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April 2022 Pearsall Wealth Management Newsletter

<u>Index</u> ¹	<u>Q1 2022</u>	<u>Index</u> ¹	<u>Q1 2022</u>
S&P 500	-4.60%	MSCI EAFE	-5.79%
Dow Jones Industrial Average	-4.10%	Barclays Aggregate Bond	-5.93%
Russell 2000	-7.53%	US Treasury Bill – 3 month	0.03%

This past quarter has been an interesting one in the world and markets. Three months ago we were concerned about the latest COVID-19 variant and the potential impact of Federal Reserve rate increases on the stock and bond markets. Today we remain watchful over rate increases; the bond market having already reacted significantly to expected rate increases with the Barclays Aggregate Bond index down 5.93% for the first quarter, and have added outrage over the war in Ukraine and concern over the lasting impacts to the people of Ukraine, the world, and the investment landscape. As I've noted to a number of folks, the direct impact on the US economy is small – the contribution of Russia and Ukraine combined to global gross domestic product (GDP) in 2020 was around 1.63 trillion²; for comparison purposes the GDP of the state of California (admittedly the highest for any of states) is 3.5 trillion³. Of greater note are the secondary or indirect impacts, which include both decreased supply in oil and natural gas as well as certain grains (Russian and Ukraine account for 26% of global wheat exports and 16% of world corn exports⁴), and the accompanying increase in price we've noticed as the gas pumps and in stores.

So where do we go from here? We expect equity markets to end the year higher than our current levels, fixed income markets may continue to face headwinds assuming the fed continues to raise interest rates and begins quantitative tightening⁵. We have attached the updated UBS House View At a Glance from April 4th as it contains a concise summary of the different paths in front of us for the markets as well as numerous links if you wish to dive deeper.



In our January newsletter we included 10 “New Year’s Portfolio resolutions” courtesy of the UBS House View monthly letter; several, such as diversifying in to alternatives and focusing on keeping a long term perspective amid short term fears, were very timely as it turned out. We’ve published the list again from the full report (“[New Year’s Portfolio Resolutions](#)”) as it remains timely:

1. Focus on the future- keep a longer-term perspective amid shorter-term fears
2. Get more organized- review your financial plan at the start of A Year of Discovery
3. Lose some weight – put excess cash holdings to work
4. Widen your horizons – into the oft-neglected Eurozone and Japan equity markets
5. Get Healthy – and a healthcare portfolio
6. Try something new - diversify some exposure into alternatives
7. Be unconventional -boost your portfolio’s yield
8. Save a few more dollars – favor the US dollar over the euro, yen, and Swiss franc
9. Learn a new language – the ABCs of technology
10. Be more green – align your portfolio with the drive towards net-zero carbon⁶

I’m happy to note that currently our office is fully open again and we are very much enjoying meeting with clients face to face instead of screen to screen. Our office has received minor renovations with one big change – the reception area is accessed via a door in the hallway instead of at the end of the hallway; you may need to press the intercom to the right of the door to enter. If you would like to review your financial plan, portfolio, or just catch up in general via phone, Zoom, or in person, please give us a call. Please note that UBS continues to monitor the number of COVID-19 cases in Warren County and should they spike up again our office may close again for a period of time.

From Melissa-

Graduation Season- Springtime is upon us and soon it will be college and high school graduation season. If you have a young adult in your life it’s both an exciting time and also a nerve racking time to make sure they get started off on the right foot. The UBS Editorial Team outlined a few good steps in an article titled “Rising Gen: 5 Steps to a Secure Future”⁷ that I found might be helpful for you to share with any young adults in your life. They also have a monthly newsletter so if you are interested in sharing please feel free to call me, email me with their email or make an appointment with us to see if we can help steer them in the right direction.



