LINEWEAVER financial group

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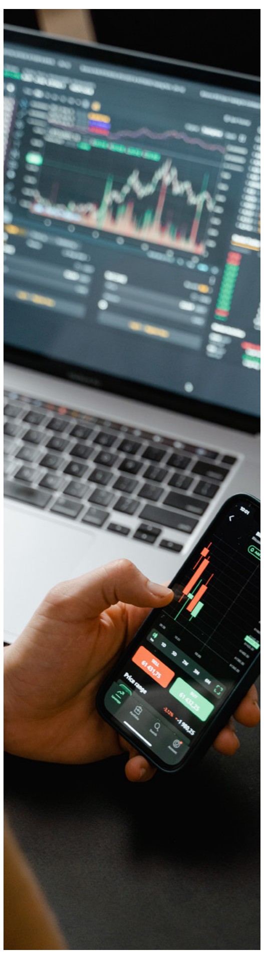


LOOK BACK 2021 – LOOK AHEAD 2022

COMMENTARY BY JERRY HERMAN, CFA®

In 2021, the world returned to some level of normalcy and featured a recovering and generally strong economy. However, we continued to face ongoing challenges from the pandemic, supply chain disruptions, the highest inflation levels in decades, and generally sustained low interest rates. Overall investors benefitted from this combination – with equities strong and fixed-income weak. Fueled by massive fiscal and monetary stimulus, a vaccine rollout and pent-up consumer demand, U.S. GDP grew an estimated 5.5% in 2021, the fastest pace in more than a quarter century.

Household finances emerged from the crisis and spending on big-ticket items surged. Unemployment declined from 6.7% at the beginning of the year to around 4% at year-end with increasing signs of labor market tightness. The year featured high prices and inflation surprises. Through November, the consumer price index (CPI) topped 5% for seven straight months, with the November reading coming in at 6.8%, the highest in 40 years.

Supported by a strong economic recovery and very accommodative monetary policy, the S&P 500 reached 70 record highs during the year, the most since 1996. The S&P 500 returned 26.89% in 2021, which followed gains of 18.4% in 2020, and 31.5% in 2019 - only the third time since 1926 that returns were greater than 18% for three straight years. The Dow was up 18.73%, and the Nasdaq was up 21.4%. While equity returns were strong, the picture was not so rosy for fixed-income, which recorded one of the worst years on record as interest income was more than offset by bond price declines.

According to Blackrock, the world's largest money manager, 2022 is expected to deliver global stock gains and bond losses for a second year – a first since data started in 1977. This unusual outcome is expected to play out as Central banks and bond yields are slower to respond to higher inflation than in the past. That should keep real, or inflation-adjusted, bond yields historically low and support equity valuations. It's rare for global stock returns to be positive and bonds negative in any one calendar year let alone two years in a row.

Several key themes should prevail in 2022: Central banks will be withdrawing some monetary support as the restart does not need stimulus. As a result, there should be more moderate returns for equities. We expect the Fed to hike interest rates, but to remain more tolerant of inflation than it has been in the past. The Fed has achieved its inflation target, so the timing and pace of higher rates will depend on how it interprets its "broad and inclusive" employment mandate. So, inflation could very well settle in at levels higher than pre-Covid even as supply bottlenecks ease. New virus strains are expected to delay, but not derail, the restart thanks to effective vaccine campaigns and broadening natural immunity - less growth now should mean more later on. However, we are dealing with a confluence of events that have no historical parallels which increases the range of potential outcomes. This suggests trimming risk a bit. Since 1993 higher long-term rates have been historically good for stocks with average annual increases of 22%, while increases by the Fed have resulted in more muted average returns of 6.6%, which is below the historical average return.

Regarding equity styles, we could see a shift toward value. Recently (end of October), the Price-to-Earnings ratio gap between growth and value was huge; 34x for growth vs.18x for value. Historically, when the variance is greater than 15x value tends to outperform growth over the next 3 years by about 17%. So, investors are encouraged to review their equity style allocations.

Bottom line: For 2022, there is a preference for equities in the inflationary backdrop of the strong restart; and in fact when equity returns are greater than 18% for three straight years they tend to follow up with a strong 4th year. To help manage risk and maintain geographic diversity, it makes sense to lean into developed market (DM) stocks over the historically more volatile emerging markets (EM). *(cont. page 2)*

(Cont. from page 1) Yields (interest rates) are expected to gradually head higher but to stay historically low. Given the inflation outlook, inflation-linked bonds, partly as portfolio diversifiers; appear attractive. Strategically, there is a preference for equities over nominal government bonds and credit.

With this backdrop, investors are encouraged to review their portfolios to insure allocations are aligned with goals, objectives, and risk tolerance. Attention should also be given to sector, style, and geographic opportunities in equities and the size and role of fixed-income positions.

5 FINANCIAL RESOLUTIONS FOR THE NEW YEAR

by Jim Lineweaver, CFP®, AIF® President and Founder

Every year at this time, we meet new clients who want to drastically overhaul their finances and set themselves up for wealth in the new year. I've put together a list of 5 resolutions that I always share, and that you can put to work for yourself as well.

First things first: The base of any good financial plan is insurance, because it helps you control risk. You can have the best financial plan in the world, but if something happens to you or your family, you need to be protected to keep your plan on solid footing. You'll want to take the time to make sure all your insurance is in proper order. This includes life insurance, disability insurance, and even property and casualty. Because we specialize in working with retirees, long term care is especially important to our clients. According to the U.S. Department of Health and Human Services, 70% of people aged 65 or older are likely to need long-term care at some point. Finally, you may want to consider an umbrella policy, especially if you have rental or vacation homes.

