Wealth Builder

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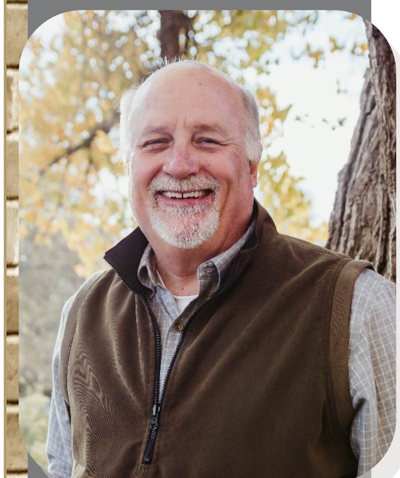
SUMMER 2022

LEGACY WEALTH MANAGEMENT, LLC



"I Don't Want to Talk About That!"

By Mike Berry CFP®

There are a number of discussions that we need to have as we age, but one that seems to be the most difficult to have is the one about long term care.

"I don't want to talk about that."

"If I get to be that bad, I'll take a walk in the desert."

"My spouse is just going to smother me with a pillow."

Those are just a few of the responses I have received when bringing up the subject of how we plan for long term care.

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2022 Q2 Market Decline - "What Should I Do?"

By Dan Funderburk, CFP®, CKA®

Investing in the first part of 2022 has been challenging to say the least. Through May, the S&P 500 was down 13.85%, the Dow was down 9.83%, and the tech-heavy NASDAQ was in a bear market, being down 23.69%. Additionally, bonds, which typically provide portfolio stability in times of stock declines, have seen their worst start to a year in decades. The Bloomberg U.S. Aggregate Bond Index was down 8.2% through May. These simultaneous declines in stocks and bonds are the worst we've seen since 1976[1].

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"I Don't Want to Talk About That!" *Continued from p. 1*

We can…

Ignore it and hope for the best. We certainly can. But statistics show us that of people who are currently 65, one in two will need some type of long term care in their lifetime. Critical long term care is up to $300 a day and even higher in other areas of the country. That's $109,500 a year. Statistics also tell us that men who enter a nursing care facility will spend an average of 18 months before passing. Women average 48 months in a long term care facility before passing. Those costs are really too large to ignore and if not planned for can devastate a financial plan.

Anticipate it and plan for it. If we face the possibility of needing long term care sometime, there are planning options available to help get us through that time without devastating all our resources. It's doubtful that many of us, even if we started early in life, could save enough money to fund our retirement and fund any potential long term care expenses, but setting aside even a small amount for it can help should the need arise. There is also the option of purchasing long term care insurance to help cover the costs. It's one of those things that you hope you don't need, but you're glad you have if you do need it. There are also options of shifting assets to others so that you don't have to burn through them to cover long term care expenses. But most of these strategies must be put in place years before entering into a long term care facility and most cannot be reversed if you never need long term care.

"Those costs are really too large to ignore and if not planned for, can devastate a financial plan."

The whole landscape of care for the elderly is changing. There are 73 million baby boomers coming into their senior years. Prior generations are living longer, so our population is aging. Caring for this aging population is requiring new ideas. Long term care insurance is including more benefits for home care costs as an example. There is ongoing talk in Washington about making long term care costs something that Medicare would provide some type of benefit for. More people are choosing to have home health care, even having to pay for it out of their pockets.

Since long term care has the potential to be one of the biggest financial events in one's life and with so many options and the changing landscape of it all, it's ever more important to have the discussion with your family and your financial advisor about what happens if you need long term care.♦

Are We There Yet? By Jeff Funderburk, CFP®

It seems like there is nowhere to hide this year as stock and bonds both continue losing value. Stocks due to fears of lower growth, and even recession. And bonds because of quickly rising interest rates. As investors weather the storm, many find themselves asking “Where is the bottom?” The truth is nobody knows, and that can be scary.

I find that things become less scary with understanding. So, let’s understand what’s going on. There are three main drivers of the market downturn this year: inflation, raising interest rates, and the Ukraine-Russia conflict. There are certainly other things at play, but these three seem to be the most dominant.

The market began it’s decline early in the year as we began to finally see inflation being reflected in CPI numbers and not being as “transitory” as the Fed had anticipated. Surging consumer demand and crippling supply chain issues added inflationary pressure to an economy already flooded with easy money from government COVID stimulus.

To combat this inflation the Fed began an aggressive tightening cycle, raising their benchmark interest rate at the fastest pace since 2000. This is expected to continue well into next year. Anticipating lower growth, and potentially a recession, the market took another leg down.

Then Russia invaded Ukraine leading to already-heightened inflation fears being stoked even higher. The market accelerated down it’s steady path lower. I do think a majority of these things have been priced-in by the market. But as for the market bottom? Are we there yet? I certainly don’t know, but I know we’re getting closer. Also know that I am staying strapped in for continued volatility.

Until we see inflation coming down, the Fed easing up on rate increases, and clarity of a resolution to the conflict in Ukraine I believe the markets will continue to be volatile. I don’t think we begin a meaningful recovery until these three things occur. But I do believe that all three of those things will occur. I just don’t know when.

