

the BENCHMARK

BCS Wealth Management's Quarterly Newsletter



04 Quarter Review

While 2021 was a year of negative headlines, the stock market still managed to end on a high note. Myra recaps the pleasantly surprising year and discusses what is to come.

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By Nick Clay

State of the Firm

We're full steam ahead into 2022! It almost doesn't seem possible as I write this and reflect on the past year, but nonetheless here we are in 2022.

If we didn't know already, we should know by now that the future is somewhat unpredictable. The last couple of years have created a "different" world. Rest assured one thing is constant: our commitment to take care of our clients at the highest level possible. In fact, business is as normal as it can be for your BCS Wealth Management team.

Despite the turmoil and obstacles of recent years, our firm still experienced growth in 2021 in terms of clients, assets managed, and revenue. It is the 12th consecutive year we've done so. Since we've not been able to see as many clients in person or hold as many client events, I thought it would be fun to update everyone on a few happenings from around the firm over the last year.

Proactive Growth

In March, we moved our Johnson City office to Building F in Sunset Professional Park. We didn't go far. The move was just across the parking lot,

but it afforded us additional space for our growing team, as well as additional conference rooms for the benefit of our team and clients. One thing we learned is that just because you aren't moving far, it doesn't mean moving is easy! Fortunately, we were able to move without disruption in business.

We've always strived to build our firm to stand out from the crowd and be different (in a good way!). This started with our mantra of being independent. This independence allows us to grow (or not grow) on our own terms and make decisions we believe are truly in the best interest of the clients we serve. We have been fortunate to experience significant growth of our client base over the last few years.

It has been a blessing because we truly enjoy coming to work each day and playing a role in our clients' lives, many of whom we also call friends. As we've grown over the years, it has been important to us to invest in growth, whether it be new technology, office space, or people. This approach keeps our vision clear and allows us to be proactive instead of reactive, which ultimately increases the client experience instead of disrupting it.

Exciting Comings and Goings

Shortly after our move, we were fortunate to add two new financial advisors to our team, John Brandon and Scott Linn. Both John and Scott bring many years of advisory experience and advanced professional designations to our team, as well as diverse business backgrounds. They will provide additional perspective and expertise to our clients, as well as our Investment Committee that is now chaired by Philip "P.B." Bachman.

Last year we also added Michelle Melton and Audrey Yelen to our operations staff as Client Service Associates. Michelle and Audrey both bring extensive client service backgrounds and experience in the financial services industry.

On a more bittersweet note, Kim Blankenstein retired in December. Many of our clients got to know Kim, and she was integral to our operations team for many years. Although we are sad to see Kim go, we are grateful for her time with us and are incredibly happy for her retirement milestone.

I believe that we have great people that are knowledgeable and align with our client- and family-first culture. Get your sunglasses out because the future is very bright!

Technology for the Better

More than ever, we are living in a highly advanced technological age. For better or worse, there is no end in sight. In addition to investing in quality people and in an effort to continuously serve our clients efficiently at a high level, we continue to evaluate and invest in new technology. Not all of the investments are directly seen by our clients, but the internal process and, therefore, client outcomes are greatly enhanced. In the past couple of years, we have made substantial investments in areas like trading, reporting, risk alignment,

virtual meeting software, etc. That trend will continue this year. We continue to evaluate new tools that we believe will make financial outcomes and client experiences even better.

Meaningful Work

Our clients are all unique with different situations and goals. I speak for our entire team when I say that we truly enjoy providing peace of mind to whatever the situation may be. Simply put, we work to take the stress and anxiety out of the wealth management process so that our clients can focus on other things that are important to them

and their family and/or business.

I'm confident we are positioned well to accomplish our goal of helping our clients achieve their goals and providing peace of mind to our current and future clients for years to come.

Nick Clay,
CFP®, AIF®, AAMS®
Managing Partner &
Senior Financial Advisor



2022 Annual Limits Relating to Financial Planning

If you have any questions, please call BCS Wealth Management at (423) 283-9821 or email John Brandon, jbrandon@bcswwealth.com

