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Be sure to read John Stewart's article, "Market Pops, then Drops" below!

Happy Holidays!

What's Causing the Consumer Blues?

Each month, researchers at the University of Michigan interview hundreds of consumers about their opinions on current economic conditions, as well as their personal finances, buying intentions, and expectations for the future. Survey results are captured in the Index of Consumer Sentiment, which is a closely watched economic indicator because household spending accounts for about two-thirds of U.S. gross domestic product.

Despite a strong labor market, the index fell to an all-time low in June 2022, before starting to improve in the third quarter. High inflation, the specter of rising interest rates, and stock market declines are some of the reasons consumers have felt pessimistic about their economic prospects.

Source: University of Michigan, 2022 (data from January 1978 through September 2022)

Market Pops, then Drops

The Consumer Price Index, or CPI, measure of inflation was reported earlier this week as having risen 0.1% from the previous month and 7.1% over the past year. While still relatively high, this was better than the 7.3% reading that was expected by a consensus of economists. Markets cheered this news with the S&P 500 index rising more than 3% in early trading before paring its gains and finishing up around three-quarters of one percent. It's not hard to figure out why investors are so interested in better than expected inflation readings – for one, it's the problem that got us into this market mess, and two, it makes it more likely the Federal Reserve will stop tightening monetary policy more quickly. Speaking of the Fed, on Wednesday the U.S. central bank raised its key interest rate by one half of one percent as expected, but maintained a relatively tough stance toward fighting inflation going forward. At this stage in the cycle, investors should be less concerned about inflation, and more concerned about the rate of slowdown in economic growth. In fact, rapidly slowing inflation may be a sign that the economy is slowing down at a faster pace – not exactly something investors should be cheering on. This became clear as the week wore on, with equity markets losing ground rapidly off their highs earlier in the week.

It's important to keep things in perspective when living through difficult market environments. One of the more important principles for building wealth through investing over the long run is to stay disciplined in making regular contributions to an investment portfolio. A 401(k) plan is a great example of this through regular automatic contributions from each and every paycheck, but anyone can start a periodic investment plan with a plain-vanilla investment account or individual retirement account (IRA). The key to making this work, however, is to ensure you stick with it through thick and thin. Don't change your approach or invest less when you get worried about the markets going down. In fact, that is when the power of periodic investing shines the most. For example, if you invested an equal amount of money in the S&P 500 index at the end of every month during 2022, you would only be down about 1% on your cumulative investment despite the index itself being down nearly 15% this year. Over the long-run, dollar cost averaging by buying more shares for the same amount of money at cheaper price levels helps drive long-term returns by taking advantage of market volatility.

While we're well off the market's lows for the year, 2022 is still a year that investors will be excited to put behind them given the drawdowns in both equity and fixed income assets. To be sure, plenty of challenges still lie ahead; however, we can look forward to a new year with a sense of hope and optimism while dealing with each challenge as an opportunity to help advance long-term goals. I hope everyone has a safe, happy and healthy holiday season. Merry Christmas and Happy New Year!

A 529 Plan Can Help Jump-Start Your College Fund

Busy, cash-strapped parents might welcome all the help they can get when saving for college. Building a college fund, even a small one, can help families feel more in control and less stressed during the college research and admission process. Think of a college fund as a down payment. Then at college time, it can be supplemented by financial aid (grants, scholarships, loans, and work-study), current income, and student funds. A good benchmark is to try and save at least 50% of your child's projected college costs, but any amount is better than nothing.

A 529 savings plan can be instrumental in building a college fund. This individual investment account offers the opportunity for tax-free earnings if the funds are used for college, making every dollar count. (For withdrawals not used for qualified education expenses, earnings may be subject to taxation as ordinary income and a 10% penalty.) You can set up monthly electronic fund transfers from your bank account to put your savings on autopilot. But one-off contributions are allowed, too, and the holidays can be an excellent time for grandparents or other relatives to make a small contribution as a gift. The new year is also a good time to re-double your efforts on building a college fund. Here are some common questions on opening a 529 savings account.

Can I open a 529 savings account in any state's plan?

Yes. Currently, all states except Wyoming offer one or more 529 savings plans, and they are generally open to residents of any state. However, it's a good idea to look at your own state's 529 plan first, because some states may restrict any tax benefits (e.g., tax deduction for contributions, tax-free earnings) to residents who participate only in the in-state plan. Why open an account in another state's 529 plan? There could be a number of reasons, including a wider range of investment options, a solid investment track record, an excellent investment manager, or lower management fees. For a list of all 529 plans by state, visit the Saving for College website.

