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The Financial Advisor Newsletter

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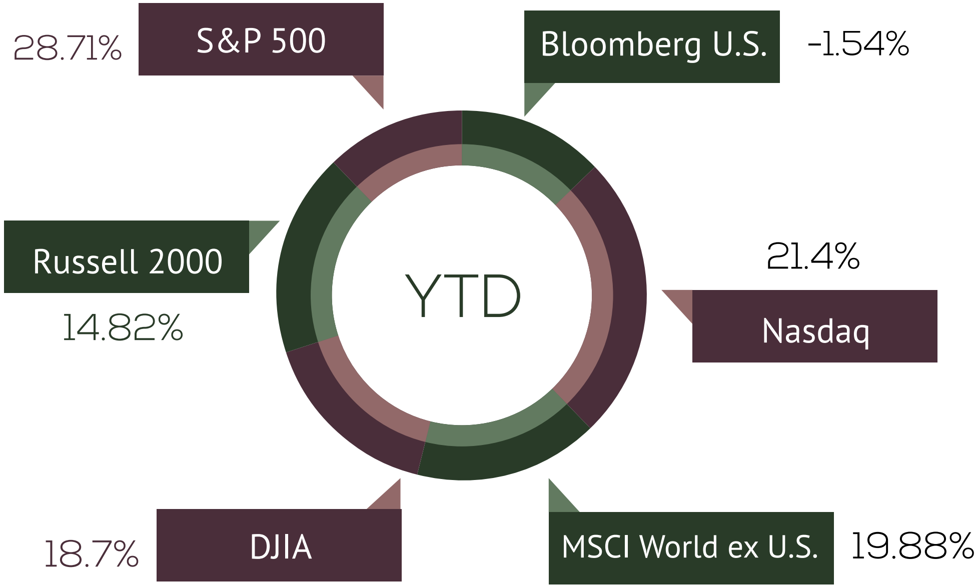
Front cover photo taken by Patrick L. Sullivan

ECONOMIC **SNAPSHOT**



Source: WSJ, 01/03/2022 & FactSet, 12/31/2021. 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**

INFLATION, EMPLOYMENT, AND THE METAVERSE

There can be little doubt that the COVID pandemic that started in 2020 has left lasting changes on many aspects of the world. We started to see some of those changes pick up speed in 2021 and we are likely to see them continue into 2022. Let's look at the changes we are seeing and where things may go.

Inflation

For a majority of the populous in the United States the last year or two is the first time they've seen real inflation. Inflation was something that happened to other countries, like Zimbabwe or Venezuela. Of course, those who lived through the 1970s will remember vividly the inflation that gripped the country during that period. There have been four major drivers of inflation over the last year; COVID-related supply chain disruptions, monetary and fiscal stimulus, wage pressures, and de-globalization. It is likely the supply chain disruptions will start to moderate as we move into 2022. We are also not likely to see the amount of fiscal or monetary stimulus we have seen previously. In fact, we will likely see the Federal Reserve start to reverse course on their accommodative policies in the year ahead. Wage pressures and de-globalization are likely here for a longer period, however. Barring some external shock, we are likely to see the rate of inflation slow next year, but still be elevated.

The Employment Picture

Throughout history the relative balance of power between employers and employees has oscillated back and forth. At its core though the relative power comes down to the number of available jobs compared to the number of available workers. If there are more workers than jobs, employers have more control. If there are more jobs than workers, then employees have more control. For just about the first time since the Baby Boom generation came into work force, there are many more jobs than workers. There are currently over 11 million job openings as measured by the Department of Labor, the highest seen since they started tracking the

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Referrals Welcome!

statistic. As mentioned in pervious issues, those 55 years of age and older (the Baby Boomers) are not coming back to work after COVID. Younger workers are not just demanding higher wages, but also different work environments (working from home) and other workplace cultural changes (less formality). Those businesses who react to these changes will likely benefit from having an intact workforce. Those who do not will struggle to maintain staffing.

