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WEALTH MANAGEMENT MIDWEST, INC Quarterly Investment Newsletter

As I See It

As the calendar has turned to July, investors would certainly like to forget the first six months of 2022. However, the Fourth of July Independence Day holiday does bring with it reason for celebration. Not only is it the 246th birthday of the United States of America, but July has historically been a pretty good month for stocks. Over the past 10 years, the month of July has been particularly good, with the S&P 500 Index averaging a monthly gain of about 2%.

Both stock and bond markets have been challenging this year, but it's important to focus on what this tends to mean looking forward. Consider that after the eight biggest quarterly stock market declines since WWII, the S&P 500 rose an average of 6.2% in the subsequent quarter with gains in seven of eight quarters. Moreover, after the seven biggest two-quarter declines, stocks rose an average of 21.5% over the subsequent six months, rising every time.

Despite the market volatility, many portions of the U.S. economy remain relatively strong. However, easing growth expectations over the last few months have investors worried—we now expect U.S. real GDP growth to be around 2% in 2022. Front-and-center are the persistently high inflation readings, and while we do expect those to subside, they have lasted longer than our base-case expectations. High consumer cash balances and a relatively strong job market (3.6% U.S. unemployment rate) offset some of the growth slowdown caused by inflation. Taken together, we believe the U.S. consumer has some tools to weather the inflation storm, though we are going to need to see some near-term improvement in inflation to maintain our confidence in the consumer.

The apparent rightsizing of the historically negative correlation between stocks and bonds has been a welcomed development. For several months now both bonds and stocks have been going down in unison, a relatively rare occurrence. That price action sparked talk of the demise of the typical 60/40 stock bond portfolio—a conjecture that we believe is overdone. Nonetheless, the dual weakness in stocks and bonds has been decidedly uncomfortable for many. This relationship has been normalizing in recent weeks, indicating some reappearance of the historical pattern. Notably, the Federal Reserve's policy response on inflation will be an important barometer here. However, long-term rates do historically tend to peak prior to the Fed ending its interest rate hiking campaigns, which could be good news for bonds in the coming months.

In terms of the stock market, we believe some reprieve from the price pressure could be in the offing. Many indicators are pointing to oversold conditions, although evidence of complete capitulation remains spotty. In our view, any good news on the inflation front could spark a rally. This may come to pass, especially if a recession can be averted in 2022 as we expect. Should the U.S. economy indeed fall into recession, the consensus is indicating a shallow recession may be a likely outcome. Meanwhile, we are indeed on-guard for an improved monthly inflation reading that could help revive the bulls. Maybe America's birthday can kick-start some optimism.

As I See It Continued on Page 2

As I See It—Continued From Page 1

Thank you for your continued support, this last 6-months has been challenging to say the least. I am grateful for our relationship. Let's stay healthy and positive, and please contact me if you have questions. The best number to reach me during business hours is at my office (651) 464-2664 or outside of work hours try my cell phone at (612) 708-5837.

Sincerely,



David Purdy

Important Information: This material is for general information only and is not intended to provide specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors or will yield positive outcomes. Investing involves risks including possible loss of principal. Any economic forecasts set forth may not develop as predicted and are subject to change. References to markets, asset classes, and sectors are generally regarding the corresponding market index. Indexes are unmanaged statistical composites and cannot be invested into directly. Index performance is not indicative of the performance of any investment and do not reflect fees, expenses, or sales charges. All performance referenced is historical and is no guarantee of future results. All data is provided as of July 5, 2022. Any company names noted herein are for educational purposes only and not an indication of trading intent or a solicitation of their products or services. LPL Financial doesn't provide research on individual equities. All index data from FactSet. The Standard & Poor's 500 Index (S&P500) is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. This Research material was prepared by LPL Financial, LLC. All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness.

The six main value propositions that Wealth Management Midwest provides:

Organization. We will help bring order to your financial life, by assisting you in getting your financial house in order (at both the "macro" level of investments, insurance, estate, taxes, etc., and also the "micro" level of household cash flow).

Accountability. We will help you follow through on financial commitments, by working with you to prioritize your goals, show you the steps you need to take, and regularly review your progress towards achieving them.

Objectivity. We bring insight from the outside to help you avoid emotionally driven decisions in important money matters, by being available to consult with you at key moments of decision-making, doing the research necessary to ensure you have all the information, and managing and disclosing any of our own potential conflicts of interest.

