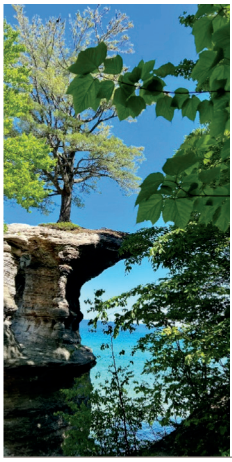
STONEGATE FINANCIAL

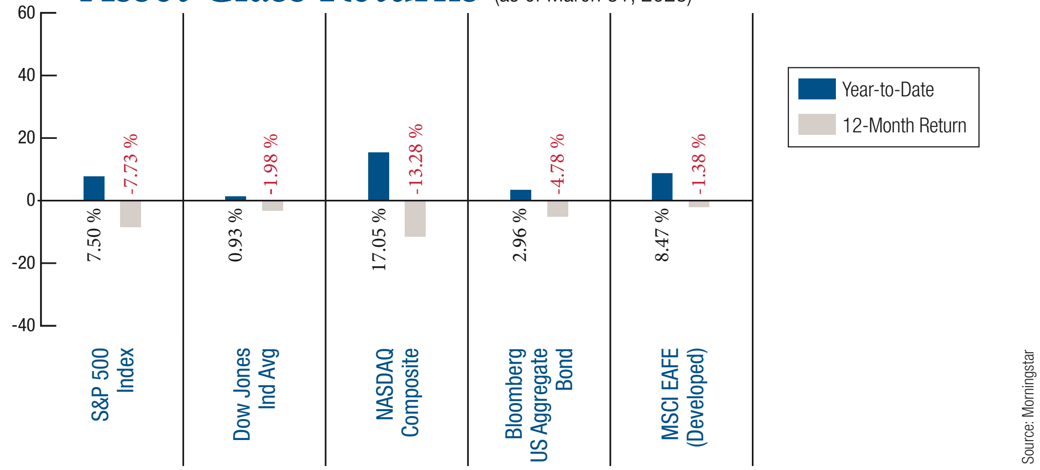
MARKETUPDATE



"Your smile is your logo. Your personality is your business card. How you leave others feeling after having an experience with you becomes your trademark."

— Jay Danzie

Asset Class Returns (as of March 31, 2023)



MARKET/ECONOMIC SYNOPSIS

Terry Wiles, CRPC®, AWMA®
Branch Manager, RJFS
President, Stonegate Financial

The photo and quote above says a lot about who Stonegate is, and what you mean to us. Becky & I took this photo last summer while hiking along the eastern side of Lake Michigan (which we highly recommend for folks that want a domestic vacation at a very reasonable cost). The photo signifies how strong, and yet how bizarre, things can be. How can this gorgeous, old, healthy, lone tree be prospering on this stone? Since the beginning of the COVID pandemic, things have been strange. I mean seriously, how many items can we throw into the blender all at once and still make the drink palatable. 😊

Here at Stonegate, we've stuck to our boring investment style where we focus on "Winning More by Losing Less". We take pride in having an investment process that takes into consideration that there will always be unexpected events, like the recent bank failures, and we strive to craft portfolios that minimize the huge swings of impacted sectors.

We'll be the first to tell you that we have, and will, make mistakes. I've yet to meet anyone that doesn't make mistakes. The key is to learn from your mistakes, and don't repeat them. We have continued to focus our investment philosophy around selecting high quality investments and holding them long-term. We steer away from the newest Wall Street fads like the SPACs (Special Acquisition Companies), cannabis companies, digital currencies, and bio/tech IPO's (Initial Public Offerings).

We don't want to invest your hard-earned money in get-rich-quick concepts. You can do that on your own with $2 Powerball tickets. You have worked hard for your money, and typically it takes years and years to accumulate wealth. It's our job to be stewards of your wealth. We are strong believers in the compounding effect of dividend paying stocks, which you'll see mentioned again in the Financial Planning Corner. We also utilize cash and bonds to help diversify your overall portfolio in accordance with your individual risk tolerance. Who would have ever thought we'd go from near zero interest on a money market at the onset of 2022, to nearly 4.5% a year later.

