

JADESPEAK

WINTER: First Quarter 2022

2022: A LOOK AHEAD

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When someone asked me the other day what I thought Year 2022 would have in store, my gut reaction was something along the lines of, “Do I have to?” I mean seriously, is anybody else feeling a little beaten up lately? If the last two years were low-budget horror films, I imagine they’d have titles like “Pandemic: Stuck Inside” and “Pandemic II: You’re Not Going Anywhere.”

Fact is, we all deserve medals for slogging through months of CDC guidance, mask debates, school closings, working from home, empty store shelves, modified family gatherings and Zoom meetings. Still, I have faith that we will turn a corner. I have faith that we can still make progress toward our individual goals. And I have faith that we will come out on the other end a little wiser, and with a greater appreciation for the truly important things in life.

As many of you have heard me say before, “I do have a crystal ball (sitting on my desk), but it’s broken and the part is on backorder.” I don’t know many things that will happen this year, however I do want to review some known events, as well as share what is on our radar.



As I reflect on last year in relation to the markets, I think of two things: “Inflation” and “COVID-19 Variants.” Year 2022 could very well tell the same story.

A total of \$5.1 trillion in stimulus packages was passed the last two years. Paired with lockdowns and labor shortages, this is a recipe for inflation that is more than “transitory.” As more data came throughout the year, more pressure was applied to the markets and the Federal Reserve.

Last spring, as COVID-19 cases trended downward, many restrictions were lifted and the economy grabbed another gear. Then, in late summer, the arrival of the Delta variant dampened the pace of the improvement in the third quarter. This variant passed rather quickly, only to be replaced by another new variant (Omicron) around Thanksgiving. Consequently, the markets fell again before the year-end Santa Claus rally.

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COUNTING ON EMOTION: TAX SEASON FRAUD

As tax season rolls around, it's best to be aware of fraud trends that crop up during this time. This appears to be an especially popular time for phishers to hit the unsuspecting public.

Taxpayers are routinely subject to assault with spam and malware infections. The emotional triggers around filing taxes and communicating with authorities can prompt emotional responses.

Consider two emotions that are the subjects of a recent RSA report shared by Raymond James Information Security professionals. (RSA specializes in security and risk management.)

Those committing fraud in the tax season count on reactions to:

• **Anxiety** – being faced with the (false) accusation of a rejected/fraudulent state-

ment and wanting to rectify the issue

• **Sense of obligation** – having to comply with the civil obligation to report to the taxation authorities

Campaigns extend into May and June with fake returns and rejected/fraudulent statements.

Malware attachments sent in the guise of tax statements, phishing emails from alleged tax authorities, and online tax-filing scams are among the potentially damaging exchanges. RSA says people are tricked into thinking they are "opening an online account, updating their personal information, contesting a fraudulent statement, or receiving a refund."

If you receive suspicious email, it's best to delete it. A file sent in a fake email can

be what is known as a Trojan executable. Check the file extension (.pdf followed by .exe). When opened, the malware will infect the PC. Emails that appear to come from an online tax filing service can contain a malware download disguised as a .zip file.

If you believe you've been the victim of identity theft, you can report the issue to a credit reporting agency to put an initial fraud alert on your credit report. A fraud alert is free. You must provide proof of your identity. The company you call must tell the other credit reporting companies about your alert.

Being aware of potential scams is a good first step in fighting against fraud.

For more information about these and other tax scams, visit the Internal Revenue Service website at www.irs.gov.

LOOK AHEAD

FROM FRONT PAGE

This year all eyes will be on the Federal Reserve. Last November, the Fed began to taper the printing of money. In January they sped up the pace of the reduction and, by the end of March, they should be finished.

So now the Fed has forecasted it will raise rates three times this year. Raymond James Chief Economist Scott J Brown, PhD, says, "The Fed appears to face a tradeoff in 2022. If it waits too long to raise short-term interest rates and higher inflation becomes more rooted, it will eventually have to raise rates more to get inflation back down, slowing economic growth and risking a recession. Most likely, the Fed will begin to raise short-term interest rates by the middle of 2022 and proceed gradually, but a lot depends on the evolution of the economy."

Supply chains are still disrupting consumer markets. I myself have a piece still on

backorder from last March due to a foam shortage. The question is, how long do these bottlenecks last? There are still many cargo ships at anchor on the West Coast as ports continue to work on how to logistically catch up. Many companies are reporting low inventories and they are unable to meet consumer demand.

We are hopeful the worst is behind us and supply chains return to normalization late in the year or in early 2023.

Lastly, the midterm elections are in November. History suggests the incumbent party tends to lose seats in the House of Representatives in midterm elections. This makes the anticipated outcome gridlock in Washington D.C. Markets will likely be favorable of this outcome, as major policy changes become less likely.

We at Jade feel this year could be turbulent. However, we also feel the markets will end the year higher than where we began.

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