September 2021

Dear Client,

As September comes to an end, the days are getting shorter and splashes of foliage are showing in some parts of New England. It's also the time of year when the stock market has been known to be the most volatile. In fact, historically, October has been the most volatile month of the year for the U.S. Stock Market.

So far this year, the S&P 500 Index is up close to 14.5%, even after an 18.40% return for 2020. Furthermore, the 10-year annualized total return to date, (which includes dividends and price appreciation) for the S&P 500 Index is up almost 14.71%. Keep in mind, to put the last 10 years of returns into perspective, according to data in an article by **Dana Anspach of thebalance.com,** the average return of the S&P 500 Index over the last 93 years was close to 11%; while the worst performance of the S&P 500, in a 10-year period, (ending in February 2009), was an annualized negative return of -3%**.** Often times this information can be helpful to set expectations for the years ahead.

Into the 4th quarter of the year, there are four areas of the economy that I am monitoring very closely. The first is the news that the Federal Reserve plans to begin tapering their "quantitative easing" of credit. We will watch for increased market volatility as tapering will start towards year end or early 2022. Currently, interest rate increases are projected to start late in 2022, or early 2023.

Secondly, inflation has crept up this year for a number of reasons, including increased demand from an economy reopening, supply chains disrupted from the virus and new demands for wage increases. One example to this has been a shortage of rental cars. Many have heard stories of the high prices to rent cars on vacation, if in fact they can even get a reserved car. Case in point, many of the rental car companies sold off significant amounts of their fleets to stay afloat during the toughest months of the pandemic, and now that demand is coming back and these companies are trying to now add cars to their fleets, new and used car prices are being driven up. One positive for many of you collecting social security may be that the consumer price index data points to a possible 6% + cost of living adjustment for social security recipients in 2022. If that occurs, it will be the largest annual cost of living adjustment since 1982!

The third thing I am monitoring closely is the Virus, as the Delta variant has caused a solid spike in cases over the last couple months. I know it feels a bit like a setback, as many of us thought during the late spring/early summer we were on track to put this behind us. Hopefully there will be a leveling off of new cases with increased numbers of vaccinations and booster shots. Please everyone, stay cautious!

The fourth and final item (for now) that I am following is for any changes on the tax front. Unfortunately, we still don't have any definitive answers as to when we can expect the passing of an infrastructure bill. According to the **Sevens Report**, the passing of an infrastructure bill will have profound implications for tax increases in the future. The larger the bill, the more tax increases may come. Top on the list is increasing the corporate tax rate to 28% from the current 21%; to raising the income tax rate on top earnings to 39.6% from the current 37%; as well as potential increases to capital gains taxes and inheritance tax.

(OVER)

So, while I am watching these areas closely in the coming months, I do want to prepare all of you for added market volatility.  It doesn't mean the next recession is around the corner, but we must prepare ourselves mentally for what could be a very quick 10% (or more) correction at any point in the coming months if we get a bit of negative news on the items mentioned in this letter.  (And quite possibly from something that no one is thinking about right now)!

This all makes for interesting analysis, watching **CNBC** daily and listening to all the experts.  But good long-term investing should almost be boring.  These daily gyrations mean absolutely nothing as long as we reap solid returns over many years.  And while the "glamification" and casino like investing sweeping the nation might make one wonder why they aren't seeing overnight returns like that; I can tell you, in my over 20 years of closely following the markets, many of those same people will get hurt in due time.

And so I will keep it boring with the same mention of re-balancing the portfolio as needed; making sure your allocation to stocks matches your overall desired risk level; and making sure we review your portfolio together, at least annually.

Investment planning, tax planning, insurance planning, and Estate planning are the building blocks to a solid financial plan.  Working with many of you over the years, it's clear that you understand those core principals, while taking the time to plan that your spouse/partner, children and grandchildren are taken care of, whether it be saving for retirement, spending in retirement or college planning.

One of the most rewarding parts of my work has been watching many of you approach retirement and seeing the confidence you have drawing on those funds, after all those years of saving and planning.  Often times, it's just reassurance that's needed, whether it be in an income projection or simply talking through the plan.  Or after 10 or 15 years of retirement, continually reviewing the plan to give you peace of mind, allowing you to focus on the things that really matter in life.  Or maybe it's discussing selling the house you have lived in for most of your life to enter a retirement community, or an assisted living facility.  That too can be very challenging, but please know that we are here to help at all of these different stages.

And while I always try to give a brief summary of current topics, along with a few statistics, I feel it's important that I do not get too technical with analysis, for fear you may stop reading after the first paragraph!  I am always open to suggestions for topics that you would like me to cover in an upcoming letter.  And if you know of anyone who might enjoy reading this letter, please direct them to our website where the letter is posted under the quarterly letter section at [www.spearsonfinancial.com](http://www.spearsonfinancial.com).  Please do not hesitate to call us with any questions.

Sincerely,

Bryan Bastoni, CFP
CERTIFIED FINANCIAL PLANNER, TM