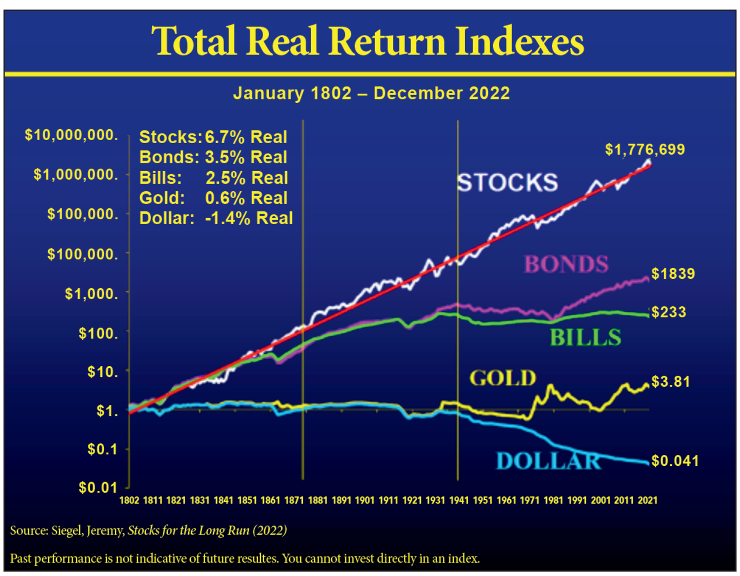
Always Learning! In late January I had the opportunity to attend an investment conference and hear one of my mentors in the industry, Dr. Jeremy Siegel, author of **"Stocks for The Long Run"**, and Wharton School of the University of Pennsylvania, Russell E. Palmer Professor Emeritus of Finance.

Jeremy is always a wealth of information, my key take-aways were:

- Even with bond yields being as high as they currently are, nothing has beaten high quality stock investing in the long run. You can see that in the chart on the next page.

- He's a firm believer that we will again look back on this time period, like other difficult periods, and realize that it was another great opportunity for long-term investors.
- Rising rates pose risks to companies with negative earnings, leveraged balance sheets and/or distant cash flows.
- An environment of elevated volatility favors stocks with solid earnings and strong margins.
- The elimination of "TINA" – There Is No Alternative to buying expensive stocks in a zero-interest rate world—has given way to what he believes is a new value cycle. High dividends worked in 2022 and may continue to work in 2023.
- Stocks with strong profitability metrics are critical in choppy markets. He suspects that tighter monetary policy will hang a cloud over stocks that have negative earnings or speculative characteristics.
- Strong balance sheets, and a sober approach to leverage, seems prudent.

Interesting that this meeting was in late January, far ahead of the Silicon Valley Bank fiasco…



Source: Siegel, Jeremy, *Stocks for the Long Run (2022)*

Past performance is not indicative of future resultes. You cannot invest directly in an index.

As for the markets, January was a fabulous month and then February rolled in and took away some of the prior month's earnings. March has been a roller-coaster ride, but year-to-date things look pretty good, and we are hopeful that inflation will continue to subside. The long-term positives for the equity markets outweigh the short-term negatives. Corporate dividends have continued their climb in 2022 being up close to 11%. As dividend growth is a true compliment to your overall long-term wealth, our investment philosophy will continue to incorporate high-quality dividend payors.

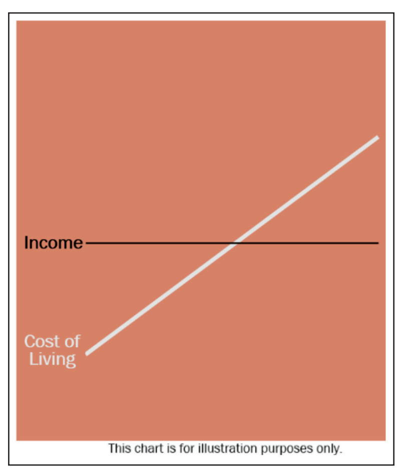
FINANCIAL PLANNING CORNER

YOU'RE RETIRING! Now where does your income come from?

Terry Wiles, CRPC®, AWMA®
Branch Manager, RJFS
President, Stonegate Financial

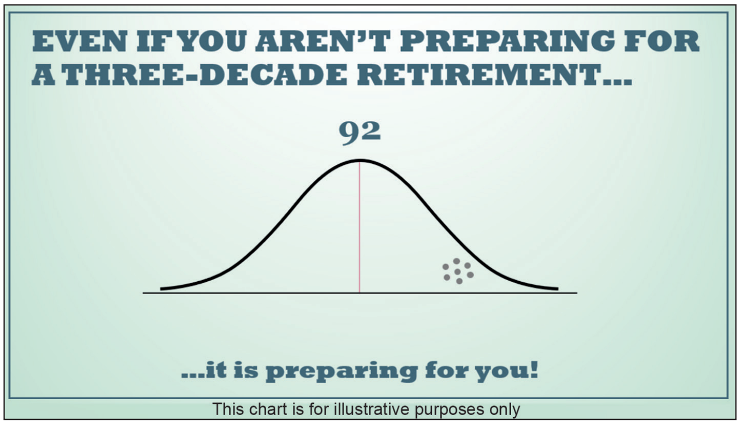
The whole point of retirement income planning is trying to make sure our income outlives us, versus us outliving our income and moving in with our kids. The challenge is to create an income that is ***dynamic***. It must rise through time to offset inflation. Since COVID, we've all seen the largest inflationary increases since the 1970's. The critical issue turns out to be not so much the level of your income, but its trajectory. You need your income to keep up or surpass inflation over your retirement lifetime.

