



Q2 2023 ECONOMIC UPDATE

Is There Rhyme or Reason to the First Half of 2023?

The second quarter of 2023 tested even the most seasoned of investors. It was a quarter that included the U.S. reaching a debt ceiling agreement, the Federal Reserve pausing their aggressive interest rate hikes, and bank failure fears starting to subside. During the quarter, equity markets continued to defy odds by staying strong, and the major indexes ended the second quarter higher than they started. With the support of mega-cap tech stocks and the artificial intelligence (AI) buzz, the S&P 500 officially began a new bull market in June, rising over 20% from its low in October 2022.

Led by a handful of large tech stocks, the S&P 500 rose 8.3% during the second quarter, logging its third straight quarter gains. The S&P 500 closed the quarter at 4,450, ending the first half of 2023 up 15.9%, for its best half since 2019. The Dow Jones

JULY 2023 ISSUE

*That Vacation Home You've
Dreamed Of? How to Keep It
From Becoming a Nightmare.*

UPCOMING EVENTS & WEBINARS

Visit www.onedigital.com/financial-academy for on-demand videos on key financial planning topics



Jerry Lynch, CFP®, CLU, ChFC
and the JFL-OneDigital Team

305 West Main Street, Boonton, NJ 07005
(973) 439-1190 | www.JFLTtotalWealth.net



JFL TOTAL WEALTH MANAGEMENT-ONEDIGITAL NEWSLETTER

Investment advice offered through OneDigital Investment Advisors LLC, an SEC-registered investment adviser and wholly owned subsidiary of OneDigital. Securities offered through Triad Advisors, LLC (Triad) member FINRA/SIPC. Triad is separately owned and other entities and/or marketing names, products and services referenced here are independent of Triad.

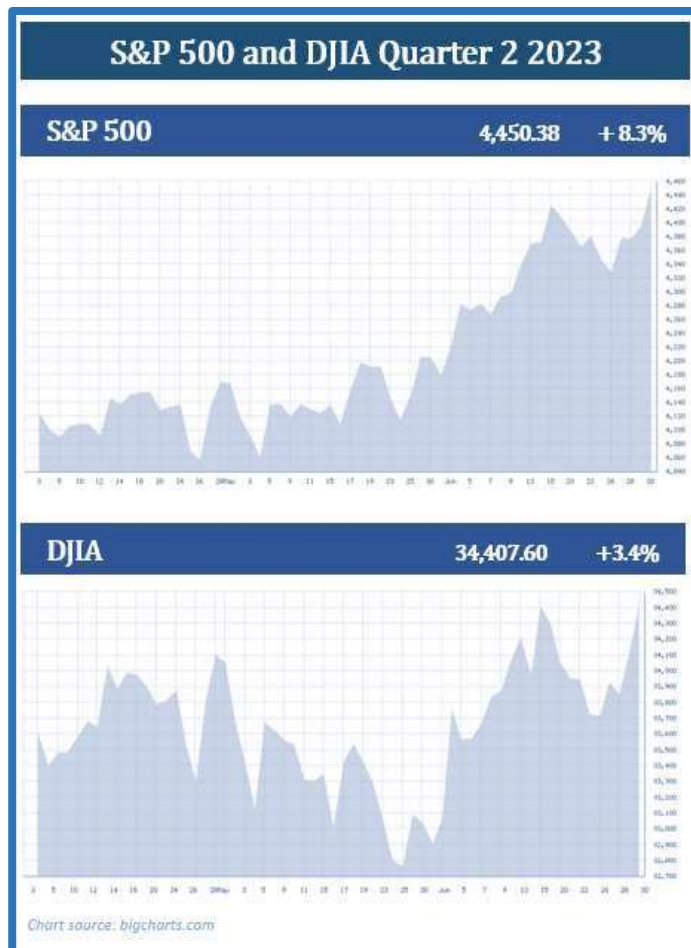
Industrial Average (DJIA) ended the quarter up 3.4%. The DJIA closed on June 30, 2023, at 34,407. (Source: [cnbc.com](https://www.cnbc.com), 6/30/23)

Some experts are arguing that the S&P 500 bull market could be a temporary stroke of luck before an impending recession. The recent rally was fairly concentrated in the big tech sector and did not include many categories like most mid- and small-cap stocks. They suggest that this rally will likely need to broaden its horizons in order to continue.

