MARKET UPDATE

Q1 2022

FOCUS FINANCIAL®
THE LAYTON TEAM

Wall Street dealt with several major issues in the first quarter of 2022. Investors had to evaluate the impact of rising inflation, higher interest rates, ongoing coronavirus concerns, and the Russia-Ukraine war. Each of the benchmark indexes listed here lost value by the end of the quarter. However, Treasury yields, the dollar, gold, and crude oil prices ended the first quarter higher. Among the market sectors, energy increased nearly 40.0%, while utilities climbed about 5.0%. The remaining sectors ended the quarter in the red, with consumer services (-12.0%) and information technology (-8.0%) losing the most.

The yield on 10-year Treasuries rose nearly 80 basis points. Crude oil prices increased nearly $28.00 per barrel, or 38.0%, in the first quarter. The dollar gained nearly 2.8%, while gold prices advanced more than 6.0%. The national average price for regular gasoline was $4.231 per gallon on March 28, $0.950 higher than the January 3 price of $3.281 and $1.379 higher than a year ago.

January began the quarter with stocks reaching new all-time highs. Unfortunately, that was the high point of the month for Wall Street. The first month of the year turned out to be a pretty rough one for investors. The Russell 2000 lost 9.7%, the Nasdaq slid 9.0%, the S&P 500 dipped 5.3%, the Dow fell 3.3%, and the Global Dow slipped 0.6%. In all, January produced the worst first-month performance since 2009, and that includes a notable rally over the last two days of the month. Investors dealt with concerns over rising inflation, the prospects of higher interest rates, and the pace of global economic recovery, despite the fourth-quarter U.S. GDP advancing at an annualized rate of 6.9%, while nearly 200,000 new jobs were added. On the other hand, industrial production slowed and new orders for durable goods declined. Prices at the pump increased, closing the month at about $3.323 per gallon for regular gasoline. Ten-year Treasury yields, the dollar, and crude oil prices climbed higher, while gold prices fell.

February also opened the month on a high note, but stocks tumbled into the red by the end of the month. The S&P 500 fell to its lowest level since June 2021. Not only were investors still coping with rising inflation and interest-rate hikes, but a new crisis emerged in February — Russia's invasion of Ukraine. The United States and several other nations-imposed sanctions against Russia, some of which were aimed at curtailing Russian oil and natural gas exports, which resulted in a surge in energy prices. Initially, the conflict in Ukraine shook global financial markets as stocks fell, and concerns grew that heating bills and food prices would skyrocket. By the close of the month, the Dow, the S&P 500, and the Nasdaq fell more than 3.0%. Ten-year Treasury prices initially fell on inflation worries, although yields later advanced as bond prices receded. The dollar and gold prices rose. Crude oil prices jumped more than 8.0% from the previous month, reaching $95.62 per barrel on the last day of February.

Despite attempts at peace talks, the war in Ukraine intensified in March, prompting the imposition of more economic sanctions against Russia. Inflationary pressures continued to mount, which led the Federal Reserve to raise interest rates 25 basis points with additional rate hikes anticipated. Nevertheless, stocks showed resilience. Each of the benchmark indexes posted gains from February. The S&P 500 rose 5.0%, the Nasdaq gained 4.7%, the Dow added 3.6%, the Russell 2000 climbed 2.1%, and the Global Dow increased 1.9%. Although crude oil prices were trending lower by the end of March, they were still $8.00 per barrel higher than where they began the month. The yield on 10-year Treasuries advanced nearly 50 basis points. The dollar gained 1.5%, and gold prices climbed 1.9% to $1,945.70 per ounce.

Market/Index	2021 Close	As of March 31	Monthly Change	Quarterly Change	YTD Change
DJIA	36,338.30	34,678.35	2.32%	-4.57%	-4.57%
Nasdaq	15,644.97	14,220.52	3.41%	-9.10%	-9.10%
S&P 500	4,766.18	4,530.41	3.58%	-4.95%	-4.95%
Russell 2000	2,245.31	2,070.13	1.08%	-7.80%	-7.80%
Global Dow	4,137.63	4,098.73	1.19%	-0.94%	-0.94%
Fed. Funds	0.00%-0.25%	0.25%-0.50%	25 bps	25 bps	25 bps
10-year Treasuries	1.51%	2.32%	49 bps	81 bps	81 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

In This Update

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KEY ESTATE PLANNING DOCUMENTS YOU NEED

There are five estate planning documents you may need, regardless of your age, health, or wealth including a durable power of attorney, an advance medical directives, a will, a letter of instruction, and a living trust.

