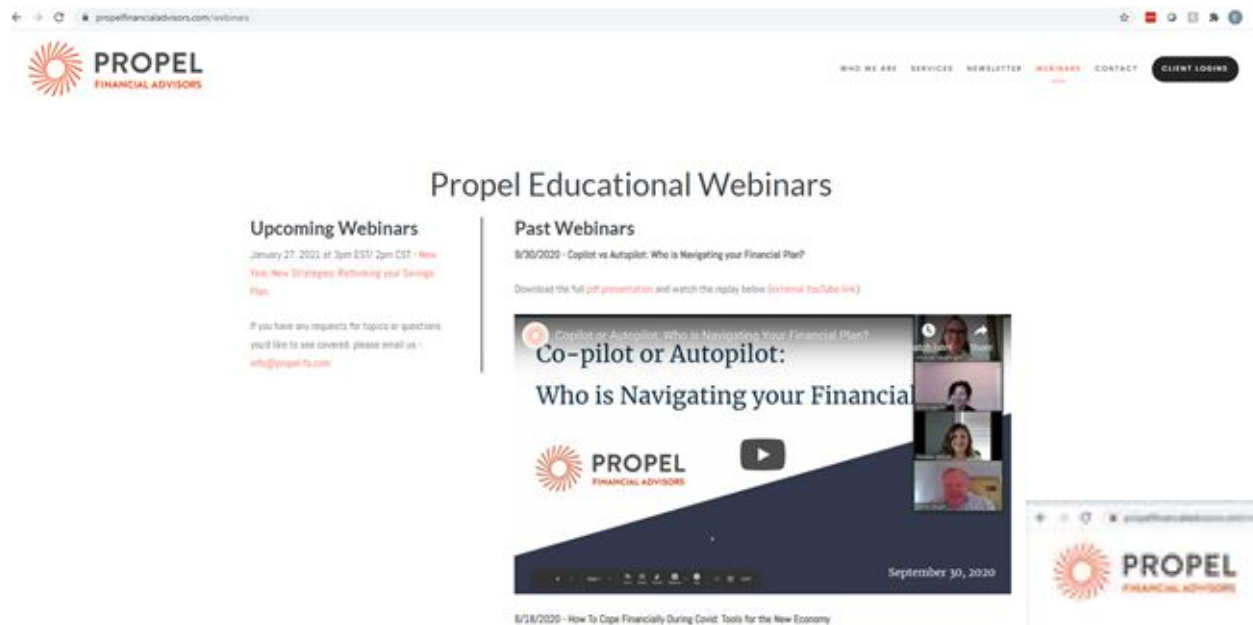


If It's the End of the Recovery as We Know It, Do You Feel Fine?



PROPEL
FINANCIAL ADVISORS

March 17, 2022



Visit www.propelfinancialadvisors.com to view past and upcoming webinars, read our blog posts and sign up for our newsletter.

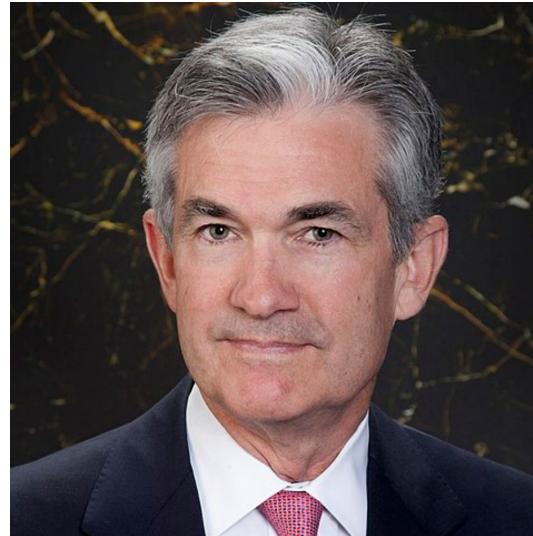


Agenda

- Why Is the Market Down?
Amanda Vaught, Attorney
- How Investors
Respond/Risk Tolerance:
Group Discussion
- What To Do About Your
Portfolio: David Vaught, CFA
- What Opportunities Exist?
Danielle Woods, Attorney

Major Themes Impacting the Markets

March 2022



Blame it on the Rain

"'Cause the rain don't mind
And the rain don't care
You got to blame it on something"



3rd Year of a bull market is typically the weakest year.
All post 20%+ Years Experience Declines

Don't Blame Hank the Tank



**500-pound bear known as "Hank the Tank"
may be innocent in most home break-ins**

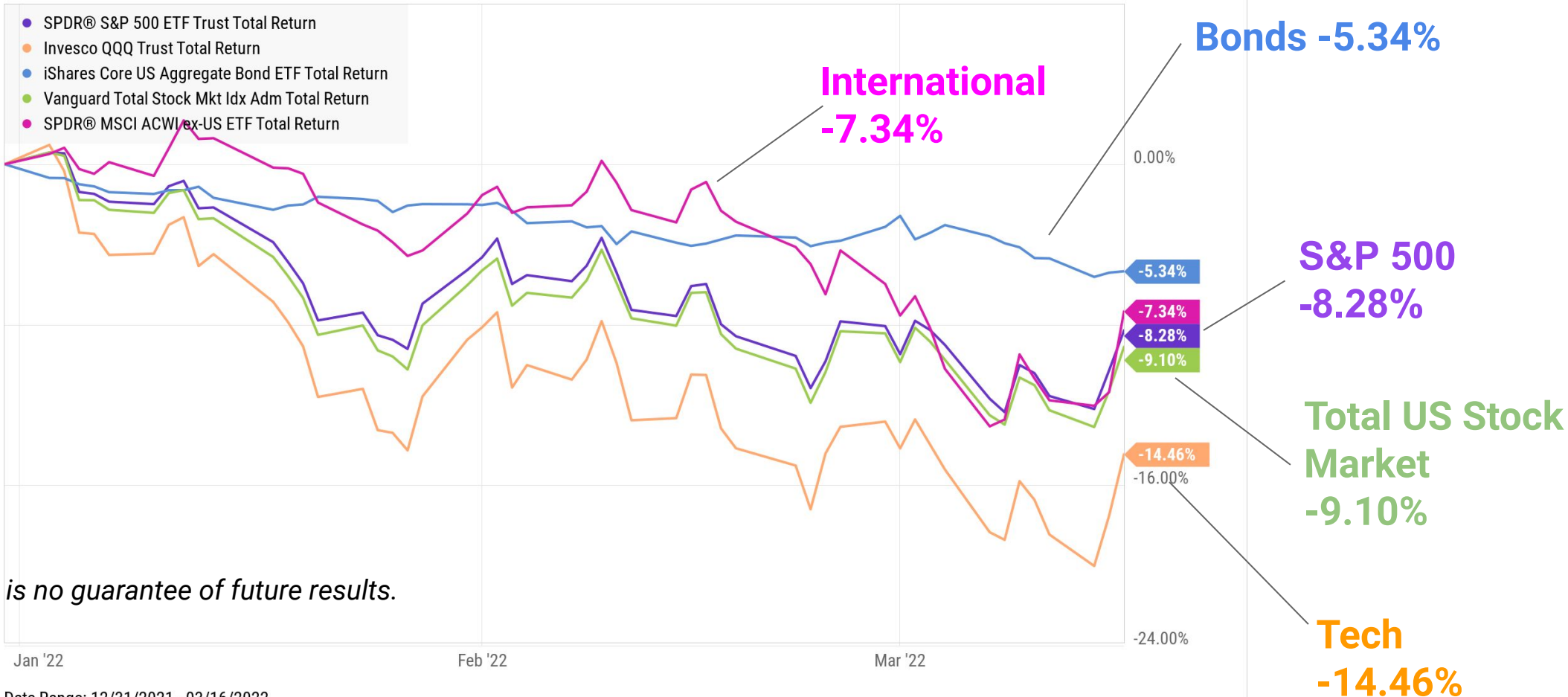
<https://www.cbsnews.com/news/hank-the-tank-500-pound-bear-possibly-innocent-tahoe-area-home-break-ins/>

New Year's Day

“I will begin again”



