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Financial Planning. As many of you know, we have invested in what we believe is the finest financial planning software available. We have done this for the benefit of our clients.

If you perceive you have the need, we will be pleased to implement a "financial plan" for you and your family. There is no cost. It is a service we have added for the benefit of our clients. Unlike many firms, this is not a tool for marketing as we do not sell annuities or other investment "products." We don't sell anything. We are fiduciaries, acting solely in your best interest.

Please contact Matt Blades here in our office. He is a financial planner with a Master's Degree in Finance. A number of clients have already reached out to Matt since he came on board last year to take advantage of this new service. We want to shed a little more light on the service because it can prove beneficial in almost any circumstance.

There are at least two meetings (in-person, by phone, or via zoom) with clients. The first meeting is an introduction where Matt tries to identify any financial concerns that you may have as well as gather the data needed to generate a financial plan. The second meeting usually occurs a week after the first one in order to present the plan.

At this point you may be asking yourself, "what does a financial plan look like?" While the exact contents vary with each plan, what you will have at the end of the day is a set of documents that shows a statistical probability, ranging from 0% to 100%, of you being able to accomplish your financial goals as well as cash flow simulations that helps give you an idea of where your asset levels are expected to be on an annual basis. None of us knows the future, but having a financial plan can help provide additional peace of mind when it comes to questions like: when can you retire, are your investments too conservative/aggressive, when should you take Social Security, can you afford to foot the bill for a family vacation, and how much money will be left for the beneficiaries of your estate when you pass?

So again, if interested in a financial plan, please contact Matt Blades to begin the process.

Market Review and Forecast. The markets and economy are ugly right now. But it is important to understand how we got here. Let's review.

The Fed created a bubble with their QE (Quantitative Easing) policy and "zero interest rates" starting in 2008-2009. Incredibly and unfortunately, they continued this policy until earlier this year.

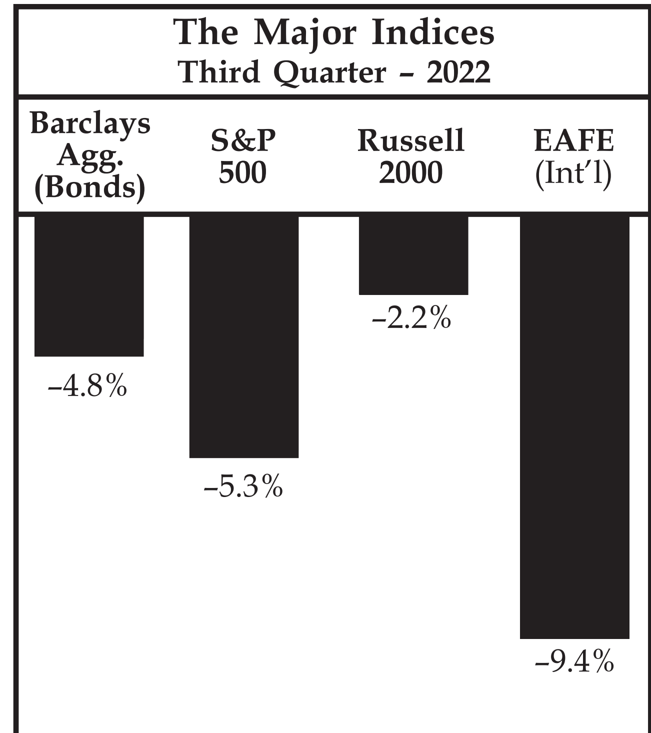
Their intent was originally reasonable: to stimulate economic activity. They just continued it way too long.

The current high inflation and the bubble we have in real estate was created by manipulating long-term interest rates (especially mortgage rates). This ultra-easy monetary policy even gave us the 2.5% 30-year mortgage rates. The consequent housing boom markedly contributed to inflation in a variety of sectors. We all saw ridiculous stories of houses sold with multiple offers, sight unseen. Even lumber and various materials were selling at ridiculous prices all thanks to the Federal Reserve.

During this timeframe the growing National Debt exploded to $31 trillion (up from $9 trillion since 2008). The U.S. Government unnecessarily continued to pump out money (i.e., $2.3 trillion in March 2021), after the pandemic had essentially ended. This action was highly inflationary to food and energy. Inflated housing prices were a consequence of the QE policy. Food and energy price inflation were more a consequence of the $2.3 trillion (plus the trillions before and since then) of unnecessary government spending.

Inflation also added to COLAs (cost of living adjustments), increasing Social Security payouts and other programs. Again, both inflationary and adding to the debt. The whole thing looks like just another government mess.

Well, at quarter's end, the stock market (S&P 500) was down about 25% for 2022. The bond market (Bloomberg Aggregate) was also down nearly 15%. Think about that for a minute. The bond index is off 15%. Usually when stocks are down, bonds are up but not in a sharply rising interest rate and inflationary environment. The Fed is playing "catch-up" after years of poor policy and they are raising rates sharply, causing shudders throughout both the stock market and the bond market.