Retirement Plans	2022
Elective deferrals 401(k), 403(b), 457, and SARSEPs Catch-up contribution	\$20,500 \$6,500
Defined contribution (\$415(c)(1)(A)) Defined benefit (\$415(b)(1)(A))	\$61,000 \$245,000
SIMPLE plan SIMPLE catch-up contribution	\$14,000 \$3,000
Maximum includible compensation Highly compensated employee Key employee (top-heavy plan)	\$305,000 \$135,000 >\$200,000
IRA or Roth IRA contribution limit IRA or Roth IRA catch-up	\$6,000 \$1,000
IRA deduction phaseout for active participants Single Married filing jointly Married filing separately Non-active participant married to active participant	\$68,000-\$78,000 \$109,000-\$129,000 \$0-\$10,000 \$204,000-\$214,000
Roth IRA phaseout Single Married filing jointly	\$129,000-\$144,000 \$204,000-\$214,000

Social Security FRA

Year of Birth	Social Security FRA	Year of Birth	Social Security FRA
1943-54	66	1958	66 and 8 months
1955	66 and 2 months	1959	66 and 10 months
1956	66 and 4 months	1960 and later	67
1957	66 and 6 months		

Estate and Gift Tax 2022

Annual gift tax exclusion	\$16,000
Estate and gift tax basic exclusion	\$12,060,000

LTCG Rates Based on Taxable Income

Filing Status	0% rate	15% rate	20% rate
Single	up to \$41,675	\$41,675-\$459,750	over \$459,750
Head of household	up to \$55,800	\$55,800-\$488,500	over \$488,500
Married filing jointly	up to \$83,350	\$83,350-\$517,200	over \$517,200
Married filing separately	up to \$41,675	\$41,675-\$258,600	over \$258,600
Estates and trusts	up to \$2,800	\$2,800-\$13,700	over \$13,700

Health Savings Account 2022

Minimum Deductible Amount Single Family	\$1,400 \$2,800
Minimum Out-of-Pocket Amount Single Family	\$7,050 \$14,100
HSA Statutory Contribution Maximum Single Family Catch-up contributions (age 55 or older)	\$3,650 \$7,300 \$1,000

Income Tax 2022

Standard deduction	
Single	\$12,950
Married filing jointly	\$25,900
Head of household	\$19,400
Married filing separately	\$12,950
Kiddie tax limited standard deduction	\$1,150

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Quarter Review

By Myra O'Dell

It's hard to believe that 2021 has ended. In some ways, it has flown by, and in others, it has slowly crept along. For instance, as I was getting out my Christmas decorations this year, it felt like it hadn't been that long ago since I had packed it all up and stowed it away from the previous year. For all of you Harry Potter or S.H.I.E.L.D. fans, this makes me wish I had an invisibility cloak to drape over my Christmas tree so I could leave it up until next Christmas and no one would notice.

On the other hand, it seems like it has been FOREVER since we were living "normal" pre-COVID lives full of travel, large gatherings, an abundant stock of

goods on the grocery store shelves, and no masks. It was a special treat this year to be able to watch the Olympics and have other sporting events back. The protocols are certainly different, but we

are learning to adapt and move forward.

I think many people are happy to say good riddance to 2021. However,

when it comes to the stock market, my guess is that a lot of us have been pleasantly surprised.

The S&P 500 index finished the year up 26.9%, and that's following an already impressive 16.3% the previous year.

Major Stock Indexes	4th Quarter 2021	2021
DJIA	7.4%	18.7%
Nasdaq Composite	8.3%	21.4%
S&P 500	10.7%	26.9%
Russell 2000	1.9%	13.7%
Global Dow	4.5%	18.6%
Japan: Nikkei 225	-2.2%	4.9%
Stoxx Europe 600	7.3%	22.2%
UK: FTSE 100	4.2%	14.3%
Major Bond Index	4th Quarter 2021	2021
Bloomberg Barclays US Aggregate (Total Return)	0.0%	-1.5%

The year of 2021 was marked by a plethora of headlines beginning with the inauguration and the riots at the Capitol on January 6. Other stories for the year included the meme stock phenomenon, new COVID-19 variants, a labor shortage, generous fiscal/monetary stimulus, kinks in the supply chain, healthy consumer demand, and the corresponding price spikes.

The top performing sectors were energy, real estate, and financials. The worst performing sectors were utilities and consumer staples, although both finished the year around 15%, so I would hardly consider that a bad year.

Growth stocks outperformed value stocks, 31% to 22%.

Bond and fixed income yields were as low as I can ever remember this past year. The yield curve has flattened, and the Federal Reserve announced the expectation of as many as three rate hikes coming in 2022. Yields are well below current inflation.

The Consumer Price Index (CPI) increased at a 6.8% annual rate in November, which is the fastest increase since 1982.

