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Dear Friends,

These past six months have presented a special challenge for us as investors in the financial markets, yet the economy continues to chug right along. You'll see in the article below that the unemployment rate has essentially reached pre-COVID levels. Other economic indicators remain strong as well - 2nd quarter earnings growth looks to be well above estimates and business spending remains healthy. Investor fears over inflation and the potential for a recession drove prices lower this past quarter, but we're not seeing data that indicates an imminent recession. If you're stressed out over your account statement or the news headlines, please give me a call so we can talk it through.

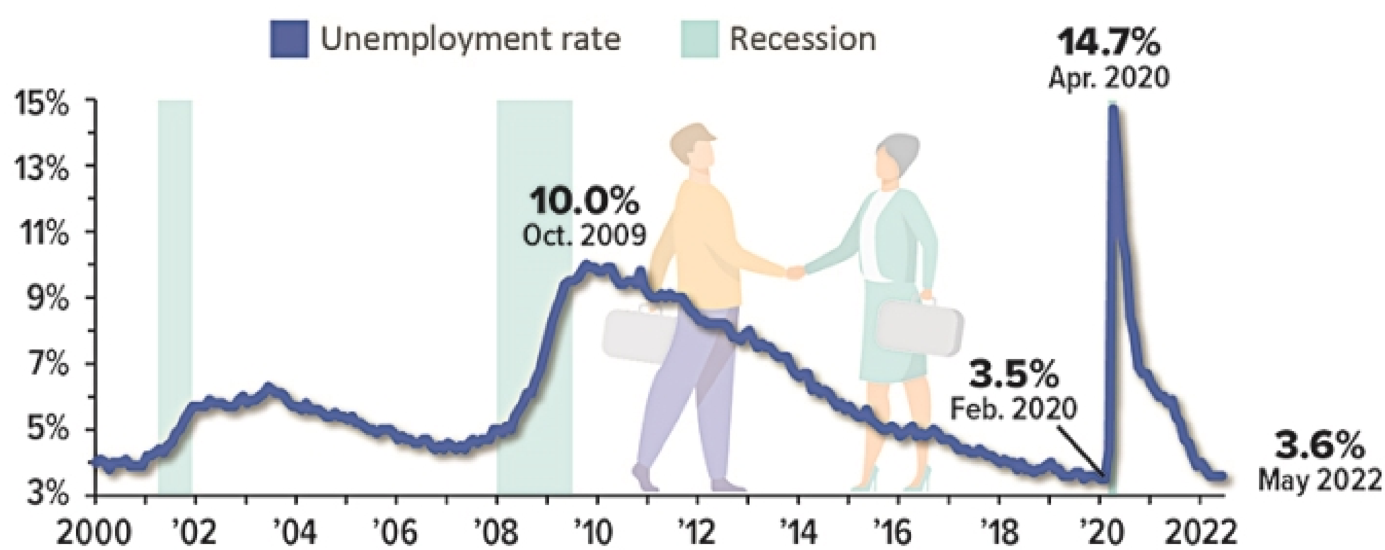
On a personal note, we have a busy year going...Connor is getting married this month, Stephanie's daughter is getting married this fall, and I've been spending a lot of evenings at the BMX track with my son. Life is good regardless of the headlines.

Jesse

Quick Recovery for Unemployment Rate

The U.S. unemployment rate skyrocketed to 14.7% in April 2020 when the economy shut down in response to the pandemic. This was by far the highest rate since the current tracking system began in 1948. Fortunately, employment has recovered at a record pace — the unemployment rate was just 3.6% in March, April, and May 2022, nearly the same as before the pandemic.

The official unemployment rate only reflects unemployed workers who are actively looking for a job. A broader measure that captures workers who want a job but are not actively looking, as well as part-time workers who want full-time work, dropped from 22.9% in April 2020 to 7.1% in May 2022.



Source: U.S. Bureau of Labor Statistics, 2022; National Bureau of Economic Research, 2022

Food Inflation: What's Behind It and How to Cope

As measured by the Consumer Price Index for food at home, grocery prices increased 3.4% in 2020, a faster rate than the 20-year historical average of 2.4%.[1] More recently, food inflation accelerated by 6.5% during the 12 months ending in December 2021, while prices for the category that includes meat, poultry, fish, and eggs spiked 12.5%.[2]

Food prices have long been prone to volatility, in part because the crops grown to feed people and livestock are vulnerable to pests and extreme weather. But in 2021, U.S. food prices were hit hard by many of the same global supply-chain woes that drove up broader inflation.

