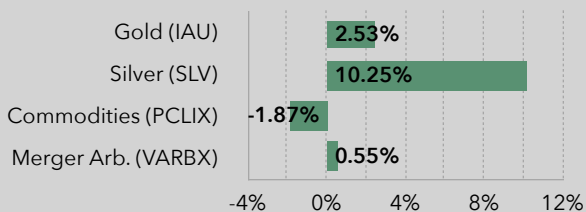
### Bonds

#### November Returns



### Alternatives

#### November Returns



Performance data provided by Morningstar

The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slow, reflective, and not guided by emotions. It is that second system — type 2 — that we want in control of our investment portfolios.

### Overfunding a 529 Plan as a Retirement Savings Strategy?

One of the most difficult things for parents is estimating just how much you need to put away into a 529 plan for your child's education. Are they going to go in-state? Out-of-state? Public? Private? Will they go at college all? It's really tough to know which university your kid wants to go to when they are still filling diapers and sticking plastic dinosaur toys up their nose.



DALL-E is way too weird and fun sometimes

You probably aren't going to know exactly where they are going—if anywhere—until you are within a year of having to start paying for it. Even if you did know with certainty, you don't know how much it is going to cost. The cost of higher education keeps rising, after all. On a more positive note, there could also be scholarships in play.

Another variable constantly moving the goalpost is how the investments perform. You might plan for a 7% average return, but what you ultimately earn could be significantly different. With so many unknowns, the best we can do is make a well-supported estimate and continue to reevaluate and adjust along the way.

For many the concern is not having enough saved. However, for some, there is the opposite concern: what happens if I put too much into a 529 plan? If you don't have another family member you can (or want) to transfer the funds to, you would be subject to income taxes and a 10% penalty on the earnings portion of the remaining funds you withdrawal for purposes other than qualified education expenses.

Having too much money is not the end of the world, of course, but overshooting is a legitimate planning worry. This is particularly true for those who "superfund" their child's college savings at an early age. Superfunding allows you to front-load five years of gifts in one year, allowing a single person to contribute up to \$85,000 to a child's 529 plan in one go.

Fortunately, the \$1.7 trillion spending bill passed last year contained a new out for parents with leftover money in 529 college savings plans. Under the new law, which goes into effect in 2024, money can be rolled over tax-free into a Roth IRA.

Here are the details:

- The money must be rolled over into a Roth IRA in the beneficiary's name (typically your child)
- There is a lifetime maximum of \$35,000 that can be transferred, so let's not go crazy
- The 529 plan must have been open for more than 15 years
- Rollover funds cannot include any contributions or earnings on those contributions made in the previous five years
- Rollovers are subject to the annual Roth IRA contribution limit, which is \$7,000 for 2024 so it would take at least five years to get to \$35,000
- Lastly, the beneficiary has to have earned compensation in the year of the rollover at least equal to the amount transferred

Aside from these rules, there are still some unresolved issues the IRS has yet to comment on. The first is if you switch beneficiaries on the account, does that reset the 15-year timer? The second is whether the \$35k max is per owner or per beneficiary. The thinking as of now is that it is per beneficiary.

So does this mean you should intentionally be overfunding your child's 529 plan to help give them a head start on retirement savings? It seems like a legitimate strategy to me if that is your goal. At the very least, it should alleviate some concern parents have about overfunding.

There is another potential strategy I see, and I am curious if Congress or the IRS will close this potential loophole. What's stopping me—a childless, post-educational, 42-year-old man—from funding a 529 plan and naming myself as beneficiary? Nothing, I can totally do that. Then what's stopping me from sitting on it for 15 years, earning tax-free investment returns? Again, nothing. After those 15 years, what's stopping me from rolling that money into my Roth IRA? Again, nothing if I follow the rules as outlined above. This could be a workable backdoor maneuver for getting money into a Roth IRA for those that are currently ineligible because they make too much. Am I going to do it? I mean, yeah maybe, but not until we get some clarification.

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Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
<b>Fixed Income</b>			●		
Duration	●				
Inflation				●	
Credit	●				
Foreign			●		
<b>Equities</b>		●			
Large Cap	●				
Mid Cap		●			
Small Cap			●		
Developed Intl.	●				
Emerging		●			
<b>Alternatives</b>					●
Commodities					●
Hedging					●

## Binge Box

### Only Murders in the Building (Hulu)

When was the last time we saw comedy legends Steve Martin and Martin Short together? There was *Three Amigos!* in 1986 and then the *Father of the Bride* films in the 90's. Then, sadly, nothing. That is until just a couple years ago when *Only Murders in the Building* came out. The two star as murder podcast fans turned murder podcast hosts as they attempt to solve a murder in their own building in New York City. Selena Gomez is there, too, presumably to draw in a younger fanbase. There are a number of other famous people who pop in throughout the series. Anyway, I found the first two seasons to be entertaining and just started the third, where it looks like Meryl Streep will steal the show.

## About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser based in Chicago, IL. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select clients. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.

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