"This recent bull market move is no guarantee we are out of the woods from the downturn," Jeremy Siegel, Wharton School Professor and renown economist, said in his commentary piece for WisdomTree. "I remain cautious, and I do not think we have the start of a major up move here," he added.

However, other experts, like Tom Lee, Head of Research for Fundstrat, believe that stocks are not extended and that big tech, "did the heavy lifting." He also shared, "if we are slipping into an expansion, a lot of other groups are going to participate." (Source: markets.businessinsider.com, 6/17/23)

While we can speculate and deliberate on what the economy will do, no one has predictive powers and, as the last few years have shown us, anything can happen. What investors do know is that uncertainty remains a key theme. It was just over a year ago that you could borrow at historically low, near zero percent rates. In January 2021, the inflation rate was at only 1.4%. Since then, the cost of necessities and living expenses has increased significantly. For



MONEY RATES <small>(as posted in Barron's 6/26/2023)</small>		
	LATEST WEEK	YR AGO
Fed Funds Rate*	5.09%	1.59%
Bank Money Market ^z	0.32%	0.09%
12-month Certif ^z	1.70%	0.37%
<small>Z – Bankrate.com; * - Average effective offer (Source: Barron's; bankrate.com)</small>		

example, the average price of a loaf of white bread has increased 23.19% since 2020. (Source: www.in2013dollars.com)

During the quarter, investors faced the possibility that the U.S. was on the verge of a major default. We breathed a huge sigh of relief with the debt ceiling agreement, which staved off a potentially catastrophic crisis for

the U.S. economy. On June 1, the Senate passed a measure suspending the nation's debt ceiling and putting caps on federal spending until January 2025. Some key changes that come from debt ceiling deal are:

- A reduction in direct spending on domestic programs (this does not include Social Security or Medicare).
- A reduction in IRS funding. In 2022, as part of the Inflation Reduction Action, Congress approved \$80 billion for the expansion of the IRS. This new bill pared that number back to reallocate the funds for other areas.
- A small increase in spending (a maximum of 1% on 2025) for military and veteran affairs.
- Claw backs of unused COVID-19 funding.
- Expedition of large energy and infrastructure projects.

After the debt ceiling deal, equity markets remained positive and historically, on average, U.S. stock markets have risen in the months following an agreement to raise the debt ceiling.

Although the second quarter was kind to investors, this is not the time to become complacent. With political pressures and continuing changes in monetary and fiscal policy, equity market volatility could remain very prevalent.

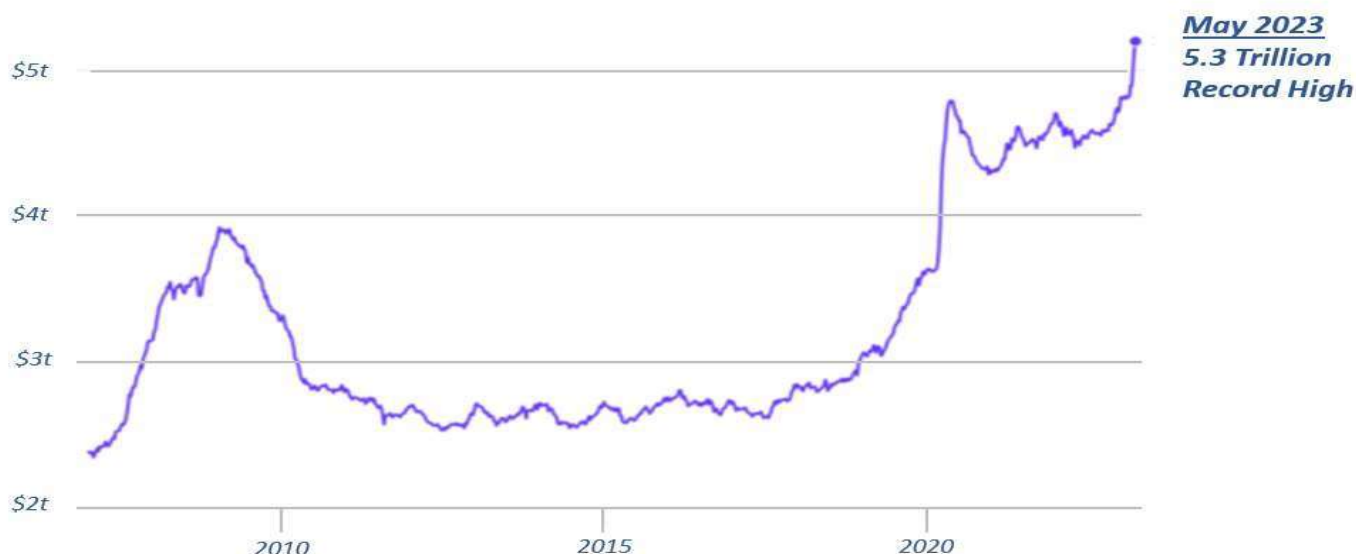
Global issues, including the continuation of the war in Ukraine and the strained China/U.S. relationships could also generate additional uncertainties for investors.