We'll see what headlines the year of 2022 brings. One that has already been evaded is that of a potential U.S. debt default. Congress has reached a deal that postpones the debt ceiling issue until 2023, increasing it by \$2.5 trillion. Now this topic can be avoided during the mid-term elections. This is good news for the stock market, which

dislikes unknowns and favors certainty.

The news is full of reports and information that can easily distract us from our goals. No matter what is going on around us, it is important to stick to your long-term plans. Diversification and portfolio rebalancing are tried-and-true investing principles that help navigate the ever changing landscape.

Thank you for your trust in us. We are grateful and consider it an honor. Happy New Year!



Myra O'Dell,
CFP®, MBA
Partner & Senior
Financial Advisor

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2022 TAX RATE SCHEDULES				
If Taxable Income Is		Then the Gross Tax Payable is:		
Over	But Not Over	Amount	Plus (percent)	Of the Amount Over
SINGLE TAXPAYERS (Other than Surviving Spouses and Heads of Households)				
\$0	\$10,275	----- 10% of taxable income -----		
\$10,275	\$41,775	\$1,027.50	12%	\$10,275
\$41,775	\$89,075	\$4,807.50	22%	\$41,775
\$89,075	\$170,050	\$15,213.50	24%	\$89,075
\$170,050	\$215,950	\$34,647.50	32%	\$170,050
\$215,950	\$539,900	\$49,335.50	35%	\$215,950
\$539,900	--	\$162,718	37%	\$539,900
HEADS OF HOUSEHOLDS				
\$0	\$14,650	----- 10% of taxable income -----		
\$14,650	\$55,900	\$1,465	12%	\$14,650
\$55,900	\$89,050	\$6,415	22%	\$55,900
\$89,050	\$170,050	\$13,708	24%	\$89,050
\$170,050	\$215,950	\$33,148	32%	\$170,050
\$215,950	\$539,900	\$47,836	35%	\$215,950
\$539,900	--	\$161,218.50	37%	\$539,900
MARRIED INDIVIDUALS (and Surviving Spouses) FILING JOINT RETURNS				
\$0	\$20,550	----- 10% of taxable income -----		
\$20,550	\$83,550	\$2,055	12%	\$20,550
\$83,550	\$178,150	\$9,615	22%	\$83,550
\$178,150	\$340,100	\$30,427	24%	\$178,150
\$340,100	\$431,900	\$69,295	32%	\$340,100
\$431,900	\$647,850	\$98,671	35%	\$431,900
\$647,850	--	\$174,253.50	37%	\$647,850
MARRIED INDIVIDUALS FILING SEPARATE RETURNS				
\$0	\$10,275	----- 10% of taxable income -----		
\$10,275	\$41,775	\$1,027.50	12%	\$10,275
\$41,775	\$89,075	\$4,807.50	22%	\$41,775
\$89,075	\$170,050	\$15,213.50	24%	\$89,075
\$170,050	\$215,950	\$34,647.50	32%	\$170,050
\$215,950	\$323,925	\$49,335.50	35%	\$215,950
\$323,925	--	\$87,126.75	37%	\$323,925
FIDUCIARY (Estates and Trusts) TAXPAYERS				
\$0	\$2,750	----- 10% of taxable income -----		
\$2,750	\$9,850	\$275	24%	\$2,750
\$9,850	\$13,450	\$1,979	35%	\$9,850
\$13,450	--	\$3,239	37%	\$13,450

Meet Audrey Yelen

Audrey joined us in December as a Client Service Associate / Financial Administrative Assistant. Originally from McMurray, PA, Audrey moved to the Tri-Cities in 2007 after a visiting the area and falling in love with the mountains and slower pace of life. Audrey brings 21 years of banking experience with her.

Along with her husband, Keith, they have a daughter and son-in-law who live in Gray, a son and daughter-in-law that live in Lebanon, TN, and a granddaughter who attends ETSU. Audrey loves flower gardening and refurbishing furniture. They attend North Ridge Community Church.

We're excited to have Audrey join us and look forward to our clients getting to know her in the coming year.



Audrey Yelen
Client Service Associate

Inflation Found in a Coat Pocket

By Philip Bachman

Many of us dusted off our thicker winter jackets recently. Did you find a dollar bill tucked away in a coat pocket? Maybe it doesn't happen as often as it used to – since most payments are digital these days – but it's always nice to find forgotten cash.