Proactivity. We work with you to anticipate your life transitions and to be financially prepared for them, by regularly assessing any potential life transitions that might be coming, and creating the action plan necessary to address and manage them ahead of time.

Education. We will explore what specific knowledge will be needed to succeed in your situation, by first thoroughly understanding your situation, then providing the necessary resources to facilitate your decisions, and explaining the options and risks associated with each choice.

Partnership. We attempt to help you achieve the best life possible but will work in concert with you, not just for you, to make this possible, by taking the time to clearly understand your background, philosophy, needs and objectives, work collaboratively with you and on your behalf (with your permission), and offer transparency around our own costs and compensation.





Complimentary Medicare Concierge Service!

Are you approaching age 65 and have questions about applying for Medicare? Would you like to learn exactly how Medicare works and what the current plan options are? Are you enrolled in Medicare and really don't understand it? We have you covered with our Medicare concierge service! There is no cost for this, and we don't offer Medicare insurance supplements or product sales of any kind. This is truly a value-add convenience for being a client of ours. Don't lose sleep over anything having to do with Medicare, contact Kalee today and she will put you in touch with the services best able to answer your questions about this value-added service (651)-464-2664.



Food for Thought, From The Desk of Chad Olson:

Take a step back and count your blessings

A barrage of bad news can feel like the current situation around the world is bleak. From the war in Ukraine to the continued presence of COVID to high levels of inflation and a slumping stock market, it can seem like we're in the 'worst of times'. But I suggest that looking back on history can put the current environment into perspective.

For example, while it is unclear whether a recession will occur in the current period, they have become much more rare overall. From the late 1800s through the Great Depression, recessions occurred every 3 to 5 years, but now only occur every 10 years or so (of course they are still painful when they *do* occur!). And while the COVID pandemic has caused significant death and economic damage around the world, it's only the second pandemic to occur since the 1920s. In addition, while wars have been regular features of global affairs in the past century, those who live in North America and Western Europe can be grateful that there has not been a war in their countries in more than 70 years.

So while the current state of economic, health, and geopolitical affairs might seem dire, the historical record suggests that progress has been made in all three of these areas and that a brighter future might be on the horizon if the previous trends continue. Just as it's helpful to be reminded during a bear market that they are a part of the investment process, it's important to recognize that economic, health, and geopolitical crises are apt to occur (although hopefully in the future they won't happen at the same time!).

Source: Kitces.com

Wealth Management Midwest: Mission & Vision

Mission

To inspire our clients to make sound financial choices, avoid costly mistakes, and live their best financial life.

Vision

Our industry needs leadership to move forward and be reshaped into a valued and supportive role in our clients' lives. We will help lead this change by committing to always do what we believe is in our clients' best interest. Our clients must have faith that our advice is drawn from our knowledge and desire to help them work towards their unique goals.

Quote Of The Quarter



Do not save what is left after spending, but **spend** what is left **after saving**.

— Warren Buffett



From the Desk of Dave Purdy:

What you need to know about Reverse Mortgages



Reverse mortgages are increasing in popularity with seniors who have equity in their homes and want to supplement their income.

How does it work?

Unlike a regular mortgage in which the homeowner makes payments to the lender, with a reverse mortgage, the lender pays the homeowner. It can be in monthly installments or a lump sum. Homeowners who qualify for a reverse mortgage, do not have a monthly mortgage payment. However, the loan must be repaid when the owner dies, permanently moves out or sells the home. This allows owners to use part of their home's equity as tax-free income to retire in comfort.

Who qualifies?

You must be 62 years of age or older

You must own your home

You must have a substantial amount of equity (at least 50%)

You must live in the home as your primary residence

Who is responsible for the reverse mortgage after the death of the owner?

If more than one person owns the home, as in the case of spouses, partners, or co-owners, then the reverse mortgage loan is due when the last owner dies. At that time, the owner's estate must repay the entire amount of the reverse mortgage (the loan principal, plus interest and fees).

Can I sell my home if I have a reverse mortgage?

The short answer is yes. However, be aware of the stringent guidelines and process when you sell, including notice to the servicer, obtaining a payoff, and submitting a written request for an appraisal.

What are the PROS and CONS?

