Financial Planning
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FEE ONLY INVESTMENT ADVISOR

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Points of Interest:

- Hello Inflation
- Expect Volatility—Stay Calm
- Our Team
- Constant Reminders
- Enclosures—"Got Friends" and "Are you Losing the Race Against Inflation"

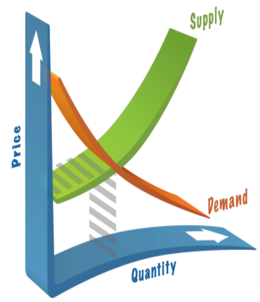
- Friday —December 24th
- Monday—December 27th
- Friday—December 31st

From all of us to all of you, have a safe and joyous holiday season. Enjoy time with loved ones and be safe. Wishing you the best in 2022. As always, please let us know if you need anything. Thank you for your loyalty to our firm.

HAPPY HOLIDAYS!

Hello Inflation

It has been awhile since we experienced inflation and for many investors this is unfamiliar. Inflation can occur for various reasons, sometimes it creeps up on us and we don't know it until we are experiencing higher costs of good and services. We have to keep a close eye on inflation as it can erode your nest egg and impact livelihood, especially if it lasts a long time. In our opinion it's a supply, demand, supply issue:



- <u>Supply of money</u> is elevated due to fiscal (Government) and monetary (Federal Reserve) policies that injected large sums of money into the economy. Stimulus, bond purchases and low interest rates are the main drivers of the excessive money supply.
- <u>Demand for goods and services</u> from consumers and businesses is high due to record levels of cash (from the money supply) and the pent up demand of consumers due to COVID lockdowns a year ago.
- <u>Lack of supply</u> for goods and services to meet the consumer demands. The supply disruption comes from COVID (office or factory shut downs from the disease and/or workers not willing to come back to the office in fear of the disease), businesses not able to fill positions to produce these goods and services, confidence in quitting and finding a new job or simply retiring early…"life's too short."

Some parts of inflation are likely temporary, but some rising costs may stick around longer than expected. The Federal Reserve has been very accommodative since COVID, but now to keep inflation calm, interest rates will have to rise. The timing of this is important because a rapid change in interest rates will likely create bumps in the stock market, bringing down consumer confidence and therefore slowing spending. On the reverse side, if they move too slow, inflation can continue as consumers can borrow at cheap rates and spend their cash on goods and services, leading to more demand in a time when business struggle to find workers and keep up with producing the goods and services.

So what can you do if inflation has you worried:

1) Increase your earnings power if possible.
2) Pay off variable debts so you are not stuck with higher interest payments when rates rise.
3) Reduce expenses temporarily…spend less.
4) Reduce your draw rate, if retired, leaving more money invested for the potential of growth.
5) Increase your equity target. Low yielding investments are safe but not productive for your nest egg as high inflation erodes your purchasing power.
6) Don't make changes to your plan that will hurt you—stay the course because fear and greed are the enemy and timing the market is very challenging.

There is still not much we can update you on with the Schwab—TD Ameritrade merger. We are beginning to see Schwab come into play continuously and in small steps such as:

- TD conferences are done and all educational services are through Schwab
- Employees have been merged between the two organizations
- We are beginning to meet our Schwab representatives
- Schwab Elite services start at $1 billion and thanks to all your client referrals we are close to this level
- TD Ameritrade accounts are unlikely to move to Schwab until 2023
- We are assured that service will continue and the process will be paperless

Financial Planning & Information Services, Inc. is committed to providing quality financial advice that is in the best interest of the client. We identify the important financial goals for each client and help each achieve these goals through a variety of services. Our staff works together as a team to satisfy each client's objectives with professionalism, integrity, and utmost good faith, always putting the interest of the client ahead of their own.

Expect Volatility—Stay Calm

Through the 3rd quarter of 2021, equity markets have done fairly well and investors have been rewarded again. On the long-term basis, this is common and equities tend to be a good investment for those that wish to build wealth and watch their money grow. The short-term is a different story and although equity markets go up more often than down, a loss always catches our attention especially after complacency has set in for owners of stock.

