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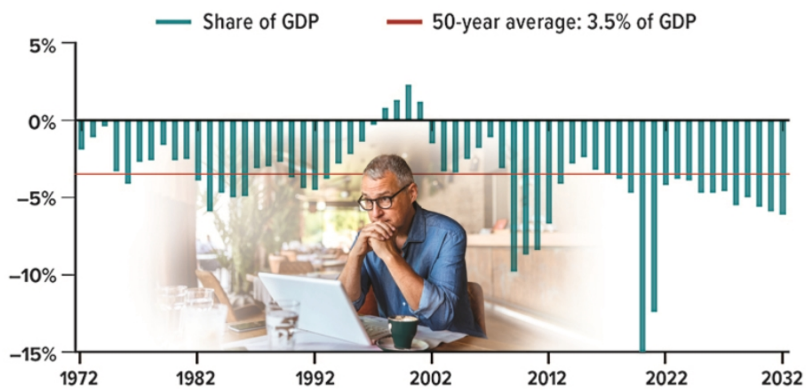
Make sure to read John Stewart's article, "No Refuge for Weary Investors" below.

U.S. Deficit Lower for Now

After record federal budget deficits of $3.1 trillion in 2020 and $2.8 trillion in 2021, the 2022 deficit is projected to drop to $1.0 trillion, due to increased tax revenue from a stronger economy and the end of government pandemic-relief spending. These deficits are equivalent to 15.0%, 12.4%, and 4.2% of gross domestic product (GDP), respectively. For comparison, the deficit averaged 3.5% of GDP over the last 50 years.

The deficit is expected to drop further in 2023 before rising steadily due to increasing health-care costs for an aging population and higher interest rates on mounting government debt. In 2032, the deficit is projected to be almost $2.3 trillion, equivalent to 6.1% of GDP.



Source: Congressional Budget Office, May 2022. The federal government's fiscal year runs from October 1 to September 30, so FY 2022 began on October 1, 2021, and ended on September 30, 2022. Projections for 2022 and beyond are based on current conditions, are subject to change, and may not come to pass.

No Refuge for Weary Investors

The past eight weeks have been particularly brutal for investors. Since August 16th, the S&P 500 Index has fallen more than 15% while the U.S. Aggregate Bond Index has fallen roughly 8% over the same time frame. An 8% decline would be a terrible year for bonds. Over eight weeks that level of volatility is almost unimaginable. By many measures, this is in fact the worst year for bonds in recorded history. At the same time, this ranks as one of the top five worst years for stock market performance. This is making life incredibly challenging for investors who thought their well-diversified portfolios would hold up better during a market storm. Unfortunately, this 100-year storm is doing substantial damage to even the best-positioned portfolios. That's the bad news.

Investors should take some comfort in the fact that after you've already experienced the worst year for a balanced portfolio since 1931, you're unlikely to experience an equally bad outcome looking forward over the next 12 months. If you're holding individual bonds that are trading at prices below par value, take solace in the fact that those prices will eventually reach their face value when they mature (as long as they don't default, of course). That is true even if interest rates continue to rise. In fact, some of the best returns for the stock (and bond) market come after the worst drawdowns. Does that mean the stock market can't go lower from here? Of course not. What it does mean is that long-term investors will likely be rewarded for their patience. For investors fortunate enough to have excess cash at this point in time, higher interest rates make investing in high-quality fixed income securities quite attractive while stock market valuations now provide the potential for attractive returns for investors with a time horizon of at least five years.

With that being said, this is absolutely a time for investors to be cognizant of their risk exposure, and to ensure they have a plan in place for any liquidity needs over the next 12 to 24 months. Any cash needs that you have in the coming year should likely be invested in a money market fund or very short-term, high quality fixed income securities. Those options are now paying close to 3% interest, so it's not a bad place to park some funds for the near-term. If you've realized that you're taking too much risk relative to your liquidity needs and/or risk tolerance, you should consider taking advantage of market rallies (some of the biggest ones occur during bear markets) to reduce your riskiest equity positions. Selling covered call options on stocks you own can also help generate some extra income while acting as a partial hedge against further price declines and help keep you focused on the long term.

Retirement Savings in a Volatile Market

If you worry about your retirement investments during market downturns, you're not alone. Unfortunately, emotions are often the enemy of sound investing. Here are some points to help you stay clear-headed during periods of market volatility.

Markets Rebound

Historically, even the worst bear market has bounced back and eventually gone on to reach new highs. In fact, since 1970, bear markets have lasted an average of 14 months.

A Chance to Buy Low

If you're investing a set amount of money on a regular basis, such as in a retirement plan account, you're buying fewer shares when prices are high and more shares when prices are low — one of the basic tenets of investing wisely.

Systematic investing involves making continuous investments on a regular basis, regardless of fluctuating share prices. Although this strategy does not ensure a profit or prevent a loss, you must be financially able to continue making purchases through extended periods of high and low price levels.

Retiree Strategies

The risk of experiencing poor investment returns just before or in the early years of retirement is a significant factor that can affect a nest egg's long-term sustainability. Fortunately, some strategies can help mitigate this risk.

For example, consider a tiered investment strategy, in which you divide your portfolio into tiers representing your short-, medium-, and long-term needs for income and growth.

