SULLIVAN & ASSOCIATES

AN INDEPENDENT REGISTERED INVESTMENT ADVISOR

A wealth management practice providing tailored solutions through a collaborative client experience for over 35 years

www.SullivanInternet.com

Spring 2022

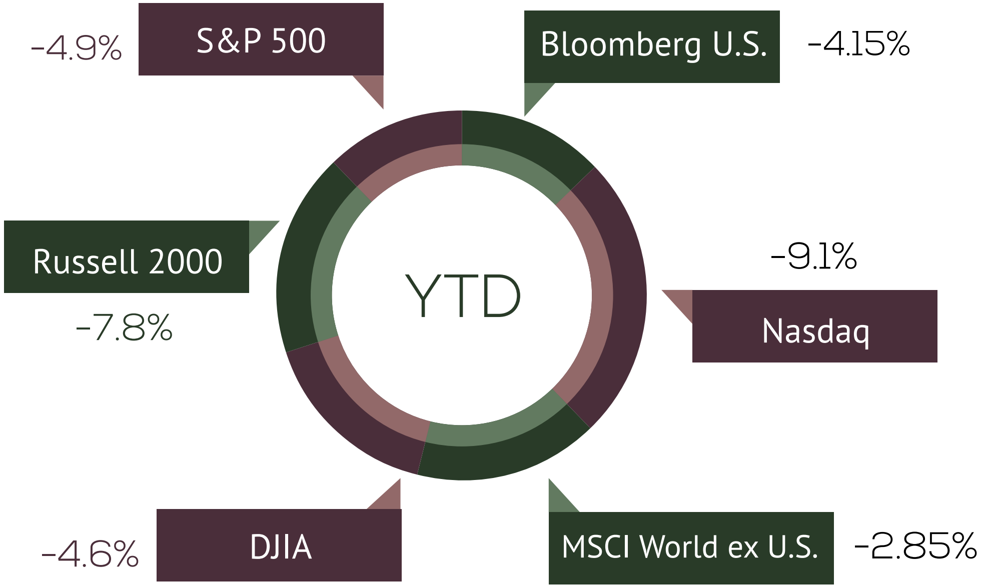
Volume 43
Issue 2

The Financial Advisor Newsletter

CONTENT

Front cover photo taken by Patrick L. Sullivan

ECONOMIC **SNAPSHOT**



Source: WSJ, 04/01/2022 & FactSet, 03/31/2022. Inclusion of these unmanaged indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will effect actual investment performance. Individual investor results will vary. Past performance does not guarantee future results. The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing the stocks of 30 companies maintained and reviewed by the editors of the Wall Street Journal. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Nasdaq composite is an unmanaged index of securities traded on the Nasdaq system. (The Dow Jones Global ex US is a stock market index measuring equity securities traded globally in 64 countries, excluding the U.S.). The Bloomberg US Aggregate Bond Index is a benchmark index composed of US securities in Treasury, Government-related, Corporate, and Securitized sectors. The Russell 2000 index measures the performance of the 2000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

KEVIN'S **VIEW**

TRUTH, UKRAINE, AND DEGLOBALIZATION

One of the great paradoxes of our age of global interconnectedness, 24-hour news cycles, and unlimited information from people all over the world is it is still very hard to figure out what is actually going on, especially during times of great strife. I immediately thought of the saying "the first casualty of war is truth" often attributed to California Senator Hiram Johnson in 1918, during World War I. However, digging a little deeper, I found the British essayist Samuel Johnson1 lamenting the "corruption of news-writers" in 1758 during the Seven Years' War[1]. I stopped digging there, but I have little doubt there were probably cave paintings that grumbled the other tribes' cave paintings exaggerated what really happened. Human nature being what it is, let's look at the world facing investors.

At the time of this writing, the Russian invasion of Ukraine has gone on for 36 days; far longer than anyone expected. Military historians, geopolitical wonks, and their ilk will debate why it started, where it went wrong, and the long-term implications for many years. Let's focus on a few key areas of concern and how they fit into a larger global trend. Negotiations are currently underway to find terms for peace, which is a major improvement. We can only hope for progress on that front. What is not in doubt is there have been massive disruptions to both the energy and food markets around the world. Russia is a significant exporter of both energy and wheat, and Ukraine is a very significant exporter of wheat. The energy disruption has been felt almost immediately around the world, due to the removal of Russian oil exports. Natural gas exports have also been disrupted and there is some brinkmanship occurring between Russia and Europe right now over the payment for natural gas. Whatever happens regarding that, it will likely be painful for both parties. Perhaps a greater concern for the world will be the disruption of the food supply, which is feeling a one-two punch from both higher energy prices and the removal of the world's largest and fifth-largest wheat producers. Already, some countries like Egypt have asked the International Monetary Fund for help to weather the conflict.