1. Build up an emergency fund- we usually recommend setting aside 6 months of living expenses. In addition, start a fund for any large expenses that may arise in the next 3-5 years, like a new car, wedding, or a down payment on a home.
2. Invest in something besides cash- while cash and money market equivalents work well for emergency funds, it's best to invest the funds according to your risk tolerance and investment horizon. Start investing early, it might be nice to have the extra cash now but you will thank yourself later by putting money aside early on.
3. Take advantage of company benefits- many companies offer a retirement plan match, Health Savings Account (HSA) benefits, and group insurance. Group benefits offer an economical way to save and protect yourself in case of an emergency.
4. Spend and borrow wisely- keep an eye on your budget and don't overspend or become a victim of income creep. Monitor your credit score and use credit wisely.
5. Keep paperwork up to date- one lesson we have all learned from the past two years of this global pandemic is that life is short and tomorrow is never guaranteed. It's so important, even if you are young, to make sure you put beneficiary intentions on each financial account, as well as a will and healthcare proxy.

Take a Deep Breath- The markets have certainly been much more volatile lately. Katie Williams who is a Discovery Strategist for UBS recently wrote a great article⁸ that certainly resonated with me as a mother of two young children and probably any grandparent who has turned on PBS Kids lately. When her daughter would become upset she would recite a line from one of her favorite cartoon characters Daniel Tiger. "When you feel so mad that you want to roar take a deep breathe and count to 4". Just like her I have found myself counting to 4 or consciously taking deep breaths lately if I turn on the news or read the headlines for the day (as well as when I see what the girls have done to their playroom 😊).

It's natural to want to react emotionally but it might be a good idea to pause and breath before making any big changes. Katie suggests a few questions to ask yourself before you act on any emotions:

1. How healthy are your cash reserves and emergency fund? In times of volatility knowing that you can maintain your lifestyle can be calming. Please talk to us if you would like to come up with a strategy to increase your liquidity.



2. Have your long term goals changed? Does the news impact my ability to meet my goals? For many, volatility in the markets and in the world may create temporary anxiety but doesn't change what goals you want to achieve. As always that is why it is important to update, review, and stick with your financial plan.
3. Is it time to revisit your risk tolerance? Over the years and during countless times of volatility we have revisited risk tolerance questions and almost always investors answer the questions the same as they first did when they joined us. There are also times that clients don't, and that is usually coupled with a big change in their life. Please call or make an appointment to come in if you would like to revisit this.

From Tara-

I have been working with Adam and Melissa for over a year now and it's great to finally be the office working alongside others and getting to meet clients. If you happen to be in the office for a meeting please stop by my desk, I would love to introduce myself.

IRA contributions-If you are eligible to make IRA contributions and would like to set up automatic monthly contributions to spread it out for the current year please give me a call and I would be happy to set that up for you. I will send you an Electronic Funds Transfer form to sign which you will send back along with a voided check from your banking institution.

UBS Online Services introducing push notifications- You now have the ability to utilize this enhanced security feature when logging into UBS Online Services website. First make sure you have the latest version of the UBS Financial Services mobile app downloaded, you will verify your identity with a temporary PIN, and accept notifications with our app. You then log in to the online services via the web, select **Send push notification**, then go to your mobile device to receive the notification and authorize. This feature can be used to replace a text message or voice call verification when logging in.

Best wishes for a great Spring,

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¹ Thomson Reuters via UBS Portfolio Management Report performance data

² <https://www.nasdaq.com/articles/russia-vs.-ukraine%3A-an-economic-comparison>

³ https://en.wikipedia.org/wiki/Economy_of_California

⁴ A bitter inflation cocktail; Investing in Mexico UBS CIO GWM Investment Research March 29, 2022

⁵ UBS House View At a Glance April 4th 2022, UBS CIO GWM Investment Research

⁶ UBS House View Monthly Letter December 16, 2021 Chief Investment Office GWM Investment Research

⁷ Rising Gen-5 steps to a secure financial future, November 11, 2020 UBS Editorial Team

⁸ "Take a Deep Breath" Blog Katie Williams Chief Investment Office March 8, 2022