The short-term tier(s) could contain the amount you need for about two to five years, invested in assets designed to preserve value. The medium-term tier(s) could hold investments that strive to provide income for perhaps three to 10 years, balanced with some growth potential. The longer-term tier(s) could hold higher-risk, higher-growth potential assets that you wouldn't need for at least 10 years. Generally, this tier is intended to feed the shorter-term tiers and fuel the strategy over the course of your retirement.

Another possible strategy is using a portion of your retirement savings to purchase an immediate annuity, which offers a predictable retirement income stream you could pair with Social Security and any other steady income sources to cover your fixed expenses.

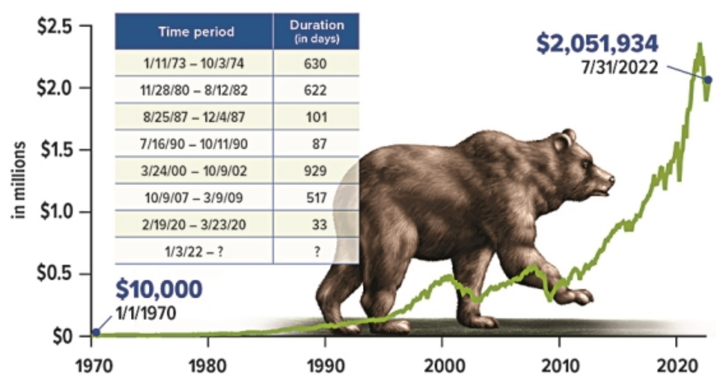
An immediate annuity is an insurance-based contract in which you pay the issuer a single lump sum in exchange for the issuer's guarantee of regular income payments for a fixed period or the rest of your life. With some exceptions, you typically receive fixed payments with little or no variation in the amount or timing. When purchasing an immediate annuity, you relinquish control over the amount you invest.

A Financial Professional Can Help

If volatile markets prompt you to question your retirement investing strategy, your financial professional can be an objective third party to help ease your worries and evaluate possible portfolio shifts.

Bear Markets Eventually End

A bear market is generally defined as a loss of at least 20% from a recent high. From 1970 to 2021, there were seven bear markets, the longest lasting less than three years. A new bear market began in January 2022. Despite these down periods, a hypothetical $10,000 investment in the S&P 500 in 1970 would have grown to more than $2 million by 2022.



Source: S&P Dow Jones Indices and Refinitiv, 2022, for the period 1/1/1970 to 7/31/2022. The S&P 500 is an unmanaged index that is considered to be representative of the U.S. stock market. The performance of an unmanaged index is not indicative of any specific investment. Individuals cannot invest directly in an index. Past performance is not a guarantee of future results. Actual results will vary.

All investments are subject to market fluctuation, risk, and loss of principal. Shares, when sold, may be worth more or less than their original cost. Investments seeking to achieve higher returns also involve a higher degree of risk. There is no assurance that working with a financial professional will improve investment results.

Generally, annuity contracts have fees and expenses, limitations, exclusions, holding periods, termination provisions, and terms for keeping the annuity in force. Most annuities have surrender charges that are assessed if the contract owner surrenders the annuity. Withdrawals of annuity earnings are taxed as ordinary income. Withdrawals prior to age 59½ may be subject to a 10% penalty. Any annuity guarantees are contingent on the financial strength and claimspaying ability of the issuing insurance company.

Small Businesses Are Short-Staffed and Overwhelmed

COVID-19 kicked off a severe labor shortage — and the most challenging hiring conditions for businesses in many years. In August 2022, 49% of small businesses reported having job openings they could not fill.[1] Many owners have had to turn away orders (and revenue), disappoint customers, or work 80-hour weeks to help fill the labor gap, none of which is likely to be sustainable.

Workers sidelined by the pandemic may seek work again at some point, but longer-term factors such as declining birth rates, less immigration, and a wave of baby boomer retirements mean the pool of available workers is shrinking and aging. As a result, labor market conditions could remain tight for some time.

What can small-business owners do if they are struggling to meet staffing needs?

Look closely at compensation. It can be hard for a small business to compete with larger companies when it comes to pay and benefit packages. However, offering competitive wages may be necessary to attract job applicants for open positions and keep reliable employees from seeking better opportunities. In fact, an August 2022 survey found that 46% of small businesses had recently raised wages, and 26% were planning to do so in the next three months.[2]

Be willing to bend. It's ideal if you can find employees with skills and experience that match your immediate needs, but those applicants may be few and far between. You might consider lowering the minimum qualifications for hard-to-fill positions, offering on-the-job training for less-experienced workers who seem capable and motivated to improve their skills, or cross-training current employees to fill different roles. It may be easier to find and retain good employees if you accommodate the scheduling needs of students, parents with young children, and older workers who are semi-retired.

Explore stop-gap solutions. To cover seasonal surges or hiring gaps, ask your most productive employees if they are willing to work overtime at higher wages. Otherwise, you might rely on a staffing service to provide temporary or on-call workers. An app-based service, designed to help fill open shifts with "on-demand" workers, may be useful in certain areas and industries (retail and hospitality, for example). Staffing services may insure, screen, and check the backgrounds of provided workers, but they also charge more per hour to cover their costs.

Although it may take time, hand-picking your own permanent employees — and doing what you can to keep them — generally enhances stability and customer service. It's also likely to be more cost-effective in the long run.

1-2) National Federation of Independent Business, 2022