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October 2022 Pearsall Wealth Management Newsletter

Index[1]	3rd Quarter 2022	Year to Date 2022
S&P 500	-4.88%	-23.87%
Dow Jones Industrial Average	-6.17%	-19.72%
Russell 2000	-2.19%	-25.10%
MSCI EAFE	-9.29%	-26.76%
Barclays Aggregate Bond	-4.75%	-14.61%
US Treasury Bill – 3 month	0.47%	0.63%

This past quarter has been a volatile one for stock and bond markets; after a rebound in July and early August the large cap markets sold off after Fed chairman Powell's statements at the annual Jackson Hole conference, and market turbulence, particularly to the down side, continued in September. Overseas and small cap markets have been even more volatile[1]. Over the long term a company's stock price typically reflects their current and projected earnings. Short term sometime stock prices are more a reflection of greed or fear pushing prices up or down. In my opinion the current environment is a good reflection of the latter – the fear over how long high inflation may last, how high the fed may increase interest rates, and what may happen next in Ukraine is evident right now in the news stories we see daily as well as the swings in asset prices. That said, when I look at the real risks out there for portfolios it is not the next 20% decline that is the big risk, it's getting caught in cash or fixed return investments when the next 100% advance happens that is ultimately detrimental to creating wealth. Times like these are not easy, but they are the price we pay for the long term returns we seek. Having navigated several periods of turbulent markets with many of you over the past 18+ years I'm confident we will do so together as we have in the past – thoughtfully, keeping our focus on your goals.

So where might we go from here? There are several events that have a good chance of impacting the market in a positive way should they come to pass:

- Currently UBS expects the Federal Reserve will pause their rate increases early next year[2]; I suspect the market will breathe a sigh of relief that we may be at the end of rate increases.

- Should inflation cool more quickly than the Federal Reserve expects, we may see the markets pop up in anticipation of the Fed pausing sooner than expected.
- A cessation of hostilities in Ukraine would likely benefit the global markets as supply chains ease and the price of oil and natural gas potentially drop as well if supply to Europe resumes closer to historic capacity.

We have enclosed the September 22nd edition of the UBS House View which goes into more detail on possible scenarios for different markets as well as an excellent recap of what we have experienced this year. It is a bit longer than our typical enclosure but if you are interested well worth your time.

UBS continues to hold video calls with experts on various topics, including an excellent one with former Secretary of Defense Robert Gates around possible outcomes in Ukraine**.** Replays can be found at: www.ubs.com/ciolive

We're here to help guide you and provide perspective - Please give us a call if you'd like to discuss your financial plan, portfolio, or catch up in general.

From Melissa-

New Lifetime Income Illustrations: For those who participate in employer based 401(k) retirement plans you may notice something different on your statements this year: a lifetime income illustration. Starting in July most plans are required to include a lifetime income illustration at least once a year.

The purpose of these illustrations is to help investors understand what retirement assets would look like if they wanted to see it turned into a monthly income. These illustrations help us translate that account balance into a monthly income by purchasing one of two types of annuities:

1. Single Life Immediate Annuity which would be a fixed monthly payment you would receive the rest of your life
2. Qualified Joint and 100% Survivor Annuity which would be a fixed payment that you would receive the rest of your life, and that same fixed payment would continue for the remainder of your spouses' life.

The assumptions that go into these illustrations are generic and are not customized to your specific situation. For example, the illustrations assume you are at least 67 years old, you are not making any additional contributions, payments are fixed and not adjusted for inflation, your spouse is the same age etc.[3].

Many investors are going to find these numbers very shocking, especially if you are years or decades away from retirement. As mentioned before they assume no further contributions and no growth in the portfolio. It's important not to be discouraged and deterred from putting away consistent contributions into your retirement savings.

If you're near or in retirement, the figures will give you an idea of how much spending those retirement assets may support, but without all the information that's unique to your particular situation, it won't be comprehensive enough to give you a complete picture of how much you can spend in retirement.

For more details on how to digest these illustrations I suggest you read the full report Modern Retirement Monthly: What to know about your 401(k)'s lifetime income illustration from early July 2022.

Talking about Cognitive Decline- one of the hardest phases that we guide clients through is the cognitive decline of a loved one or even recognizing the decline in themselves. The estimated age for average onset of dementia in the United States is 83.7 years old but risks start to rise after age 65 [4]. It's so important to talk about this before it happens. Sometimes those going through it don't know it's happening and loved ones can be hesitant to bring up the changes they are seeing. Financial planning and estate planning conversations help you maintain control by putting in place documents that ensure your wishes are followed later on, even if your decision-making faculties become impaired. It's important to frame the conversation not around account balances, but rather what brings you joy, how you would feel comfortable in your later years, and how to continue your legacy in the memories of your loved ones. If you feel you are ready to have that conversation with your family and you don't know where to start please give us a call and we can help. We are always willing to help clients help their family understand their wishes and how to carry on their legacy.

Medicare Annual Enrollment Period. Just a reminder that Medicare enrollment runs Oct 15th -Dec 7th each year, this is the time where you can make changes to your coverage. You can review changes in your existing plan as well as your health situation to determine if you need a new plan to ensure that you have the best coverage for your situation at the lowest cost.

It is common for Medicare Advantage (Part C) and Medicare drug plans (Part D) to adjust prices going into the new year. You will want to review any changes in premiums, deductibles and other cost issues each year prior to the annual enrollment period. Plans typically provide an Annual Notice of Change letter each year by September.

Some questions to ask yourself include:

1. *How's your overall health?*

- Has your health status changed at all?
- Did you struggle to get the care you needed this year or the quality you expected?
- Are you visiting the doctor more or less than you anticipated?

2. *Are you comfortable with your healthcare costs?*

- Have your financial circumstances changed?
- Are you spending more on co-pays or deductibles than you expected to?

3. *Has your location changed or will it in the future?*

- Will you be traveling more or less than you did last year?
- Do you have plans to move?
- Do you need to change doctors or specialists for any reason?

Medicare was not designed to be a comprehensive healthcare plan and should not be your sole coverage. As always let's discuss how to incorporate your healthcare expenses into your overall financial plan.

From Tara-

Year End Planning

Required Minimum Distribution: RMD's are the minimum amount that you must withdraw annually from your IRA when you turn 72, with the first distribution by April 1st the year after you turn 72, and subsequent RMD's must be taken no later than December 31st of each year. If you have any questions about how much you have left of your RMD please give me a call and I would be happy to help you.

Gifting: If you are considering gifting this year please let us know by the beginning of December if you will be giving gifts of stock or setting up 529 plans for your kids, grandkids or great grandkids. In addition, for those over 70.5 by year end if you have any charitable giving you would like to do as a Qualified Charitable Distribution from your IRA just let us know so we have plenty of time to process paperwork.

Fees: Annual RMA, IRA and Qualified Plan account fees are coming up**.** If you would like to pay ahead you are welcome to do that, otherwise it will come out automatically on December 6th.

Best wishes for a great Fall,

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[1] *Thomson Reuters via UBS Portfolio Management Report performance data*
[2] *UBS House View Monthly Letter, CIO GWM Investment Research September 22, 2022*
[3] *Department of Labor's Employee Benefits Security Administration https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/fact-sheets/pension-benefit-statements-lifetime-income-illustrations*
[4] *Plassman, B. L., Langa, K. M., McCammon, R. J., Fisher, G. G., Potter, G. G., Burke, J. R., . . . Wallace, R. B. (2011). Incidence of dementia and cognitive impairment, not dementia in the United States.* Annals of Neurology, 70, *418–426*