THE LIGHT

A FREE QUARTERLY PUBLICATION OF
LIGHTHOUSE WEALTH MANAGEMENT, INC.

FALL 2023

HELPING INDIVIDUALS NAVIGATE THEIR FINANCIAL LIVES

HOME IMPROVEMENT ENERGY CREDITS FROM THE INFLATION REDUCTION ACT

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On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022 ("IRA"). A large portion of this bill includes climate change provisions, but for taxpayers, it's all about changes to the energy credits. Minimum energy efficient requirements must be met to qualify, and improvements must be made to homes used as a personal residence by the taxpayer. Thus, energy improvements made by lessors would not qualify. The following is a summary of major provisions of this recent Act that became effective January 1, 2023, and remains in effect for energy-efficient property placed in service prior to January 1, 2033.

ENERGY EFFICIENT HOME IMPROVEMENT CREDIT ($3,200 annual limit)

What was once limited to a $500 lifetime credit through 2022, the IRA allows up to $1,200 aggregate for all qualified energy efficient building envelope components (doors, windows, and insulation), home energy audits, and energy property. Residential energy property includes the following: central air conditioners, natural gas/propane/oil water heaters, natural gas/propane/oil furnaces, hot water boilers and/or electric panel or circuit upgrades for new electric equipment.

Electric or natural gas heat pump water heaters, electric or natural gas heat pumps, and biomass stoves/boilers represent a separate aggregate yearly credit limit of $2,000. Thus, the maximum total annual energy efficient home improvement credit is up to $3,200. Labor costs for the installation of residential energy property may be included in the calculation of the credit. In contrast, labor costs are not included when calculating the credit for building envelope components.

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$1,200 AGGREGATE CREDIT
(Building envelope components, home energy audits & energy property)

Exterior Doors: 30% of cost up to $250 per door, for a total of $500

Exterior Windows & Skylights: 30% of cost up to $600

Insulation Materials and Air Sealing Materials: 30% of cost

Home Energy Audit: 30% of cost up to $150

Residential Energy Property: 30% of cost, *including labor*, up to $600 per item*

HOME IMPROVEMENT ENERGY CREDITS *Continued from Page 1*

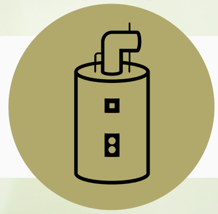
The energy efficient home improvement credit is limited to improvements to existing homes and does not extend to newly constructed homes. There is also no credit carryforward for any unused portion of this credit.

RESIDENTIAL CLEAN ENERGY PROPERTY CREDIT (No Dollar Limit)

The residential clean energy property credit is a 30% credit for certain qualified expenditures made by taxpayers for residential energy efficient property. The IRA extends the residential clean energy property credit through 2034. The 30% credit applies for property placed in service before January 1, 2033. This credit rate phases down to 26% for property placed in service in 2033, and to 22% for property placed in service in 2034. No credit is currently available after December 31, 2034.

Taxpayers may include labor costs in calculating the residential clean energy property credit, and there is no overall dollar limit for this particular credit. Eligible expenditures include these: solar panels, solar water heaters, fuel cell property, wind turbines, geothermal heat pump property, and battery storage technology expenditures. The residential clean energy property credit can be claimed for expenses incurred for either existing homes or newly constructed homes. Taxpayers may carryforward the unused amount of the credit to reduce future tax liabilities.

$2,000 AGGREGATE CREDIT
(Heat pumps and biomass stoves/boilers)



Electric or Natural Gas Heat Pump Water Heaters: 30% of cost, *including labor*

Electric or Natural Gas Heat Pump: 30% of cost, *including labor*

Biomass Stoves & Biomass Boilers: 30% of cost, *including labor*

Clean Energy Property Credit:
30% of cost, *including labor*
NO DOLLAR LIMIT

ARTIFICIAL INTELLIGENCE 101

GREG EMMONS, CFP ®
INVESTMENT ADVISOR REPRESENTATIVE

Artificial intelligence ("AI") has been around for decades, but by the amount of attention it has received, especially in the investment world, one might think it's fairly new to the scene. Before we go any further on this incredibly wide-ranging topic, I think it would be useful to define AI. "AI is the ability of machines to perform tasks that are typically associated with human intelligence, such as learning and problem-solving." AI applications include advanced web search engines (Google), recommendation systems (YouTube/Amazon/Netflix), understanding human speech (Siri and Alexa), self-driving cars (Tesla), and generative or creative tools (ChatGPT). See, all of you reading this are already using AI and can safely consider yourselves experts!

