WINTER 2022

THE JENTNER REPORT

Wealth Management Strategies from Jentner Wealth Management

INSIDE THIS ISSUE

Be Wary of Stock Predictions

These three past predictions are virtually laughable now.

In 2021, stocks closed in solidly positive territory. 2022 started the year in negative territory and is showing increased weakness. Where will stocks end the year? A long story short, no one knows. Yet, this has not stopped the perennial prognosticators from telling anyone who will listen exactly how things will play out. Historically, they have proven to be wrong over and over.

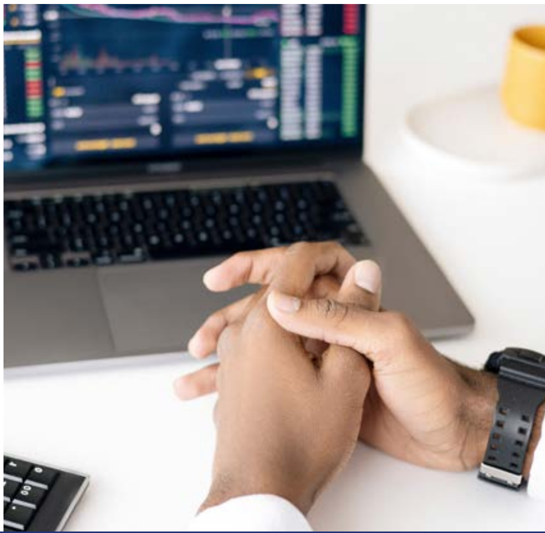
For a bit of fun, why don't we look back on three spectacular bad calls.

The financial giant AIG told nervous investors in 2007, "It is hard for us, without being flippant, to even see a scenario within any kind of realm of reason that would see us losing one dollar in any of these Credit Default Swap transactions." The company collapsed within a year of those statements, needing a bailout.

In 1998, Paul Krugman, winner of the Nobel Prize in Economics, called for a dramatic slowing of the internet's growth. He penned, "By 2005 or so, it will become clear that the internet's impact on the economy has been no greater than the fax machine." He also wrote, "As the rate of technological change in computing slows, the number of jobs for IT specialists will decelerate, then actually turn down; ten years from now, the phrase information economy will sound silly." The folly of those predictions needs no further explanation.

Former hedge-fund manager Whitney Tilson predicted in 2004 that Google would be disappointing to investors. He wrote, "I believe that it is virtually certain that Google's stock will be highly disappointing to investors foolish enough to participate in its overhyped offering—you can hold me to that." Since then, Google, now called Alphabet, has dominated the search-engine market.

Market predictions are a distraction. We believe disciplined investing is what should guide you in 2022 and every year.



THE PRESIDENT'S WORD

Proper Planning Includes Awareness of Wealth Erosion Due to Taxes

The tax man cometh?

It's one thing to use proper tax-planning tools such as retirement deferrals, Roth IRAs, capital gain/loss harvesting, and charitable giving. It's another to make best use of them.

Jentner views effective tax planning as a way to reduce your lifetime tax bill—or beyond, if you're preparing for a tax-efficient wealth transfer to your heirs.

In short, tax planning is an ongoing campaign, staged on multiple fronts. One of the most powerful ways to ward off excess taxes is to be tax-wise about your investing. And yet, few investors take full advantage of the many opportunities.

Are you maxing out your contributions to appropriate tax-sheltered accounts? The more money you hold in various tax-sheltered structures, the more flexibility you'll have to delete or at least to defer taxes otherwise inherent in building capital wealth.

Are you being deliberate about your asset location, dividing your various assets among your taxable versus tax-sheltered accounts for overall tax efficiency? Ideally, you use your tax-sheltered accounts to hold your least tax-efficient holdings, while locating your most tax-efficient holdings in your taxable accounts.

When the time comes to spend your wealth, have you planned for how to tap your taxable, tax-deferred, and tax-free accounts? There is no universal answer to this critical query. Cash-flow planning calls for a deep familiarity with the particular accounts and assets you've got, the particular rules involved in deploying each, and your particular spending goals all while keeping a close eye on any changes that may alter your plans.