A fixed income in retirement cannot be the answer. Even if your fixed income is above your income needs in Year 1 of retirement, your costs eventually start catching up. This is what we call inflation. As an example: how much did you pay for your first car or home, versus what those items would cost you today? The issue is that if your cost of living increases to a level above your income, you start running out of money, because you're dipping into principal to make up the income shortfall, and that creates a downward spiral.



This chart is for illustration purposes only.

Many individuals aren't preparing for a three-decade retirement, but I can tell you in our practice we see 30+ year retirements all the time. The joint life expectancy (*in English: **the point at which the second person passes***) of a healthy couple retiring at age 62 is 30 years…age 92. Age 92 is the top of the bell curve as seen in the chart below. See those little dots out to the right – that's you folks! Many of our clients will outlive these figures because they have had better educations, better healthcare, better jobs, and more income…***don't count on being average.***



This chart is for illustrative purposes only

Now for all of you that plan to retire early, say in your fifties, you more than likely will spend far more time in retirement than you spent working…count on 40+ years of needing your income to grow in retirement. To offset trendline inflation, your income (or, more accurately, your ability to withdraw) must rise about 2x over 30 years. For example, if you need $8,000 a month in retirement on top of Social Security, you'll need $9,200 in Year 5, and $10,600 in Year 10…and so on. Believe it or not, the number grows closer to $19,000 a month by Year 30, YIKES. *(The numbers listed here are hypothetical in nature and are for illustrative purposes only.)*

Historically where have we found that kind of rising income? Owning companies, not lending to them, can often create better income flows. Fixed income securities, by definition, do not produce a rising income flow. Mainstream equities—e.g., the S&P 500—historically do, most notably in the form of cash dividends. In sum: Rising income—and sharply rising income at that—has most reliably been produced through the ownership of successful companies.

Let's just look at what's happened historically over the lives of people retiring in 1992 and living a successful 30+ year retirement. The Consumer Price Index or INFLATION has almost doubled over this 32-year timeframe and, more importantly, the S&P 500's cash dividend has historically compounded at around twice the long-term rate of inflation. Now, how has the overall value of the S&P 500 changed during this time? It has risen almost 9 times the value it started at in 1992.

Rising equity values over long periods of time have given you even more room to increase your withdrawals and have helped build wealth that you can leave to the people you love. But remember, past performance is no guarantee of future results. When we sit down, we'll show you the actual numbers in your lifetime.

What should we do now? Well, let's get together and map out the stops on your route. Once we know where you're headed, we can put together an income plan. Our retirement income plan will include an individualized look at all your potential sources of income. From there, we examine the benefits of income strategies that blend your sources of income together and that include a detailed look at Social Security planning, tax planning, estate planning, cash flow planning, and planning for your own life goals.

Benjamin Franklin said, "If you fail to plan, you are planning to fail!"

AROUND THE OFFICE

Save the date

for our 5th Annual Ice Cream Social!

We look forward to hosting our Annual Ice Cream Social a bit earlier this year to hopefully beat the heat! Mark your calendars for **Wednesday, May 17th from 6:30-8 PM** in our parking lot at 204 Towne Village Drivein Cary. We hope to see you, your family, and any friends you think may benefit from our services! Watch for an email invitation to RSVP for your family!

March was madness again this year!

It wasn't just the news stories that made March a crazy month! We also got to experience some unexpected tournament results during this year's NCAA basketball championships. Congratulations to our winners which were announced via email!

Lyra Greene Turns 1 on April 14th!

The Greene family looks forward to celebrating Lyra's first birthday later in April and have really enjoyed watching her grow and develop! She is an adorable little thing and certainly has her daddy wrapped around her finger. 😊

Lane's recovery continues to progress and she returned to work in February!

Happy 10th work anniversary

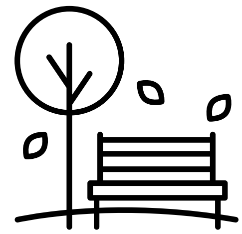
to Heather Rickenbaker!

April 15, 2023 will mark Heather's tenth year with Stonegate Financial! Heather has been an integral team player who consistently goes above and beyond to efficiently service our clients, improve our operations and ensure that we are the best we can be! Thanks for all that you do Heather! Looking forward to many more years ahead!

Save the date

for our Fall Client Appreciation Event!

We are looking into a really exciting option for a special guest presenter that we think EVERYONE will enjoy and learn from (and it WON'T be all about the MARKETS)! Mark your calendars for **Wednesday, October 25th from 6-8 PM.** More details to come!



If you would like to catch monthly updates and pictures of our littlest family members, be sure to follow us on Facebook! https://www.facebook.com/sgfnc

- OR -

Just search for Stonegate Financial!

STONEGATE FINANCIAL

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