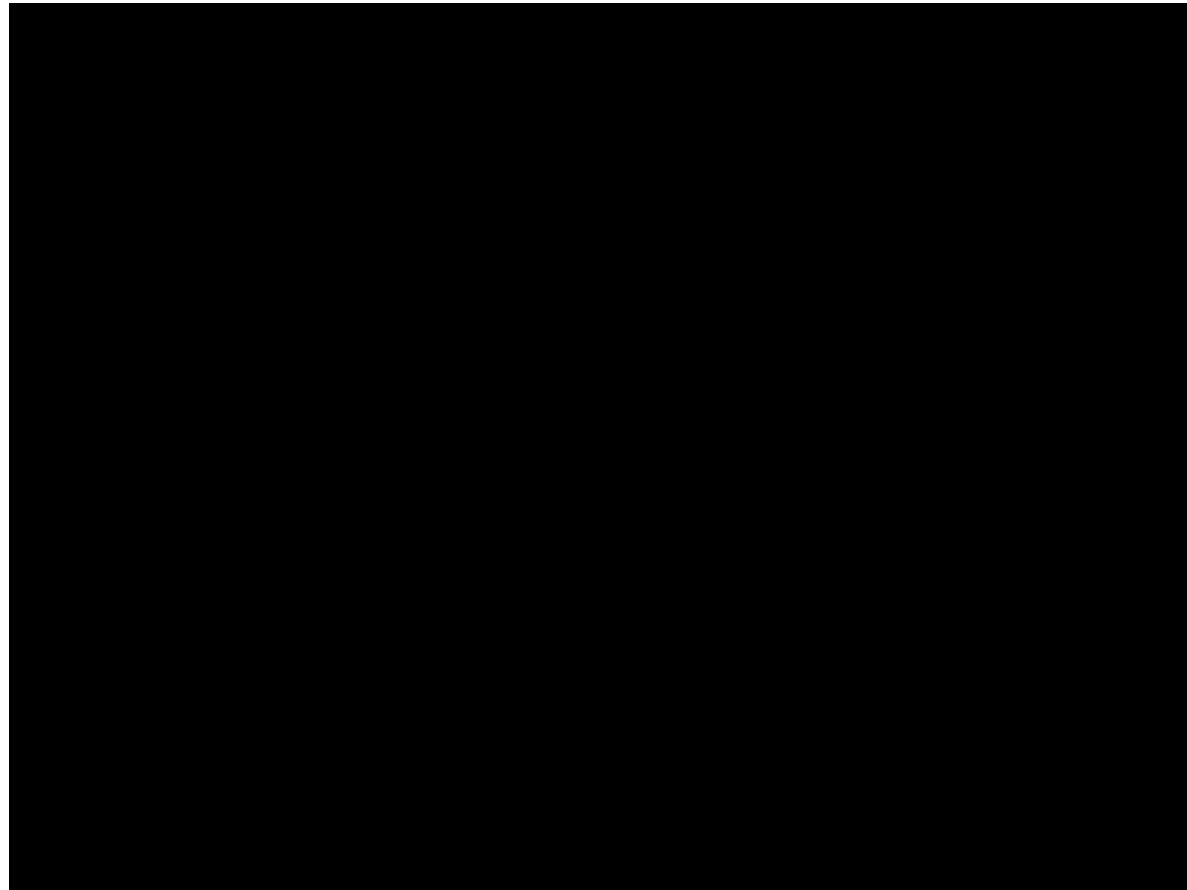
Year-to-Date Returns



Cute cleanse



In the words of my
four-year old,
“What the Heck?”



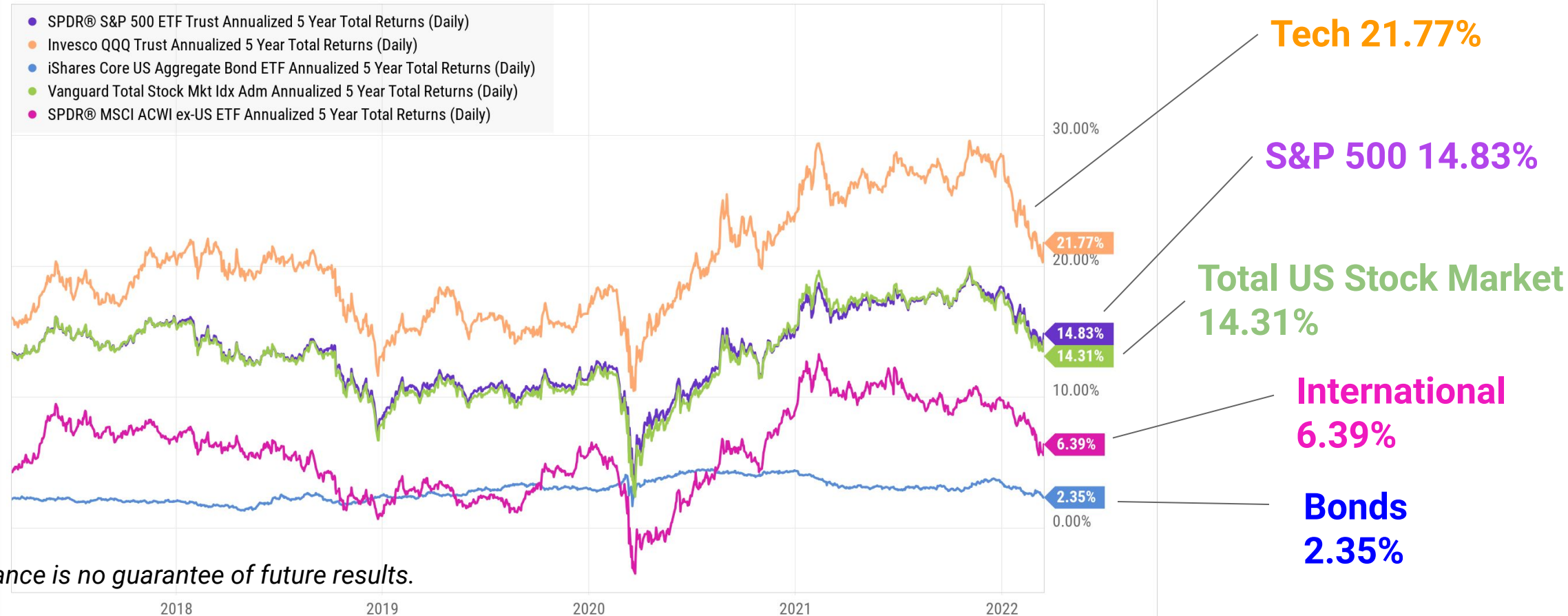
Don't You Forget About Me

“Don't you try and pretend
It's my feeling we'll win in the end”



Annualized Five Year Returns

- SPDR® S&P 500 ETF Trust Annualized 5 Year Total Returns (Daily)
- Invesco QQQ Trust Annualized 5 Year Total Returns (Daily)
- iShares Core US Aggregate Bond ETF Annualized 5 Year Total Returns (Daily)
- Vanguard Total Stock Mkt Idx Adm Annualized 5 Year Total Returns (Daily)
- SPDR® MSCI ACWI ex-US ETF Annualized 5 Year Total Returns (Daily)



Tech 21.77%

S&P 500 14.83%

**Total US Stock Market
14.31%**

**International
6.39%**

**Bonds
2.35%**

Past Performance is no guarantee of future results.

Date Range: 03/16/2017 - 03/16/2022



Mar 17 2022, 1:48PM EDT. Powered by **YCHARTS**

Mo Money, Mo Problems



Price-to-Earnings Ratio =
Share Price / Earnings
per Share

Higher interest rates
decrease long-term
earnings.

Historical average (since
1950): 19.8

2000s avg: 26.67

2010s avg: 25.55

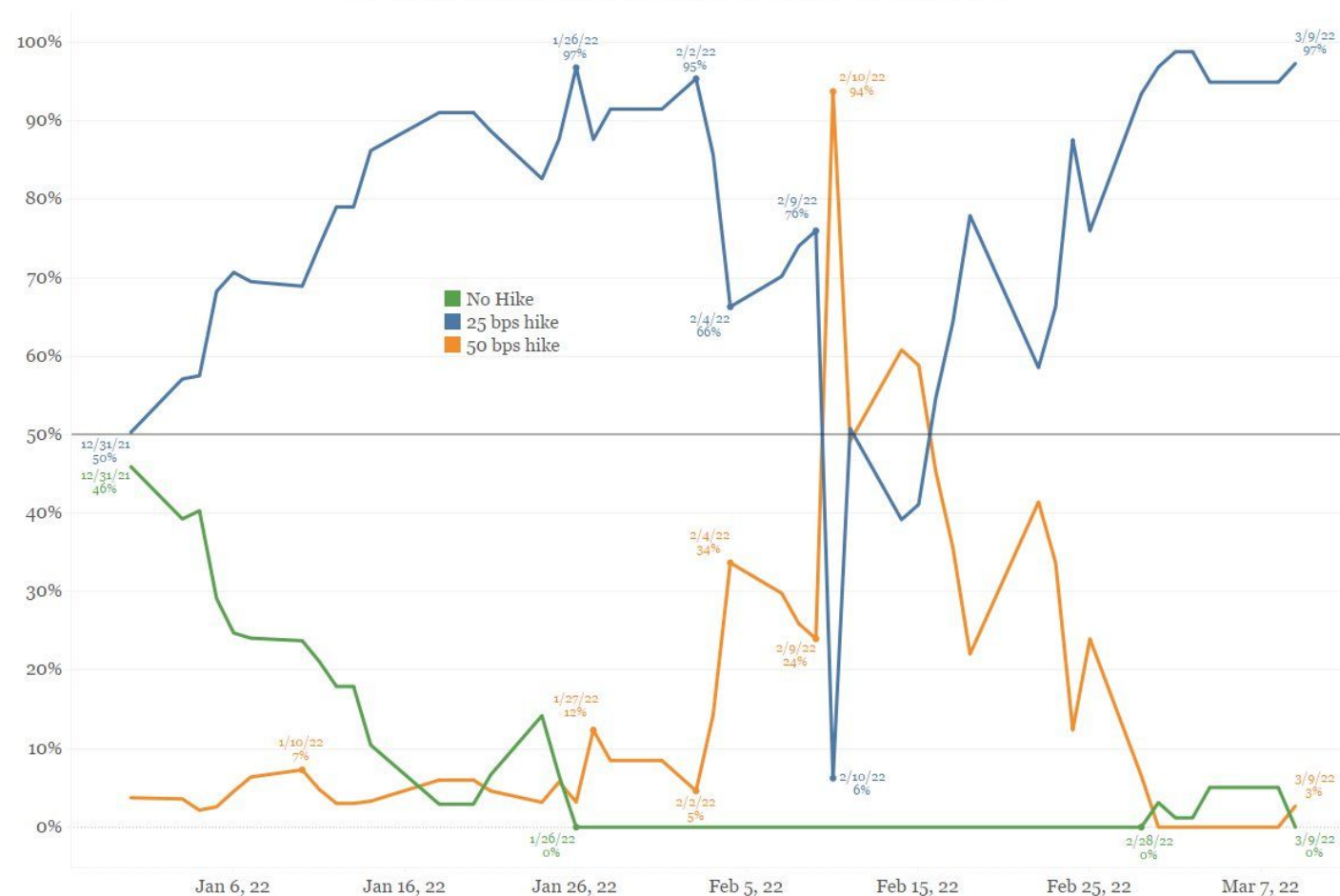


Dancing in the Dark



“Messages keeps gettin' clearer
Radio's on and I'm movin' 'round my place”

How Much Will the Fed Hike on March 16, 2022?
As Calculated by the Chicago Mercantile Exchange's Fed Watch Tool



Jan 26, 2022:
Fed indicates it will
raise rates

Via Liz Ann Sonders
Twitter Account,
@LizAnnSonders
<https://twitter.com/LizAnnSonders/status/1502230231842947076/photo/1>

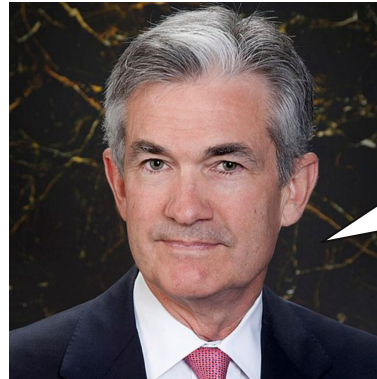
Total Eclipse of the Heart

“I don't know what to do and I'm always in the dark”



Markets like Stability

- Powell stressed transparency in recent testimony before Congress



We are going to avoid adding uncertainty to what is already an extraordinarily challenging and uncertain moment.



