

Is the Sky Falling? By Sandy

You might want to have a cocktail (or two) before looking at your statements this quarter, or don't look at all. I feel like Chicken Little when he's warning the sky is falling.

One of the worst six-month periods for stocks ended on June 30. The first half of the year was marked by brutal market sell-off that led the S&P 500 to fall 20.5%, the worst decline in decades. The Nasdaq is down more than 30% over the past three months, the worst fall since 2008. Inflation is at a 40-year high and the Federal Reserve may take more drastic action with another 75 basis points at the next July meeting. The increase in the Fed rate of 75 basis points in June was the largest increase since 1994. We have not seen inflation rise this quickly since the early 1980's, which you can quickly gauge by the price of gas. If the Fed is too aggressive in raising rates, they risk triggering a recession. Russia's ongoing war on Ukraine and COVID-19 lockdowns in China are still very worrisome for an economy trying to escape a recession. The economic indicators that we follow signal that if there is a recession, it will be shallow and short lived.



Inflation is as violent as a mugger, as frightening as an armed robber and as deadly as a hit man. - Ronald Reagan



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Market Review By Carol

The factors that pressured stocks in the first quarter: high inflation, higher interest rates, geopolitical unrest, and rising recession fears, also weighed on stocks in the second quarter and until investors get relief from these headwinds, markets will remain volatile.

All 11 S&P sectors had losses too. Utilities, healthcare and energy had modest losses, while tech and consumer discretionary sectors continued to decline.

The following are the market returns as of June 30, 2022, YTD and June 2021-2022. Please note, each client's portfolio is individually constructed, and the benchmarks are presented as a comparison tool.

Benchmarks:	YTD June 2022
60% Equity/40% Fixed	-16.67%
50% Equity/50% Fixed	-17.00%
40% Equity/60% Fixed	-14.50%
Barclays US Agg Bond	-10.87%
S&P	-20.58%
DOW	-15.31%
iShares (EFA)Foreign	-21.46%

Benchmarks:	June 2021- June 2022
60% Equity/40% Fixed	-12.50%
50% Equity/50% Fixed	-12.54%
40% Equity/60% Fixed	-12.59%

Chapman University's- June 2022 Economic Forecast Update By Erin

Chapman University has repeatedly forecasted key economic indicators accurately. They predict a recession to officially begin early-mid 2023. With the onset of the pandemic, spending increased with the Fed's lowering of interest rates and expanded government spending. This boost to spending has led to inflation. Now the Fed is trying to tighten the economy by increasing rates, reducing its holdings of T-bonds and mortgage-backed securities by about \$50 billion per month initially, followed by \$100 billion per month later. This would place a downward pressure on the nation's money supply and future spending, thus helping combat inflation.

Construction is a top indicator of spending as it makes up a large portion of the U.S. GDP. When mortgage rates drop, real estate investment increases. Construction spending includes expenses such as labor, materials, and engineering work. As the Fed increases interest rates, we can expect the mortgage rate to hit about 6.5% by the end of the year. Higher mortgage rates will cut into real estate investment spending in the U.S., which in turn will also cause the GDP to decrease. In 2021, the GDP was growing at a rate of 5.7%. In 2022, it is forecasted to grow at a slower rate, at about 2.8%.

The stock market has peaked six months to one year before the start of every recession since 1970. The average decline is 33% from the pre-recession peak to the trough (bottom). The S&P 500 has dropped 23% since its peak from late 2021. We may be getting close to the bottom, though, as many are anticipating a short and mild recession given the strength in employment, consumer spending, and financial safeguards implemented since the last recession. Another silver lining is as the Federal Reserve pushes interest rates up, we will see more attractive fixed income opportunities offering higher income to our retirement accounts.

Market Outlook By Carol

The market declines of the first six months of 2022 have been unsettling and painful, the S&P 500 now sits at much more historically attractive valuation levels. At current prices, a lot of negatives have been priced into the market, opening the possibility of positive surprises as we move forward in 2022.

To that point, the S&P 500 has declined more than 15% through the first six months of the year five previous times since 1932. In all those instances, the S&P 500 registered a solidly positive return for the final six months of those years. Obviously, past performance is not necessarily indicative of future results, and we will continue to be vigilant to additional risks to portfolios, but market history provides a clear example that positive surprises can and have occurred, even in difficult markets such as this. More importantly, through each of those declines, markets eventually recouped the losses and moved to considerable new highs. The only way for the portfolios to recoup their losses is to remain invested and to carefully put cash to use by dollar cost averaging in new purchases.

Some happy news: My daughter, Kimberly and her husband Greg welcomed a baby girl on April 7 – Saige Joyce Johnson – 8 lbs. 6 oz. Kaiser Hospital allowed me to be in the hospital room for the birth! It was a great day!

TIs the Sky Falling? By Sandy Continued...

Bond price declines have been almost as bad as stocks. 10 year corporates have fallen 22%, mortgage backed agencies are down 8%, and US government credit is down 11%. I have never seen both the stock market and the bond markets fall to this extent at the same time and there is no safe place to hide at the moment. Even Crypto assets like Bitcoin fell 58% to 19k.

One bit of good news is the SECURE Act 2.0 looks like it will pass and raise the age of taking minimum required distributions (RMDs) from age 72 to age 75. This allows three extra years of tax-free growth in IRAs for those that do not need to withdraw funds for living expenses.

Getting Prepared By Melani

As we wait for the TD Ameritrade and Schwab platforms to merge, we are doing everything in our power to make the change as seamless as possible for our clients. One item on our to do list is to have all our TD Ameritrade clients set up with an online account at advisorclient.com. It is very important that everyone has an account set up as Schwab will try to use your existing user id and password for their website instead of making clients set up new ones.

If you are an existing TD Ameritrade client and do not have an online account set up, please go to advisorclient.com and underneath "Log In" click on "set up my profile". You will need your account number and access to the phone number we have on file for you.

If you have a user id but have not used it in a while now is a good time to log in to make sure all your information is updated. If you have forgotten your password, you can use the "Forgot your password" option.

If you're having any issues creating an account or logging in, please do not hesitate to contact me by calling the office directly or sending an email to melani@assetplanninginc.com

2022 Privacy Policy

The following is our annual letter informing you of the privacy policies of this firm.

Asset Planning, Inc. (API) an independent financial planning firm, is committed to safeguarding the confidential information of its clients. We hold all personal information provided to our firm in the strictest confidence. These records include all personal information that we collect from you in connection with any of the services provided by API.

We maintain a secure office and computer environment to ensure that your information is not placed at unreasonable risk.

The categories of nonpublic, personal data that we collect from a client depend upon the scope of the client engagement. It will include information about your personal finances, your health to the extent it is needed for the planning process, transactions between you and third parties and information from consumer reporting agencies.

For unaffiliated third parties that require access to your personal information, including financial service companies, consultants and auditors, we also require strict confidentiality and expect them to keep this information private. Federal and state regulators also may review firm records as permitted under law.

We do not provide your personally identifiable information to mailing list vendors or solicitors for any purpose.

Personally identifiable information about you will be maintained during the time you are a client and for the required time thereafter that such records are required to be maintained by federal and state securities laws, and consistent with the CFP Board Code of Ethics and Professional Responsibility.

While we do not anticipate a change in firm policy, we would be prohibited by law from doing so without advising you first.

If you have any questions about this policy, please do not hesitate to contact us.

*"This too shall pass"
- Abraham Lincoln*