Say you discovered a few bucks that had been stashed away for a year or longer. Those dollars would buy less today than they would have. This is a well-known, dreaded reality: inflation erodes the value of our money.

Last year, inflation became a key topic in the financial planning profession and in daily life. It's for good reason. After decades of below-average inflation, it spiked above its long-term average of 2.9%.

A Coat Pocket Find

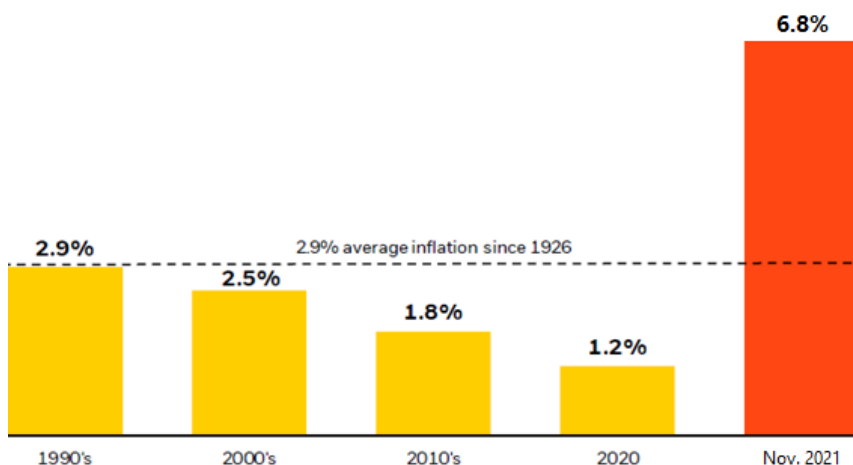
My wife, Amanda, visited her grandmother in Indiana in November. Grandma Jones still has an assortment of clothing from the 1980s and 1990s. Now they're in vogue again! Amanda was grateful when Grandma let her pick a few items to have.

Amanda didn't find any hidden cash. Instead, she found in one of Grandma's coat pockets a grocery store receipt from December 22, 1990. Grandma apparently needed a few things from Pay Less (a Kroger store) to round out the pantry for Christmas.

Inflation feels more real when we can relate to it personally. Holding this old receipt made it feel personal to Amanda. Let's compare the price Grandma paid in December 1990 to December 2021 (comparison chart pictured below):

What about non-grocery expenditures? Over the same period of time, the MSRP on a new Honda Civic EX sedan increased at a 2.7% annualized rate, the average movie theater ticket price rose at a 2.6% annualized rate, and we experienced a 2.5% annualized rate of inflation broadly (measured by the Consumer Price Index).

Average Consumer Price Index (CPI)



The Recent Spike in Inflation

November 2021 data showed that the U.S. Consumer Price Index rose at a 6.8% pace relative to November 2020, the fastest rate since 1982. That was the sixth month in a row with gains over 5%. What's more, inflationary pressures seem to be broadening out and accelerating in some areas. The Federal Reserve (Fed) Chairman Jerome Powell stopped using the infamous "transitory" adjective on November 30, 2021.

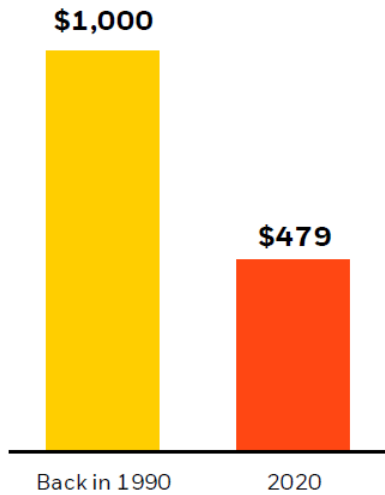
Mohamed El-Erian, Allianz Chief Economic Advisor, explains an aggravating feedback loop, "We have ample evidence that there are behavioral changes going on.... Supply disruptions are lasting for a lot longer than anybody anticipated. Consumers are advancing purchases in order to avoid problems down the road – that of course puts pressure on inflation."