Stock Market is Forward-Looking

- Effect of Ukraine-Russia conflict unclear
- Impact of sanctions on global economy, supply chains and inflation
- Will the Fed change course?

'(You Gotta) Fight For Your Right (To Party)'



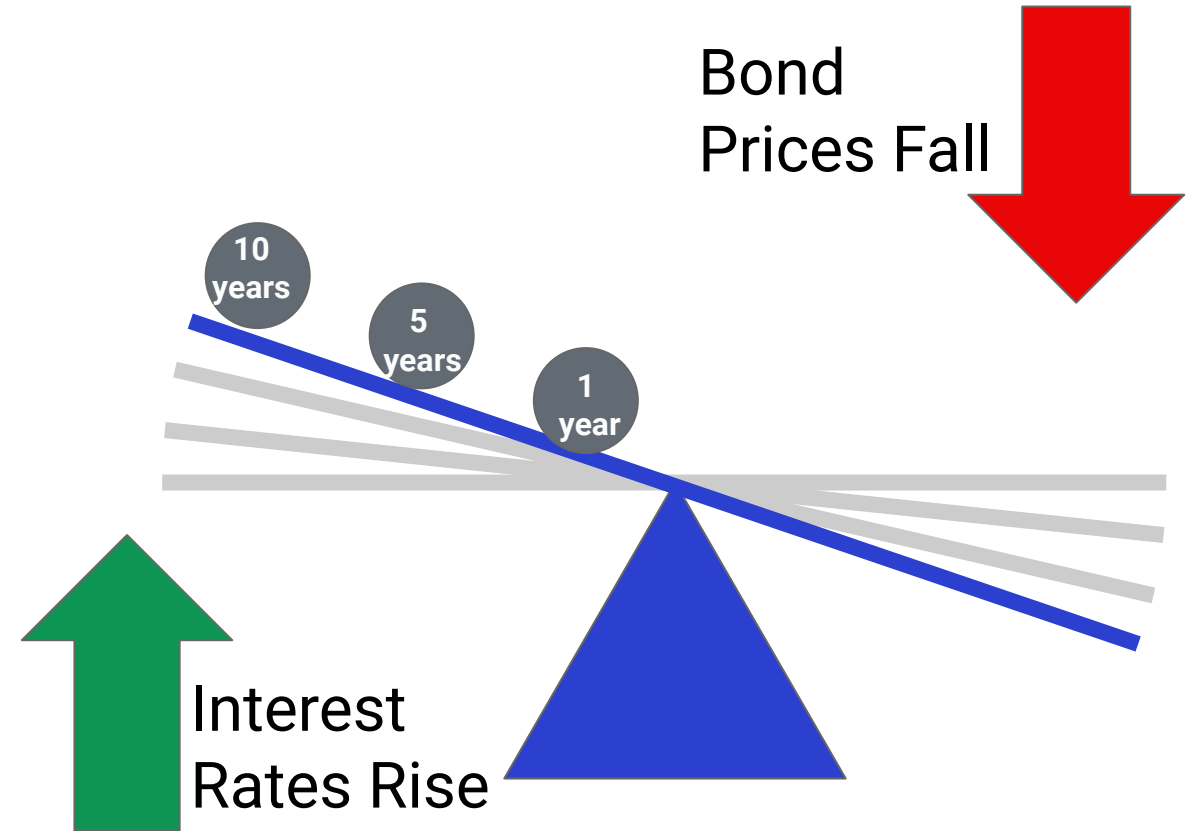
"You wake up late for school, man you don't want to go
You ask you mom, please? but she still says, no"

A Quick Bond Lesson

Bond prices fall as interest rates rise

Consider duration

Note, this visual assumes a longer duration bond pays a higher interest rate.

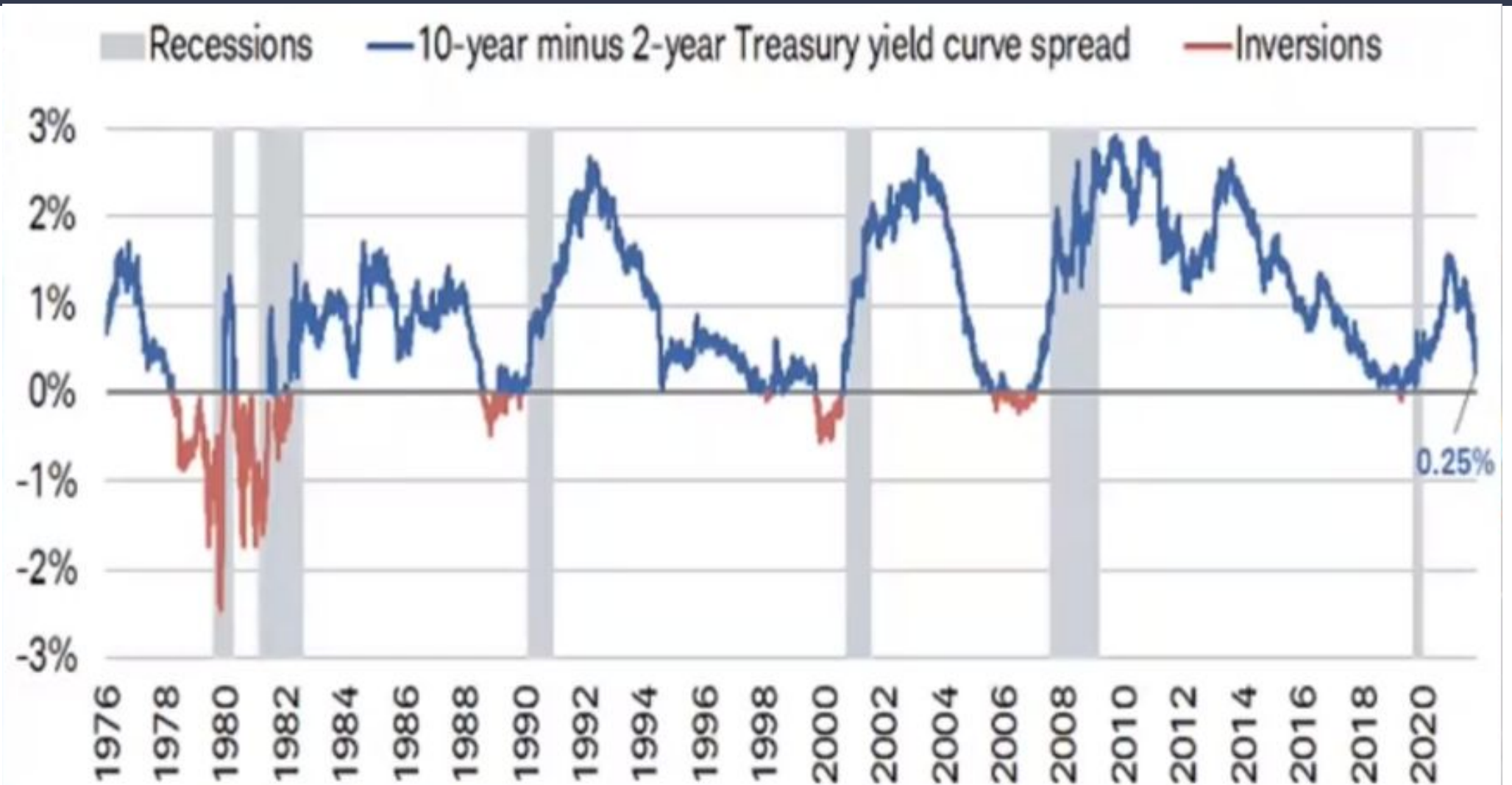


You Can't Always Get What you Want



“But if you try sometimes, well, you just might find
You get what you need”

Increasing
interest rates
should help
inflation, but will
it lead to a
recession?



Source: Charles
Schwab, Bloomberg
as of 3/4/2022

Space Oddity

“Can you hear me Major Tom?”



