



# OnWealth

Financial Advice from Wealth Management Services



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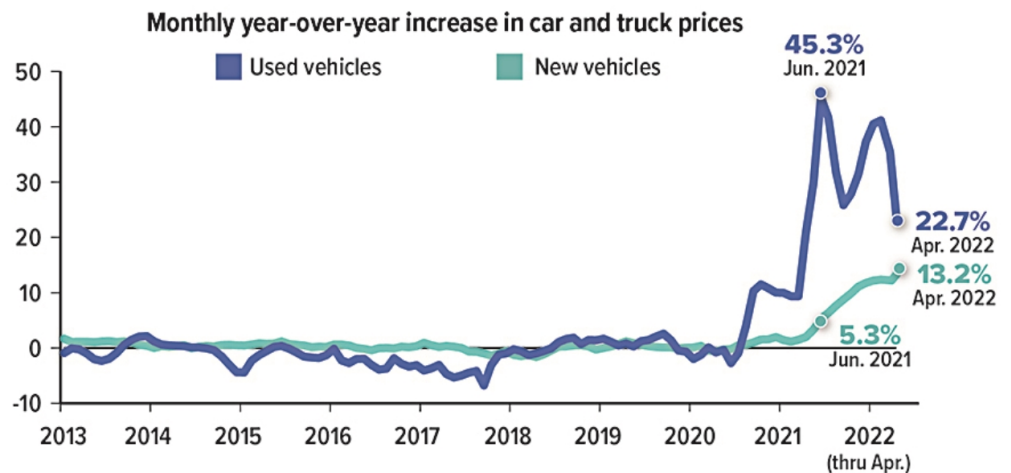
## 3,337,000

Number of new cars sold in the U.S. in 2021. Sales to consumers accounted for 43.5% of this total, sales to businesses accounted for 54.7%, and sales to the government accounted for 1.8%. The sales total represents a 50% drop from 2016.

Source: U.S. Department of Transportation, 2022

## New Vehicle Shortages Drove Up Used Vehicle Prices

Prices for used cars and trucks began to rise at an unprecedented rate in August 2020 after remaining relatively flat since 2013. As new vehicle production was limited by supply-chain issues, demand for used vehicles skyrocketed. By June 2021, prices for used vehicles had grown by 45.3% year over year. After dropping somewhat, they peaked again in March 2022, finally dipping again in April. As new vehicle production accelerates, used car and truck prices could moderate, though the market may not recover quickly.



Source: U.S. Bureau of Labor Statistics, 2022 (Consumer Price Index for All Urban Consumers)

# Diversifying Your Portfolio with International Flair

Global economic growth is projected to drop from a 5.8% rate in 2021 to 3.3% in 2022, as the world grapples with repercussions of the Russia-Ukraine war and ever-changing conditions wrought by the pandemic. Growth forecasts of 3.3% for the United States and 2.4% for the euro area in 2022 (down from 5.6% and 5.2%, respectively, in 2021) reflect the prospect of supply constraints along with rising inflation and interest rates. China's growth is projected to slow to 5.1% in 2022 from 8.1% in 2021 due to its zero-COVID strategy and languishing real estate sector.<sup>1-2</sup>

Investing internationally provides access to growth opportunities outside the United States, which may boost returns and/or enhance diversification in your portfolio. But foreign securities carry additional risks that may result in greater share price volatility; these risks should be carefully managed with your goals and risk tolerance in mind.

## Foreign Factors

It's more complicated to perform due diligence and identify sound investments in unfamiliar and less transparent foreign markets. Plus, there are potential risks that may be unique to a specific country.

**Politics and economic policies.** A nation's political structure, leadership, and regulations may affect the government's influence on the economy and the financial markets.

**Currency exchange.** If a domestic currency is strong against a foreign currency, purchasing power is gained when exchanging to the weaker currency. If the foreign currency continues to weaken, any investment gains and the principal may lose value when exchanged back to the domestic currency.

**Financial reporting.** Many developing countries do not follow rigorous U.S. accounting standards, which makes it more difficult to have a true picture of company performance.