1 No relation that I could find.

If the conflict begins to wane, our hope is that both of these issues will moderate to some extent, but we are likely not returning to the way it was 37 days ago.

Before the Ukraine invasion, and even before COVID-19, there was another emerging trend we must acknowledge, de-globalization. Globalization often gets a bad rap with visions of jobs being shipped to faraway lands and subpar goods being shipped back. While those things have certainly happened, globalization also had many benefits, chief among them is it allowed for highly optimized supply chains. Those supply chains provided goods for cheaper than would have been possible without them. Before COVID-19, those supply chains began to unwind as the United States realized that China was becoming more competitive. After COVID-19, countries around the world realized that if they didn't control the production of key goods, like medical goods, they couldn't count on getting them during a global emergency. Finally, the Ukraine invasion has shown that countries don't always act in their economic self-interest and national security concerns can and will take precedence. It also has demonstrated the power of economic warfare through both sanctions and withholding energy. Now, nations around the world are revamping supply chains, which is a costly endeavor. We are likely to see a return to the Cold War era-style trade blocks.

Now I realize these are fairly stark viewpoints and no doubt to some there will be the desire to throw up their hands and see the changes as signs of impending doom. I don't see it that way. The world of the next 20 years will look very different from the world of the last 20 years ago, but that doesn't mean there are not opportunities for investors. Changes such as these will have winners and losers and may require more maneuvering to navigate. In the last 23 years, I've been through at least four 'world ending' events; Y2k, the dotcom bust, the Global Financial Crisis, and the COVID-19 pandemic. It is tempting to take what is currently going on and project it forward in a straight line. Things will moderate.

As always, my team and I are here to help you with any questions or concerns you have. Please do not hesitate to reach out to us.

Special Note on Inflation and Interest Rates

Speaking of taking what is happening now and projecting it forward, let's

talk for a second about inflation. Inflation expectations were starting to lessen until the invasion of Ukraine happened, boosting them further. As of this time, inflation numbers are being primarily driven by housing, transportation, and food costs. Our expectation is that housing may be near or past its peak and that it should start to bring the total amount of inflation down in the coming months. Energy and food prices should stabilize if supply chain issues are resolved. We also expect that the Federal Reserve will continue to raise interest rates slowly over the coming months to continue to slow the economy, which should help.

It's important to note that inflation is not an issue only faced by the United States. Global prices are influenced by many of the same factors hitting our domestic economy and central banks throughout the world are responding with varied tactics. How these tactics influence or interfere with each other will likely be important to monitor. ☐

DID YOU KNOW

Nurture Financial Wellness

Did you know that April is Financial Literacy Month? This is the perfect time to tune in to new personal finance resources. One great resource includes the Raymond James "For What It's Worth" podcast. This podcast includes quick episodes that are educational and that shine a light on the Raymond James industry specialists' perspective on current events and how they could affect your financial pictures.

Take the time to plug into sage insite through your favorite podcast streaming app, or listen online at raymondjames.com/fwiw.

Spring 2022 MARKET CLOSURES

Monday, May 30: Memorial Day

Source, Raymond James

CREATING YOUR **FAMILY LEGACY**

Legacy plans should focus on the here and now – how you have structured your life to demonstrate your values. That's why we encourage you to take steps today to help preserve what matters most. Explore a spectrum of strategies available to help you organize your efforts as you live out your family legacy.

FOUNDATIONAL

- Will
- Durable power of attorney
- Healthcare proxy
- Advance directive
- Titling of assets

- Appointing a guardian for a minor
- Life insurance
- Emergency fund

- Irrevocable Trust
- Ethical will or family love letter
- Letter of intention

- College savings options

ADDITIONAL

- Other types of trusts
- Autobiography
- Video will
- Custom wealth transfer strategies

CREATING A LEGACY OF GIVING

DAFs are a popular choice for philanthropically minded investors, enabling them to make significant charitable gifts over a long period of time. Unlike private foundations, there are no startup costs, no tax on the fund's investment income, no individual payout requirement and the fund provides all recordkeeping services while offering even greater tax advantages than a private foundation.