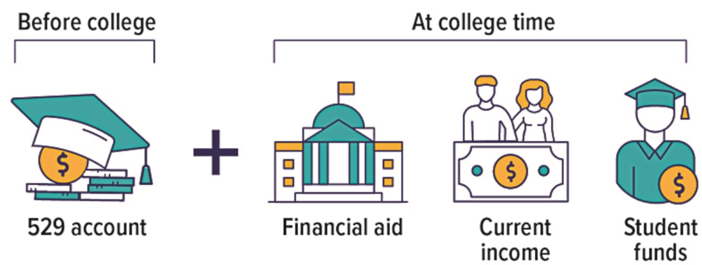
What happens if I open a 529 plan in one state and then move to another state?

Essentially nothing. You can simply leave the account open and keep contributing to it. Alternatively, you can switch to a different 529 plan by rolling over the assets from the original plan to a new 529 plan. You can keep the same beneficiary (under IRS rules, you are allowed one 529 plan same-beneficiary rollover once every 12 months), but check the details of each plan for any potential restrictions. If you decide to stay with your original 529 plan, just remember that your new state might limit any potential 529 plan tax benefits to residents who participate in the in-state plan.

Should I open one 529 account for both of my kids or a separate account for each?

That depends on your personal preferences, but opening separate accounts often makes sense. Two accounts let you contribute different amounts for each child as needed, tailor your investment portfolios to each child's age, and avoid commingling funds. If you choose one account and invest too aggressively, you might incur losses when your older child is close to college. And if you invest too conservatively, your investment returns may not keep pace with college inflation for your younger child. You also run the risk of depleting most or all of the funds for your oldest child.

How a 529 Account Helps at College Time



Does it make sense to open a 529 account if my child is a few years from college?

It might. Even if your child is only a few years from college, you could theoretically save for another four or five years, right up through junior year of college. You could open a 529 account, contribute monthly, and any earnings would be tax-free if the money is used for college. Having a designated college account instead of a general savings account might also lessen the temptation to dip into it for non-college expenses.

As with other investments, there are generally fees and expenses associated with participation in a 529 plan. There is also the risk that the investments may lose money or not perform well enough to cover college costs as anticipated. The tax implications of a 529 plan should be discussed with your legal and/or tax professionals because they can vary significantly from state to state. Most states offering their own 529 plans may provide advantages and benefits exclusively for their residents and taxpayers, which may include financial aid, scholarship funds, and protection from creditors. Before investing in a 529 plan, consider the investment objectives, risks, charges, and expenses, which are available in the issuer's official statement and should be read carefully. The official disclosure statements and applicable prospectuses, which contain this and other information about the investment options, underlying investments, and investment company, can be obtained by contacting your financial professional.

Tips for Safe Online Shopping

According to the National Retail Federation, online sales accounted for over $1 trillion of total U.S. retail sales in 2021.[1] Online shopping is especially popular during the holiday season, enabling you to avoid the crowds and conveniently purchase gifts using your smartphone or computer. Unfortunately, the popularity of online shopping also means that cyber criminals and online scams are more prevalent than ever. Here are some tips to help protect yourself when shopping online.

Check your device. Make sure that all of your devices (e.g., mobile phone, computer, and tablet) are up-to-date and configured to update automatically or notify you when updates are available.

Maintain strong passwords. Create strong passwords, at least 8 characters long, using a combination of lower- and upper-case letters, numbers, and symbols, and don't use the same password for multiple accounts.

Use multi-factor authentication when available. Two-factor or multi-factor authentication, which involves using a one-time code sent to your mobile device in addition to your password, provides an extra layer of protection.

Watch out for phishing emails. Beware of emails that contain links or ask for personal information. Legitimate shopping websites will never email you and randomly ask for your personal information.

In addition, don't be fooled by fake package delivery updates. Make sure that all delivery emails are from reputable delivery companies you recognize.

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Beware of scam websites. Typing one word into a search engine to reach a particular retailer's website may be easy, but it might not take you to the site you are actually looking for. Scam websites often contain URLs that look like misspelled brand or store names to trick online shoppers. To help determine whether an online retailer is reputable, research sites before you shop and read reviews from previous customers. Look for *https://* in the URL and not just *http://,* since the "s" indicates a secure connection.

Use credit instead of debit. Credit cards generally have better protection than debit cards against fraudulent charges. In addition, consider using a mobile payment service (e.g., Apple Pay or Google Pay), which doesn't require you to give your credit-card information directly to a merchant.

1) National Retail Federation, 2022