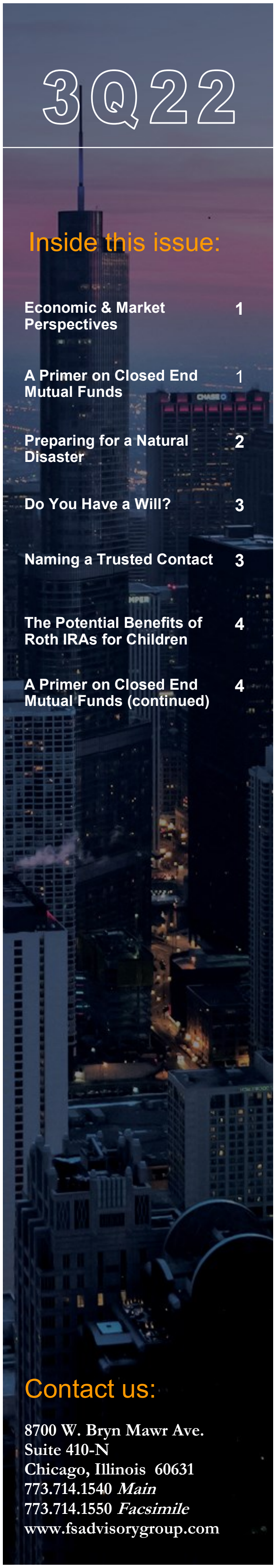

3Q22

The Financial Solutions Advisor

Inside this issue:

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Economic & Market Perspectives

Economy

The U.S. economy continued to decelerate with manufacturing and services growth slowing. Forty-year high inflation levels remained a threat to consumer spending. Higher costs regarding surging energy prices, the festering supply chain disruption, and labor challenges put pressure on corporate profits. Financial conditions firmed as the Fed accelerated its policy tightening with 50 and 75 basis point rate hikes and the beginning of its balance sheet reduction plan. Internationally, inflation pressures prompted some key central banks to tighten policy, fostering a rise in global interest rates. Meanwhile, the war in Ukraine and COVID-induced lockdowns in China weighed on economic growth, although earnings estimates continued to increase. A 20-year high in the U.S. dollar exacerbated global sentiment.

Equities

Global equities continued to fall in 2022 as higher interest rates weighed heavily on long duration stocks—high price to cash flow—which are more pronounced in the U.S. Short duration stocks—low price to cash flow—continued their year-to-date strong performance, paring some of the losses and helping international stocks outperform. Conviction for stocks waned with the war in Ukraine and persisting inflation pressures globally that forced some key central banks to ramp up aggressive monetary policies and boosted recession concerns. Emerging markets outperformed as the continued increase in commodities benefited resource-related countries, limiting the sting from slowing economic growth in the world's second-largest economy of China.

Income

The Fed pivoted to a more aggressive pace of rate hikes in the second quarter. The Federal Open Market Committee (FOMC) raised its benchmark interest rate by 50 basis points and 75 basis points at the May and June meetings, respectively, and signaled that it will continue to raise rates to combat inflation. Treasury yields surged given projections for a higher than anticipated 'terminal' Fed funds rate. Corporate bond spreads rose due to concerns around slower economic growth and declining corporate profits. Municipal bond yields rose, although fundamentals generally remain strong. The dollar continued its upward trend in the second quarter as interest rate differentials widened. Although most global central banks are raising rates, the Federal Reserve is expected to raise rates more aggressively than many other developed market central banks.

2022 Returns

S&P 500	*-19.96%*
NASDAQ	*-29.22%*
Russell Small Cap	*-21.10%*
Russell Mid Cap	*-21.57%*
MSCI EAFE	*-19.57%*
MSCI World	*-20.51%*
Barclay US Agg. Bond	*-10.35%*
Barclay Municipal Bond	*-8.98%*

Perspective

- Time in the market—not timing the market—is important to achieving long-term goals.
- Market corrections / bear markets are inevitable and are necessary to prevent asset bubbles.
- Every S&P 500 bear market has been followed by a recovery that has taken the index to new highs.
- A financial plan considers market volatility.
- Investments in bonds / cash will allow you to weather the volatility.
- Diversified portfolios can help reduce volatility.

