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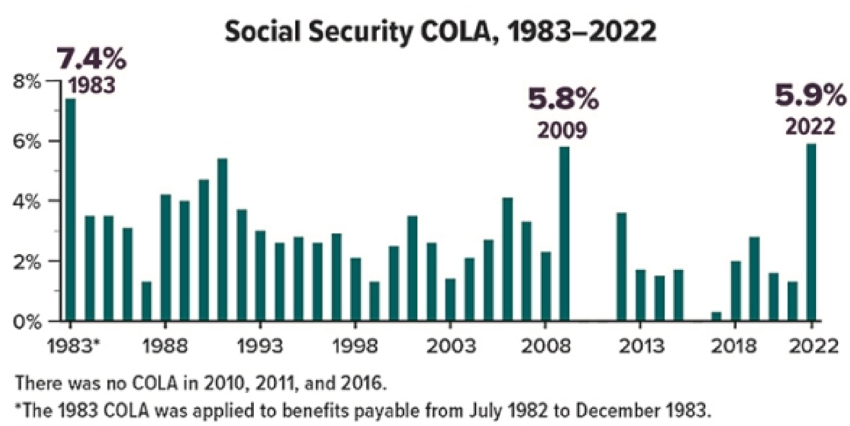
See John Stewart's featured article "Rocky Start for Stocks in 2022" below.

Big Boost for Social Security Payments

The Social Security cost-of-living adjustment (COLA) for 2022 is 5.9%, the largest increase since 1983. The COLA applies to December 2021 benefits, payable in January 2022. The amount is based on the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from Q3 of the last year a COLA was determined to Q3 of the current year (in this case, Q3 2020 to Q3 2021).

Despite these annual adjustments for inflation, a recent study found that the buying power of Social Security benefits declined by 30% from 2000 to early 2021, in part because the CPI-W is weighted more heavily toward items purchased by younger workers than by Social Security beneficiaries.



Sources: Social Security Administration, 2021; The Senior Citizens League, August 11, 2021

Rocky Start for Stocks in 2022

As I expected, the Santa Claus rally in stocks came right on schedule during the last two weeks of December and into the first two trading days of 2022. Then, beginning with a dramatic market sell off on January 5th, the past week and a half have been characterized by an elevated level of volatility. While the flagship S&P 500 index is only down about 3 percent from its all-time highs, many of the high-flying growth stocks that performed so well in 2020 and 2021 have experienced declines in excess of 20 percent. The tech-heavy Nasdaq Composite index is down roughly 7 percent from its high. I've been warning for the past couple of months that a reduction in the Federal Reserve's asset purchase program would begin to cause higher levels of volatility in the market, and this is likely the beginning of a rockier stretch for stocks. Now, don't misinterpret that to mean the world is coming to an end and you should rush out to sell all your equity holdings. It does mean, however, that if you have been pressing your luck on risk, it could be time to rebalance your portfolio a bit. It also means that you will have to be more discriminating in the types of sectors and stocks that you have exposure too. Several sectors, including most notably energy and financials, have actually achieved rather impressive gains thus far this year. Some of the "old economy" stocks like AT&T, GE, and Ford are all higher by more than 10% in the first two weeks of trading.

Many investors have been increasingly shunning the bond market because of persistently low interest rates. Why own a 10-year Treasury that yields less than 2%? You're not even keeping up with inflation. While holding that bond for 10 years is certain to produce a small rate of return, you can in fact make substantial capital gains while holding longer-term bonds for shorter time frames. For example, if the 10-year Treasury rate were to drop from its current 1.7% down to 1.0% in the next six months, you could sell your bond for roughly 8% more than you paid for it. Buying a 30-year bond could produce a return nearly 3 times that big for a similar move lower in interest rates. Make no mistake, however; the reverse is also true if rates rise substantially. Trading bonds in this fashion can be risky and should only be done with the consultation of an investment professional.

Now that everyone is aware of the accelerating inflationary pressures we've all been feeling – guess what? They're actually likely to start cooling off a bit. Keep in mind, however; a falling rate of inflation is still inflation. It just means that prices are going up at a slower pace. Nevertheless, this has implications for the performance of various asset classes. Commodities, which were one of the hottest trades of 2021, are likely to experience some downside risks in coming months. It may also mean that the aforementioned longer-term bonds will become a more attractive investment option. In addition, utilities and consumer staples stocks will likely perform well even if the overall market struggles for a while.

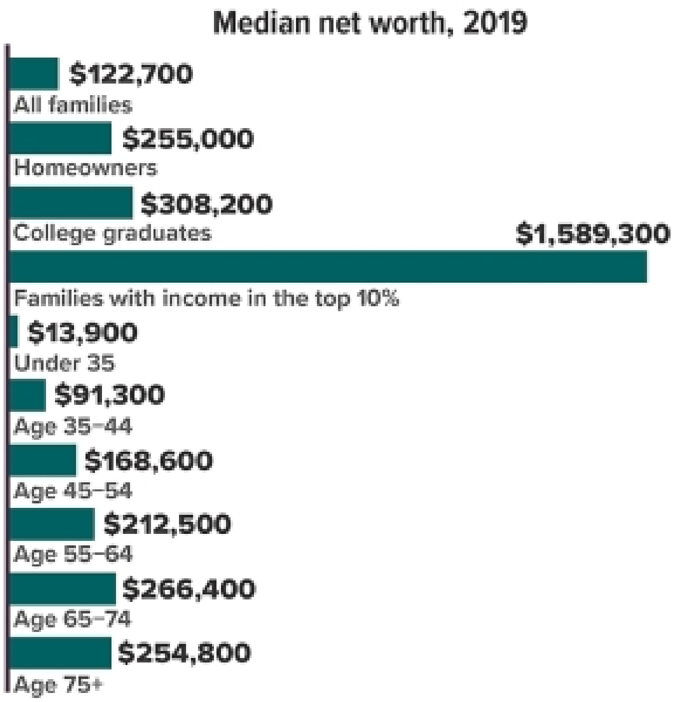
Are You a HENRY? Consider These Wealth-Building Strategies