KEY TAKEAWAYS

- The Fed raised interest rates once in May, but halted rate increases in June, keeping the 5.0 – 5.25% target rate range.
- A debt ceiling agreement was made in June - ending a lot of anxiety and potential economic crisis.
- Inflation is continuing to slow down, reaching 5% in May.
- Treasury yields are still providing favorable returns.
- The S&P 500 officially entered a bull market.
- Cash levels are at all-time highs, with money market assets the highest seen in decades.
- Volatility in the economic environment remains.
- Staying the course and maintaining the consistency of a well-devised, long-term focused plan has historically served investors well.
- *We are here for you to discuss any concerns you have.*

Right now, the saying “cash is king” is resonating with many Americans. Market volatility has spooked many investors into a cash-dominant position. Cash levels are at an all-time high. As of May, money market assets are the highest they have been in decades. This makes guessing about market moves even more difficult. While there is a high amount of cash on the sidelines currently, that could change and affect equity

Total Assets in U.S. Money Market Funds (Jan 2007 – May 2023)



Data: ICI, FactSet

pricing. With this, investors should not try to out-guess what the markets will do.

This is a time to concentrate on your personal financial plan. Having a long-term-focused plan that is well diversified can help position you to manage volatility in the markets. We are available to review our clients' investments and make sure they are still congruent with your time horizon, risk tolerance, and goals.

We continue to abide by our belief that investing is a long-term commitment and can provide a better safety net than short-term trading and investing.

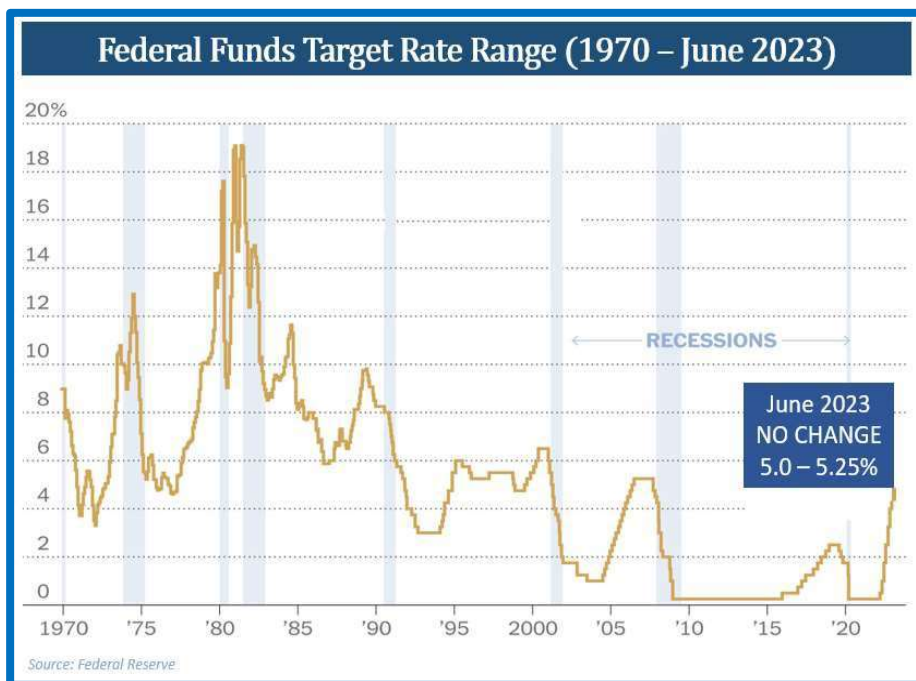
As your financial professional, we are committed to keeping you apprised of any changes and activity that could directly affect you and your unique situation.