The Metaverse

In 1992, Neil Stephenson, author of the sci-fi novel Snow Crash, coined the term Metaverse to describe an internet-like 3d world that existed alongside the physical world. Metaverse is now the catchall term for the next iteration of the internet (also known as Web3) and you'll be hearing about it a lot more in the coming year. When I was in college the first web browser came out (Netscape), during that time the internet was all about sharing information. Basically, anything you wanted to know you could now look up. Information was no longer scarce; a huge change. However, it was still fairly hard to put things on the internet. One had to learn HTML (a markup language to display websites) and to make changes it took time. That all changed with social media; for both good and bad. With the advent of social media, it became all too easy to put things onto the internet. With that came interactions back and forth between people. It became easy to find like-minded people or people with similar interests. Unfortunately, it also became possible to just connect with people who agreed with your views instead of embracing a variety of viewpoints, but that's an issue for a different day. The Metaverse (or Web3) allows for the exchange of value across the internet through a technology known as blockchain.

Most of us have used credit cards to buy things on the internet. What makes blockchain unique is unlike credit cards, an exchange of value using blockchain does not require an intervening bank. The other thing that blockchain allows is the idea of 'digital property rights.' Which is a topic again, for another day. If all of this seems farfetched and a bit crazy to you, you are in good company. There are plenty of people who think this whole Metaverse idea is pure fantasy and think that the government will step in and regulate away things like blockchain assets (e.g., cryptocurrencies) out

of existence. For those who believe this will happen, I'll leave you with a quick story. When automobiles were first being introduced there were many people who did not like the implications of 'horseless carriages' relative to their business models. So, they pressured the British government to pass the 'Red Flag Act' in 1865 which required a person waving a red flag to precede all automobiles by 60 yards to 'warn' people and livestock.

We look forward to working with you to achieve your goals in the year ahead. Please don't hesitate to reach out with questions or concerns.

DID YOU KNOW

Social Security

The Social Security Administration has announced a cost-of-living adjustment (COLA) to recipients' monthly Social Security and Supplemental Security Income (SSI) benefits. More than 64 million Americans will see the 5.9% increase in their payments beginning in January 2022. In addition to the COLA, the Social Security Administration also announced that the maximum amount of earnings subject to Social Security tax will increase to $147,000 from $142,800.

CollegeInvest First Step & Matching Grant Programs

Any child born or adopted on or after January 1, 2020 in **Colorado** is eligible to receive a free $100 contribution to a CollegeInvest 529 savings account. Go to www.collegeinvest.org/first-step for details and to apply. This program matches your future contributions dollar-for-dollar, up to $1,000 per year for the next 5 years. You could receive up to $5,000 in matching funds!

WINTER 2022 MARKET CLOSURES

Monday, February 21: Presidents Day

Source, Raymond James

12 WISHES FOR THE New Year

1

One united country working in unison, with Congress reaching bipartisan resolution.

2

Inflation near 2% would liven up the festivities and prevent the Fed from shifting its policy activities.

3

The **unemployment rate ball dropping close to three**, economists would surely shout out with glee.

4

Here's to **4% GDP growth**, with an uptick in spending or inventories – or both!

5

The **S&P 500 at 5,000** would be cause for celebration, bypassing fears about rate hikes and inflation.

6

Out with the old and in with the new — **6 million jobs**, make it come true.

7

Oil prices near **$70 a barrel** (we think there's a chance!) consumers at the pump may start to dance.

8

Dividend growth of 8% sure would be great, giving income investors something to celebrate.

9

Giving a toast in hopes the Tech sector has its **9th year of outperformance** to boast.

10

Let's cheers to the **10-year yield** not moving higher, and less volatility than we've seen in months prior.

11

All **11 S&P 500 sectors** part of the positive parade. Let's hope this broad-based rally does not fade.

12

12 months of consumers continuing to spend, to keep the economy growing above trend.

FINANCIAL RESOLUTIONS FOR 2022

PERSONAL RESOLUTIONS

The start of a new year offers a chance to reset and refocus. What will you strive toward in 2022? Are there resolutions you've written out? Here are three impactful items to choose from in rounding out your list.

Take a financial inventory.
Make sure you didn't leave behind your old 401(k) retirement account. By one estimate, Americans have left $1.35 trillion in old 401(k)s.