Technically, a DAF is a tax-qualified public charity, meaning your contributions to the fund trigger immediate and full tax deductions. As the donor to the fund, you then have the right to advise the DAF on how your contributions will be distributed to other charities.

As the donor, you can continue to make ongoing, non-binding recommendations to the DAF as to how, when and where grants from the fund should be made. Additionally, you can provide advice to the DAF regarding how contributions should be invested. For example, you might suggest that, upon death, grants be made to charities named in your will or other legal instrument, such as a revocable living trust. Or, you may designate a surviving family member to recommend fund distributions. Keep in mind, the fund is not obligated to follow your suggestions – hence the name "donor-advised fund." As a practical matter, though, the DAF will generally follow a donor's wishes.

Source, Raymond James

BENEFITS OF A DONOR-ADVISED FUND

Enjoy giving without the hassle of timing, tax concerns, expenses and recordkeeping

Receive an immediate tax deduction

No capital gains or estate taxes

Your gifts have the potential to grow

The benefits of a private foundation with less hassle

Control over investment selections

NEXT STEPS

A DAF can help you turn your philanthropic vision into a reality. To get started, first consider:

- What philanthropic goals do you have for your lifetime and your legacy?
- Do you have organizations in mind you'd like to support?
- Have a conversation with your family and beneficiaries about your vision for your comprehensive estate and your legacy.

HAVING THE "TALK"

THE IMPORTANCE OF DISCUSSING INHERITANCE WITH YOUR HEIRS

You've achieved a level of financial success that allows you to share your wealth with the ones you love. Of course, a substantial inheritance is a generous gesture that also carries great responsibility. Having a series of conversations with your heirs – to openly discuss the transfer of wealth and what expectations come along with it – will make sure everyone is on the same page.

As you finalize estate plans and decide how you'll distribute your fortune, it will benefit everyone involved to open lines of communication with presumed heirs. Oftentimes, your children have questions too, but money (especially large sums) feels like a taboo topic. They don't want to seem greedy, for example. Give them permission to better understand your hopes for your family's future.

Here's what you should consider as you plan the conversation:

WHO?

For transparency, it's ideal to include all involved parties in a group conversation, but you know the dynamics of your family best. You may opt to have one-on-one discussions first to go over details with individual heirs, then get the family together to touch on wider topics, like division of future caregiving responsibilities or carrying on certain values with the inheritance. Consider bringing in your advisor so your family can not only meet them but also feel comfortable asking any financial questions that arise over time.

WHAT?

Consider what needs to be said to your children before you set a meeting. Most important is to address exactly what's being gifted and what's not. Some other common threads are intentions for your wealth and how family changes may affect the inheritance. If wealth is being distributed unequally or you've decided all or some of your wealth will be donated to charity, it may be uncomfortable to talk about – but this just means it needs to be discussed. Make a to-do list so it doesn't feel overwhelming and write out discussion points so you can rest assured you've covered everything.

WHERE?

Have the initial inheritance conversation with your heirs in person, if possible. Logistics might get in the way of getting the relevant family members together in one room but, thankfully, we've all gotten more

Sources: energystar.gov; fundbox.com; forbes.com; sba.gov; forwardai.com; bizjournals.com comfortable with technology aiding our long-distance conversations. Options like FaceTime or Zoom may be sufficient, especially for those far away. For meetings to review documentation, for example, you may want to consider inviting your heirs to your advisor's or lawyer's office. A neutral location can help put everyone at ease; just make sure it's not public and it's conducive to candid, potentially emotional and lengthy conversations.

WHEN?

Putting off difficult conversations is all too common, but it's important to talk to your family about the plans for your estate well before something happens. If you think plans may change over the years (and they often do), you can let your heirs know you'll keep an open line of communication as your wishes and circumstances evolve. But, if you start the discussions early, at least your children will feel comfortable coming to you with questions as time goes on. They'll also be more prepared to jump in and assist with caretaking duties or financial matters if the need arises.

WHY?

Financial wealth is only one part of the conversation, so it's important to have a meaningful dialogue with your heirs about your wishes as you age. It allows you to express your expectations for your family to honor your legacy after you're gone. And it also gives heirs the opportunity to plan for their own financial future and to prepare for executing your estate once it's time. Involving them during the planning phase by discussing details makes your loved ones feel like part of the process. Having these deep conversations often strengthens relationships and reinforces family values.