Inflation & Interest Rates

In the second quarter, we saw some easing of inflation numbers. In May 2023, prices increased by 4% compared to 8.6% in May 2022 according to the 12-month percentage change in the consumer price index (CPI).
(Source: [statista.com](https://www.statista.com), 6/19/23)

In response to the slowing of inflation, after 10 consecutive interest rate hikes, the Fed took a much-anticipated pause in June. As of June, the Federal Funds target rate range is 5.0 – 5.25%.

The bad news is that the Fed's made it very clear that future hikes are still a high probability. While inflation is more moderate than it was 12 months ago, it is still being relentless and inflation pressures continue to put a strain on the economy. Speaking to the Senate Committee in mid-June, Chairperson Jerome Powell repeated that interest rate hikes are likely to continue at least one more time, if not two, in 2023,



indicating that we could see another half percentage point of increases through the end of 2023.

“If you look at the data over the last quarter, what you see is stronger than expected growth, a tighter than expected labor market, and higher than expected inflation,” said Chair Powell. He continued, “So that tells us that although policy is restrictive, it may not be restrictive enough and it has not been restricted for long enough.” (Source: *finance.yahoo.com* 6/28/23)

Powell stated that, “We believe there’s more restriction coming” due to a “very strong labor market.” (Source: *cnn.com*, 6/28/23)

The Fed will continue to work toward its 2% inflation rate goal and there are four more FOMC meetings in 2023—late July, September, Oct./Nov. and December. “It’s going to take some time. Inflation has proven to be more persistent than we expected and not less,” Powell said. “Of course, if that day comes when that turns

around, that’ll be great. But we don’t expect that.” (Source: *cnn.com*, 6/28/23)

Investors seeking returns from Certificate of Deposits (CDs) and even saving accounts are currently benefiting from the higher interest rate environment. For almost a decade there was very little return on these types of investments, but now, it is not unusual to see some banks offering CDs with yields over 4%.

Like all aspects of financial planning that may affect you, we are keeping a vigilant eye on interest rates and inflation. If you’d like to know how these may affect your portfolio, please contact us to discuss any strategies that may help combat the effect on your personal situation.

While we cannot predict what the Fed’s next move will be, we are keeping a watching eye on key economic indicators, such as the CPI.

The Bond Market and Treasury Yields

In early 2022, most treasuries yielded at near record lows. In contrast, today an investor can now get some interest from bond yields. Earlier in 2023, there were a few bank failures, which drove investors to treasuries in very large numbers.

All in all, the second quarter of 2023 was mixed for bonds. While treasuries are yielding favorable returns in this high interest rate environment, if in the future the

Treasury Yields Comparison				TREASURY			
January 3, 2023				June 30, 2023			
5-year	10-year	20-year	30-year	5-year	10-year	20-year	30-year
3.94%	3.89%	4.06%	3.88%	4.13%	3.81%	4.06%	3.85%
Source: www.treasury.gov							

Fed decides to ease up or reverse interest rates, that would narrow the opportunity to get lower-risk, higher yielding bonds quickly. For right now, the Fed has signaled potentially more interest rate hikes, meaning higher short-term rates could remain at or above current levels.

As of June 30, 5-year treasury notes yielded 4.13%, 10-year notes yielded 3.81%, 20-year notes yielded 4.06%, and 30-year notes reached 3.85%.

