



JGC Wealth Management, LLC

Fee-Only Financial Planning and Asset Management

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Fourth Quarter Update
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2021 IN REVIEW AND WHAT'S ON THE HORIZON FOR 2022

Today, in a whole new year, let's talk about parts versus wholes. The theme is hardly new, but it bears repeating, lest we forget how essential they both are—to each other, to us, and to our financial well-being.

There's never a lack of noise coming from the moving parts that make up your whole portfolio, especially whichever ones are squeaking the loudest at any given time. This is no surprise. The world is enormous. To cope with information overload, we engage in what behavioral psychologists refer to as heuristics. These are rules of thumb, or mental shortcuts that take us past what seems inconsequential to our survival. They let us focus instead on the scariest snakes, and lowest-hanging fruit we can find. In many ways, heuristic thinking has worked wonders for us; it still does. But as investors, we end up overreacting to the most exciting or alarming news and overlooking the less obvious evidence on how to create financial stamina.

Consider your quarterly reports in this context. In terms of fruitful investing, 2021 markets offered a bumper crop of seemingly easy pickings. Crediting “a highly speculative, risk-complacent market driven by a combination of near-zero interest rates, abundant capital and a healthy dose of hype,” *Financial Post* columnist Tom Bradley summarized the year as follows: “We're at a point in the business cycle when the disc jockey is playing Shout by the Isley Brothers and investors can't stop dancing.”

- *The Wall Street Journal* observed how low rates and busy investors “helped the S&P 500 close at a record 70 times this year, more than one-quarter of all trading days ... and pushed the index up 27% in 2021.”
- *Morningstar* reported that 2021 was also a banner year for companies going public, driven largely by SPACs going public at “more than 5 times the number from the year before.”
- Traditional and thematic ETF launches were popular as well. *Morningstar reported*: “As of Nov. 24, a record 406 new exchange-traded funds were launched in 2021. ... The top 100 are the Swiss Army knives of the ETF world. ... [But] There were plenty of suspect newcomers in the crowd in 2021. A common thread among many of them is that they prey on investors' impulse to chase what's hot.”







On the flip side, there's been no lack of attention to the ubiquitous snakes in the grass. Will inflation rage in 2022? What if the Federal Reserve fulfills its promise to wind down the economic stimulus programs—the ones that have left markets awash in cash—and aggressively raises interest rates instead? Will higher taxes happen? If so, how will they impact your financial, retirement, and estate transfer plans? What about coronavirus? Climate change? China?

If you're just looking at the parts, good and bad news alike seems equally difficult to process. You know each piece contributes to your overall plans ... but how? That's where we come in. We're here to help you discover the expansive planning space found between the extremes of exuberant and alarming news. To review, our process begins with your financial plan and investment policy statement—tailored to your life's goals, your timeline, your tastes and aversions. We build your “whole” to deliver a measure of the market's most promising rewards, while protecting you against its greatest risks. Then, because nothing ever stays the same for long, we regularly revisit your plans and portfolio, to help you incorporate any relevant news in your life that might change your financial goals.

If we humans never took any shortcuts between discovering and reacting to breaking news, perhaps we could be less disciplined about it all. Instead, all evidence continues to confirm: Each year, each quarter, each day delivers fresh fodder in which seeds of doubt can sprout. Until the day we know exactly what the future has in store, we are honored to remain by your side, to help you make sense of the years ahead.

Quarterly Market Summary

Index Returns



















	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
4Q 2021	STOCKS				BONDS	
	9.28%	3.14%	-1.31%	12.35%	0.01%	0.07%
						
Since Jan. 2001						
Average Quarterly Return	2.5%	1.7%	2.9%	2.7%	1.1%	1.1%
Best Quarter	22.0%	25.9%	34.7%	32.3%	4.6%	4.6%
	2020 Q2	2009 Q2	2009 Q2	2009 Q3	2001 Q3	2008 Q4
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-3.4%	-2.7%
	2008 Q4	2020 Q1	2008 Q4	2008 Q4	2021 Q1	2015 Q2

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2022, all rights reserved. Bloomberg data provided by Bloomberg.

Long-Term Market Summary

Index Returns as of December 31, 2021

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	STOCKS				BONDS	
	25.66%	12.62%	-2.54%	31.38%	-1.54%	-1.40%
						
5 Years						
	17.97%	9.63%	9.87%	8.25%	3.57%	3.11%
						
10 Years						
	16.30%	7.84%	5.49%	9.01%	2.90%	3.80%
						

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ARE YOU READY FOR TAX FILING?

The last two tax seasons have been, to put it mildly, wildly abnormal. Extended filing deadlines, major law changes and “mailbox money” from the government have combined with a work-from-home IRS that was already understaffed to create a paperwork maelstrom unequalled in modern tax compliance history.

First, the good news: NO major tax law changes for this filing season. Contrary to the expectations of many from a year ago, there were no significant changes to tax policy, outside of the extra child tax credits. For 2022, it appears we will have no major changes as well. This might change as the year progresses, but chances diminish every day closer to election day in November.

Now – the bad news. The IRS, and other taxing agencies, are struggling with simply opening the mail, answering phones, and processing returns. Their computers are sending out notices on a programmed schedule, and there just aren’t enough humans to intervene.

So, what's on tap for this year?

- The biggest thing to consider for taxpayers with kids is the advanced child care tax credit. You may have received checks in the mail or direct deposits from July to December of this year. The IRS will have sent you a letter, Form 6419 that tells you what they sent you. Hopefully, this matches up with what you actually received. If not, we need to figure out a strategy – agree with them, or go with your numbers?
- Oregon filers will need to take into account the “kicker” – a 17.34% rebate of last year's tax that will reduce your 2021 liability.
- We STRONGLY recommend that any payments be made electronically, and that refunds are sent the same way, directly back into your bank account. Paper checks have been subject to delays (i.e, sitting unopened in shipping containers) and have resulted in additional correspondence with taxing authorities.
- When making payments on a joint return, it needs to be associated with the social security number of the primary taxpayer on the return. We have seen numerous issues where the secondary taxpayer on the return makes the payment on their social security number, rather than the primary. It creates a problem that may require calling the IRS to get things squared away.

And there are still a few things you can do for the 2021 tax year:

- Make a contribution to your IRA or Roth IRA contribution, right up until April 18, 2022.
- Solo 401(k) or SEP-IRA contribution deadline – for self employed taxpayers, you can still open and fund these retirement accounts up until October 17, 2022, (but before you file your return, so if you want to wait past April an extension needs to be filed for your return)
- Business owners can also set up a profit sharing only 401K plan, or a cash balance plan, up until they file their 2021 business return.
- Health Savings Account (HSA) contribution deadline: April 18, 2022 for a 2021 contribution
- Oregon 529 Plan contribution deadline: April 18, 2022 OR when you file your Oregon return, if earlier, to qualify for a 2021 Oregon tax credit

Of course, if we are opening up accounts for you we would like at least a week's lead time to get things open, so don't wait until the last day to give us a call.

If you have any questions, or if you have friends or family that you think would benefit from working with us, please have them contact us to see if we can help them.

Quarterly Reports

Enclosed are the reports on your portfolio for the quarter ending December 31, 2021. If you want to discuss your portfolio, have had changes in your financial situation, or have any other financial concerns or questions, please call us.

The information presented is provided in good faith without any warranty and is intended for the recipient's background information only. It does not constitute investment advice, recommendation, or an offer of any services or products for sale and is not intended to provide a sufficient basis on which to make an investment decision. Before taking any action, we recommend that you seek professional advice from subject matter experts who can assist you with your specific situation and needs.