Source: Charles Schwab Quarterly Chartbook

A Primer on Closed End Mutual Funds

Closed-end funds (CEFs) are one of two major kinds of mutual funds, alongside open-end funds. They can make a good investment — potentially even better than open-end funds — if you follow one simple rule: Buy them at a discount.

A CEF is an investment company that is managed by an investment firm. CEFs raise a certain amount of money through an initial public offering (IPO), after which it can list shares on a stock exchange. Like mutual funds and exchange-trades funds (ETFs), CEFs invest in a basket of securities.

A CEF is not a traditional mutual fund or ETF. Open-end funds, such as mutual funds or ETFs, take in money from new investors, issue additional shares and buy back shares when investors are looking to sell. In contrast, CEFs offer a particular number of shares after raising a fixed amount of money through an IPO.

Open-end funds can sell as many shares to investors as they want. However, they sell shares only at the fund's net asset value (NAV) per share. That's the market value of all the fund's holdings, minus any owned through borrowing on margin, divided by the number of shares. For example, if a fund has net assets of $100 million and 5 million shares, the price per share is $20 ($100 million divided by 5 million).

Continued Page 4

Preparing for a Natural Disaster

Most areas in the United States are susceptible to some form of natural disaster, whether it's a wildfire, tornado, hurricane, earthquake, or flood. A severe storm or other catastrophic event often strikes with little warning, can result in costly damage to your home, and puts your family's safety at risk. Being prepared may help you make it through a natural disaster safely.

Protect Your Home

Wherever you live, there are proactive steps you can take to help protect your home from natural disasters:

- To help fend off storm damage, inspect and repair roof shingles and flashing, clean your gutters and downspouts so that water can flow freely away from your home, trim overhanging tree limbs, and consider investing in storm windows, doors, and shutters.
- If you live in a fire zone, create a defensible perimeter around the outside of your home, keep roof surfaces and gutters free of flammable materials such as pine needles, leaves, and branches, and consider installing fire-resistant roofing and/or siding material.
- If you live in an area that could experience a major earthquake, retrofitting an older home (strengthening the foundation with braces and bolts) might reduce the amount of damage caused by severe shaking.

Have an Emergency Plan/Disaster Kit

A natural disaster can sometimes cause power outages that last for days. It can also result in downed power lines, fallen trees and/or flooding that make roads impassable. Know evacuation routes and have an emergency plan that identifies a safe place to meet in the event that family members become separated. Keep important addresses and phone numbers readily accessible and identify a place where you can safely stay for an extended period of time if necessary. In addition, assemble a disaster kit with the following items:

- **Food/supplies.** Stock up on several days' worth of nonperishable food and bottled water. Store other items that are specific to your family's needs, such as infant formula, diapers, pet food, clothing, and blankets.
- **First aid/medicine.** Be prepared for any possible medical needs by having a first-aid kit. Also talk to your doctor about obtaining an extra prescription for important medications you take.
- **Communication/safety items.** Make sure your cell phones are fully charged before the storm arrives. Also gather additional safety items, such as matches, flashlights, batteries, and an AM/FM radio.
- **Important documents/valuables.** Place important documents, such as personal/financial/medical records and any valuables in a secure location that is easily accessible in case of an emergency.

U.S. Natural Catastrophe Losses, 2021 (in millions)

Source: Insurance Information Institute, 2022

Review Your Insurance Coverage

Review all of your insurance policies (e.g., homeowners, renters, and auto) to make sure that you have appropriate coverage for your property and belongings. Your home and its contents should be insured to their full replacement cost, including any new additions, remodels, and furniture. To assist with post-storm insurance claims, be sure to take pictures/videos and make an inventory of your home and valuables in case they are damaged or destroyed.

Keep in mind that certain types of damage (e.g., flood and earthquake) may be excluded from a standard homeowners policy, but separate coverage is often available. Contact your insurance agent to determine if you need to purchase additional insurance tailored to the risk in your area.