The pandemic spurred shifts in consumer demand, slowed factory production in the United States and overseas, and caused disruptions in domestic commerce and international trade that worsened as economic activity picked up steam. A shortage of metal containers and backups at busy ports and railways caused long shipping delays and drove up costs. Severe labor shortages, and the resulting wage hikes, have made it more difficult and costly to manufacture and transport many types of unfinished and finished goods.[3]

As long as businesses must pay more for the raw ingredients, packaging materials, labor, transportation, and fuel needed to produce, process, and distribute food products to grocery stores, some portion of these additional costs will be passed on to consumers. And any lasting strain on household budgets could prompt consumers to rethink their meal choices and shopping behavior.

Seven Ways to Master the Supermarket

The U.S. Department of Agriculture expects food inflation to moderate in 2022, but no one knows for certain how long prices might stay elevated.[4] In the meantime, it may take more effort and some planning to control your family's grocery bills.

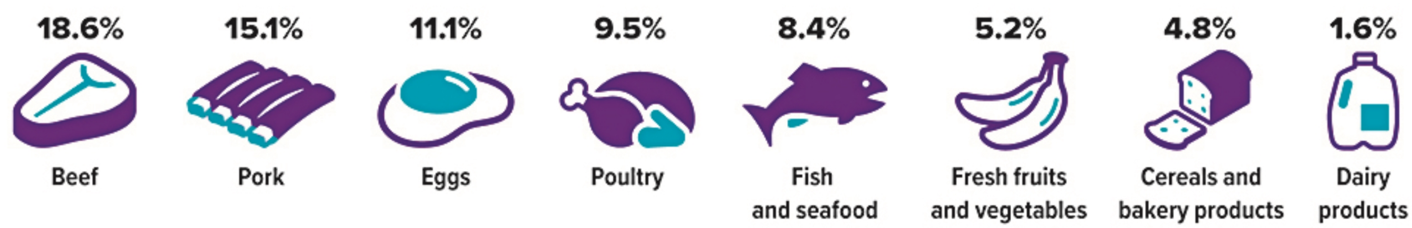
1. Set a budget for spending on groceries and do your best not to exceed it. In 2021, a typical family of four with a modest grocery budget spent about $1,150 per month on meals and snacks prepared at home. Your spending limit could be higher or lower depending on your household income, family size, where you live, and food preferences.[5]
2. To avoid wasting food, be aware that food date labels such as "sell by," "use by," and "best before" are not based on safety, but rather on the manufacturer's guess of when the food will reach peak quality. With fresh foods like meat and dairy products, you can usually add five to seven days to the "sell by" date. The look and smell can help you determine whether food is still fresh, and freezing can extend the shelf life of many foods.
3. Grocery stores often rotate advertised specials for beef, chicken, and pork, so you may want to plan meals around sale-priced cuts and buy extra to freeze for later. With meat prices soaring, it may be a good time to experiment with "meatless" meals that substitute plant-based proteins such as beans, lentils, chickpeas, or tofu.
4. Stock up on affordable and nonperishable food such as rice, pasta, dried beans, canned goods, and frozen fruits and vegetables when they are on sale.
5. Select fresh produce in season and forgo more expensive pre-cut and pre-washed options.
6. Keep in mind that a store's private-label brands may offer similar quality at a significant discount from national brands.
7. Consider joining store loyalty programs that offer weekly promotions and personalized deals.

1, 4–5) U.S. Department of Agriculture, 2021

2) U.S. Bureau of Labor Statistics, 2022

3) Bloomberg Businessweek, September 15, 2021

Annual Change in Consumer Price Indexes for Food (through December 2021)



Source: U.S. Bureau of Labor Statistics, 2022

Working While Receiving Social Security Benefits

The COVID-19 recession and the continuing pandemic pushed many older workers into retirement earlier than they had anticipated. A little more than 50% of Americans age 55 and older said they were retired in Q3 2021, up from about 48% two years earlier, before the pandemic.[1]

For people age 62 and older, retiring from the workforce often means claiming Social Security benefits. But what happens if you decide to go back to work? With the job market heating up, there are opportunities for people of all ages to return to the workforce. Or to look at it another way: What happens if you are working and want to claim Social Security benefits while staying on your job?

Retirement Earnings Test

Some people may think they can't work — or shouldn't work — while collecting Social Security benefits. But that's not the case. However, it's important to understand how the retirement earnings test (RET) could affect your benefits.