The last document, a living trust, isn't always necessary, but it's included here because it's a vital component of many estate plans.

DURABLE POWER OF ATTORNEY

A durable power of attorney (DPOA) can help protect your property in the event you become physically unable or mentally incompetent to handle financial matters. If no one is ready to look after your financial affairs when you can't, your property may be wasted, abused, or lost.

A DPOA allows you to authorize someone else to act on your behalf, so he or she can do things like pay everyday expenses, collect benefits, watch over your investments, and file taxes. incapacitated. ***Caution:*** *A springing DPOA is not permitted in some states, so you'll want to check with an attorney.*

ADVANCE MEDICAL DIRECTIVES

Advance medical directives let others know what medical treatment you would want, or allows someone to make medical decisions for you, in the event you can't express your wishes yourself. If you don't have an advance medical directive, medical care providers must prolong your life using artificial means, if necessary.

There are three types of advance medical directives. Each state allows only a certain type (or types). You may find that one, two, or all three types are necessary to carry out all of your wishes for medical treatment. (Just make sure all documents are consistent.)

First, a living will allows you to approve or decline certain types of medical care, even if you will die as a result of that choice. In most states, living wills take effect only under certain circumstances, such as terminal injury or illness. Generally, one can be used only to decline medical treatment that "serves only to postpone the moment of death."

Second, a durable power of attorney for health care (known as a health-care proxy in some states) allows you to appoint a representative to make medical decisions for you. You decide how much power your representative will or won't have.

Finally, a Do Not Resuscitate order is a doctor's order that tells medical personnel not to perform CPR if you go into cardiac arrest.

WILL

A will is often said to be the cornerstone of any estate plan. The main purpose of a will is to disburse property to heirs after your death. If you don't leave a will, disbursements will be made according to state law, which might not be what you would want.

There are two other equally important aspects of a will:

1. You can name the person (executor) who will manage and settle your estate. If you do not name someone, the court will appoint an administrator, who might not be someone you would choose.

2. You can name a legal guardian for minor children or dependents with special needs. If you don't appoint a guardian, the state will appoint one for you.

Keep in mind that a will is a legal document, and the courts are very reluctant to overturn any provisions within it. Therefore, it's crucial that your will be well written and articulated, and properly executed under your state's laws. It's also important to keep your will up to date.

LETTER OF INSTRUCTION

A letter of instruction (also called a testamentary letter or side letter) is an informal, nonlegal document that generally accompanies your will and is used to express your personal thoughts and directions regarding what is in the will (or about other things, such as your burial wishes or where to locate other documents). This can be the most helpful document you leave for your family members and your executor.
Unlike your will, a letter of instruction remains private. Therefore, it is an opportunity to say the things you would rather not make public.

A letter of instruction is not a substitute for a will. Any directions you include in the letter are only suggestions and are not binding. The people to whom you address the letter may follow or disregard any instructions.

LIVING TRUST

A living trust (also known as a revocable or inter vivos trust) is a separate legal entity you create to own property, such as your home or investments. The trust is called a living trust because it's meant to function while you're alive. You control the property in the trust, and, whenever you wish, you can change the trust terms, transfer property in and out of the trust, or end the trust altogether.

Not everyone needs a living trust, but it can be used to accomplish various purposes. The primary function is typically to avoid probate. This is possible because property in a living trust is not included in the probate estate.

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6 WAYS TO HELP YOURSELF STAY SANE IN A CRAZY MARKET

Keeping your cool can be hard to do when the market goes on one of its periodic roller-coaster rides. It's useful to have strategies in place that prepare you both financially and psychologically to handle market volatility. Here are 11 ways to help keep yourself from making hasty decisions that could have a long-term impact on your ability to achieve your financial goals.

1. HAVE A GAME PLAN

Having predetermined guidelines that recognize the potential for turbulent times can help prevent emotion from dictating your decisions. For example, you can use diversification to try to offset the risks of certain holdings with those of others. Diversification may not ensure a profit or protect against a loss, but it can help you understand and balance your risk in advance. And if you're an active investor, a trading discipline can help you stick to a long-term strategy. For example, you might determine in advance that you will take profits when a security or index rises by a certain percentage and buy when it has fallen by a set percentage.

