



# D | A | DAVIDSON

WINTER 2024

## THE DUGDALE | HAYES INVESTMENT GROUP

Financial Advisors with D.A. Davidson & Co. member SIPC

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## Increased Contribution Limits for 2024

The IRS has published contribution limits for qualified accounts for 2024. Below you will find the maximum allowed for different accounts plus the allowable catch-up contribution for individuals who will be 50 or older in 2024.

### Traditional and Roth IRAs:

**Contribution limit: \$7,000**

**Catch-up contribution: \$1,000**

Please note that you can contribute to one or both (provided you meet the income requirements), but the annual amounts apply to all accounts. In other words, you cannot maximize annual contributions into both account types.

### Employer Sponsored Plans, such as 401(k), 403(b) and 457:

**Contribution limit: \$23,000**

**Catch-up contribution: \$7,500**

Contributing to an employer sponsored plan does not preclude from contributing to an IRA as long as you meet income requirements.

### Employer Sponsored SIMPLE Plans:

**Contribution limit: \$16,000**

**Catch-up contribution: \$3,500**

### Simplified Employee Pension (SEP) accounts:

**Contribution limit: \$69,000**

Contribution limit is 25% of employee's total compensation or \$69,000, whichever is less.

### Defined Contribution Plans:

**Contribution limit: \$69,000**

This includes plans such as profit-sharing and money purchase pension plans. The total annual contribution (employee and employer combined) cannot exceed the lesser of 100% of the participant's compensation or \$69,000.

Source: IRS notice 2023-75

# Bonds and Interest Rates

One of the nice things about bonds is that “bond math” is pretty straightforward. When you buy a fixed income security and hold it to maturity, you know exactly what your return will be. This is true whether you buy it at face value or in the secondary market for a premium or a discount. Since not everyone holds a bond to maturity, and they are traded all the time, the price of a bond (or bond fund) can move around quite a bit based on interest rates. Remember that interest rates and bond prices have an inverse relationship. A rapid increase in interest rates can cause the share price of bond funds to decrease since it reflects the value of all the bonds in the portfolio. Different bond funds will not experience the exact same movement in prices because they can have different characteristics. Some bond funds only hold bonds that will mature in the next three years, some can own bonds with a variety of maturities, and others may only hold bonds after 10 years or more. We can use a metric called “duration” to calculate the impact that interest rate moves will have on bond prices. For example, if a fund or portfolio has a duration of five, that means that a one percentage point move in interest rates will move the price of the fund by 5% (in either direction). A duration of three results in a 3% move for one percentage point and so on. The longer the duration the more sensitive a fund is to interest rate moves.

For most of 2022 and 2023, we have maintained a fairly short duration for bonds. It’s been right around 2.5 in our actively managed Paragon portfolios. This means that those bond prices held up better than bonds with a longer duration as interest rates began to rise. With an inverted yield curve shorter maturities were (and still are) carrying a higher interest rates than longer maturities.

Now that we have a much clearer picture of the interest rate environment, we are going to begin increasing our duration. This is purely due to bond math. It appears that the Fed is done with drastic interest rate moves in either direction based on Fed minutes. So if the big moves are over, we can calculate the risk we are taking if we increase duration (we would want to increase duration if we think interest rates are going to go down). The fixed income experts at First Trust Portfolios provide the following for consideration. As of 12/31/2023, the Five-Year Treasury had a yield of 3.85%. If interest rates move up 1%, then the 12-month total return on that bond will be -0.56%. If interest rates move *down* by 1%, then the 12-month total return becomes 8.17%. This is the “coupon” or interest paid on the bond plus the price move. We think interest rates are more likely to move down than up this year. If we’re wrong, then we’re not taking a huge risk by extending maturities. As a comparison, as of 12/31/23, the yield on a 10-year Treasury was 3.89%. A 1% increase in rates would be a 12-month total return of -4.17%, and a 1% decrease would result in a 12-month total return of 11.67%. Even though the potential return is much higher, we don’t feel that the added risk is worth it. We believe one of the core reasons to hold bonds is capital preservation. So we will be increasing duration based on our belief that rates are more likely to go down than up, but not increasing it so much that we introduce additional volatility into portfolios.

*Source: First Trust Portfolios Income Insights 1st Quarter 2024*

## Important: Tax Document Mailing Information

It’s that time of year again when documents will begin mailing for your 2023 taxes. Below we offer some information and expected mailing dates to assist you in your preparation.

There are different types of 1099 forms that can be generated based on account type. A 1099-R will document distributions from qualified accounts such as an IRA. If any of your 2023 income came from a qualified account, you will receive this type of tax form. If no distributions from qualified accounts occurred, then you will not get a 1099-R. Please also note that forms showing contributions into IRAs are not generated until May because taxpayers have until their tax filing date to make contributions for the prior year. So it is up to you to declare on your tax form the amount of any contributions made into IRA accounts for 2023.