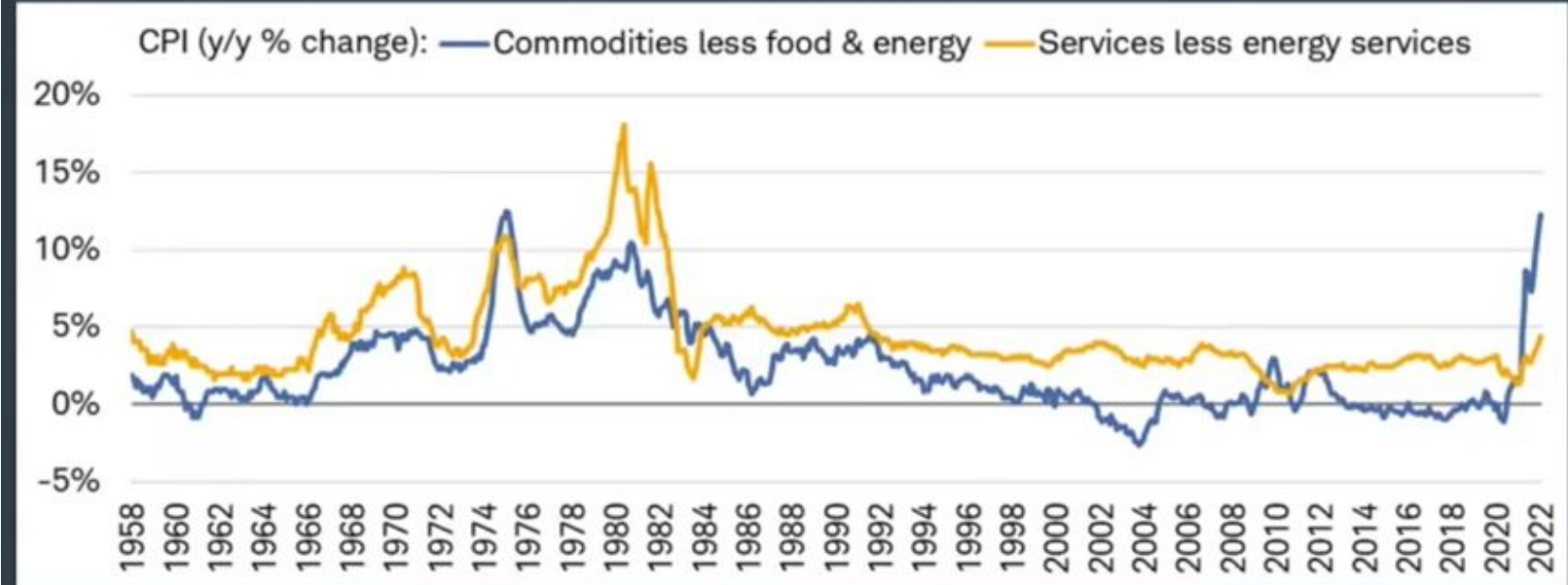
Many factors driving inflation

- Supply chain
- Monetary policy
- Pandemic demand for goods vs services
- Oil

→ Will take time to unwind

Important to do
financial planning with
your cash

Goods still mostly driving CPI higher



The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

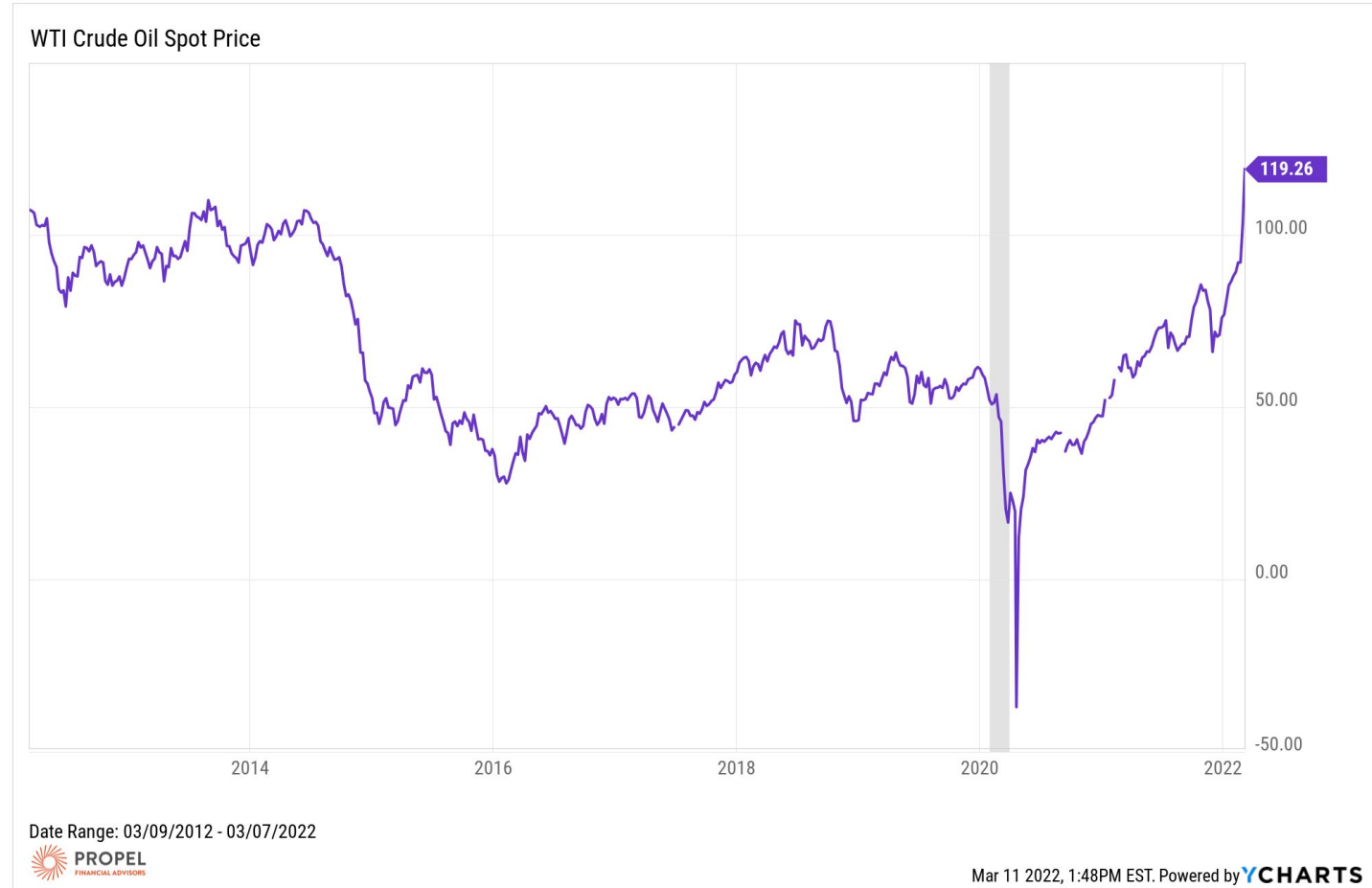
Oil that is, Black Gold, Texas Tea



The US is in a different place now than it has been in the past when it comes to energy.

1. The US is self-sufficient in liquid fuels. In 2008, net energy imports were 3% of GDP. Today, it's net neutral.
2. Individuals spend a smaller share of their income on energy due to efficiency, e-vehicles, being richer.
3. Long-term expect more investment so that US and Canada can export natural gas to Europe, accelerated use of e-vehicles, and reduced reliance on fossil fuels

Source: Dr. David Kelly, Chief Global Strategist, JP Morgan



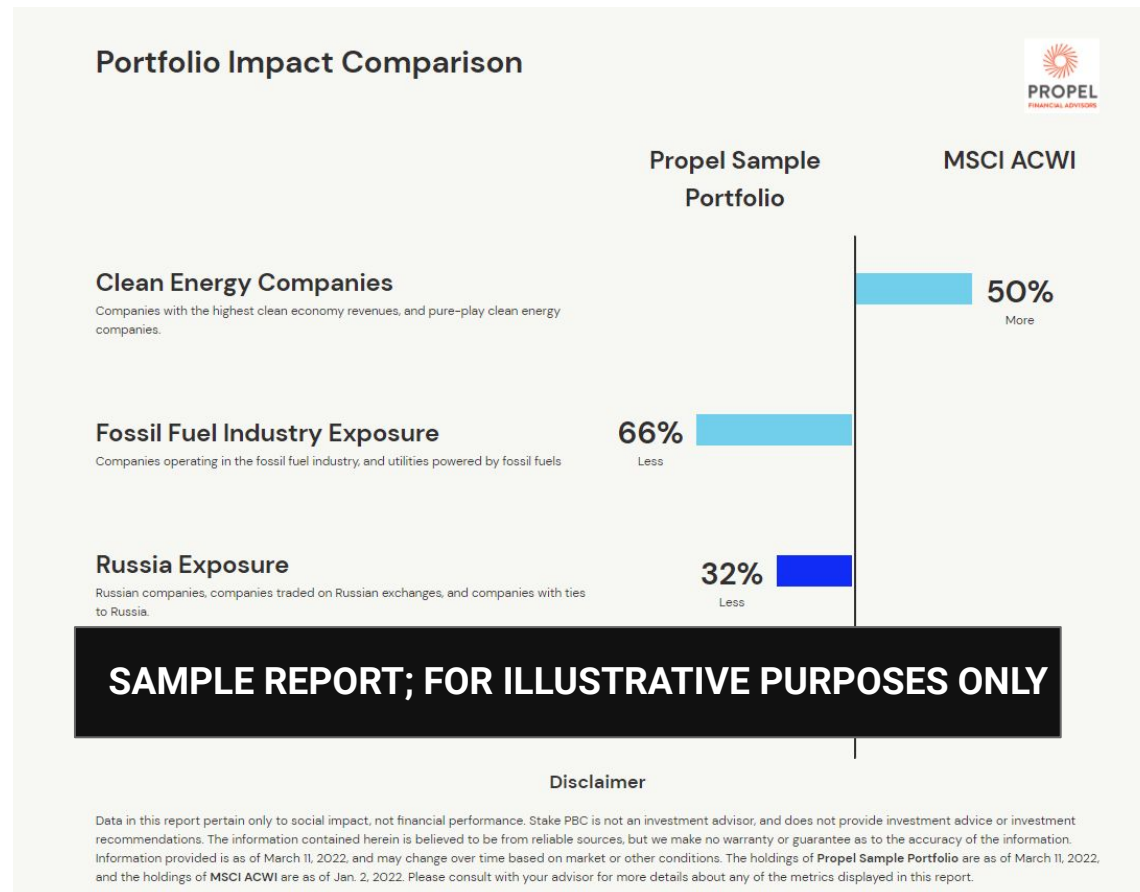
Psycho Killer

“Run, run, run, run, run, run, run away”



Curious about your portfolio's exposure to Russia? Propel can tell you how much you have.