Are you guided by a personalized investment plan? All our clients have a written Investment Policy Statement. Bottom line, the fewer trades required to stick to your investment plan, the better off you're likely to be when taxes come due.

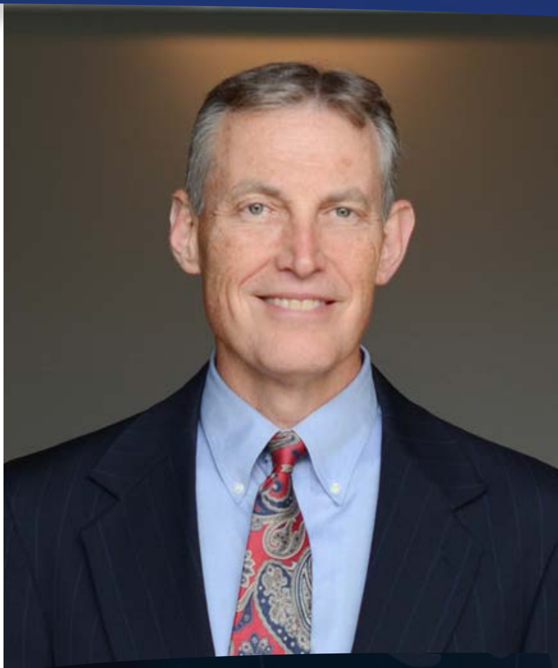
Having an investment plan also facilitates your or your advisor's ability to identity and make best use of tax-loss and tax-gain harvesting opportunities when appropriate.

Tax-loss harvesting typically involves:

1. Selling all or part of a position in your portfolio when it is worth less than you paid for it.
2. Reinvesting the proceeds in a similar, not substantially identical, position.
3. Optionally returning the proceeds to the original position after at least 31 days have passed to avoid the IRS' wash-sale rule.

You can then use any realized capital losses to offset current or future capital gains without significantly altering your portfolio mix.

It's worth noting: tax-loss harvesting typically lowers a harvested holding's cost basis. So contrary to popular belief, you're usually postponing rather than eliminating taxable gains. Why bother? More time gives you more control over when, how, or even if you'll realize the gains. For



Bruce Jentner, CFP®, Chairman

example, you could wait until tax rates are more favorable or reduce embedded gains over time through gifting, charitable giving, or estate-planning tactics.

Tax-gain harvesting involves selling appreciated holdings to deliberately generate taxable income. Why would you do that? Remember, your goal is to minimize lifetime taxes paid. So, especially once you're tapping your portfolio in retirement, you may intentionally generate taxable income in years when your tax rates are more favorable. Basically, you're sacrificing a tax-return battle or two, hoping to win the tax-planning war.

Finally, having a clear outline for your charitable and legacy inclinations is crucial. Franklin Covey famously wrote, "Begin with the end in mind." A clear understanding of your legacy and charitable goals can help you design and build optimal strategies. The above scenarios represent only a handful of the tax-planning events you might encounter throughout your life. Remember, no financial decision exists in a vacuum. Ideal tax planning integrates seamlessly with your greater wealth plans.

Steps You Can Take to Prepare for the Next Recession

Why are people more afraid of flying than driving even though car wrecks are far more frequent? As one academic suggests, "In a car, at least I know when to brake. In a plane, I have no control."

This might also explain why many investors want to hit the brakes if they fear a recession is on the way. We've got no control over when the next one may occur or how markets will react when it does. Still, even though your best bet is to buckle in and ride out market turbulence, it's hard to maintain emotional control and do absolutely nothing in response.

Rather than trying to react to market mood swings by switching up your investments, here are several actions you can take instead. Each is within your control, and any of them can add real value to your financial well-being. As the late, great financial economist Peter L. Bernstein once said, "It's not your wealth today, but it's your future that you're really managing."

Preserve

Reduce debt. Pay off credit-card balances and other high-interest loans.

Cut unnecessary costs. Cancel subscriptions or services you haven't used in months (magazines, streaming services, club memberships, credit cards, etc.)

Negotiate. Manage insurance and other ongoing costs by seeking periodic competitive bids.