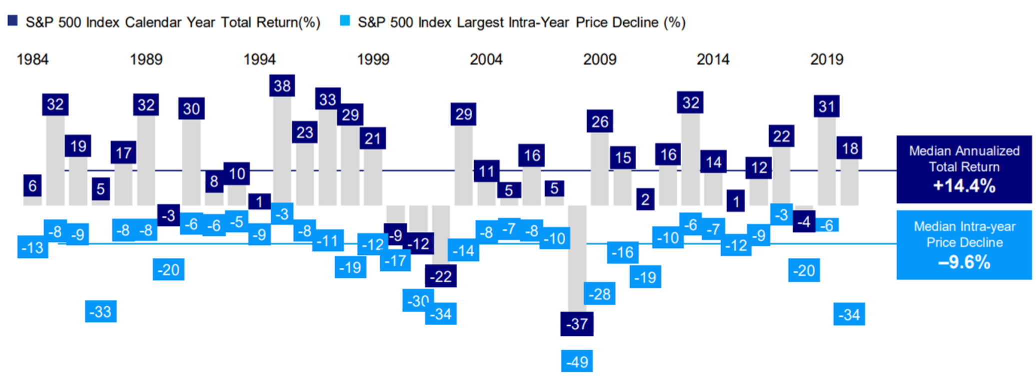
I do find comfort in knowing that investors that stay invested have always been rewarded over time. No bear market is the same, but on average they last 9.5 months. Compare that to the average bull market length of 2.7 years and you can easily make the case that staying invested is the prudent path. I understand that’s not always easy and is unnerving at times. But I’ll wrestle a bear for a short while so I’m in position to hitch a ride on the next bull inevitably coming my way.♦

2022 Q2 Market Decline - What Should I Do? *Continued from p. 1*

The reason for the declines? Primarily inflation and Russia's invasion of Ukraine. A year ago, inflation was barely in the headlines. As it began to climb, the Federal Reserve downplayed its severity, saying it was "transitory" and would come back down once COVID-related supply chain bottlenecks were resolved. Since then, the Fed has pulled a 180, and is aggressively taking steps to combat inflation. The two main levers it can pull to slow down the overheated economy is raising interest rates and unwinding its balance sheet, both of which hurt bond prices. As a result, bond yields rise, which makes them more attractive to risk-averse investors. This can cause a sell-off in stocks as investors rotate away from riskier assets into more conservative choices.

So what should we do? History shows us that sticking with our long-term investment strategy is probably still the best bet, even amid elevated volatility. Market volatility isn't new – it's always been a part of investing. The chart below shows the S&P 500 from 1984 thru 2020. The light blue boxes show the biggest intra-year decline, and the navy-blue boxes show the total return for the year, not including dividends.

Volatility Does Not Equal a Financial Loss Unless You Sell



Source: Bloomberg L.P., 12/31/20. Calendar-year returns are total returns, meaning that they do include the reinvestment of dividends. The index is unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. Index definitions can be found on page 52. Past performance does not guarantee future results.

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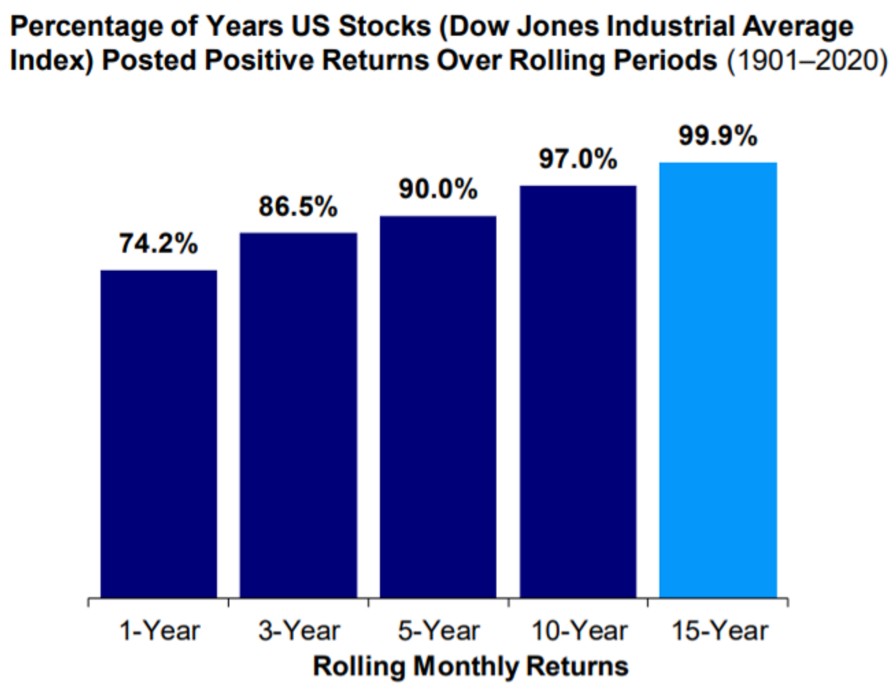
The take-away? The market regularly pulls back throughout the course of a year, but more often than not if you stay invested, you'll do just fine. Take 2020 for example: The market declined 34% through the first quarter, but by the end of the year, it had a positive return of 18%. Amazing! Volatility doesn't equal a financial loss unless you sell.

What if we look a longer timeframe? The chart below shows that between 1901 and 2020, the Dow had a positive 12-month return 74.2% of the time. That means 26.8% of the time, the Dow has a negative 12-month return. That's one out of every four years! Negative years for the market are not uncommon at all.



We've had strong market performance with low volatility over the last few years. That hasn't been the story so far in 2022, but history shows us that market declines are not uncommon. Sometimes it can help to zoom out a bit and see that we've been here before, and typically the best course of action has been to maintain the investment strategy you agreed on with your advisor.♦

Chart #1 Source: https://www.invesco.com/us-rest/contentdetail?contentId=aa23305aad4fd610VgnVCM1000006e36b50aRCRD&audienceType=investor
Chart #2 Source: https://www.invesco.com/us-rest/contentdetail?contentId=aa23305aad4fd610VgnVCM1000006e36b50aRCRD&audienceType=investor

"Here at Legacy Wealth, we still believe that capitalism works, and we'll find a way to get past these current market woes.

As always, we're here if you would like to talk about your specific situation and concerns."

LEGACY WEALTH MANAGEMENT, LLC

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