The recent wave of excitement around AI can mostly be attributed to the rolling out of ChatGPT by Open AI last November. If you haven't played around with this new tool yet, I'd highly encourage you to check it out. What you'll find is a search engine on steroids in which the responses to your inquiries are very human like and thorough. No, it's not perfect and the CEO/co-founder Sam Altman openly talks about that in various long-form interviews. He strikes me as someone who is very thoughtful and understands the power that comes with technology as potent as AI. (Just think of any book or movie in which the robots take over the world). Open AI, in which Microsoft owns a significant share, wanted to roll this out in such a way to encourage discussion and provide people the chance to give their input around its uses and capabilities. Based off the opinions of experts in this field and how widely AI is used, a slower, more gradual rollout seems appropriate.

ARTIFICIAL INTELLIGENCE

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What does all this mean for investors and the market? It's hard to ignore what has already taken place due in large part to optimism around the AI theme. Specifically, the NASDAQ is up 26% on the year. Companies like Nvidia, which make the computer chips that process graphics and provide the power for the machines that use AI, is up 198% year to date! Not to mention Google (49%), Apple (32%), Microsoft (32%), Amazon (51%), Meta (149%), and Tesla (103%) are all up significantly. Since November, the market started to vote on who was going to benefit most from this technology, and it's clear to see who they favor. Their share prices aren't up solely due to their use of AI, but it's definitely been a major contributor. Not only are these companies already using AI, but they're continuing to invest billions of dollars into the space, paving the way for years to come.

Beyond just the tech sector, various industries stand to benefit from the use of AI. The healthcare industry is using it to help with disease diagnosis, drug discovery, personalized medicine, and medical image analysis. With this information, doctors and other healthcare professionals are able to make faster and more accurate decisions. Manufacturing is using AI-powered machines and automation systems for quality control, predictive maintenance, and supply chain optimization. Agriculture is using it for crop management and pest control. Retail is using it for inventory management, demand forecasting, and customer insights.

Across the board, the playbook is relatively simple for how AI is going to affect businesses' bottom line. AI is going to help them become notably more efficient, which in turn leads to cost savings and ultimately leads to higher profits. An increase in profits sends the stock price further north. Authorities in this space are indicating the impact of AI is going to be massive. Most are saying much bigger than the Internet. The Internet, whose official birthdate is January 1, 1983, has been transformative to say the least. Anything that could make the Jetsons look like the Flintstones should have our attention.

MARKET RECAP

How the major indices performed in the 3rd Qtr. 2023:

DOW JONES INDUSTRIAL AVERAGE				
	3rd QTR. RETURN:	-2.62%	YTD RETURN:	1.09%
S & P 500 COMPOSITE				
	3rd QTR. RETURN:	-3.48%	YTD RETURN:	11.68%
RUSSELL 2000				
	3rd QTR. RETURN:	-5.49%	YTD RETURN:	1.35%
BARCLAYS AGGREGATE BOND				
	3rd QTR. RETURN:	-1.03%	YTD RETURN:	-3.04%
NASDAQ COMPOSITE				
	3rd QTR. RETURN:	-4.12%	YTD RETURN:	26.03%

**All indices are reported Total Return which includes Dividends*

MARKET UPDATE: 3Q 2023

BY TIM ROWSEY, CPA
INVESTMENT ADVISOR REPRESENTATIVE

Down quarter for equities

The third quarter of 2023 saw all of the major indices fall for the quarter. July was actually a strong month, but August and September gave back all the gains. We are cautiously optimistic that the worst of the declines may be behind us. The Dow, S&P 500 and NASDAQ are all still up YTD with The Dow up 1.09%, the NASDAQ up 26.03%, and the S&P 500 up 11.68%.

Bonds funds declined for the quarter, but Treasury yields rose to multi-year highs.

The US Aggregate Bond Index was down 1.03% in the third quarter and is down 3.04% for the year. Increasing interest rates typically have this effect on the bond market. For many of our clients, we are using short-term Treasuries which are currently yielding in the 5.1% to 5.5% range. The Fed raised rates 0.25% in July and then held steady in September. Most experts believe that we will see another 0.25% rate hike this year and then the Fed will pause.

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