Nobody can predict the future, especially in the short-term. In our opinion headwinds may out number the tailwinds, but there is an argument for both…

Headwinds:

- Interest rates will eventually rise and the timing and speed of rate hikes will likely impact the stock market.
- Valuations are elevated in certain stocks/sectors and a pullback is possible, especially in the speculative names where unexperienced investors have made "easy" money…for now.
- Government debt levels and tax increases have created concern for some analysts.
- Inflation and supply chain disruption will create hiccups for the growth of the economy and dictate the actions of policymakers.
- Businesses cannot find workers due to COVID, quit rates, and the "great resignation".
- COVID is still present. It's not going away anytime soon and the economy and stock market can change direction quickly on bad news.

- Consumer confidence is strong but is sliding.

Tailwinds:

- Interest rates are still low. They will increase, but a slow and well communicated game plan will be acceptable to the market.
- Consumers hold record levels of cash and household wealth is high.
- Businesses are doing pretty well from the pent up demand of consumers.
- Employment and supply chain issues should be temporary.
- Better ways to treat COVID are present and will improve, allowing us to move past the pandemic eventually.

As you can see—there is an argument for both bears and bulls; however, the bearish points seem more real now and the bullish argument is based on the stars aligning.

From our standpoint, we do expect some bumpiness in the short-term as inflation hits consumers and businesses. COVID is not over. We expect rates to increase quicker than anticipated. At this point, nothing is certain so we just need to remain calm and trust the process. Diversification is very important at this time.

Remember we have been rebalancing regularly and taken gains from strong markets in the past couple years. We will continue to do so when market strength is present. When markets fall, our bonds will be important. Even though rising rates and high inflation are not a great environment for bonds, they still provide safety and stability. This helps us with ammunition to buy stocks when they fall and still cover cash needs for retirees living off their portfolio.

We have been and will continue to think of changes we believe will benefit client portfolios in the long-term. When interest rates rise, shorter duration bonds tend to be more stable. When you have higher inflation, equities are better equipped as a hedge despite some volatile days. Gold does not look appealing at this point and in the long-term we have never liked the precious metals in general. Commodity type stocks and real estate are something we are watching. At this point, we may look to shorten duration and increase equity exposure, but we are in no hurry to make this adjustment.

In the meantime, remember markets do go down. A 10% pullback is normal. Timing this all is impossible, but expect this to happen in the future (and many more times in your life). A 20% pullback is scarier, but is generally a great buying opportunity for those investors that stick to a long-term investment plan. If markets do bounce around, stay calm and know we are diversified. Even though investment returns may be lower in the coming years, equities are still a good investment for building long-term wealth.

We are always happy to discuss your portfolio and go through our investment strategy to make sure you are comfortable for the long-term.

Our Team

Allison Roetz joined our firm full time in June. She was born and raised in Greenfield, WI and recently graduated from Ripon College with a Bachelor of Arts Degree in Finance and Economics. She was also on the Ripon College swim team.

Allison will be working on client updates, running reports and entering client information into various databases. Allison is currently enrolled in the CFP® certification program.

In her spare time, Allison remains active and enjoys the outdoors. Her hobbies include camping, fishing, swimming and snowmobiling. She embraces all seasons that Wisconsin has to offer. Allison also enjoys staying connected with family and friends.

Staff Updates

Brock Becker has passed his CFP® exam and is waiting for his CFP® mark. This will happen soon. Brock will continue in his current role, but will also begin taking the lead in client meetings in the near future. The CFP® exam is a challenging process so we are excited for Brock and are very excited to have another CFP® professional on our team.

Andrew Nagan has passed his CPA exam and has applied for the designation. We expect he will receive this soon, but the application process has been slower than usual for various reasons. We are exciting for Andrew and his expertise in taxes is a great asset for our clients and our financial planning team.

Allison Roetz (as mentioned above) and Hannah Coenen are both taking the CFP® certification course. They are in the early stages of this process that can take anywhere between 9 months to 3 years to complete before becoming eligible to sit for the exam. We continue to support education for our staff so we can provide valuable financial planning advice to our clients.

A Team Oriented Approach

We have mentioned this in previous newsletters, but want to touch on this again. As we continue to grow our client base and our service offering, our team also needs to grow. We have always been a team oriented firm and want to make sure that client needs are handled no matter what. Any advisor can assist you as all client notes are entered in the database so if the advisor you generally meet with is not available, other advisors will be able to assist as well.