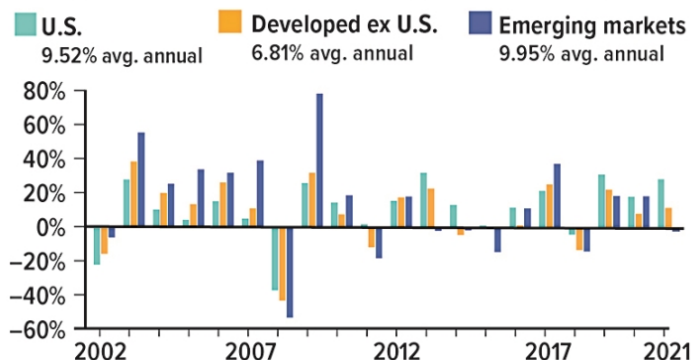
## Global Strategies

One way to invest in foreign markets is with mutual funds or exchange-traded funds (ETFs). The term "ex U.S." typically means that the fund does not include domestic stocks, whereas "global" or "world" funds may include a mix of U.S. and international stocks.

International stock funds range from broad funds that attempt to capture worldwide economic activity, to regional funds and others that focus on a single country. Some funds are limited to companies in developed nations, whereas others concentrate on nations with emerging (or developing) economies. Emerging-market stocks might offer greater growth potential, but they are riskier and less liquid than the stocks of companies located in advanced economies.

## Global Performance Picture

Stock market performance, 2002–2021  
(annual total returns and average annual returns)



Source: Refinitiv, 2022, for the period 12/31/2001 to 12/31/2021. U.S. stocks are represented by the S&P 500 Composite Total Return Index, developed ex U.S. stocks are represented by the MSCI EAFE GTR Index, and emerging market stocks are represented by the MSCI EM GTR Index; all are considered representative of their asset classes. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Rates of return will vary over time, especially for long-term investments. Past performance is not a guarantee of future results. Actual results will vary.

It may be tempting to increase your exposure to a booming foreign market, but chasing performance might cause you to buy shares at high prices and suffer more losses when conditions shift. If you decide to spread your investment dollars around the world, be prepared to hold on during bouts of market volatility. Still, you should rebalance your portfolio periodically to help ensure that your exposure to international stocks has not drifted too far from your intended allocation — to the detriment of your long-term investment strategy.

Investors should keep in mind that selling investments in a taxable account could result in a tax liability. Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. The return and principal value of all stocks, mutual funds, and ETFs fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Supply and demand for ETF shares may cause them to trade at a premium or a discount relative to the value of the underlying shares.

*Mutual funds and ETFs are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.*

1) S&P Global, 2022

2) International Monetary Fund, 2022

# Preparing for a Natural Disaster

Most areas in the United States are susceptible to some form of natural disaster, whether it's a wildfire, tornado, hurricane, earthquake, or flood. A severe storm or other catastrophic event often strikes with little warning, can result in costly damage to your home, and puts your family's safety at risk. Being prepared may help you make it through a natural disaster safely.

## Protect Your Home

Wherever you live, there are proactive steps you can take to help protect your home from natural disasters:

- To help fend off storm damage, inspect and repair roof shingles and flashing, clean your gutters and downspouts so that water can flow freely away from your home, trim overhanging tree limbs, and consider investing in storm windows, doors, and shutters.
- If you live in a fire zone, create a defensible perimeter around the outside of your home, keep roof surfaces and gutters free of flammable materials such as pine needles, leaves, and branches, and consider installing fire-resistant roofing and/or siding material.
- If you live in an area that could experience a major earthquake, retrofitting an older home (strengthening the foundation with braces and bolts) might reduce the amount of damage caused by severe shaking.

