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Pearsall Wealth Management

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January 2022 Pearsall Wealth Management Newsletter

<u>Index¹</u>	<u>Q4 2021</u>	<u>Year end 2021</u>
S&P 500	11.03%	28.71%
Dow Jones Industrial Average	7.87%	20.95%
Russell 2000	2.14%	14.82%
MSCI EAFE	2.74%	11.78%
Barclays Aggregate Bond	0.01%	-1.54%
US Treasury Bill – 3 month	0.01%	0.04%

We ended the year much in the way we began it; an ongoing pandemic we hope comes to a conclusion soon, and politics in the news. For all the headlines last year I want to take a moment and reflect on what did not happen that many believed would come to pass - despite what we expected back in September, no major tax law changes were passed in 2021; unfortunately for our roads (and cars) neither was an infrastructure package. We do expect something to pass this year however it is likely to be much less impactful both for potential tax changes and infrastructure repair than what was proposed this past fall². There has also been concern about the economy and level the US stock market is at currently. I find it helpful to reflect on what I hear both from the investment managers we use and business owners we work with, and it appears that many businesses are doing exceptionally well (“best years ever”), while others struggle, or in some cases have had to close their doors. It is said the crisis accelerates change and I suspect that is what we will continue to experience; as we come out of the pandemic we may find we permanently change the way we do certain things.

So where do we go from here? As with the first few days of this year we may see a transition in market leadership from large cap growth stocks, particularly tech companies, to that of “value” companies which is supported by stronger GDP growth and expectations of higher interest rates³. Mark Haefele, head of the UBS CIO, mentions the financial and energy sectors in particular, and also believes mid cap stocks and developed markets international may be places to focus on⁴. While admitting the call was similar last year⁵ when as noted above large cap US stocks outperformed given where we stand today we agree. It is typical for returns in a mid-term election year to be more muted⁶, and after two years of significant outperformance more modest returns are likely. The



UBS Wealth Management target for the S&P500 for mid-year (June) 2022 is 5,000, up a little under 5% from where the market closed last year³. Rebalancing to remain diversified after the gains we've experienced in portions of portfolios are a critical part of risk management. I've included "[New Year's Portfolio Resolutions](#)" from The UBS House View monthly letter December 2021 (available upon request) which remain 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 carbon⁷

The 2022 UBS Year Ahead theme is "A Year of Discovery" where "we rediscover lost pleasures while considering the enduring impact of the pandemic on our lives, goals, and values.²" We are here to help you through that process which can be both exhilarating and daunting. Whether you are considering retirement, moving your place of primary residence, what your legacy may be, or other changes you are contemplating updating (or creating!), a financial plan to help you select, guide, and monitor the success of the path you choose is often immensely helpful.

Lastly, we thank you for your trust and patience; though we have been exceptionally fortunate to continue to work through the pandemic and the markets have been kind to us we know it has been a trying period of time for all in different ways, and although technology has allowed us to do more it hasn't always made things easier. Though our office currently remains closed to clients and guests we are hopeful that we will welcome you back in at some point this year.

From Melissa-

Estate Planning Tips- One of the toughest things we do here at Pearsall Wealth Management is helping clients when a loved one has passed away. Whether it be sudden or expected, losing someone is always hard and even harder when you are worried about settling their finances. I have helped with many estates over the years and one the most important things I can impress on people is to try to talk to your family about your wishes before something happens. It's also important to keep your finances organized. I have enclosed a piece from MFS



Heritage Planning which reviews nine high level steps you can take to make sure you are in good shape. Here are a few more tips that I have found make settling a loved ones finances a bit easier:

1. Stock Certificates and Shares held at Transfer Agents- have a good handle on what you own and if possible make sure you have named a beneficiary.
2. Properties/Land- Talk about the expectations for the property ahead of time. Who will pay school and property taxes? Will someone buy others out? Even the smallest things like utilities and who is going to cut the grass, having a plan ahead of time takes the worry out of it.
3. Subscriptions- Utility costs are pretty easy to locate. One of the biggest surprises for many heirs is subscriptions: the magazine, shopping clubs, face care routines etc. Make a list of subscriptions you have and keep it up to date.
4. Naming one child the beneficiary to take care of it all- over the years I have seen many people name the oldest child beneficiary with the intention of "they are my executor they will divvy assets up". Take real care by doing this. Sometimes it can create unnecessary tax consequences for that beneficiary. It can also cause family rifts if it does not go well. Its important to talk to an estate planning attorney to make sure your wishes are carried out fairly and correctly.

Updates to 2022 Required Minimums- just as a reminder starting in 2022 the various life expectancy tables used by owners and beneficiaries to calculate required minimum distributions (RMDs) from qualified retirement plans, IRAs and nonqualified annuities are being updated. This is being done to reflect the increase in life expectancies experienced since the current tables came out in the early 2000s. Although this is not a major change, account owners may notice a difference in their distribution amounts, it may provide some relief to those who wish to distribute the smallest amount possible.

In a few weeks everyone who needs to take a RMD will start receiving their Year End Valuation Statements with those amounts. For those of you who inherited an Individual Retirement Account from someone who passed in 2020 or later, just a reminder that you have 10 years after their passing to make sure that account is fully liquidated if you are not an "Eligible Designated Beneficiary" in the eyes of the IRS. As always if you have any questions or would like to set up a recurring monthly or quarterly transfer please give us a call.



From Tara-

Tax Season: We would like you to be aware of important dates and deadlines when planning for filing your 2021 taxes.

- 1099-R forms documenting your IRA distributions will be mailed on January 31st, 2022
- The first wave of 1099 Consolidated Forms will be mailed on February 14th, 2022 - this wave includes forms with no anticipated corrections or updates.
- The final mailing will be around February 28th, 2022 which will include any corrected 1099 forms.
- **IMPORTANT:** If any corrections are to be made after the final mailing, I will contact you.

Please be aware that if you have multiple accounts with us, forms may be mailed on different dates. If you would like to obtain your 1099 as fast as possible and you are comfortable with E-Delivery head over to UBS Online Services and sign up for E-Delivery of your 1099s. You will then get an email as soon as they are available to download. If you do sign up for E-delivery just make note on your tax document gathering folder so you don't forget. As always if you have any questions or would like us to send anything to your accountant please let us know.

Best wishes for a healthy, happy, and prosperous 2022,

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¹ Thomson Reuters via UBS Portfolio Management Report performance data

² UBS House View Daily December 22, 2021 "Looking beyond Build Back Better"

³ UBS House View At a Glance January 3, 2022

⁴ Year Ahead 2022, UBS House View, 2022 will be Year of Discovery Mark Haefele, December 2021

⁵ UBS House View Monthly letter December 10, 2020, Chief Investment Office GWM Research

⁶ Outlook, 2022 Edition, Capital Group Long-term perspective on markets and economies, page 5

⁷ UBS House View Monthly Letter December 16, 2021 Chief Investment Office GWM Investment Research