In a 2021 Student of the Market presentation, BlackRock points to four potential reasons inflation is rising. Firstly, it may be a function of monetary policy. The Fed maintains a 2% inflation

Item	1990 Price	2021 Price	Percentage Change	Annualized Percentage Change
Sweet Corn	\$0.49	\$0.75	53.1%	1.4%
Wheat Bread	\$0.99	\$1.59	60.6%	1.5%
Eggs	\$0.94	\$1.59	69.2%	1.7%
Orange Juice	\$1.19	\$2.49	109.2%	2.4%
Ruffles Chips	\$1.99	\$4.79	140.7%	2.9%
Woman's Day Magazine	\$0.99	\$3.99	303.0%	4.6%

Loss of purchasing power over time due to inflation

Change in real-dollar value of \$1,000 from 1990 to 2020, based on CPI over that time period



target when considering policy changes, but it's not a hard-and-fast target. The Fed has indicated it will let inflation drift above 2% following periods where it has been below.

Second is fiscal policy. The fiscal stimulus provided in the wake of the COVID-19 recession was unprecedented. The total fiscal stimulus done by mid-2021 was about double the pandemic-inflicted loss in gross domestic product. It was close to 25% of 2020 GDP.

A third reason is pent-up demand. Consumers, either by choice or necessity, lowered their spending in 2020 in light of the recession and restrictions. The personal savings rate jumped from a low of 8% pre-pandemic to 20.5% in January 2021. As 2021 elapsed, American consumers felt more willing and able to spend, causing inflationary pressures on the demand side.

A fourth reason, rising production costs, amplified the pressures from the supply side. Supply chain disruptions meant that production and transportation costs on most tangible goods increased. Consumers bore the brunt of those increases, which we saw at the pump, in the checkout lane, and elsewhere.

Now the Fed thinks wage and price pressures might become entrenched. The Wall Street

Journal reported on November 30, 2021, "Federal Reserve Chairman Jerome Powell said the central bank was prepared to quicken the pullback of its easy-money policies, opening the door to raising interest rates in the first half of [2022] as it grapples with inflation and a potential new virus wave that could exacerbate supply-chain disruptions."

What It Implies

We believe we should assume above-average inflation will continue for a year or two before returning to the long-term average. We feel inflation should be underscored now more than it already was in financial planning and investment management conversations. This may affect different peoples' financial plans differently.

The real rate of return is an important concept. It's the rate of return on your savings or investments after inflation. It indicates whether your account is gaining or losing purchasing power. Keeping cash set aside for emergency and short-term spending needs contributes to peace of mind and financial success. However, having excess cash balances can be detrimental to long-term financial goals.

Investing excess cash in a well-diversified portfolio is crucial to keeping up with price increases over time. Stocks are an asset class known for combating inflation. According to Morningstar, since 1990 the S&P 500 stock index has returned 8.9% during years when inflation has been above 3%. Some other broad asset classes that have a reputation of holding up to inflation are real estate and commodities.

The performance of different types of bonds varies a lot during inflationary cycles and rising interest rate periods (which generally accompany or follow high inflation). Long-term bonds, for



example, suffer in those conditions.

During such times, it could make sense to keep bond investments short in duration, to consider inflation-protected bonds, and/or to consider floating-rate securities among other things.

Like always, your strategy should remain centered on your goals, risk tolerance, and investment time horizon. Your financial advisor would be glad to review them with you. Inflation is real to all of us, whether you found proof of it in a coat pocket or somewhere else.



Philip Bachman, CIMA®
Financial Advisor
Investment Management and Research

BCS Wealth Management is an independent financial planning firm in Johnson City, TN. We help individuals, families, and businesses reach goals important to their financial wellbeing. We provide investments and financial planning, insurance, and group benefits.

bcsworld.com



Philip Bachman – 40 Under Forty Honoree

Our very own Philip Bachman (P.B.) has recently been named to the 2021 class of the Business Journal's *40 Under Forty. P.B. joins a list of other outstanding individuals under the age of 40 in our region who have been judged on their business success and achievements as an active member of the local community.

At BCS Wealth Management P.B.'s role is to help individuals and families have clarity about financial planning and investing. This often centers on investing for their long-term financial objectives, including retirement, college savings, or other unique goals. P.B. is an asset to our firm and clients due to his business experience, but also because of his advanced credentials with regards to financial planning and investment selection.

In addition to being a partner to the many clients he works with, P.B. also leads the research for our team and oversees our Investment Committee.

P.B. is also a fixture in our local community where he is a key figure in the Johnson City Rotary Club and several other community organizations.

We are fortunate to have P.B. on our team. Next time you see P.B. make sure and congratulate him!

*A recipient of the 40 Under Forty award must be nominated. Nominees are judged on their business success and their achievements as an active member of the community and must live and work in East Tennessee or Southwest Virginia. Nominations are accompanied by letters of recommendations from places of employment and service organizations.