Traditionally, longer-term bonds have higher yields than shorter-term bonds, but this is not always the case. Since April of 2022, we have experienced an inverted yield curve, which means longer maturities provide a lower yield than some shorter maturities. Some analysts share that their research indicates that historically this is a strong indicator that a recession is pending in the next several months. Keep in mind that there are other factors that should be considered, including job reports, wage growth, and inflation before determining if a recession is imminent or even coming.

If you'd like to explore how bonds could fit into your retirement income strategy, please contact us so we can help you make the best decision for your portfolio. Please remember, while diversification in your portfolio can help you pursue your goals, it

does not ensure a profit or guarantee against loss.

We will continue to monitor how the Fed's movements and how rising interest rates are affecting bond yields.

Investor's Outlook

There is much talk in financial circles about the possibility that the U.S. will experience a recession in 2023. According to the New York Fed, the U.S. has a 70% chance of falling into a recession by May of 2024. Obviously, no one can completely tell for sure if this will happen, and if so, at what level of severity. (Source: markets.businessinsider.com, 6/17/23)

When asked about the possibility of a recession during the monetary policy session in Portugal in June, Chair Powell stated that, "There's a significant possibility that there will be a downturn," Powell said, adding that it's not, "the most likely case, but it's certainly possible." (Source: [cnbc.com](https://www.cnbc.com), 6/28/23)

As a reminder, recessions—like downturns—recessions are not new concepts. The S&P 500 has weathered 17 recessions in the last century and never failed to recoup its losses. Please keep in mind that the S&P 500 historically starts to

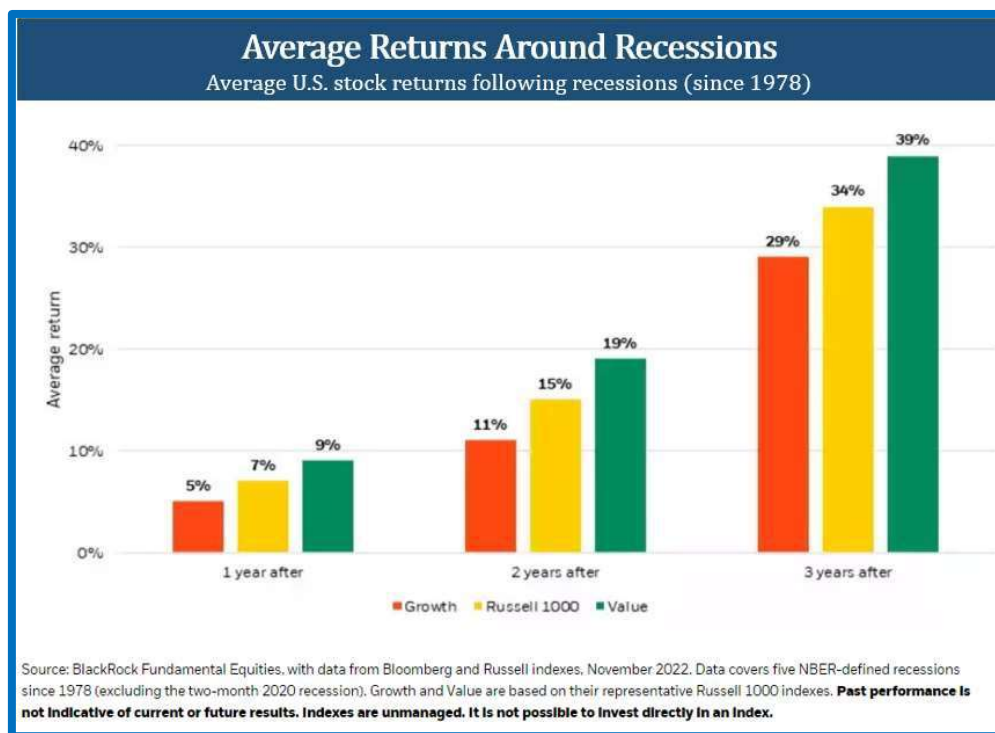
rebound before the end of a recession, which makes market timing a poor investment strategy.