As with anything, there are always pros and cons that must be weighed for each individual situation.

Pros of a reverse mortgage:

- ◆ You do not need to make monthly payments toward your loan balance
- ◆ You can use proceeds for living and healthcare expenses, debt repayment and other bills or enjoy your retirement
- ◆ Non-borrowing spouses not listed on the mortgage can remain in the home after the borrower dies
- ◆ If you are facing foreclosure, you can use a reverse mortgage to pay off the existing mortgage, potentially stopping the foreclosure

Cons of a reverse mortgage:

- ◆ You must maintain the house and pay property taxes and homeowners insurance
- ◆ You are borrowing against the equity in your home, which could be a key source of your retirement funds
- ◆ Fees and other closing costs can be high and will lower the amount of cash that is available

As you can see, a reverse mortgage could be a good option for some seniors that need a source of income. But it is not for everyone.

Wealth Management Midwest does not offer reverse mortgages. For questions regarding reverse mortgages, please feel free to contact an expert, my friend and author of this article Michele R. Loughrey Tschida, mloughrey@hjlawfirm.com or (952) 746-2152.

What you need to know about Health Savings Accounts

By Dave Purdy

HSAs Make Health Care More Affordable In 2022, you can contribute up to \$3,650 to a health savings account if you have individual health insurance or up to \$7,300 for family coverage. Those 55 or older by the end of the year can put in an extra \$1,000 in "catch up" contributions. You can't contribute to an HSA once you sign up for Medicare. But after you sign up for Medicare, you can still use the funds tax-free for medical expenses. Along with deductibles, co-pays and other medical costs that aren't covered by insurance, you can use the money for vision care, dental costs and hearing aids. HSA dollars can also pay a portion of long-term-care insurance premiums at various limits, depending on the age of the account holder. Here is what I like: Contributions to HSAs are not subject to federal income taxes, *earnings* to an HSA from interest and investments are tax-free, and *distributions* from an HSA to pay for qualified medical expenses are tax-free.

Special note: Wealth Management Midwest does not offer HSA's; this is just to keep you up to date with your possible healthcare options. We are happy to refer you to an HSA provider that is not associated with our firm.

Source IRS.GOV

Like Us Follow Us Find Us



When my neighbor's grandson approached me from across the street and explained his softball team's bar/restaurant sponsor pulled out because of a slowdown in business, he asked me if I knew anyone who I could recommend that may sponsor his team. I "stepped up to the plate" and said me!

Meet the Wealth Management Midwest Falcons softball team. The team is a great bunch of guys and they are so appreciative of our sponsorship. I've gone to a couple games and love the enthusiasm and energy! You can never go wrong supporting your community.

Wealth Management Midwest Falcons



Office News From Danielle

With the updated AccountView mobile App and desktop portal, you can now update your own beneficiaries. **WOW! WOW! WOW!** How exciting!



AccountView 2.0 has an enhanced dashboard making it easier to get the information you are looking for and stay up to date with your short-term and long-term goals, along with many other great features. If you are interested in this new platform, please contact me at danielle.urman@lpl.com or call 651-464-2664, and I can help enroll you.



Not receiving our **Monthly Market Update**?
Contact Kalee at kalee.stanke@lpl.com
to be added to our email list.

Social Security COLA could top 10% in 2023



Current inflationary trends point to the biggest benefit increase in 41 years, with June CPI showing a 9.1% jump over the last 12 months.

It's not official yet, but if current inflationary trends continue for the next three months, next year's Social Security cost-of-living adjustment could boost benefits by 10% or more — the largest annual increase in 41 years.

U.S. inflation as measured by the consumer price index rose 0.7% in June compared to the previous month and jumped 9.1% over a year ago, the Labor Department recently reported.

Based on the June CPI data, Mary Johnson, Social Security analyst for the Senior Citizens League projects Social Security benefits could increase by 10.5% next year. That would be the largest annual increase since 1981, when benefits rose 11.2%.

The official Social Security COLA for 2023 will be announced in October. It's based on the increase in the average CPI for the third quarter — July, August and September — over the previous year's third quarter.

This year, Social Security benefits increased by 5.9% for more than 65 million recipients. But much of this year's increase was offset by the historic 14.5% jump in Medicare Part B premiums, which are deducted directly from monthly Social Security benefits.