If you're interested, email Amanda Vaught amandavaught@propel-fa.com



Everybody Wants to Rule the World

“All for freedom and for pleasure
Nothing ever lasts forever”



Midterm Years See A Large Pullback, But Returns A Year Later Are Great

S&P 500 Index Pullbacks During A Midterm Year

| Year | Date of Low | S&P 500 Index Return | |
|---------|-------------|----------------------|-------------------|
| | | Intra-Year Pullback | Return Year Later |
| 1950 | 7/17/1950 | -14.0% | 30.9% |
| 1954 | 8/31/1954 | -4.4% | 43.9% |
| 1958 | 2/25/1958 | -4.4% | 36.3% |
| 1962 | 6/26/1962 | -26.4% | 32.7% |
| 1966 | 10/7/1966 | -22.2% | 33.2% |
| 1970 | 5/26/1970 | -25.9% | 44.5% |
| 1974 | 10/3/1974 | -37.6% | 34.6% |
| 1978 | 11/14/1978 | -13.6% | 11.3% |
| 1982 | 8/12/1982 | -16.6% | 57.7% |
| 1986 | 9/29/1986 | -9.4% | 40.6% |
| 1990 | 10/11/1990 | -19.9% | 28.8% |
| 1994 | 4/4/1994 | -8.9% | 14.3% |
| 1998 | 8/31/1998 | -19.3% | 37.9% |
| 2002 | 10/9/2002 | -33.8% | 33.7% |
| 2006 | 6/13/2006 | -7.7% | 24.5% |
| 2010 | 7/2/2010 | -16.0% | 31.0% |
| 2014 | 10/15/2014 | -7.4% | 8.7% |
| 2018 | 12/24/2018 | -19.8% | 37.1% |
| 2022 | 3/7/2022 | -12.4% | ? |
| Average | | -17.1% | 32.3% |
| Median | | -16.3% | 33.5% |

Source: LPL Research, FactSet 03/07/2022

All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

The modern design of the S&P 500 Index was first launched in 1957. Performance before then incorporates the performance of its predecessor index, the S&P 90.

Mid-term election years are prone to elevated volatility and variability of quarterly returns.

After uncertainty passes, market tends to take off.

Remember past results are no guarantee of future returns.

Reference: Mid-Term Election Year Averages



16-Quarter Presidential Cycle

Mid-Term Election Years Saw the Greatest Volatility and Variability of Returns

| Pres. Cycle | Average Price % Changes | | | | | Std. Deviation of Returns | | | | |
|----------------|-------------------------|-------|-------|-----|------|---------------------------|------|------|------|------|
| | Q1 | Q2 | Q3 | Q4 | Year | Q1 | Q2 | Q3 | Q4 | Year |
| Year 1 | 0.6 | 2.5 | 1.2 | 4.2 | 9.0 | 14.5 | 12.8 | 15.7 | 12.3 | 17.7 |
| Year 2 | 1.1 | (1.8) | (0.5) | 6.1 | 4.9 | 12.2 | 18.1 | 24.8 | 15.4 | 20.1 |
| Year 3 | 7.5 | 4.2 | 0.6 | 3.2 | 16.0 | 13.9 | 10.4 | 13.1 | 15.8 | 11.6 |
| Year 4 | 0.0 | 3.4 | 1.0 | 2.4 | 7.1 | 16.0 | 13.0 | 10.5 | 15.5 | 14.1 |
| All Years | 2.3 | 2.1 | 0.6 | 4.0 | 9.3 | 15.2 | 14.3 | 16.6 | 14.8 | 16.4 |

Source: CFRA, S&P Global. Data 12/31/1945-12/31/21.

Remember past results are no guarantee of future returns.

Once Bitten, Twice Shy

“You didn't know that rock 'n' roll burned
So you bought a candle and you lived and you learned”



“Investors need not only the courage to act, but the courage not to act—the courage to resist.”

Jason Zweig, *Wall Street Journal*, March 11, 2022



Amanda's advice:

- Speak with a fiduciary, not a salesperson
- Be skeptical of anyone selling you something (e.g. crypto shills, real estate brokers, etc.)

Poll



Where do you get your financial news and advice?

- Propel Financial Advisors (asking us questions, email newsletter, podcast, blog posts, webinars)
- CNBC or other 24-hours news channels
- Friends & Family
- Social Media (Facebook, TikTok, YouTube, etc.)
- Mortgage Brokers

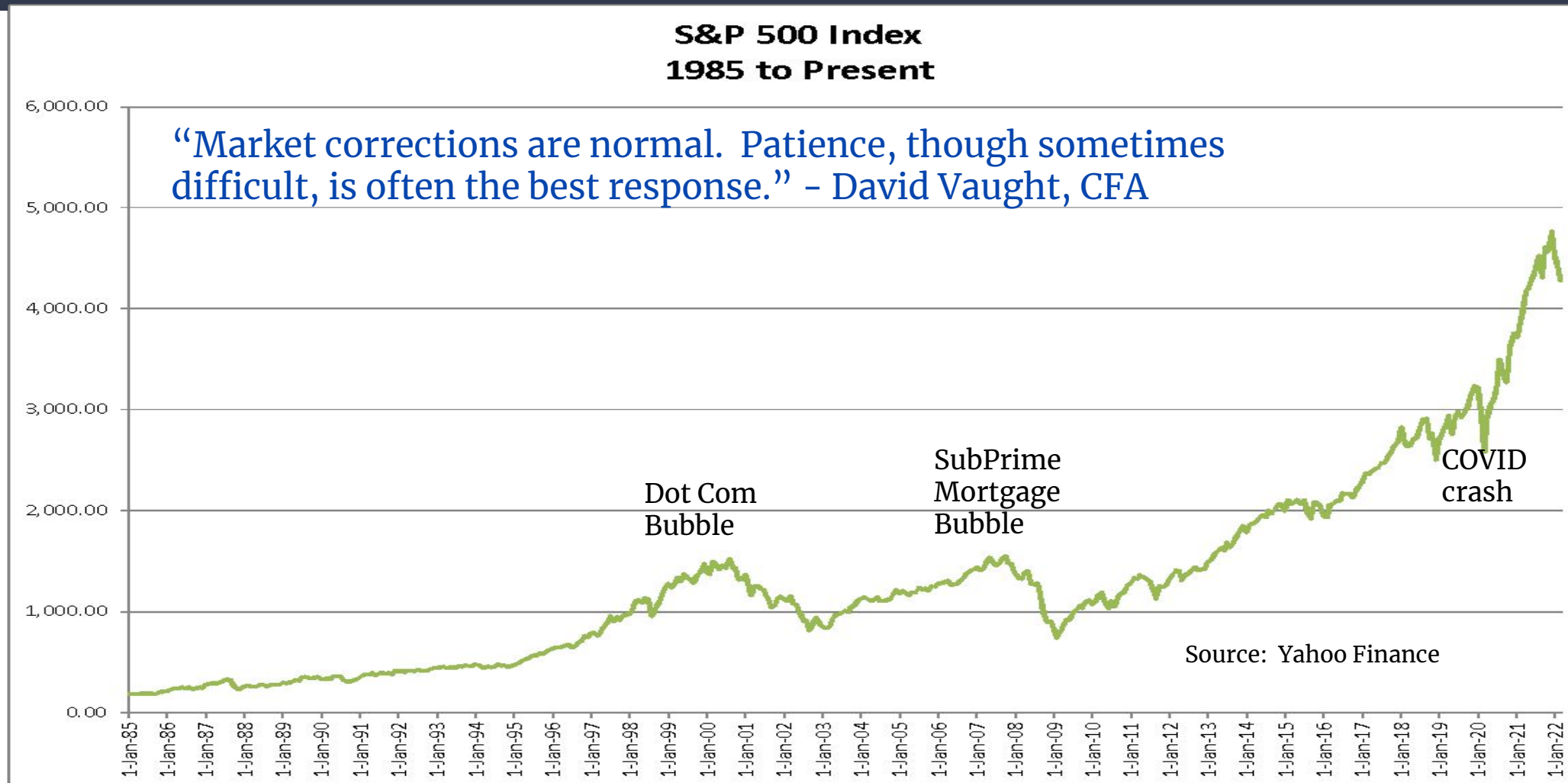
Investor Reactions and What to Do

David Vaught, CFA



Is it a Sunrise or a Sunset?