The National Data of Economic Research (NBER) recorded that the average S&P 500 recovery is almost +40% in the 18 months following the market bottom during the recession. For example, the recession we experienced from December 2007 – June 2009, when the GDP went down 5.10%, the S&P 500 rebounded, performing at 14.4% after 12 months, 57.70% in the third year following, at 137% in the fifth year following. (Source: www.nber.org)

Instead of trying to predict whether a recession may happen, we suggest you proactively plan to ensure you have your financial plan set up to best weather anything the economy may throw at you. The past few years have taught investors that it's better practice to expect the unexpected.

Should the U.S. experience a recession, it is wise that you remain financially liquid. This means that you should make sure you can meet your financial obligations. You should also anticipate any large cash commitments you foresee, such as funding a wedding, purchasing a home, or buying a recreational vehicle.

There is a strong possibility that the Fed will increase rates by a half percent by the end



of 2023. Many analysts are suggesting it will be done with two quarter point increases in the second half of 2023. Obviously, this will depend on the data the Fed receives. Current reports are sharing that we are past the inflation peak and closer to the end of the Fed hiking cycle but do not be surprised by a few more rate hikes.

Heading into the third quarter, we will continue to keep an eye of inflations rates, economic growth data, and monetary policy moves. Since the conclusion of the debt crisis, we are hopeful that this upcoming quarter brings less surprises and cliffhangers.

Our goal as your financial professional is to not try to predict the future but provide you with a solid financial plan that is designed to best weather any market environment. While past performance is not a guarantee of current or future results, history shows us

that returns from equities after a recession have been fruitful.

We stand by our belief that investing in equities is a long-term commitment. Investors can expect to continue to face a challenging market environment and the need to look at long-term stability and quality, practicing patience, and proceeding with caution are key to your financial success.

We know that loss aversion can be a powerful motivator for investors to back out of equities during uncertain times. Please remember, historically, investors with a long-term plan that stayed the course and remained diversified and invested were rewarded. We believe this still holds true for today's investors. Savvy investors have a long-term mindset and have well-devised and diversified financial plans.

The coming months could be filled with uncertainty and more market volatility. A few tips to help you through uncertain times are:

- Keep your head down and do not make decisions based solely on what you hear from the media. It seems like from many sources the news is no longer there to inform the viewer, but rather to incite fear in the viewer. Media magnification can cause anxiety and even cause investors to make emotionally charged decisions, which typically are not the wisest.
- It is always sound judgement to live within your means and to not incur any more debt than necessary. During uncertain economic times and higher interest rate environment, it is even

more wise to pay down your debt and try not to incur any more.

- If possible, continue to add to your savings. Staying consistent with contributions will help you achieve your savings goals. There are currently reasonable returns on many Certificates of Deposits (CDs) and savings accounts. If you'd like to discuss if these are good options for your situation, please call us.
- If you need to, review your financial plan with us.

Our goal as the steward of your wealth is to help you through uncertain times like these. We always attempt to help you create a well-crafted plan customized for your unique situation and goals that takes into consideration how you will react to the equity markets ups and downs, including your time horizon, tax implications, liquidity needs, risk tolerance, and your overall personal objectives.

We take pride on offering our clients first class service that includes:

- A proactive, individually tailored approach to each client's financial goals and needs.
- Consistent and meaningful communication throughout the year.
- A schedule of regular client meetings.
- Continuing education for all our team members on issues that may affect our clients.
- Proactive planning to navigate the changing environment.

We always recommend discussing with us any changes, concerns, or ideas that you may have prior to making any financial

decisions so we can help you determine your best strategy. There are often other factors to consider, including tax ramifications, increased risk, and time horizon changes when altering anything in your financial plan.

Please remember that as a valued client, we are accessible to you! Feel free to contact us with any concerns or questions you may have.

We appreciate the trust and confidence you place in our firm.



Your ultimate success or failure will depend on your ability to ignore the worries of the world long enough to allow your investments to succeed.