Be Ready to File a Claim

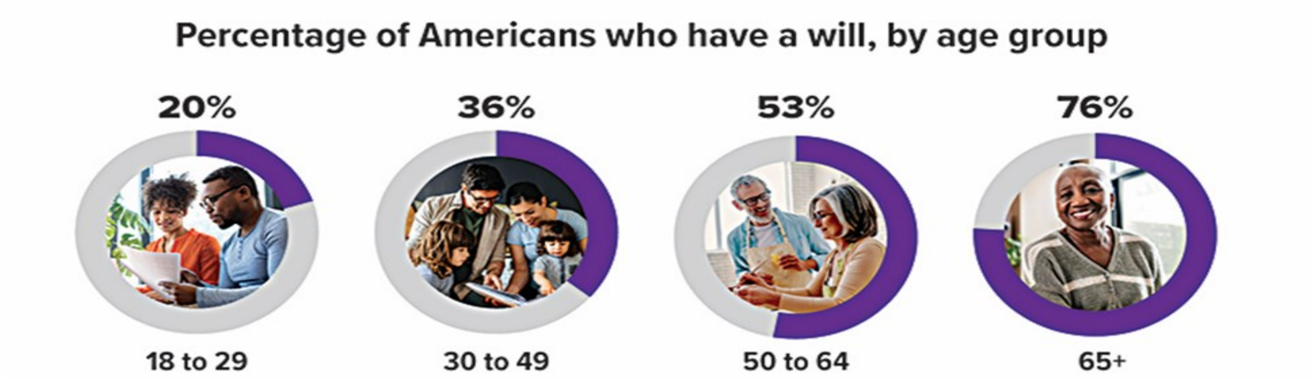
If your home suffers severe damage from a natural disaster, you'll need to file a claim with your insurance company. To make the claims process easier, take pictures to document the damage (both inside and outside of your home) as soon as possible. While your claim is being processed, take steps to prevent further damage (e.g., putting a tarp on a damaged roof), since the insurance company may not cover anything beyond the initial damage to your property. Claims are paid up to policy limits.

Otherwise, you may be eligible for immediate disaster relief funds and special programs through the Federal Emergency Management Agency (FEMA). Federal disaster assistance is usually in the form of loans or grants and is available only if the affected area is declared a disaster area by FEMA and not covered by insurance.

Do You Have a Will?

A 2021 Gallup poll found that only 46% of U.S. adults have a will — similar to the results of other Gallup polls over the last 30 years. It's not surprising that older people are more likely to have a will, as are people with higher incomes.

Regardless of age or income, having a will is an essential step to pass your assets to your heirs with clarity and confidence. A will enables you to distribute your property, name an executor for your estate, and appoint a guardian for minor children. Various software programs may help you create a will, but it is generally better to consult an attorney who is familiar with the laws of your state.



Source: Gallup, 2021

Naming a Trusted Contact

When you open an account or update an existing account at a brokerage or a financial firm, you may be asked you if you want to designate a "trusted contact." This individual may be contacted in certain situations such as when financial exploitation is suspected or there are other concerns about your health, welfare, or whereabouts. Naming a trusted contact is optional, but may help protect your account assets.

The person you name as a trusted contact must be at least 18 years old. You'll want to choose someone who can handle the responsibility and who will always act in your best interest — this might be a family member, close friend, attorney, or third-party professional. You may also name more than one trusted contact.

Understandably, you might be concerned that the person you name could make transactions in your account but that's not the case. Your trusted contact will not be able to access your account or make financial decisions on your behalf (unless you previously authorized that person to do so). You are simply giving the financial firm permission to contact the person you have named.

Here are some examples of times when a financial firm might need to reach out to your trusted contact.