> *"Investors should remember that excitement and expenses are their enemies. And if they insist on trying to time their participation in equities, they should try to be fearful when others are greedy and greedy when others are fearful."*
> *— Warren Buffett*

2. KNOW WHAT YOU OWN AND WHY

When the market goes off the tracks, knowing why you originally made a specific investment can help you evaluate whether your reasons still hold, regardless of what the overall market is doing.

Understanding how a specific holding fits in your portfolio also can help you consider whether a lower price might actually represent a buying opportunity. And if you don't understand why a security is in your portfolio, find out. That knowledge can be particularly important when the market goes south, especially if you're considering replacing your current holding with another investment.

3. REMEMBER THAT EVERYTHING IS RELATIVE

Most of the variance in the returns of different portfolios can generally be attributed to their asset allocations. If you've got a well-diversified portfolio that includes multiple asset classes, it could be useful to compare its overall performance to relevant benchmarks. If you find that your investments are performing in line with those benchmarks, that realization might help you feel better about your overall strategy.

4. TELL YOURSELF THAT THIS TOO SHALL PASS

The financial markets are historically cyclical. Even if you wish you had sold at what turned out to be a market peak, or regret having sat out a buying opportunity, you may well get another chance at some point. Even if you're considering changes, a volatile market can be an inopportune time to turn your portfolio inside out. A well-thought-out asset allocation is still the basis of good investment planning.

5. STAY ON COURSE BY CONTINUING TO SAVE

Even if the value of your holdings fluctuates, regularly adding to an account designed for a long-term goal may cushion the emotional impact of market swings. If losses are offset even in part by new savings, your bottom-line number might not be quite so discouraging.

If you're using dollar-cost averaging—investing a specific amount regularly regardless of fluctuating price levels—you may be getting a bargain by buying when prices are down. However, dollar-cost averaging can't guarantee a profit or protect against a loss. Also consider your ability to continue purchases through market slumps; systematic investing doesn't work if you stop when prices are down. Finally, remember that the return and principal value of your investments will fluctuate with changes in market conditions, and shares may be worth more or less than their original cost when you sell them.

> *"Most of the time common stocks are subject to irrational and excessive price fluctuations in both directions as the consequence of the ingrained tendency of most people to speculate or gamble ... to give way to hope, fear and greed."*
> *— Benjamin Graham*

6. REMEMBER YOUR ROAD MAP

Solid asset allocation is the basis of sound investing. One of the reasons a diversified portfolio is so important is that strong performance of some investments may help offset poor performance by others. Even with an appropriate asset allocation, some parts of a portfolio may struggle at any given time. Timing the market can be challenging under the best of circumstances; wildly volatile markets can magnify the impact of making a wrong decision just as the market is about to move in an unexpected direction.

KEY ESTATE DOCS CONTINUED

Depending on your situation and your state's laws, the probate process can be simple, easy, and inexpensive, or it can be relatively complex, resulting in delay and expense. This may be the case, for instance, if you own property in more than one state or in a foreign country or have heirs who live overseas.

Further, probate takes time, and your property generally won't be distributed until the process is completed. A small family allowance is sometimes paid, but it may be insufficient to provide for a family's ongoing needs. Transferring property through a living trust provides for a quicker, almost immediate transfer of property to those who need it. Probate can also interfere with the management of property like a closely held business or stock portfolio. Although your executor is responsible for managing the property until probate is completed, he or she may not have the expertise or authority to make significant management decisions, and the property may lose value. Transferring the property with a living trust can result in a smoother transition in management.

Finally, avoiding probate may be desirable if you're concerned about privacy. Probated documents (e.g., will, inventory) become a matter of public record. Generally, a trust document does not.

Caution: *Although a living trust transfers property like a will, you should still also have a will because the trust will be unable to accomplish certain things that only a will can, such as naming an executor or a guardian for minor children.*

Tip: *There are other ways to avoid the probate process besides creating a living trust, such as titling property jointly.*

Caution: *Living trusts do not generally help reduce estate taxes or protect property from future creditors or ex-spouses.*

The use of trusts involves a complex web of tax rules and regulations. There are costs associated with creating and maintaining these legal documents.

Consider the counsel of an experienced estate planning professional and your legal and tax advisers before implementing a trust strategy.

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Our goal is to offer service to several other clients just like you! We would be honored if you would:

- Bring a guest to an event we are hosting
- Refer a friend to come to our office for a complimentary financial check up
- Provide us with 3 names of prospects to add to our mailing list