Give every dollar a job.
Knowing where your money is going is key. Now's the time to analyze how much you're spending on a monthly and yearly basis, and whether it matches up with how you intended to use your money. Can you free up any more to maximize your retirement savings? Do you have enough in your emergency fund? If you have any phantom expenses – unused gym memberships or unwanted subscriptions – an analysis of your spending can help you weed them out.

Explore the benefits of a health savings account (HSA).
Don't overlook the triple tax advantages of an HSA. If you have access to one, you can reserve funds for medical expenses without paying taxes or

Source, Raymond James

interest on those dollars. This can be especially handy when health costs rise – a third of working Americans experienced an increase in costs this year, according to a 2021 Employee Benefit Research Institute survey. The money saved in an HSA can also be used to pay for general living expenses when you reach retirement age at 65, but will be taxed like a normal retirement account distribution when used this way.

Digitize your recordkeeping.
Your financial life has created a paper trail. If you're done hunting through paper piles of doom to find the document you need, it's time to create a secure and organized digital storage system. To begin, a scanner and a shredder are a must. These tools make taking action on paperwork easy. Scan and toss, or shred if it contains sensitive data. Pro tip: Some fancy scanners such as the ScanSnap automatically sort documents based on file type (photo versus receipt) and name files based on scanned content.

Balance your cash reserves.
It's great to have cash in the bank, but you don't want to lose too much buying power to inflation – not to mention the opportunity costs. Everyone's risk tolerance and needs are different, so it helps to optimize your on-demand cash to your situation. There are several strategies that can help you pursue your goals.

BUSINESS RESOLUTIONS

From engaging in strategic partnerships to securing flexible liquidity, there are plenty of options to thoughtfully boost your business in the new year.

Embrace eco-conscious energy savings

Something as simple as subbing LED bulbs for incandescent ones can mean hundreds of dollars in cost savings for your office. Consider how "green-ifying" your business can add regular cost savings to your bottom line and attract talent. Reinvesting those savings into salaries, inventory or new equipment can drive growth year over year.

You can also become an Energy Star partner through the Environmental Protection Agency (EPA) and reap the marketing benefits and branding of the program. The EPA website offers workbooks, training and partner information to get started.

Explore a strategic partnership

Strategic partnerships can help grow your company – without having to buy and integrate another business. Large corporations use strategic partnerships when they want to scale quickly, and so can you.
First identify your assets – do you have access to a specific customer base? Do you have special talent on your team or proprietary systems or processes? Do you have a giant email list?

Sources: energystar.gov; fundbox.com; forbes.com; sba.gov; forwardai.com; bizjournals.com

Then identify where or how you want to grow. Do you need to reach a different customer segment? A new geographical region?

Research companies that might need what you have to offer and would allow you to penetrate new markets. And take stock of what you could offer in a partnership. Typically, these exchanges are codified in a formal agreement, without any out-of-pocket investments.

Upgrade your technology

The surge in financial technology and cloud computing makes it possible to automate everything from forecasting cash flow to ordering raw materials. Invoicing, budgeting, streamlining HR processes, tracking goods, inventory and purchasing are just some of the areas that can benefit from an upgrade in technology in every business.

Talk to us about setting aside funds to invest in technology that can contribute to cost savings, increased employee productivity and more.

Pursue flexible funding

As a business owner, preparing for the unexpected comes with the territory. Juggling changing pricing for goods and services, managing inventory, and monitoring cash flow carefully are all crucial to drive success.

Flexible financing can give you access to liquidity when you need it, without incurring high-interest debt or leaving you without options when cash flow hits a snag. These lines of credit give you access to a set amount of funds you can draw from, repay and dip into again whenever the need arises. You'll pay interest only on the funds you use. This could be a smart way to ensure funds are available exactly when you need them – should an emergency or opportunity arise.

Benchmark benefits packages

Competition for talent has become fiercer than ever. Doing an annual audit of benefits and presenting the dollar worth of each to employees can go a long way to retaining talent you have. Benchmark what you offer against five of your peers to further strengthen your benefits package, come up with new ideas to enhance your offerings and be sure your benefits package is in line with market trends.

Next steps

1) Reach out to us to explore what different financing options could mean for your business.

2) Research businesses that complement yours to explore a strategic partnership.

3) Consider where technology upgrades would make a difference in your business.

Source, Raymond James

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