Stephens Wealth Management GROUP

September 2021

Markets/Economy

For the first time in several months, September has brought more volatility in the U.S. markets. We had the first 5% pullback we have seen in many months. Normally we would experience a few pullbacks of 10% or more in any given year. After participating in the fastest economic growth since 1984, strong earnings growth, and soaring fiscal support, the news is now more focused on continued supply chain challenges, bottle necks, employment shortages, higher energy costs, and other inflation. However, the GDP forecast for 2022 is still above trend at approximately 3.3%. The Federal Reserve has announced it will begin to *taper* its bond purchasing program and interest rates have increased slightly. The 10-year treasury bond as of 9/30 was 1.52%. The Fed also stated that rate increases are not planned until sometime in 2023. Still, we anticipate seeing incrementally smaller increases in rates as tapering progresses.

Large growth companies, especially big tech, have pulled back and smaller, less expensive and less cyclical companies are performing better due to perceptions that the economy may be slowing. Commodities like energy, including oil and gas, have increased, but gold is negative for the year. As markets achieve long periods of growth and higher valuations, pullbacks and volatility are common. They can be quite short lived, like the 20% pullback in the 4th quarter of 2018, or longer lasting. We need to be prepared for both.

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FINANCIAL MARKET UPDATE

Year-to-date change as of 09/30/21

- *S&P 500 Index.....................15.92%*
- *Bloomberg Commodity Index…....29.13%*
- *MSCI EAFE $$ (International) …..8.35%*
- *Barclay US Aggregate Bond……....-1.55%*

Risks in the short term include:

- Permanent funding for the debt ceiling negotiations
- Slower economic growth
- Shortage of labor force
- Higher energy costs during colder months
- Sustained inflation
- Geopolitical/China

As markets rotate, managing risk and adhering to a disciplined investment strategy is key. Cash for short term needs, at least one year, is recommended and a balanced portfolio focused on your longer-term goals is as important as ever.

Tax Bill

The infrastructure package from the Biden administration has bi-partisan support. Currently, the "Build Back Better" economic package does not. In both cases, it remains unclear as to what will be included in the final bills. Some of the proposed tax changes will have a big impact on high income earners, business owners, and wealthier taxpayers. A high-level summary includes:

- Increased corporate income taxes
- Increased individual tax rates
- Phase out of lower capital gains rates for higher income earners
- Elimination of the backdoor Roth strategy
- Cap on the amount of Roth account accumulation
- Elimination of stepped-up basis for estate tax purposes
- Decreased exclusions for estate tax

Until a final infrastructure bill and tax package is voted on, it will be difficult to plan through the end of the year. Most of us assume that the full package will not pass, though some version of a reduced spending bill will be finalized. In addition, some of the bill's provisions may be retroactive. Once we have a clearer picture, we will put together communications to include helpful year-end information and next steps.

RIA Transition - Complete

A note of appreciation to all of you who worked diligently with us to make our transition to RIA (Registered Investment Advisor) a success. We are looking forward to the coming year's strategic planning and putting our attention to the tools, technology, and processes that support the business and our clients. Our firm's contact information remains the same.

Welcome Jessica Stirling

We are pleased to welcome a new member to our team. Jessica (Jessie) Stirling joins us as an Investment Analyst and Financial Advisor. She will be responsible for trading, reporting, research, and financial planning support. She will also be growing her financial advisory business and is particularly well suited for Millennials and Generation X investors.

Stay safe, healthy, and let us know how we can help you.