- To confirm current contact information when you can't be reached
- If financial exploitation or fraud is suspected
- To validate your health status if the firm suspects you're sick or showing signs of cognitive decline
- To identify any legal guardian, executor, trustee, or holder of a power of attorney on your account

A firm may only share reasonable types of information with your trusted contact. U.S. broker-dealers are required to provide a written disclosure that includes details about when information might be shared. Ask your financial firm or professional if you have any questions about the trusted contact agreement.

You may add, remove, or change your trusted contact at any time, and you'll need to keep your contact's information up-to-date. It's also a good idea to let the person you've chosen know so that he or she is prepared to help if necessary.

At Financial Solutions you'll find a fee-only Registered Investment Advisor (RIA) committed to putting your interests and your needs first, eliminating the commissions and self-serving incentives that get in the way of solid, successful financial planning and investment management.

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The Potential Benefits of Roth IRAs for Children

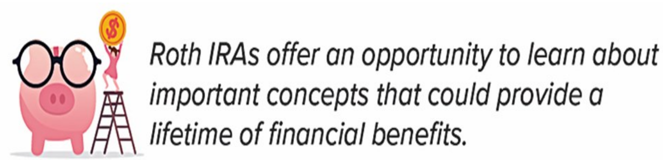
Most teenagers probably aren't thinking about saving for retirement, buying a home, or even paying for college when they start their first jobs. Yet a first job can present an ideal opportunity to explain how a Roth IRA can become a valuable savings tool in the pursuit of future goals.

Rules of the Roth

Minors can contribute to a Roth IRA as long as they have earned income and a parent (or other adult) opens a custodial account in the child's name. Contributions to a Roth IRA are made on an after-tax basis, which means they can be withdrawn at any time, for any reason, free of taxes and penalties. Earnings grow tax-free, although nonqualified withdrawals of earnings are generally taxed as ordinary income and may incur a 10% early-withdrawal penalty.

A withdrawal is considered qualified if the account is held for at least five years and the distribution is made after age 59½, as a result of the account owner's disability or death, or to purchase a first home (up to a $10,000 lifetime limit). Penalty-free early withdrawals can also be used to pay for qualified higher-education expenses; however, regular income taxes will apply.

In 2022, the Roth IRA contribution limit for those under age 50 is the lesser of $6,000 or 100% of earned income. In other words, if a teenager earns $1,500 this year, his or her annual contribution limit would be $1,500. Other individuals may also contribute directly to a teen's Roth IRA, but the total value of all contributions may not exceed the child's annual earnings or $6,000 (in 2022), whichever is lower. (Note that contributions from others will count against the annual gift tax exclusion amount.)



Lessons for Life

When you open a Roth IRA for a minor, you're giving more than just an investment account; you're offering an opportunity to learn about important concepts that could provide a lifetime of financial benefits. For example, you can help explain the different types of investments, the power of compounding, and the benefits of tax-deferred investing. If you don't feel comfortable explaining such topics, ask your financial professional for suggestions.

The young people in your life will thank you — sooner or later.

Closed End Mutual Funds (Continued)

This practice prevents new investors from diluting the holdings of the fund's current investors. At the end of each trading day, the fund calculates its NAV, and new investors can buy the fund's shares at that price. Then, the fund puts that money to work by buying new securities — stocks or bonds, for example.

A CEF's market price can be the same as or higher or lower than its NAV per share.

Because CEFs are often actively managed by an investment manager who is trying to beat the market, they may charge higher fees. CEFs frequently use leverage — borrowing money to fund their asset purchases — to increase returns.

CEFs tend to pay higher dividends to investors in part because they use leverage to help boost returns.

The potential for higher dividends makes CEFs attractive, but the potential downside is greater, too, not only because of the leverage these funds use but also their structure.

Because they trade throughout the day, CEFs can trade below their net asset value — and they often do. But that's also an opportunity for investors. Many investors aim to buy CEFs at a substantial discount. How substantial? It's not uncommon for funds to trade at 10% or even 15% below their net asset value. It might not sound like a lot, but that kind of discount may give you a built-in edge on the market. Not only could you gain if the fund's holdings rise in value, you may also benefit if the discount to NAV has decreased and you decide to sell your shares.

Source: NerdWallet