



2022 Outlook

7 Themes For A Changing World

If I had told you in January of 2020 that a devastating pandemic was about to descend upon the world, leading to 5 million deaths — over 800,000 in the U.S. — and that it would still be front-page news heading into 2022, your U.S. stock market performance predictions would likely have been gloomy. Incredibly, reality has seen far more sunshine bursting through those clouds. After a short but sharp market decline in February of 2020, the S&P 500 has climbed over 50% in the past two years.

In 2021 alone, the S&P 500 total return was up 28.7%. Total household wealth in the U.S. reached a record \$144.7 trillion, and gross domestic product (GDP) is forecasted to grow by more than 5%. These are excellent financial and economic numbers. Why, then, doesn't this wonderful news seem to not permeate Americans' minds?

The University of Michigan maintains a Consumer Sentiment Index to measure how U.S. consumers feel about the economy, their finances, business conditions and general purchasing confidence. Currently, sentiment sits crouched at the low levels we saw during the Great Recession in 2008 and below where it

was in March and April of 2020 when the world was almost completely shut down.

The obvious question is why? What is the disconnect between economic and stock market performance versus how the average American feels about it? The answer points towards the insidious persistence of COVID-19. We all thought that the pandemic would largely be under control heading into 2021. Instead, two years after it began, we are seeing a record numbers of COVID-19 cases.

Herein lies the problem. COVID-19 is a wet blanket on the American way of life. It infringes on our personal freedoms and collectively hampers our typically unbridled American lifestyle. Consider all the new “to-dos” and concerns that you weren’t burdened with back in 2019. COVID-19 tests. Vaccine and mask mandates. Virtual school. Canceled public events.

No single change damages our pursuit of happiness, but collectively they take a toll. When will COVID-19 end? When will it all be OK?

The answer is, hopefully, sooner than we might think. I believe that this is the year COVID-19 finally moves into the endemic phase. Consumer sentiment should start to improve once Americans feel a true inflection point. We don’t know when that will start, but thanks to science and experience, we are much closer to that phase today than two years ago.

This brings us to 2022, a year in which the U.S. should enjoy more tailwinds than headwinds, making a positive impact on both markets and the economy. Here are the major themes to watch for:

- 1. Pandemic to Endemic** — COVID-19 should shift from pandemic to endemic. Less virulent strains in combination with mass vaccination, natural immunity, and multiple treatment options should make extraordinary and growth-prohibitive governmental and central banking measures less likely.
- 2. Less Government Stimulus, But Stimulus Nonetheless** — With the pandemic fading, years of massive stimulus — more than \$5.8 trillion in the U.S. alone — will, too. We should see far less in 2022, even if a modified version of the Build Back Better plan passes in Washington. Stimulus as a percent of GDP was 10% in 2020 and 11% in 2021. It should fall to the 2% to 3% range in 2022.
- 3. Moderating GDP Growth** — Overall economic growth should moderate from the 2% to 6% quarterly growth range we saw in 2021 to a more modest but still strong 2% to 3.5% range. Looking at the critically important U.S. Leading Economic Index (LEI), we can glean that a recession over the next year is highly unlikely. LEI levels are hovering around +10. When they are this elevated, falling to the zero bound or below — spelling a recession — is typically years away.
- 4. Strong Corporate Earnings** — While it won’t keep pace with 2021’s recovery, we should still see earnings growth in the 9% range for the S&P 500. To put this in perspective, the S&P 500 companies during 2019 earned in aggregate \$163 per share; 2022 should bring earnings to \$223 per share according to FactSet.
- 5. Tamer Inflation** — Inflation almost has to self-correct and moderate. Think of it this way, if it didn’t, economy vehicles would reach the \$50,000 range. That being said, I think it will remain more elevated than

it has been over the past decade. What this means is that the average investor will want to look at owning companies with pricing power.

6. A Hiking Fed — The Fed has kept interest rates exceedingly low over the past two years in response to the circumstances caused by the pandemic. As COVID-19 moves into an endemic phase and the U.S. economy continues to gain momentum, the Fed will likely raise rates to combat inflation and return to a more normal interest rate environment. This would raise borrowing costs in the U.S., but higher rates should benefit massive parts of the economy. Think banks, financial institutions, and higher rates of interest for millions of American savers.

7. Politics Back in Focus — Historically, election years cause a heightened level of market uncertainty, which might keep first- and second-quarter gains in check. However, midterm election years historically tend to be strong for markets in the order of 9.9% on average. And once the elections are settled, the following twelve months are typically better, averaging returns of 15%. Going back to 1946, there have been no negative S&P 500 returns in a 12-month period following a midterm election.