- The RET applies only if you are working and receiving Social Security benefits *before* reaching full retirement age (FRA). Any earnings after reaching full retirement age do not affect your Social Security benefit. Your FRA is based on your birth year: age 66 if born in 1943 to 1954; age 66 & 2 months to 66 & 10 months if born in 1955 to 1959; age 67 if born in 1960 or later.
- If you are under full retirement age for the entire year in which you work, $1 in benefits will be deducted for every $2 in gross wages or net self-employment income above the annual *exempt amount* ($19,560 in 2022). The RET does not apply to income from investments, pensions, or retirement accounts.
- A monthly limit applies during the year you file for benefits ($1,630 in 2022), unless you are self-employed and work more than 45 hours per month in your business (15 hours in a highly skilled business). For example, if you file for benefits starting in July, you could earn more than the annual limit from January to June and still receive full benefits if you do not earn more than the monthly limit from July through December.
- In the year you reach full retirement age, the reduction in benefits is $1 for every $3 earned above a higher annual exempt amount ($51,960 in 2022 or $4,330 per month if the monthly limit applies). Starting in the month you reach full retirement age, there is no limit on earnings or reduction in benefits.
- The Social Security Administration may withhold benefits as soon as it determines that your earnings are on track to surpass the exempt amount. The estimated amount will typically be deducted from your monthly benefit in full. *(See example.)*
- The RET also applies to spousal, dependent, and survivor benefits if the spouse, dependent, or survivor works before full retirement age. Regardless of a spouse's or dependent's age, the RET may reduce a spousal or dependent benefit that is based on the benefit of a worker who is subject to the RET.

Back to Work

In this hypothetical example, Fred claimed Social Security in 2021 at age 62, and he was entitled to a $1,500 monthly benefit as of January 2022. Fred returned to work in April 2022 and is on track to earn $31,560 for the year — $12,000 above the $19,560 RET exempt amount. Thus, $6,000 ($1 for every $2 above the exempt amount) in benefits will be deducted. Assuming that the Social Security Administration (SSA) became aware of Fred's expected earnings before he returned to work, benefits might be paid as illustrated below.

In practice, benefits may be withheld earlier in the year or retroactively, depending on when the SSA becomes aware of earnings.

The RET might seem like a stiff penalty, but the deducted benefits are not really lost. Your Social Security benefit amount is recalculated after you reach full retirement age. For example, if you claimed benefits at age 62 and forfeited the equivalent of 12 months' worth of benefits by the time you reached full retirement age, your benefit would be recalculated as if you had claimed it at age 63 instead of 62. You would receive this higher benefit for the rest of your life, so you could end up receiving substantially more than the amount that was withheld. There is no adjustment for lost spousal benefits or for lost survivor benefits that are based on having a dependent child.

If you regret taking your Social Security benefit before reaching full retirement age, you can apply to withdraw benefits within 12 months of the original claim. You must repay all benefits received on your claim, including any spousal or dependent benefits. This option is available only once in your lifetime.

1) Pew Research Center, November 4, 2021

The Potential Benefits of Roth IRAs for Children

Most teenagers probably aren't thinking about saving for retirement, buying a home, or even paying for college when they start their first jobs. Yet a first job can present an ideal opportunity to explain how a Roth IRA can become a valuable savings tool in the pursuit of future goals.

Rules of the Roth

Minors can contribute to a Roth IRA as long as they have earned income and a parent (or other adult) opens a custodial account in the child's name. Contributions to a Roth IRA are made on an after-tax basis, which means they can be withdrawn at any time, for any reason, free of taxes and penalties. Earnings grow tax-free, although nonqualified withdrawals of earnings are generally taxed as ordinary income and may incur a 10% early-withdrawal penalty.

A withdrawal is considered qualified if the account is held for at least five years and the distribution is made after age 59½, as a result of the account owner's disability or death, or to purchase a first home (up to a $10,000 lifetime limit). Penalty-free early withdrawals can also be used to pay for qualified higher-education expenses; however, regular income taxes will apply.

In 2022, the Roth IRA contribution limit for those under age 50 is the lesser of $6,000 or 100% of earned income. In other words, if a teenager earns $1,500 this year, his or her annual contribution limit would be $1,500. Other individuals may also contribute directly to a teen's Roth IRA, but the total value of all contributions may not exceed the child's annual earnings or $6,000 (in 2022), whichever is lower. (Note that contributions from others will count against the annual gift tax exclusion amount.)

Roth IRAs offer an opportunity to learn about important concepts that could provide a lifetime of financial benefits.

Lessons for Life

When you open a Roth IRA for a minor, you're giving more than just an investment account; you're offering an opportunity to learn about important concepts that could provide a lifetime of financial benefits. For example, you can help explain the different types of investments, the power of compounding, and the benefits of tax-deferred investing. If you don't feel comfortable explaining such topics, ask your financial professional for suggestions.

The young people in your life will thank you — sooner or later.

For questions about laws governing custodial Roth IRAs, consult your tax or legal professional. There is no assurance that working with a financial professional will improve investment results.