“Islands In the Stream”: Corrections over the Years



Down Market Protection:

“Now Look at Everybody...Tryin’ to Be What I Was Then”



When markets turn south, fickle investors are suddenly interested in protection. Propel uses the following during all markets:

- Bonds
- Dividend paying stocks
- Cash-flow securities like Infrastructure and REIT funds
- Treasury Inflation Protected Securities (TIPS)

“Beneath Still Waters”: Other Concerns Impacting Allocations

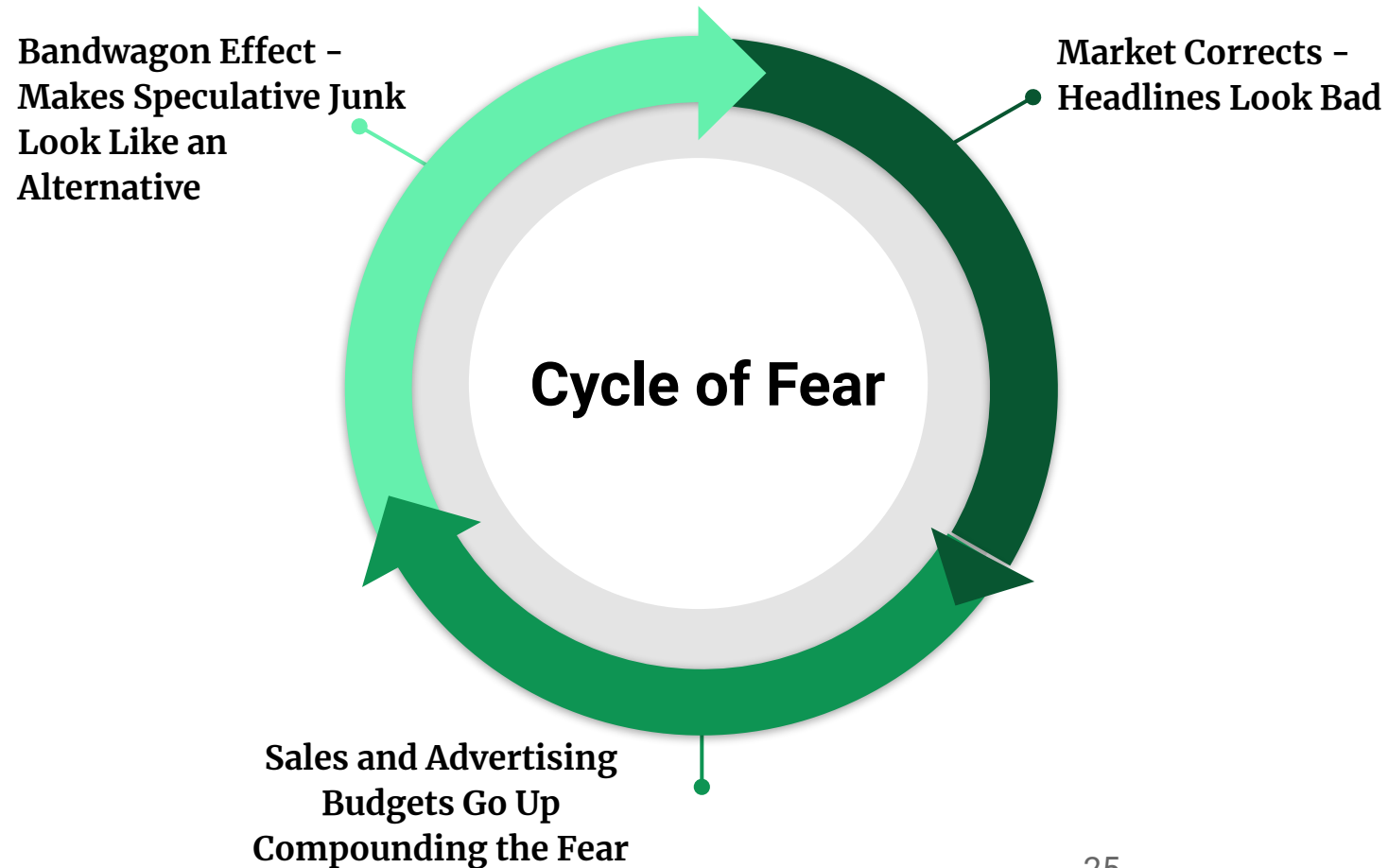


Inverted Yield Curve is defined as a period of time when the 2-year Treasury Bond Yield Exceeds the 10-year Treasury Bond Yield.

Stagflation is characterized by slow [economic growth](#) and relatively high unemployment—or economic [stagnation](#)—which is at the same time accompanied by rising prices (i.e. inflation). Stagflation can also be alternatively defined as a period of inflation combined with a decline in gross domestic product (GDP).

Geo-Political Crises happen sometimes without warning, and the markets often react strongly. Many times, these pass without lasting damage, but each instance must be considered carefully.

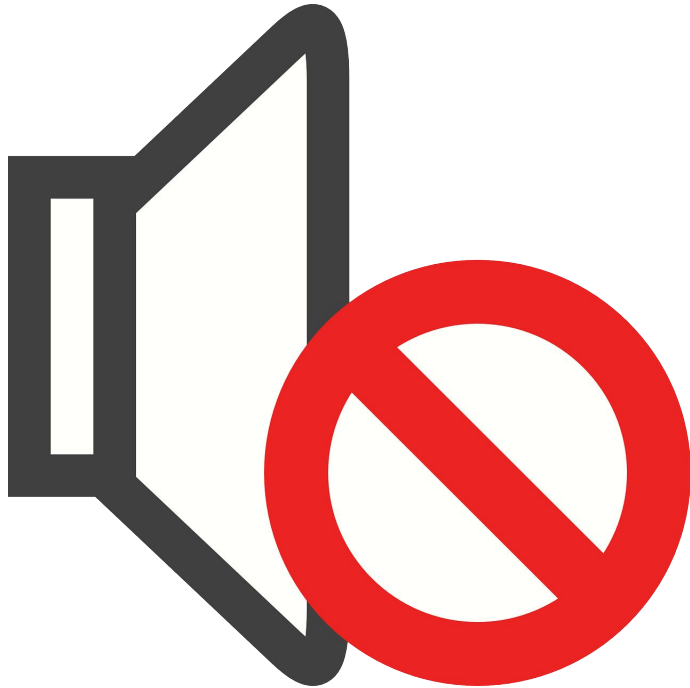
“All My Ex’s Live in Texas”: What to Avoid



“The Gambler”: What to Avoid



Use Your Mute Button on Speculative and Poor Choices.
Ignore the Social Media Misinformation.



- Crypto
- Market timing devices
- Too much gold
- Meme stocks
- Expensive residential housing (more than your personal needs) in a frothy real estate market
- Other fads

What To Do: “Guitars, Cadillacs” and Other Fundamentals



As Warren Buffet says, “Never bet against America and its economy.”

- Measurable Profits
- Compounding of Earnings
- Free Cash Flow

***Time in the Market is Your Ally**

What to Do: “On The Road Again”



Are you temporarily concerned or do you need to reconsider:

- Risk Tolerance
- Time Horizon
- Your Ultimate Goals

Poll Question



What is a concept discussed that you would like to understand better?

- ☐ **How Bond Yields Impact the Market**
- ☐ **How Investor Sentiment Impacts the Market**
- ☐ **Staying Future-Focused During Tough Periods**
- ☐ **Why David Likes Country Music**

Opportunities in a Down Market

(and more fun 80's songs)

Danielle Woods, Attorney



“Don’t Dream It’s Over”: Opportunities in a Down Market



- **Buying When Prices are Low**
- **Tax Loss Harvesting**
- **Roth Conversions**
- **Paying More Attention/Financial Planning**

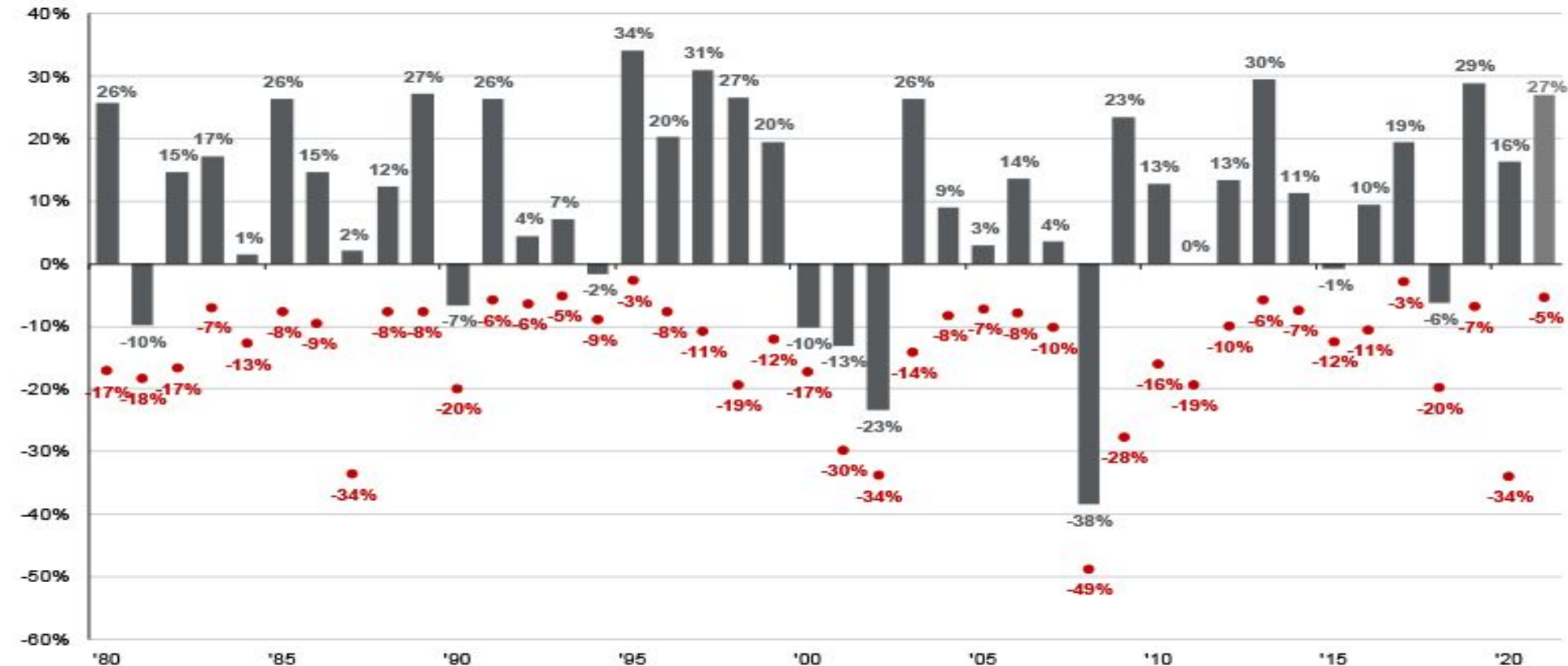


Annual returns and intra-year declines

GTM US 16

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.0%, annual returns were positive in 32 of 42 years