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# Important: Tax Document Mailing Information

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1099s for taxable accounts that show capital gains or losses, dividends, and interest are usually mailed after 1009-R forms. If you have both taxable and qualified accounts, be aware that you could receive tax documents at two different times.

Mailing of 2023 tax documents will occur in waves as in prior years. Mailing will begin in early February and thereafter, as the information becomes available. The majority of forms will be mailed by February 15. Certain types of investments such as REITS, closed-end funds and mutual funds have a high probability of reclassifying their payments. Those issuers have until February 29, 2024, to reclassify 2023 distributions which would delay mailing of documents for accounts holding those securities. In those instances, the final mailing deadline could be as late as March 15. If tax documents for some accounts are not mailed in the first wave, you will receive a postcard notifying you of this. We suggest talking to your tax professional about when to file your return to avoid having to amend your tax return.



If you have any questions, you may call (800) 372-1444 for a recorded message with mailing status updates.



Left to right: **Kate Absec**, FPQP®, Senior Registered Associate; **Brad Dugdale**, Senior Vice President, Financial Advisor, Portfolio Manager; **Stephanie Brunner**, Client Associate; **Darin Hayes**, CPFA, CWS®, Senior Vice President, Financial Advisor, Portfolio Manager.



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# Team Tidbits

## Brad

The holidays are a special time of year. Thanksgiving and Christmas were special with little Bella. Bradley and his sweetheart were present for Thanksgiving but spent Christmas in Austin. Shariae sisters' family, who retired in the country of Turkey, spent Christmas with us along with Dani, Chase, and Dani's mom, Marie. Nine adults and Little Bella. Viewing the holidays through young eyes reinvigorates my passion for the holidays. Of course, Bella was the star of the show. Decorating the tree and opening gifts with the biggest smile on her face. Shariae and I feel so blessed. We sure hope everyone had a nice holiday. On the golf front, the "Golf Gods" blessed me with another hole-in-one on January 14!

## Darin

Had a great Christmas and New Year. Teagan was home for the holidays after finishing off her first semester at U of I with a 4.0 GPA. We didn't get to do any snowboarding, though, because the key ingredient was missing. That has changed! Monique and I will be sneaking off to Vegas for a few days in the middle of February but that's really all we have planned for the foreseeable future. Monique did go to Florida for a few days at the end of January for a "Corporate Governance Conference." Wow. What a hoot! I stayed home. We are all very much looking forward to a little more daylight in the coming weeks. Cold AND dark does start to wear on a person. I didn't make any New Year's Resolutions. Which means this will be the first year I don't break any!

## Kate

I'm writing this on the day following a wonderful 1-foot dump of snow on the N. Idaho region. I'm not a skier or snowboarder, but I do love the snow, the hype, the anticipation, etc., and love to hunker down inside, warm, cozy, etc. This year, however, as our third year being full-time lakefront residents, the frigid below zero temps and -30-degree wind chill temperatures brought the "icky" side to light. We pull water from the lake and, yes, you guessed it, the water froze. Our heated pipe is good for -40 actual temp, but negative wind chill temps make that heat tape a moot point. Shout out to Patrick from United Crown and Pump

who came to save the day. My hero! So, as the snow falls now, we are thankful for heat, electricity AND running water.

The holidays are behind us for another year, and they were certainly fun with a house full of chatter and laughter. Truth be told, there is still a naked Christmas tree in our living room. I just haven't gotten there yet. Terry and I usually take a junket to Cabo in January but had to reschedule this year as we were scared off by reports of higher-than-normal cases of stomach upset/compromised water system. No thank you. Let's finish off winter strong and hopefully by the next time we write we will have a promising spring in our sights.

## Steph

I passed the SIE, which is the first of the licensing exams needed to become fully registered in our industry! 1 down and 2 more to go! I have just begun studying for the Series 7 and plan to take it mid-April. My latest exciting news is that Dawson turned 3 the first week of January and is now 99% potty trained! We are very proud of her and what's even better is that she is proud of herself. These days she is all about dancing around the house and singing along to her favorite theme songs. It makes my heart so full to watch her bright spirit wiggle around a room. If you have littles in your life and want to get some energy out of them, turn on the "Danny Go!" YouTube show. Trust me, you will be thanking me later. Anyway, we are just trying to stay healthy during the cold season, enjoy the snow when the weather allows, and have fun whenever we can. In the spirit of turning a new leaf, I bid you a farewell today with this wish...May the coming year be a chapter of victories, a book of possibilities, and a story of personal growth. ~Al. As always, stay classy. Happy New Year!