If Social Security benefits increased by 10.5% next year, the average retiree would receive an additional \$175 a month, based on this year's average benefit of \$1,668 per month, Johnson said.

Source: Investment News 2022

IRS Ups Mileage Rates

For the second half of 2022, the standard mileage rate for business use of an automobile will increase from 58.5 cents to 62.5 cents per mile. Any self-employed person who makes deliveries, drives to a client's location or otherwise uses a personal car, van or truck for work-related purposes can claim a tax deduction for the business use of their vehicle. In addition to calculating business expense deductions, the mileage rate for business use is also employed by the federal government and many businesses to reimburse employees for the business use of their personal vehicle. The standard mileage rates for medical travel and military moving expenses were bumped up as well.

Source: IRS.GOV



Dave Purdy

I hope everyone is enjoying their summer! We attended Barn Hunt/Fast Cat dog shows in Fort Dodge, Iowa, Hutchinson, MN, and Amana, Iowa. I brought my motorcycle to Amana and was able to enjoy some rural riding. If you ever have a chance, visit Amana Colonies, they are some of America's longest-lived communal societies that date back to 1714. The General Store we visited has been around since the mid eighteen hundreds! Lori judged a three-day dog agility trial in Golden, Colorado where she judged almost 1200 runs! I recently returned from a solo motorcycle trip to Grand Marais, MN and Thunder Bay, Canada. I enjoyed the scenery all along the north shore including a side trip to ride the Gun Flint Trail and I was fortunate that I dodged the rain! Wishing everyone has a great summer.



Kalee Stanke



Hi everyone! I'm still very new to the team, so Dave wanted me to share something that most people wouldn't know about me! In the summer of 2008, I had the opportunity to venture out to Cherkasy, Ukraine as part of a Missions Team! My mom and I went together where we volunteered our time at a Vacation Bible School, a Nursing Home, an Orphanage, and being involved with the local community! We stayed with a "Host" family who did not speak any English, so as you can imagine, we interacted by trying to act out what we were trying to communicate. The people that I met in Ukraine have become part of my heart. Their culture is based around their Faith, Family, Friends, and serving others. Their souls are filled with love, joy, and community. Like America, the best opportunity for fellowship is sitting around a table filled with amazing food or by being an assistant in the kitchen. Even though my time in Ukraine was incredibly short, the people who I've come to know became my family. They helped me see at a young age that faith, family, and friendship are key elements to living out a beautiful and meaningful life. This picture was taken at a park where I was invited to celebrate one of the boy's birthdays. I am in the middle and on my right is my interpreter, Anita.

Danielle Urman

Happy Summer everyone! June was a very special month for me as I got to meet my sweet baby niece, Nora for the first time. She was just two days old in this picture. This summer I decided to try gardening to see if I like it, I've been keeping it very simple and just growing some tomatoes and cucumbers. I haven't killed them yet, so I would say it has



been a success so far! On most of the nice days Tom and I have been checking out different lakes or going on the St. Croix River which is always one of my favorite things to do. I hope everyone is doing well and having a great summer so far!

Chad Olson

Happy summer everyone! My family headed up to the Brainerd Lakes Area for a short summer vacation in late June. We had so much fun around the resort and enjoyed getting away for a few days. My favorite part was watching Ashley, Brielle and Aria all paddle board. I went out for a moment but quickly realized it was best I sat that activity out. My daughters have both been very active with camps for sports like soccer, volleyball, and tennis during their summer break from school. In June I was asked to attend an investment research and wealth management workshop in New York City and enjoyed visiting with some of the top thought leaders in finance. I hope you all are well, and I look forward to seeing you soon. Enjoy the warm weather!

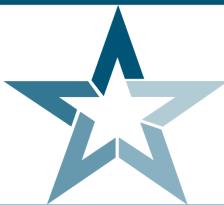




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"INDEPENDENT AND PROUD OF IT!"

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2022 FIVE STAR WEALTH MANAGER



David E. Purdy

Founder, CEO
2012•2013•2014•2015•2016
2017•2018•2019•2020•2021•2022

Award based on 10 objective criteria associated with providing quality services to clients such as credentials, experience, and assets under management among other factors. Wealth managers do not pay a fee to be considered or placed on the final list of 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 Five Star Wealth Managers.

A Little Summertime Humor...