We also have a young team which is great for our long-term future. Our financial planning assistants will continue to be more involved in the meetings and client interaction. Many of you may have already met Brock Becker, Jake Vande Voort, Andrew Nagan and Nick Fameree. If you have not, you will get to meet and work with these valuable people as we are now including a financial planning assistant in most meetings for better client follow up and implementation on client planning. Our financial planning assistants will also be taking some lead meetings for younger clients. Younger advisors will be similar in age to younger clients and help them through the journey of financial planning within each stage. A 30 year old client is better suited to build a relationship with a 30 year old advisor (under a mentor) than a 55 year old advisor who may retire in 10 years.

We are grateful to have a loyal client base that provides us with regular referrals. As long as we do our part, we hope this continues as we grow into the $1 billion asset level. Despite some new faces, our goals remain the same. These goals include, but are not limited to, providing fee-only advice that is in the best interest of the client at a competitive fee, staying humble and appreciative, working hard for you, answering your questions, providing a wide range of valuable services and being available when needs arise. We are always open to suggestions and feedback from our clients, which helps us improve and consider added value or services for the future. Thanks for being a client!

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A constant Reminder—It's important!

<u>Cyber Security and Identity Theft</u> continue to be an issue for businesses and consumers. We had several clients get hit with cyber or identity theft this past year and we anticipate this will get worse before it gets better. Here are some common mishaps:

- Hacked phone or computer because someone clicked on a bad link in an email or on a website.
- Unemployment claims were filed and you received notice that they were denied (when the client never filed a claim—someone has your Social Security Number)
- Your tax return has already been filed (again someone else has your Social Security Number)
- Email has been hacked and someone is sending out requests for money (and it's not you)

We used to worry about a stolen credit card number, but this is minor in today's world. Having your identity stolen or a computer/cell phone hacked is very burdensome and time consuming to fix. As a reminder, change your passwords often and use strong passwords. Do this for email, bank accounts, social media platforms, etc. Don't click on links in emails, respond to unusual phone calls, or visit unsecure websites. Think about what you send in an email, post or say to people online. Keep your non public information as private and secure as possible!

Credit monitoring is an option, but your own self awareness is your best defense. If you have young kids or elderly parents, make sure they are aware of online safety habits. In the event that you have been compromised, please give us a call and we will send you an identity theft best practices letter to help you resolve any issues and protect you from further damage.

<u>Estate Planning</u> continues to be overlooked by too many individuals. We continue to find ways to improve our overview of this topic.

<u>Trusted Contact Form</u>: In our last newsletter we mentioned trusted contact forms. We have decided not to send them to everyone, since not all people need or want them. However, we have trusted contact forms for those individuals or families that feel someone needs a trusted contact form. These forms are simple—if we feel a client is making unusual requests or abnormal activity occurs in their accounts (suddenly asking to buy speculative stocks), we want to be able to contact a trusted person within their family to let them know that there is unusual behavior. This would mainly be for elderly clients.

<u>Young unmarried adults:</u> If you have children over age 18 but unmarried, please don't ignore simple estate planning practices. This group of young, unmarried adults should have all beneficiaries in line on retirement accounts, transfer on death or payable on death designations on investment accounts or bank accounts, a power of attorney for both financial and health and maybe a will.

<u>Beneficiary changes and updates on all accounts:</u> A married child, a grandchild, and lost spouse or family member all may require changes to your beneficiaries. We often times see one or two accounts overlooked that don't follow the actual wishes of a person. Please review this from time to time for accuracy. We are working on beneficiary reports for all assets we manage to remind clients of what they have listed. We are seeing many requests for change. This is work a in progress so if you have not received this report, you will in the coming months.

We are reminded time and time again how important these documents are. We realize that they are a pain to review and getting an estate plan can be costly, but an unexpected death with an out of date estate plan or no documents at all, can be even more challenging and costly in the end.

Tax season is upon us. Please don't send sensitive information to our firm via email. This is a cyber security concern. Although we have very strong cyber security in place, we want to continue our efforts to remind you of best practices. SecureFilePro is a safer way to send information to us for tax season. You can go to our website and find a link or give us a call and someone will walk you through the steps.

Once again, if you have not already done so, please consider signing up for the Morningstar portal. It is a great way to access all the assets under our management in one place and in a convenient manner. You can also run various reports on your investments such as year to date, past 12 months, past 3 years, etc. We can also share reports with you through the portal versus regular mail or email. Let us know if you want to be introduced to this software platform.

Investments are not insured and market results will vary over time. Past performance is not indicative of future investment results.