— Peter Lynch —

Note: The views stated in this letter are not necessarily the opinion of OneDigital Investment Advisors LLC, and should not be construed, directly or indirectly, as an offer to buy or sell any securities mentioned herein. Investors should be aware that there are risks inherent in all investments, such as fluctuations in investment principal. With any investment vehicle, past performance is not a guarantee of future results. Material discussed herewith is meant for general illustration and/or informational purposes only, please note that individual situations can vary. Therefore, the information should be relied upon when coordinated with individual professional advice.

This material contains forward looking statements and projections. There are no guarantees that these results will be achieved. All indices referenced are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.

The S&P 500 is an unmanaged index of 500 widely held stocks that is general considered representative of the U.S. Stock market. The modern design of the S&P 500 stock index was first launched in 1957. Performance prior to 1957 incorporates the performance of the predecessor index, the S&P 90. Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal. The Russell 1000 Index consists of the 1,000 largest securities in the Russell 3000 Index, which represents approximately 90% of the total market capitalization of the Russell 3000 Index. It is a large-cap, market-oriented index and is highly correlated with the S&P 500 Index. Past performance is no guarantee of future results. CDs are FDIC Insured and offer a fixed rate of return if held to maturity. Due to volatility within the markets mentioned, opinions are subject to change without notice. Information is based on sources believed to be reliable; however, their accuracy or completeness cannot be guaranteed.

There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise. There is no guarantee that a diversified portfolio will enhance overall returns out outperform a non-diversified portfolio. Diversification does not protect against market risk.

Sources: www.cnn.com; www.statista.com; www.barrons.com; www.markets.businessinsider.com; www.in2013dollars.com; www.finance.yahoo.com; www.blackrock.com; www.awealthofcommonsense.com; www.currentmarketvaluation.com; Contents provided by the Academy of Preferred Financial Advisors, 2023©



That Vacation Home You've Dreamed Of? Here's How to Keep It from Becoming a Nightmare.

There are some important things to consider before signing on the dotted line, like how time you'll spend there and whether you'll rent it out.

By Robyn A. Friedman

Originally appeared in the Wall Street Journal, May 23, 2023

In the market for a vacation home? That beachfront estate in the Hamptons or ski-in, ski-out chalet in Aspen might seem like a dream come true. But plans change, so thinking of your vacation home as an investment can help ensure your dream doesn't turn into a nightmare.

Consider John Foreman, a tech-company executive who unexpectedly became a landlord after building a five-bedroom, mountain-modern home in Black Mountain, N.C., about 20 minutes from Asheville. Foreman, 39, originally planned the residence for his wife and three sons, but a job offer took the family from Atlanta, a three-hour drive, to Utah, a four-hour flight, while it was under construction. So, after it was completed in 2020, he listed the property with [Airbnb](#), renting it for \$1,000 a night. The property brought in \$250,000 in revenue in 2022, netting Foreman \$80,000 after expenses. Still, despite the property's success as a vacation rental, it is now listed for sale for \$3.75 million.

"It's a lot of work, and I'm already very busy," he said. "Even though I have a property manager, there's still stuff that I need to handle, like warranty issues with the builder because it's new construction. It would be a lot easier to coordinate things if I lived closer."

That is why real-estate professionals say that even if you plan to use a vacation home solely for personal use, it is essential to consider the home's potential as an investment property in the future. A job loss or change in family status, for example, might require you to rent the property out for a few weeks a year to help defray costs, or convert it to full-time rental use.

When searching for a vacation home, location is the key consideration, as with all types of real estate. Think about what local amenities drew you to an area in the first place, and then make sure the property you're interested in is close enough that you, or your future renters, will actually use them, whether that is beach, hiking trails, tennis courts or downtown areas for dining and shopping. Killer views are also one surefire way to make a house more attractive to renters.

Size matters as well. The more bedrooms, the more space for family and friends and the higher the asking price should you decide to rent it. The downside is that more renters can mean higher cleanup costs, and more potential for property damage. Also, even if you don't initially intend to rent out your vacation home, be wary of condominium or homeowners association rules, or local government regulations, that might restrict the number of people in a rental home, or prohibit rentals entirely.

Accessibility is another key factor in choosing the perfect vacation home. Consider the proximity to your primary residence and how easy it is to get there, whether it is a short drive or a direct flight without the stress of making connections.