Secondly, your financial goals, both long and short term, should be driven by your personal goals – whether that's providing for children and grandchildren, sending them to college, passing the family business to the next generation, or preparing for your own retirement and the traveling you want to do, you should think about those goals and how they compare to where you are now. I sit down with my clients and, in addition to goals like retirement, create a bucket list. What's on your bucket list?

The third resolution is about tax planning. Many people find they're being penny wise and pound foolish, saving small amounts during the year and then getting hit with huge capital gains distributions or other unnecessary taxes. Now is the time to look at your year-end statements, and look at the interest, dividends, or capital gains distributions you'll have to pay taxes on. If you don't like what you see, spend some time with a tax strategist and do some planning so you don't get hit with the same thing again.

Our fourth resolution is to make sure you have all the right estate planning documents in place – your will, healthcare and financial powers of attorney - and that these are up to date. You should also meet with an estate planning attorney and talk to them about trusts – tools like a bloodline trust can help with family wealth planning and can save you a lot of time and money in the long-run.

Resolution five is to resolve to make sure your financial, tax, legal, and insurances are all coordinated, and that your advisors are all communicating and working toward the best possible outcome on your behalf. We touched on all of the areas of our financial plan above, but you actually need to go a bit further. Most of the new clients we see have many advisors, but no coordination – and we see mistakes and missed opportunities all the time. It's a good idea to make sure that you have someone acting as a Financial Quarterback, so that nothing slips through the cracks.

These are five of the most important financial resolutions you can make. We consider these points and make sure everyone of our client's investment decisions are part of a coordinated financial, tax, legal, and insurance plan developed and managed by a personal Financial Quarterback. We know the right plan, properly executed, can help to save time, money, and worry. Hopefully, these resolutions will help set you up for wealth in the new year! Happy New Year from all of us at Lineweaver Financial Group and Lineweaver Wealth Advisors!

WEALTHWATCH

WHY ESTATE PLANNING BEGINS IN COLLEGE

Many people think that estate planning is only for older people – but it actually starts as early as college! When most students go to college, they are adults. This means they can take out loans, manage their time and course load, and generally make decisions for themselves. While parents' lack of access to grades and other information can be frustrating, if children have not considered their estate planning, the surprises can be far more serious. *(cont. page 3)*

(Cont. from page 2) Besides being the provider of food, housing, and often transportation, parents are the "natural guardians" over minor children. This means they are their child's legal representative and can act on behalf of their children in financial and personal matters.

For example, if a minor child falls off a trampoline and breaks his arm, his parents can legally make medical decisions on behalf of the child. The same goes for financial matters. Parents can open financial accounts for their minor children, apply for life insurance, and so on. When those children turn 18, their parents' power over them disappears. If an adult child is incapacitated in a car accident, his parent cannot by default make health care decisions for the child. The same goes for financial matters. So what do parents and college kids need to consider to protect themselves in these scenarios?

There are 2 parts to this – first, a Health Care Power of Attorney, can give his parents authority over a child's health decisions. This takes effect only if the child cannot make his own health care decisions. Health Care Powers of Attorney are also very broad and can give parents the right to make any decision about their child's health care, including whether to withdraw life support in extreme cases. Children can also have a HIPAA release on file with their doctor as well, which lets them share medical information with their parents.

And the second part is a Durable General Power of Attorney, sometimes called a Financial Power of Attorney. That authority can be effective immediately, which would really be the preferred method, or "spring" into effect if the child becomes incapacitated.

It's important to note that if you don't take these steps, a parent can still obtain control over a child's financial and health care decisions, but only though a guardianship through the probate courts. Although that is often a time-consuming and expensive, and generally, a parent can't spend a child's money without court approval.

So, as you can see, estate planning really does start as early as college. If you have kids or grandkids heading off to or already at college, you may want to consider how you are protecting them.

HEALTHWATCH

WHAT CAUSES FOOD CRAVINGS?

Every person experiences cravings differently, but they are typically transient and often for processed foods that are high in sugar, salt, and unhealthful fats.

CAUSES

The brain regions responsible for memory, pleasure, and reward play a role in food cravings. An imbalance of hormones, such as leptin and serotonin, could also lead to food cravings.

Cravings also involve the appetite centers of the brain, even though they tend to be separate from hunger.

There are two types of food cravings: selective and nonselective.
Selective cravings are cravings for specific foods, such as a person's favorite chocolate bar, a particular burger from their favorite restaurant, or a bag of potato chips of a certain flavor.

Nonselective hunger is the desire to eat anything. It may be the result of real hunger and hunger pangs, but it can also be a sign of thirst. Drinking water may help with intense nonselective cravings.

HOW TO REDUCE CRAVINGS

- Reduce stress levels
- Drink plenty of water
- Get enough sleep
- Eat enough protein
- Chew gum

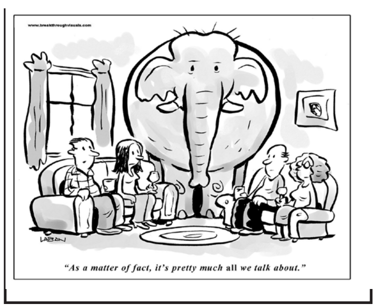
Most people experience food cravings from time to time. These cravings can cause them to snack on unhealthful foods, which can lead to weight gain.

Various methods, such as reducing stress and staying hydrated, can help people minimize their cravings. Substituting healthful foods for unhealthful ones can also help.

Source: Medical News Today

LINEWEAVER financial group

9035 Sweet Valley Drive
Valley View, OH 44125
216-520-1711



Source: Breakthrough Visuals

DID YOU KNOW:

Competetive art used to be an Olympic sport. Between 1912 and 1948, the international sporting events awarded medals for music, painting, sculpture and architecture.

Source: Smithsonian Magazine

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