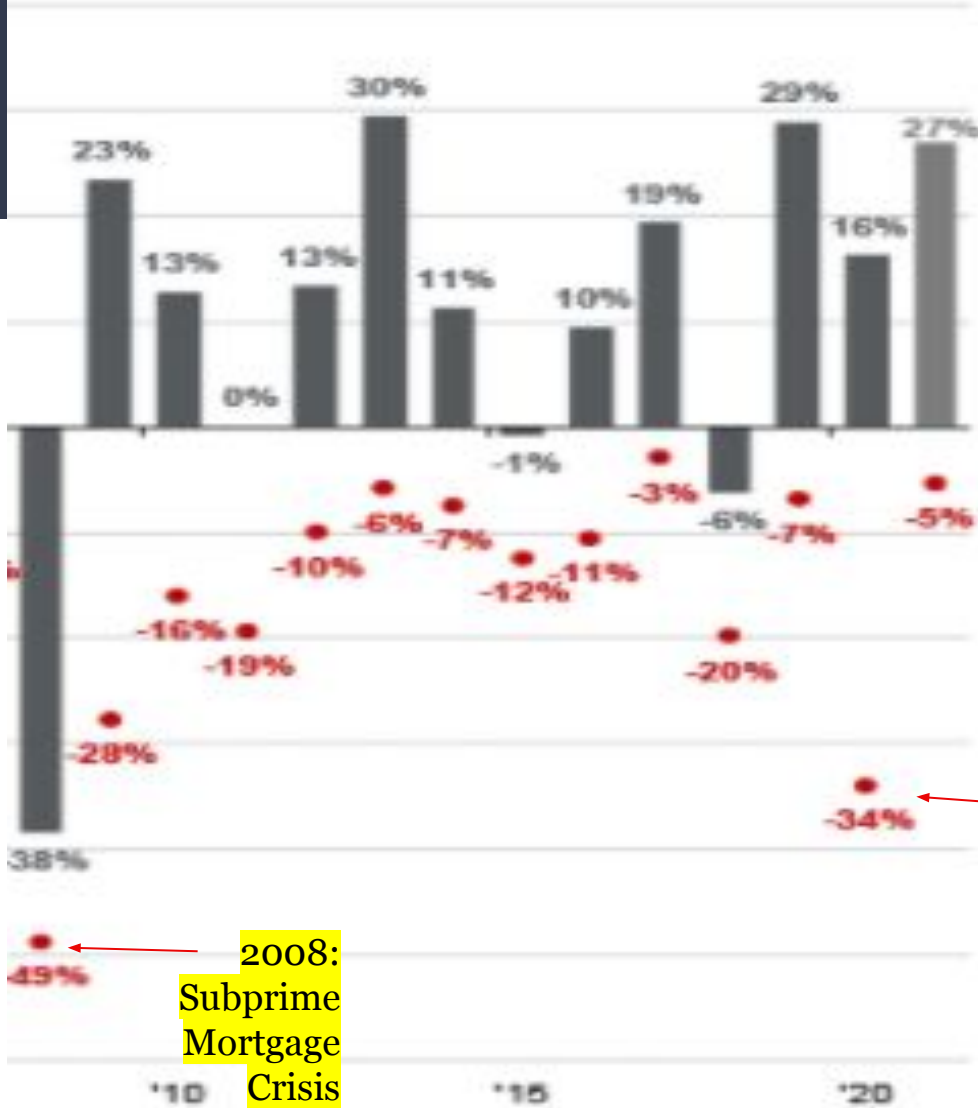


Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2021, over which time period the average annual return was 9.4%.

Guide to the Markets – U.S. Data are as of December 31, 2021.

“Things Can Only Get Better”: 2008–2021



Avg market bottom per year from 1980-2021: 12.6%

Avg market bottom per year from 2008-2021: 17.2%

3/20: COVID Crash

2008:
Subprime
Mortgage
Crisis

*Past performance is no indication of future performance.
A down market does not guarantee a future up market.

“Should I Stay or Should I Go?”: Tax Loss Harvesting



Definition: Tax Loss Harvesting

Tax-loss harvesting is the timely selling of securities at a loss in order to offset the amount of capital gains tax due on the sale of other securities at a profit.

– Investopedia

Long Term Gains (assets held 1 year or more)

2022 Capital Gains Tax Rate Thresholds

| Capital Gains Tax Rate | Taxable Income (Single) | Taxable Income (Married Filing Separate) | Taxable Income (Head of Household) | Taxable Income (Married Filing Jointly) |
|------------------------|-------------------------|--|------------------------------------|---|
| 0% | Up to \$41,675 | Up to \$41,675 | Up to \$55,800 | Up to \$83,350 |
| 15% | \$41,675 to \$459,750 | \$41,675 to \$258,600 | \$55,800 to \$488,500 | \$83,350 to \$517,200 |
| 20% | Over \$459,750 | Over \$258,600 | Over \$488,500 | Over \$517,200 |

[What Are the Capital Gains Tax Rates for 2021 vs. 2022? | Kiplinger](#)

“Control”: Tax Loss Harvesting Example



EXAMPLE.

Lucy owns \$150,000 worth of ABC stock and must sell it at a long-term gain of \$50,000.

January: ABC stock value \$150,000

Gain \$50,000

Tax Rate 15%: \$7500

Lucy's needs to raise the \$7500 to pay the taxes.

April: S&P 500 Index Fund value \$7500

Loss \$500

Tax Rate 15%: (\$500)

Lucy sells the S&P 500 Index fund at a small loss, which creates the cash to pay her tax, and it also lowers the tax from \$7500 to \$7000. She nets \$500 on the transaction and does a BackDoor Roth Contribution to reinvest it.

Reminder: Traditional IRAs and 401(k)s vs. Roth IRAs and 401(k)s



Traditional IRA/401(k)

- Pretax Retirement Savings
- Has Never Been Taxed*
- Is Not Taxed Until Withdrawal
- Contributions and Earnings are taxed at Regular Income Tax Rates Upon Withdrawal
- Withdrawals are considered Income on Tax Return
- Owner must take withdrawals at age 72
- New Beneficiary Rules require assets be spent within 10 years for non-spouses*

Roth IRAs/Roth 401(k)

- Contributions are Post-Tax \$
- Contributions are Never Taxed on Withdrawal
- Earnings are Never Taxed if Roth IRA is at least 5 years old and owner is at least 59 1/2
- Income Limits apply
- Beneficiaries will pay no tax as long as Roth IRA is 5 years old on Owner's death
- Withdrawals are invisible on tax return

* Exceptions apply

“Dancing With Myself”: Using Roth Conversions



What is It?

Moving Cash and/or Assets Directly from a Traditional IRA to a Roth IRA

Tax Consequences: Reportable in Current Year

Must Pay Income Tax on the Value of the Converted Funds, but No Penalty (1099-R)



REMINDER: TRADITIONAL 401K OR IRA ASSETS ARE ALWAYS GOING TO BE TAXED NO MATTER HOW LONG YOU WAIT TO TAKE WITHDRAWALS.

“Dancing With Myself”: Using Roth Conversions



Benefits

- ★ Pay The Taxes from Replenished Income, not from Finite Savings
- ★ Stop Tax on the Earnings
- ★ Create a Tax-Free Source for Future Income Needs
- ★ Future Withdrawals will be “Invisible” on Your Tax Return, thus Keeping Your AGI Lower
- ★ Beneficiaries will not be taxed if the Roth is at Least 5 Years Old

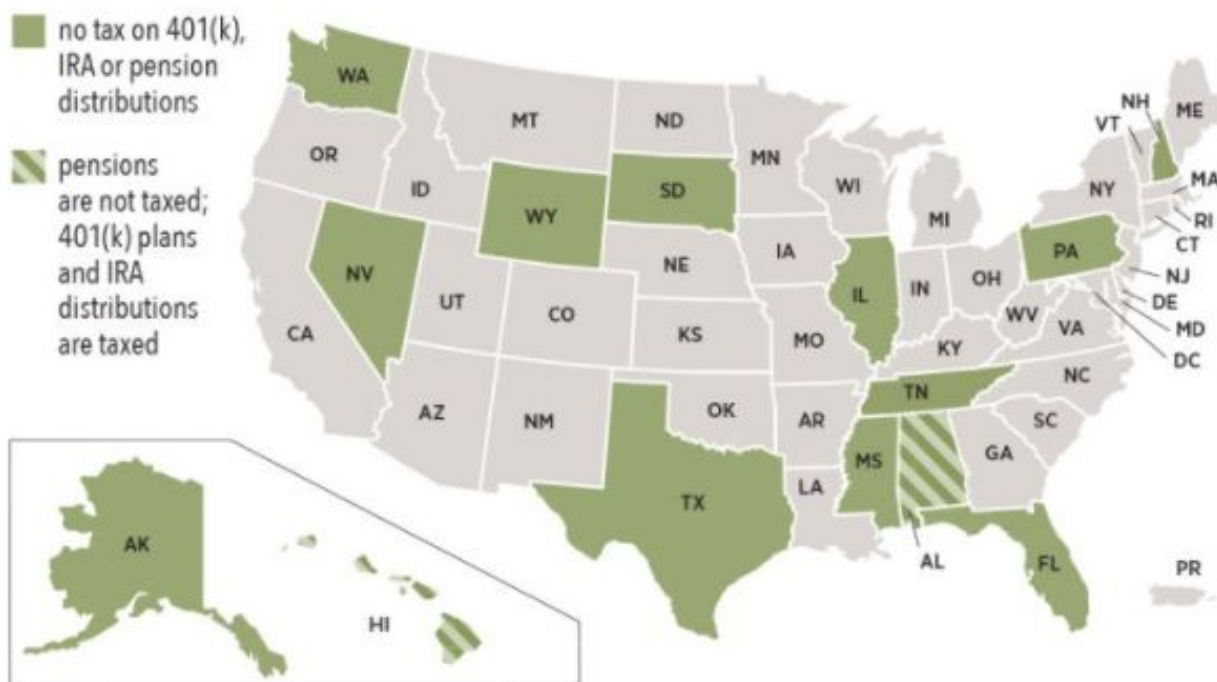


NOTE: ROTH CONVERSIONS ARE NOT FOR EVERYONE IN EVERY YEAR. THEY REQUIRE CAREFUL PLANNING BECAUSE OF TAX CONSEQUENCES. CONFER WITH YOUR FINANCIAL AND TAX ADVISORS.