Even if you plan to use your vacation home solely for friends and family, if you live farther than an hour's drive away, you'll likely need a caretaker or manager to oversee the property and inspect it regularly for problems like water leaks, a broken furnace or water heater or other maintenance issues. Property management costs \$200 a month and up for vacation homes on Cape Cod, Mass., that aren't rented, which includes weekly visits to check on the house, not including any required work, according to Matthew Cole, president and chief executive officer of Cape Associates, a property management and custom-building firm based in Eastham, Mass. Foreman paid 25% of the gross rents generated by his vacation home to a management company, but prices vary by market.

Here are some other things to consider if you're shopping for a vacation home.

Consult your tax adviser. If you plan to use the property for both personal and business use, limitations may apply to the rental expenses you can deduct for mortgage interest, real-estate taxes, maintenance, utilities, insurance, depreciation and other business costs. The rules can get complicated and vary greatly depending upon the extent of your personal use of the property.

Expect higher financing costs. If you plan to finance your vacation home, the interest rate might be higher than for a primary residence, and the lender may require a higher down payment. Fannie Mae and Freddie Mac have raised fees for second-home loans they purchase, according to Patti Lotane, a mortgage loan officer for Cape Cod 5 in Chatham, Mass. For example, the interest rate on a \$500,000 mortgage for a primary home with 20% down was 6.375% with no points on May 15 if that loan was sold on the secondary market, while the rate on a similar loan on a second home was 8.125% plus half a point, she said.

Shop for insurance ahead of time. Will Van Den Heuvel, senior vice president, personal lines, for The Cincinnati Insurance Co., said that location affects both the cost and availability of homeowners insurance for a vacation home. A lake home in the middle of the country, for example, should be readily insurable. But in riskier parts of the country, such as California and Florida, insurance premiums are rising and options are shrinking. "We have seen some homes deemed uninsurable at any price," Van Den Heuvel said. "That would obviously influence a purchasing decision."

Delivering Personalized Financial Advice

With 26 years of financial planning experience, the JFL-OneDigital Team prides itself on developing and managing comprehensive financial plans that integrate investments, insurance, taxes and estate planning into a single strategy. Below is a quick recap of the services we provide you.

Family Wealth Planning

- ✓ Analysis of current estate plan and concerns
- ✓ Free consultations with your attorney
- ✓ Providing guidance in the event of a loved one's death
- ✓ Assistance with transferring assets to trusts

Investment "Watch Dog" Service

- ✓ Personalized portfolios based on needs and year-long monitoring of your investments
- ✓ Independent advice
- ✓ Systematic meetings to review/evaluate investment performance, update financial objectives and make necessary re-allocations (as agreed upon by you)
- ✓ Quarterly statements
- ✓ Commission-free transactions on most stock, bonds or mutual funds traded in your account (certain transaction fees may apply)
- ✓ Investment recommendations for employer-sponsored plans (i.e., 401(k))
- ✓ Quarterly "market watch" newsletter detailing JFL-OneDigital's research, analysis and view of the investment markets

Tax Reduction Planning

- ✓ Comprehensive review of your tax returns to identify opportunities for maximizing tax-reduction strategies
- ✓ Free consultations with your tax preparer
- ✓ Recommendations for tax solutions, including tax-advantaged investments
- ✓ Monitoring new tax laws and presenting options that can impact your situation

Retirement Income and Distribution Planning

- ✓ Analysis of current and future income needs
- ✓ Recommendations for best distribution strategy for your employer-sponsored retirement plan and IRAs
- ✓ IRA beneficiary analysis
- ✓ Continual development and implementation of strategies to fund income needs and maintain standard of living

Client Service & Communications

- ✓ Monthly newsletter with topical updates and financial planning strategies
- ✓ Special reports on how to reduce taxes, plus other important financial topics
- ✓ Client appreciation events



We would be honored if you:

Add a name to our mailing list

Invite a guest to our Anniversary Dinner, webinars or client events

Encourage someone to schedule a complimentary financial checkup

We want to offer our financial planning services to people just like you!

Contact our office at 973-439-1190 and we are happy to assist.