



March 2022

Economic Update

We have had a much different market experience in 2022 compared to last year. Through the end of the first quarter, the S&P 500 is down 4.6% after ending 2021 near all-time highs. The COVID situation has improved but the markets have been on edge due to the devastation in Ukraine. Also, the markets have been trying to digest how many times the Fed will raise interest rates to combat surging inflation. Inflation jumped 7.9% over the last 12 months (ending in February), and is likely to rise in next month's report. It's been a challenging year so far for a typical balanced portfolio as both stocks and bonds have declined. The stock market is likely to remain choppy and subject to headline risk throughout 2022. ***Investing with Perspective During Turbulent Times***, is a podcast Sherri Stephens and Jason Guenther recently put together. You can listen to it by clicking on this [link](#).

After the Russian invasion of Ukraine in February, the S&P 500 index experienced its first correction (a decline of at least 10% from its recent peak) in nearly two years. Stock prices had been elevated and were overdue for a pullback. When markets decline it can be tempting to want to sell stocks. That said, stock market volatility is part of investing and it's important not to make emotion-based decisions that can derail your long-term results. We never know what the next catalyst will be that causes a decline, but we do know that market volatility is par for the course over the long-term.

As you know, we talk with clients frequently about the importance of holding cash. We typically recommend that those close to retirement or already retired keep at least a

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year's worth of living expenses in cash so they can ride out market declines. Periods like this are good reminders of the basic discipline of having cash on hand for shorter-term needs.

Keep in mind that on average, the S&P 500 has been higher over 80% of the time one year after historical geopolitical crises (like the Ukraine/Russia conflict) going back to the 1940s. We recently sent out a [Market Update for February](#) which showed historical market performance around such crisis related events, it can be found on our website for future reference.

Interest Rates

The Federal Reserve started a new cycle of interest rate hikes in March (the first hike since December 2018) and they're forecasting six more hikes before year-end plus additional hikes in 2023. Markets had been expecting 25 basis point increases, but the Fed Chair recently suggested that some 50 basis point hikes may be needed to tame inflation. These increases influence the rates on mortgages, auto loans, credit cards and home equity lines of credit.

Oil Prices

Russia accounts for about 10% of global oil exports but only about 3% of US imported oil. The conflict has increased oil prices globally which will likely remain elevated for the foreseeable future. Europe is much more exposed to higher energy costs from Russia than the US and has enormous dependence on Russian oil and gas.

Bright Spots

Considering all the negative news out there, there are some bright spots. There's still

strong pent-up demand from the pandemic. Corporate and consumer balance sheets remain healthy overall. Corporate earnings are still growing, and profit margins continue to be above average. Wages are up and the labor market has remained strong. Despite rising inflation, consumer spending has been holding up quite well. Some sectors in the market have held up better than others. For example, technology stocks have taken a hit recently as interest rates have risen, but energy companies, which can benefit from higher commodities prices, have done well in general. Stocks have historically been a good hedge against inflation over the long-term. Value stocks may continue to outperform growth stocks in this environment. The markets may likely remain volatile as they adjust to the geopolitical risks, inflation, and future interest rate increases.

I Bonds

I Bonds, or inflation-linked savings bonds, earn interest from a fixed rate along with an inflation component. The initial interest rate on new I Bonds is 7.12% and you can buy bonds at that rate through April 2022 (the interest rate resets every six months). I Bonds can earn interest for up to thirty years and must be held for at least one year. If you cash them in within the first five years, there's a three-month interest penalty. You can buy up to \$10,000 worth of I Bonds per year or up to \$20,000 per married couple. Click [here](#) for a more detailed discussion around I Bonds.

Tax Changes for 2022

Tax day (April 18th this year) is coming up quickly. You still have time to make some retirement contributions for last year before that deadline. We are still watching to see if the proposed tax changes in the Build Back Better Act (introduced in 2021) will ultimately go into effect this year and if they will be retroactive. One of the main strategies that

would be eliminated in this Act is what's known as the "backdoor" Roth IRA conversion. Essentially, if you earn income above a certain limit, you are not eligible to contribute directly to a Roth IRA. However, if you don't have an outside traditional IRA, you can open one, contribute the maximum contribution to that, and then immediately convert that contribution to a Roth IRA, with no tax consequences. This can be a way for high income earners to get money into Roth accounts where the earnings and withdrawals will be tax-free. If you are thinking about making this type of strategy, it may be best to do it earlier in the year while you still can.

International Women's Day (IWD): Podcast

This year marked the fourth IWD celebrating our women clients and community members. It is our goal to put together IWD events focused on enhancing a woman's well-being. The celebration for 2022 presented us with an opportunity to record a podcast with our women wealth advisors – Sherri, Jessie, and Jill. They discussed the unique challenges and opportunities women face related to personal finances, planning for retirement, estate planning, and where to start if you haven't been involved with your personal financial situation to date. The podcast can be listened to from a computer, as well as a multitude of mobile devices. [Click here to listen.](#)



[Click here to access podcast](#)

Community Conscious

The first quarter of 2022 provided many opportunities for SWMG team members to participate in community activities and events. The team donated to Outreach East in memory of Sherri and Stan's dad who passed away earlier this year. [Outreach East](#) is in Davison, Mi, and is a year-round



emergency resource center dedicated to assisting area individuals and families with food and other essentials.

Stephens Wealth Management also sponsored the annual [Children's Champion Breakfast](#). The breakfast started in 1995 and is hosted by Voices for Children to recognize community members doing good things for children.

Team members also took part in a cereal drive to benefit the [Fenton Center of Hope](#). The drive was initiated by The Junior League of Flint in partnership with Community Threads of Fenton. Since the beginning of the pandemic, cereal has been scarce on the Center of Hope's food pantry shelves. We were happy to be a part of this project which collected more than 500 boxes of cereal this year.

Accolades We'd Like to Share

This year, we are pleased to share that Sherri, supported by the SWMG team of Wealth Advisors and Client Relationship Associates, was honored with the [Forbes Best-in-State Wealth Advisors award](#)*. The list, which recognizes female advisors from national, regional, and independent firms, was released on February 4, 2021. It is always an honor to receive awards of this type, especially when representing our client base who most often have roots in the greater Flint area.

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