The bottom line is that good news in 2022 should far exceed the bad. The election cycle suggests a muted stock market for the first few quarters but lower inflation, and strong earnings growth. The pandemic moving to the rearview mirror should bode well in the year ahead. Coupling all of this with interest rate normalization could bring rewards for dividend-seeking investors. I'm also realistic in that I cannot predict the future, and as an investor I'm focused on participation instead of perfection.

Be mindful of the challenges, but I'm hopeful for what I think will be a prosperous 2022.

Reminders

Tax Season

It's time to start thinking about taxes! Below are a few reminders as we near the tax filing deadline:

1. Tax Forms should start arriving soon. Be sure to keep all tax forms in a centralized file (this year you may want to include any letters from the IRS* confirming the amount of any advance payments received in 2021 (child credit advances, stimulus payment, etc.) so that you are ready when it's time to start working on your taxes.

- You should receive 1099-R (distributions from IRA or retirement accounts) forms and W-2 forms around the end of January.
- Form 199 Composites (dividend, interest and capital gain information for taxable brokerage accounts) should be delivered around the middle to end of February. Be sure to watch out for Corrected 1099's!
- Watch out for K-1 tax forms, which are mailed to you directly from the issuer. If you receive a K-1 tax form, do not ignore it!
 - » If you own the holding in your IRA account (it will list your IRA in the registration) please forward the form to our office. The K-1 income should not be reported on your 1040 tax return.

Instead, the custodian of your IRA account (Schwab and/or Fidelity) will report the income to the IRS, if necessary. Upon receiving your K-1 tax form from you, we will promptly deliver the form directly to your account custodian.

- » If you own the holding in your Brokerage account, you should report the income reported on the Form K-1 directly on your 1040 tax return.

2. Make eligible contributions before the tax filing deadline:

- Contribute to your Traditional or Roth IRA before April 15th.
- Consider maximizing out your HSA (Health Savings Account) before April 15th.
- Contribute to your SEP IRA (Self Employed IRA) by April 15th or October 15th with extension.
- Contribute up to \$8,000 per child for joint filers; \$4,000 per child for single filers in GA 529 plans by April 15th to receive a GA state deduction.

*You may find it helpful to set up an online account at [irs.gov](https://www.irs.gov) which allows you to access specific information the IRS has on file such as estimated payments made and transcripts, as well as the ability to make estimated payments online.

If you need a CPA, or if you have general tax questions, Barron Barnes, CPA or Scott Merritt, CPA with Capital Accounting & Tax, LLC are here to help! You may reach them at [404-636-6638](tel:404-636-6638), barron@yourwealthtax.com or scott@yourwealthtax.com. Their office is conveniently located in our building.

RMDs are back for 2022

Please contact your Client Service Associate with any questions.

Team Highlight

Congratulations to our Client Service Manager, Chelsey Braswell, and her husband, Kyle, on the birth of their first baby girl, Poppy Rae Braswell! Poppy made her entrance to the world over the holidays on Christmas Eve. All are healthy, happy and so full of joy.

Chelsey will be on maternity leave with her beautiful new addition until the end of March. If you are a client of Matt Reiner, please reach out to Kellie Carter (kellie@yourwealth.com) for assistance. If you are a client of Chris Pataky or Mike De La Garza, please reach out to Danielle Boyle (danielle@yourwealth.com) for assistance.



Don't hesitate to call us at [404-531-0018](tel:404-531-0018) for any immediate requests!

Client Spotlight

“I believe I can fly”... This has got to be one of the coolest core pursuits we've seen! Based on these photos, our client Rick's four Nielsen Border Collies, Pete, Jessie, Ripp, and Buck have racked up their frequent flyer miles. Rick and his dogs compete at the highest levels of Agility and Disc sports. They have competed in world championships every year since 2014, and Ripp was the 2015 U.S. Disc Dog Nationals Pro Toss n Fetch Champion. When Rick isn't competing with his flying friends, he organizes and conducts regional competitions. *Please note: Rick gave us permission to share these photos.*



Share with us: What advice would you give someone approaching retirement or newly retired? If you don't mind sharing with us, just e-mail us at info@yourwealth.com!

Retire Sooner Podcast

In this podcast episode, Brynne Simms shares how to set expectations to seek and manage rental properties during retirement, along with sharing her journey to owning and managing her own rental property. She also provides examples of how retirees can utilize their finances to find happiness in retirement and describes traits and core pursuits that she sees within the happiest retirees.



Brynne also discusses her role as a Client Service Manager at Capital Investment Advisors and talks through what a happy retiree's future can look like.

Listen To The Full Podcast Episode Here: wesmoss.com/podcasts/70-short-term-rental-properties-and-happy-retirements-with-brynne-simms/

If you have not received a statement from your account Custodian (Charles Schwab and/or Fidelity Investments) in the past month, please contact us as soon as possible.

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