

INVESTMENT UPDATE

2021 --- 4th Quarter

THE YEAR IN REVIEW

THE FOURTH QUARTER OF 2021 started with a continuation of the volatility we saw at the end of the third quarter. In early October, there was still little progress in Washington on extending the debt ceiling or providing investors clarity on future tax changes. Overall uncertainty sent stocks lower to start the quarter. But by middle of October a government shutdown was avoided, many of the tax increases proposed in the Build Back Better bill were removed easing some anxiety, and the vast majority of companies posted better-than-expected earnings results. Those positive developments helped send the S&P 500 Index sharply higher and recouped the losses from September.

All through the year, it felt like there was some new event around every corner, waiting to happen. Sometimes good and sometimes a challenge. The end result, investment-wise, was surprisingly good! In summary, it was another historic year for markets and the S&P 500 Index ended near new all-time highs. **We are seeing investment returns for the year in individual accounts anywhere between +10% to +20% or more,** depending on the investment mix.

2021 started with vaccine-induced optimism but ended with Omicron. We inaugurated a new President. There was a ship stuck in the Suez Canal and container ships elsewhere waiting in line to be unloaded. The U.S. cleared COVID-19 vaccines for distribution. Sudden, intense demand for goods started to drive prices higher. By June the COVID-19 cases hit a low mark, but then the Delta variant took over making up over 50% of new cases in the U.S. Inflation continued to be felt in more places and the Federal Reserve stopped using the word “transitory”, acknowledging that inflation would take longer than expected to come back to normal. And finally, the new Omicron variant of the virus surfaced during the holiday season. It was a very busy year!

LOOKING FORWARD TO 2022.

The markets face numerous challenges to start this new year while we continue to work our way out of the pandemic. On balance, the outlook remains decidedly positive. Corporate earnings remain relatively strong and the performance of American businesses through the pandemic has been amazing. Interest rates, while they will likely rise in 2022, remain very, very low and not close to levels that would historically hinder economic growth. Personal savings remain high, unemployment remains low, and broadly speaking the U.S economy is in strong shape. Count on seeing the stock market move up and down as we make our way through recovery. We foresee investment returns that are lower than what we have had recently. Expect single digit returns for the year.

As we consider all that has occurred in 2021 and look forward to 2022, one of the biggest takeaways (and a reminder) is that a well-diversified investment mix, taking the appropriate amount of risk for your time horizon and goals, with periodic rebalancing, CAN withstand market surprises and bouts of volatility. Therefore, **it is critical for you to stay invested, remain patient, and stick to your plan.**

Call Nan or Ann at 414-431-6491 with your questions.

NEW SAVING LIMITS FOR 2022

401(k) Accounts - \$20,500 plus \$6,500 if over age 50

IRA Accounts - \$6,000 plus \$1,000 if over age 50

Gift Tax Exclusion – Increased to \$16,000 per person in 2022