## Have an Emergency Plan/Disaster Kit

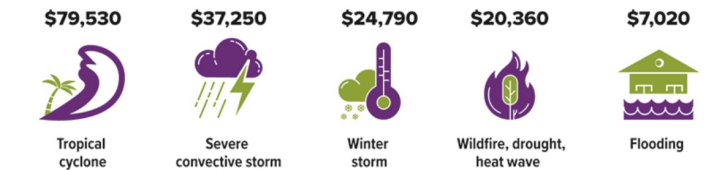
A natural disaster can sometimes cause power outages that last for days. It can also result in downed power lines, fallen trees and/or flooding that make roads impassable. Know evacuation routes and have an emergency plan that identifies a safe place to meet in the event that family members become separated. Keep important addresses and phone numbers readily accessible and identify a place where you can safely stay for an extended period of time if necessary. In addition, assemble a disaster kit with the following items:

- **Food/supplies.** Stock up on several days' worth of nonperishable food and bottled water. Store other items that are specific to your family's needs, such as infant formula, diapers, pet food, clothing, and blankets.
- **First aid/medicine.** Be prepared for any possible medical needs by having a first-aid kit. Also talk to your doctor about obtaining an extra prescription for important medications you take.
- **Communication/safety items.** Make sure your cell phones are fully charged before the storm arrives. Also gather additional safety items, such as matches, flashlights, batteries, and an AM/FM radio.

- **Important documents/valuables.** Place important documents, such as personal/financial/medical records and any valuables in a secure location that is easily accessible in case of an emergency.

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## U.S. Natural Catastrophe Losses, 2021 (in millions)



Source: Insurance Information Institute, 2022

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## Review Your Insurance Coverage

Review all of your insurance policies (e.g., homeowners, renters, and auto) to make sure that you have appropriate coverage for your property and belongings. Your home and its contents should be insured to their full replacement cost, including any new additions, remodels, and furniture. To assist with post-storm insurance claims, be sure to take pictures/videos and make an inventory of your home and valuables in case they are damaged or destroyed.

Keep in mind that certain types of damage (e.g., flood and earthquake) may be excluded from a standard homeowners policy, but separate coverage is often available. Contact your insurance agent to determine if you need to purchase additional insurance tailored to the risk in your area.

## Be Ready to File a Claim

If your home suffers severe damage from a natural disaster, you'll need to file a claim with your insurance company. To make the claims process easier, take pictures to document the damage (both inside and outside of your home) as soon as possible. While your claim is being processed, take steps to prevent further damage (e.g., putting a tarp on a damaged roof), since the insurance company may not cover anything beyond the initial damage to your property. Claims are paid up to policy limits.

Otherwise, you may be eligible for immediate disaster relief funds and special programs through the Federal Emergency Management Agency (FEMA). Federal disaster assistance is usually in the form of loans or grants and is available only if the affected area is declared a disaster area by FEMA and not covered by insurance.

# Adjusting Your Tax Withholding

Now that you've seen last year's tax results and can see where this year is heading, it may be a good time to consider adjustments to your income tax withholding.

## Getting It Right

If you have too much tax withheld, you will receive a refund when you file your income tax return, but it might make more sense to reduce your withholding and receive more in your paycheck. However, if you have too little tax withheld, you will owe tax when you file your tax return and might owe a penalty.

Two tools — IRS Form W-4 and the Tax Withholding Estimator on [irs.gov](https://www.irs.gov) — can be used to help figure out the right amount of federal income tax to have withheld from your paycheck. This can be beneficial when tax laws change, your filing status changes, you start a new job, or there are other changes in your personal situation.

You might make a more concerted effort to review your withholding if any of the following situations apply to you:

- File as a two-income family
- Hold more than one job at the same time
- Work for only part of the year
- Claim credits, such as the child tax credit
- Itemize deductions
- Have a high income and a complex return

## Form W-4

In some circumstances, you will need to give your employer a new Form W-4 within 10 days (for example, if the number of allowances you are allowed to claim is reduced or your filing status changes from married to single). In other circumstances, you can submit a new Form W-4 whenever you wish. See IRS Publication 505 for more information.

Your employer will withhold tax from your paycheck based on the information you provide on Form W-4 and the IRS withholding tables.

If you have a large amount of nonwage income, such as interest, dividends, or capital gains, you might want to increase the tax withheld or claim fewer allowances. In this situation, also consider making estimated tax payments using IRS Form 1040-ES.

You can claim exemption from federal tax withholding on Form W-4 if both of these situations apply: (1) in the prior tax year, you were entitled to a refund of all federal income tax withheld because you had no tax liability, and (2) for the current year, you expect a refund of all federal income tax withheld because you anticipate having no tax liability.

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