HOW?

You don't want to surprise your heirs by springing the inheritance conversation on them unexpectedly. The topic warrants a meeting (or series of them) that is solely focused on discussing your plans as you age, from financial matters to desired living arrangements and caretaking responsibilities. Support your conversations with any documents you may have, like legal paperwork and insurance policies, and provide your family members with the contact information of your estate planning team for when they'll need it later on. Remember, your advisor is there to support you in the conversations you have around transferring your wealth. They have tools and information to help facilitate the series of discussions you'll have with family about the inheritance. By opening the lines of communication earlier rather than later, you'll ensure your family understands the legacy you want to leave behind with your generosity.

Source, Raymond James

Privacy Notice:

Sullivan & Associates is committed to protecting confidentiality of the information furnished to us by our clients. We are providing you this information as required by Regulation S-P adopted by the Securities and Exchange Commission. Information about you that we collect: We collect nonpublic personal information about you from the following sources: information we receive from you on applications or other forms or through our web site; information about your transactions with us, our affiliate or others; and information we may receive from a consumer reporting agency. Our use of information about you: We may share information about you with other companies in the Raymond James family - that is, companies that are owned by Raymond James Financial. In certain rare cases, we may share information with professional designation oversight bodies if an investigation is being conducted. Otherwise, we do not disclose any nonpublic personal information about you to anyone except as permitted by law. We follow the same policy with respect to nonpublic information received from all clients and former clients. How we protect your confidential information: Sullivan & Associates has policies that restrict access to nonpublic personal information about you to those employees who have need for that information to provide investment alternatives or services to you, or to employees who assist those who provide investment alternatives or services to you. We maintain physical, electronic and procedural safeguards to protect your nonpublic personal information. Opt-Out Procedure: If you prefer that Sullivan & Associates does not take your nonpublic personal information and use it at a nonaffiliated firm, you may direct us not to make or permit such disclosures by contacting us at the following toll-free number: 1-866-423-7237.

Disclosures:

The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any information is not a complete summary of statement of all available data necessary for making an investment decision and does not constitute a recommendation. Some material created by Raymond James for use by is advisors. Any opinions are those of Patrick Sullivan and Kevin Sullivan and not necessarily those of RJFS or Raymond James. Investments mentioned may not be suitable for all investors. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise. While we are familiar with the tax provisions of the issues presented herein, as Financial Advisors of RJFS, we are not qualified to render advice on tax or legal matters. You should discuss tax or legal matters with the appropriate professional. There is no guarantee that the statements, opinions or forecasts provided herein will prove to be correct. Please note that international investing involves risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility. Investing in emerging markets can be riskier than investing in well-established foreign markets. Companies engaged in business related to a specific sector are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification. Investing involves risk and investors may incur a profit or loss regardless of strategy selected. Diversification and asset allocation do not ensure a profit or protect against a loss. Dividends are not guaranteed and must be authorized by the company's board of directors. Re-balancing a non-retirement account could be a taxable event that may increase your tax liability.

Sullivan & Associates is registered with the State of Colorado as an Investment Adviser. Registration does not imply a certain level of skill or training. Pursuant to the Colorado Securities Act and Rules under the Act, we are required to offer you a copy of our current Disclosure Statement (Part 2 of the Registration Form ADV) upon your request. If you would like to receive a copy of the disclosure statement, please write to: Sullivan & Associates, 1229 Lake Plaza Dr, STE B, Colorado Springs, CO 80906.

SULLIVAN & ASSOCIATES
AN INDEPENDENT REGISTERED INVESTMENT ADVISOR
1229 Lake Plaza Drive
Colorado Springs, CO 80906

Your Dreams. Your Goals. Our Priority.

STAY **IN TOUCH**

719-576-4500 or 877-423-7237

Kevin P. Sullivan, CFA, CFP®, AIF
Wealth Manager, Branch Manager
Kevin.Sullivan@RaymondJames.com

Kristin Maksimowicz
Office Manager
Kristin.Maksimowicz@RaymondJames.com

Maryann Fulop, CRPS®
Investment Executive
Maryann.Fulop@RaymondJames.com

Katelyn Olson
Administrative Assistant/Receptionist
Katelyn.Meeks@RaymondJames.com

Katee Driscoll
Client Service Manager
Katee.Driscoll@RaymondJames.com

Mikayla White
Client Service Manager
Mikayla.White@RaymondJames.com