HENRY is a catchy acronym for "high earner, not rich yet." It describes a demographic made up of young and often highly educated professionals with substantial incomes but little or no savings. HENRYs generally have enviable career prospects, but many of them feel financially stretched or may even live paycheck to paycheck for years, especially if they are working in cities with high living costs and/or facing large student loan payments.

If this sounds like you, it may be time to shed your HENRY status for good and focus on growing wealth — even if it means making some temporary sacrifices. One simple metric that can be used to gauge your financial standing is your net worth, which is the total of your assets (what you own) minus your liabilities (what you owe).

Wealth Snapshot

The net worth of U.S. families varies greatly depending on housing status, education, and income level. But it also takes time to build wealth, so there are significant differences by age.



Source: Federal Reserve, 2021

Pay Attention to Your Spending

It's virtually impossible to increase your net worth if you don't live within your means. After studying long hours and working your way into a good-paying job, you may feel that you deserve to spend some money on fashionable clothes, the latest smartphone, a night on the town, or a relaxing vacation. However, if you can't pay for most of your splurges without relying on credit — or wiping out your savings — then you may need to rein in your lifestyle. Budgeting software and/or smartphone apps can help you analyze your spending patterns and track your financial progress.

Utilize a Workplace Retirement Plan

Making regular pre-tax contributions to a traditional 401(k) plan is a no-nonsense way to accumulate retirement assets, and it helps reduce your taxable income by the same amount. Experts recommend saving at least 10% of your income for future needs, but if that's not possible right away, start by contributing 3% to 6% of your salary to your retirement plan and elect to escalate your contribution level by 1% each year until you reach your target (or the contribution limit). The maximum you can contribute to a 401(k) plan in 2022 is $20,500 ($27,000 if you are age 50 or older).

Many companies will match part of employee contributions, and free money is a great reason to save at least enough to receive a full company match and any available profit sharing. Some plans may require that you remain employed by the company for a certain amount of time before you can keep the matching funds.

Assess Your Housing Situation

Paying rent indefinitely may do little to improve your financial situation. Buying a home with a fixed-rate mortgage could help stabilize your housing costs, and you can build equity in the property over time as your loan balance is paid off — especially if the value appreciates. A home purchase may also afford tax advantages, but only if you itemize rather than claim the standard deduction on your tax return. Interest paid on up to $750,000 of mortgage loan debt is deductible, as are the property taxes, subject to a $10,000 cap on state and local property taxes.

Homeownership is a worthwhile financial goal if you plan to stay put for at least several years. And in many places, owning a home can be less expensive than renting, thanks to low interest rates. But there could be hurdles to overcome, including a hot real estate market, high prices, lingering student debt, and the large chunk of money required for a down payment.

When shopping for a home, resist the temptation to buy more house than you can afford, even if the bank says you can. And don't forget to factor property taxes, insurance, and potential maintenance costs into your buying decisions and household budget.

How to Correct an Error on Your Credit Report

According to the Consumer Financial Protection Bureau (CFPB), credit report errors more than doubled during the coronavirus pandemic. In addition, the CFPB found that many pandemic protections which were designed to help consumers, such as loan forbearance periods on federal student loans and federally backed mortgages, ended up negatively impacting their credit reports as a result of complications such as processing delays and suspended payments being marked incorrectly.[1] This is a significant issue for many consumers, because credit report errors may negatively impact creditworthiness and potentially lead to negative financial consequences, such as being offered higher mortgage interest rates or being turned down for a job or an apartment lease.

Fortunately, changes made during the pandemic have made it easier to stay on top of your credit report. Under new expanded rules, you are now eligible to obtain a free weekly credit report from each of the three nationwide credit reporting bureaus until April 20, 2022. To obtain free reports, go to AnnualCreditReport.com where you can fill out an online form, choose the reports you want, and, after answering some security questions, review your reports online.

If you find an error on your credit report, there are steps you can take to correct it. First, contact the credit reporting agency to dispute the error. You can do this online or by mail. Explain why you are disputing the information and be sure to include documentation that supports your dispute. The credit reporting bureau generally has 30 to 45 days to investigate the disputed information. Once the investigation is complete, the credit reporting bureau must provide you with written results. If the credit reporting bureau confirms that your credit report does contain errors, the information on your report must be removed or corrected.

If you do not agree with the credit bureau's investigation results, you can ask that a statement of the dispute be included in your file and in future reports. You can also contact the creditor that reported the information to the credit reporting bureau and dispute it with the creditor directly. If the creditor finds that the information is inaccurate, it must notify each credit bureau to which it has reported the information so the information can be updated or deleted. If you believe the error is the result of identity theft, you may need to take additional steps to resolve the issue, such as placing a fraud alert or security freeze on your credit report.

Keep in mind that correcting a credit report error can often be a time-consuming and emotionally draining process. If at any time you believe that your credit reporting rights are being violated, you can file a complaint with the Consumer Financial Protection Bureau at consumerfinance.gov.

1) Consumer Financial Protection Bureau, 2021

IMPORTANT DISCLOSURES