Protect

Keep an eye on things. Order and review your free annual credit and Social Security reports.

Establish a Trusted Contact Person. Name a TCP as an extra line of defense for your investment accounts. If your financial advisor or account custodian feels you are being financially exploited, they then have a back-up person they can talk to about some of their concerns.

Prepare

Revisit your estate plans. Even if you've already established your estate plans, if it's been several years or more since you've looked at them, odds are they're due for a refresh.

Simplify

Declutter your portfolio management. Over time, most families end up with a confusing array of investment accounts across multiple custodians. Where possible, organize your accounts across fewer platforms so you can better manage your moving parts.

Learn

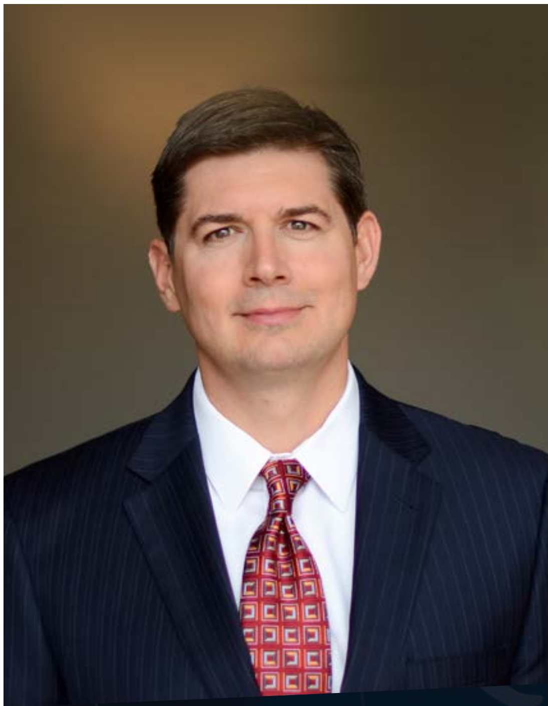
Advance your financial literacy. Books, podcasts, classrooms—financial literacy pays for itself and then some. (Beware of mass-mailed sales pitches posing as educational forums.) Want some recommendations? Let us know. We'll share some of our favorites!

Educate your kids. Budgeting, goal-setting, spending—instill the financial basics early on to strengthen your kids' future financial independence, as well as your own.

Delegate

Hire a fiduciary advisor. There are so many effective actions you can take to contribute to your total wealth, we've barely scratched the surface. None of them are terribly time consuming in isolation, but it can feel overwhelming to consider them as a whole. Plus, a coordinated effort usually yields the best results.

That last point is exactly why we founded Jentner Wealth Management. Managing your investment portfolio through thick and thin is part of it. But our greater goal is to help you oversee all the variables we can control in your financial journey. In so doing, we're also preparing you to move more smoothly past the market's inevitable and uncontrollable rough spots.



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Use Caution When ESG Investing

ESG or environmental, social, and governance investing has grown increasingly popular. A report published in July looking at five of the world's top markets showed ESG investing had $35.3 trillion in assets under management during 2020, representing more than one third of all assets in those large markets. And the trend is not showing any signs of slowing.

An essay penned by Tariq Fancy, who was BlackRock's first global chief investment officer for sustainable investing between 2018 and 2019, warned that some fallacies were associated with this area.

"Green bonds, where companies raise debt for environmentally friendly uses, is one of the largest and fastest-growing categories in sustainable investing, with a market size that has now passed $1 trillion. In practice, it's not clear if they create much positive environmental impact that would not have occurred otherwise."

Further, he points out that financial institutions are incentivized to push ESG products. The Wall Street Journal found that ESG funds had an average fee of 0.20%, but low-cost standard stock funds were 0.14%.

In addition to fee structures, ESG ratings are very subjective. For example, Amazon had a registered carbon footprint of 51.17 million metric tons of carbon dioxide last year. To call them ESG-friendly is a stretch. The lack of clarity around ESG ratings can make it difficult for investors looking to support more sustainable businesses.

We applaud those who want their investments to improve their communities. However, until more clarity and standards are in place to police those utilizing the ESG rating system, investors should take caution.

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