State Tax Consequences of 1099-R Income



State Taxes and Retirement Distributions



AARP

States do not Tax 1099-R Income AT ALL

- Alaska
- Florida
- Illinois
- Mississippi
- Nevada
- New Hampshire
- Pennsylvania
- South Dakota
- Tennessee
- Texas
- Washington
- Wyoming

“When the Going Gets Tough”: Challenges Spur Action



“Manageable stress increases alertness and performance. And by encouraging the growth of stem cells that become brain cells, stress improves memory.”

- Daniela Kaufer, Assoc. Professor at UC Berkeley, October 2015

Source: [The Surprising Benefits of Stress \(berkeley.edu\)](https://www.berkeley.edu/news/news_article.php?id=10111501)

“Still Haven’t Found What I’m Looking For”: The Formal Financial Plan



*Danielle Says,
“Get it Out of Your Head and Onto Paper!”*

- ★ Helps You Set Goals
- ★ Source of Motivation and Commitment
- ★ Guide for Action and Decision-Making
- ★ Set Performance Standards
- ★ Takes the Emotion Out of It
- ★ Improves Financial Outcomes

*For married couples, this is a good way for a 3rd party to help you find common ground.

Poll Question



**What Down Market Opportunity
Would You Like to Explore in Your
Own Finances?**

- ☐ **Buying Low**
- ☐ **Tax Loss Harvesting**
- ☐ **Roth Conversions**
- ☐ **Financial Planning**



Final Thoughts: Propel's Take

- Don't have a financial plan?
Make one.
- Changing your plans?
Tell your advisor.
- Nervous about the market?
Actively work with your advisor on your portfolio.
- Work too much?
Create a plan to cut back. Your advisor can help.
- Rarely vacation?
Vacation is essential for mental and physical recovery. Get away from your daily responsibilities to refresh.

Find us on Apple or
Google Podcast Apps or
follow us via Podbean

<https://connectingthedollars.podbean.com/>



Poll Question:

What topics are you interested in for future webinars or in-person events?

- ☐ Current Financial Events and Market Trends
- ☐ Saving for Retirement
- ☐ Estate Planning
- ☐ Tax Planning
- ☐ Behavioral Finance
- ☐ General Investing Strategies
- ☐ Personal Finance – Budgeting
- ☐ Saving for College
- ☐ Something Else – Please either send it to us in the chat box or email us!

What makes us different?

Experienced Team that understands the relationship between taxes and investments.

Personalized Advice to help you meet your financial goals, no cookie cutter models.

Competitive Fees for investment management and financial planning. Also, we don't believe in account minimums and prefer working with a variety of clients.

Frequent Communication between you and the team about investing, general market concerns and important tax updates.

Accountability - You always have access to our team to help you navigate financial decisions and answer questions.



We'd love to hear from you!

Contact us any time:

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info@propel-fa.com

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Thank you for attending!

Danielle Woods

daniellewoods@propel-fa.com
(865)271-9439

Danielle is an attorney and advisor in her 24th year of working with individuals, families and small businesses on their tax and financial planning needs.

She wants her clients to enjoy their lives and retire when they want to. She lives near the Great Smoky Mountains National Park in East Tennessee with her family.



Amanda Vaught

amandavaught@propel-fa.com
(917)514-5135

Amanda Vaught loves helping young families work towards achieving their unique financial goals.

Before working as a financial advisor, Amanda was a chemist and practiced law. She lives in Brooklyn, NY, with her husband and two small children.



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Emily Agosto

emilyagosto@propel-fa.com
(773)612-6391

As a CPA and financial advisor, Emily enjoys helping families and small business owners stay organized and focused on saving for retirement and tax planning.

Emily lives in the Irving Park neighborhood of Chicago with her husband and Bruce the cat, who just celebrated his 18th birthday!

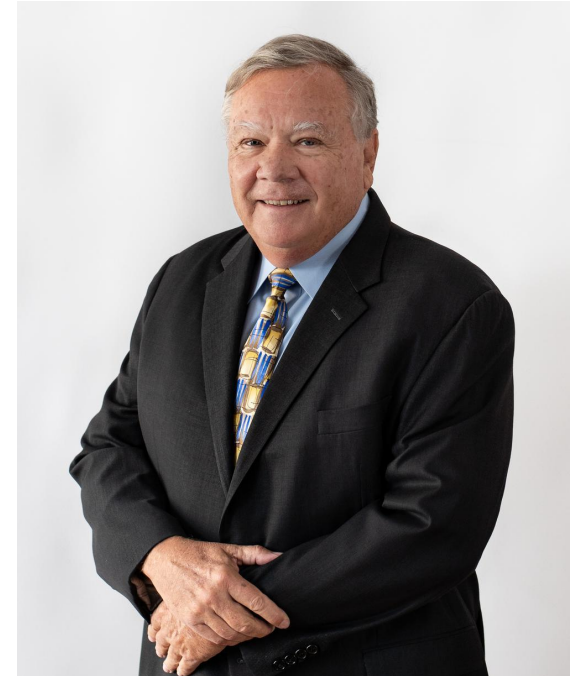


David Vaught, CFA

davidvaught@propel-fa.com
(630)927-0387

David likes working with Danielle, Amanda, & Emily to help our clients achieve their goals.

When he is not working on the computer in Naperville, IL, or Fort Myers, FL, he likes flying the new flying club Cessna 182, traveling in his Pleasure Way Lexor RV out West, or visiting with his eight grandkids.



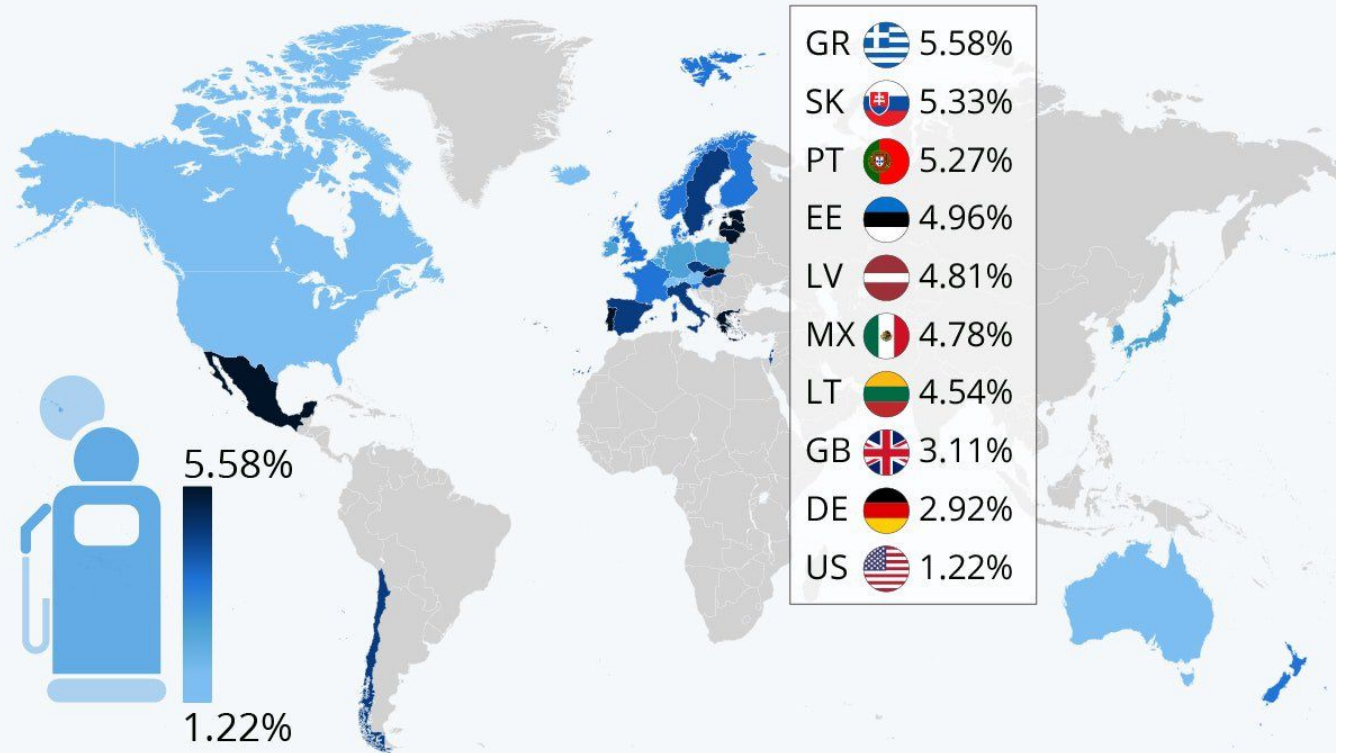
On the Road Again

“We're the best of friends
Insisting that the world keep turning our way”



Full Tank, Empty Wallet?

Share of average monthly wage needed
for 60 litres/16 gallons of gasoline in selected countries*



* Average wages based on latest available data in constant 2016 USD.
Gasoline prices (Octane 95) as of Mar 7, 2022.

Sources: GlobalPetrolPrices.com, OECD