What have we been doing? As you may recall, fortunately in late 2021 and early 2022 we shortened maturities on bonds. Shorter maturities perform markedly better in a rising rate environment, which is why we have outperformed there. We also moved stock allocations in the same time frame to a more "style-neutral" approach. This move away from tech/growth to value was done because tech underperforms in a raising interest rate environment. It has proved somewhat effective as the S&P Growth Index is down 30% this year while the S&P Value Index is down a more modest 15% through quarter's end.

We also raised cash in most accounts when the DJIA (Dow) was around 31,500-32,000, the Dow closed at quarters end at around 28,700. We expect to redeploy the funds in the coming weeks. The strategy was not so much a "market timing" move as a reallocation move with a delay in reinvestment. We believe the market is anticipating a worldwide recession next year, thereby extrapolating anticipated earnings contractions and postulating a lower target for the S&P 500. We can't know the unknowable, will China attack Taiwan? Will Russia use nukes? (Hopefully not.) What will be the outcome of the elections? These are just a few of the questions plaguing investors on top of runaway inflation previously discussed.

Interest Rates. Inflation remains at high levels not seen since the early 1980's while interest rates continue to climb at a pace never witnessed by many of today's investors. The 10 Year Treasury closed the third quarter yielding 3.8%, just off its high for the year of 3.96%. The Federal Funds Rate is currently at 3.00% to 3.25% with the stated goal of getting to 4.5% by the end of the year. This is the result of an aggressive rate increase program initiated by the Federal Reserve Board in an attempt to gain control over inflation which remains at 8.3% based on August figures.

The rapid rate increase has pushed the 30-year mortgage rate to 6.92% and a four-year car loan to 5.67%. Consumers are certainly feeling the pain as more and more households dip into savings or use consumer debt (credit cards) to make up the difference between what they are paying today versus two years ago. Just take a look at gas prices over that same timeframe. Gas has jumped from $1.83 per gallon to $3.29 per gallon currently but was over $4 per gallon this summer. Needless to say, that is pouring gas on the inflation fire, no pun intended. Higher fuel costs always get passed along to the consumer.

These rapidly increasing rates are also causing the bond market to have one of the worst years in decades. The Bloomberg Aggregate Bond Index is down 15% since the start of the year, making this year the worst year for bonds since 1976. Thankfully, we moved our fixed income assets away from the long duration and into short term maturities. By doing so the bond portfolio is better positioned, though not totally immune from, the rising interest rate environment.

A question we get frequently from clients is, "If rates are increasing all over, why are the deposit rates at the banks still so low?". Great question. The short answer is that because of all the stimulus money handed out during and after the pandemic, the savings rate in America has been at the highest levels in years. Where do most people save? At the bank of course. Americans have been conditioned over the past fourteen years to accept low rates on their deposits due to the impact of the Federal Reserve's Quantitative Easing program which held rates artificially low. Also, because of their deposits being at record levels, banks are in no hurry to pay their depositors a higher rate because they do not need more deposit assets. They know for most of their customers, changing banks is a big hassle, so they can keep their rates low. That is driving those same people into investing in short term Treasuries where one can (at least for now) lock in rates north of 4% for one year.

A Treasury Portfolio. With interest rates on 1 year Treasuries above 4.25%, many of

our clients have been asking us to buy some of these bonds for them. We have heard from these clients that they have cash wasting away in bank savings accounts as inflation rages. A return in excess of 4% that is backed by the full faith and credit of the U.S. Government looks attractive to them as an alternative to cash.

So we have developed a portfolio of laddered short-term Treasuries that take advantage of the new higher interest rate environment in which we now find ourselves. Generally, these bonds will have maturities ranging from three months to two years. As the shorter duration bonds mature, we will then reinvest them, hopefully at higher rates.

If you have some cash sitting in your bank account doing very little, and this portfolio interests you, please reach out to us and we can discuss your options for making a decent return with your "safe money."

Loyalty. The vast majority of our existing clients came on board many years ago, having experienced the ups and downs of the markets, and remained loyal…we appreciate the relationship that has been built thus far as well as your ongoing trust in us. With this in mind, we understand that many of you have similarly longstanding relationships with advisors outside of our company for a variety of reasons. Having advisors that you trust is essential to navigating the nuances of finance and everchanging tax laws.

However, we have heard many stories from some of you that maintain outside accounts because of fondness for specific stocks or funds that hold sentimental value or positions that have extensive capital gains such that they have no plans to liquidate said investments. In situations like this, where you maintain outside accounts that you do not plan to trade, we want you to know that you are generally able to transfer those positions to your Woodard accounts "in-kind" and that we can hold those positions for you, having them earmarked so that they are excluded from billing and trading. We offer this service as an added convenience to you because it helps simplify your financial picture by reducing the number of statements that you have to review, sets of credentials you have to maintain, and advisors that you have to contact to discuss your investments.

Reducing the number of custodians in your financial picture also greatly simplifies the estate settlement process and ease of asset distribution to your chosen beneficiaries when the time inevitably comes. Finally, it is worth noting that we can generally process these types of asset transfers without you having to have any sort of uncomfortable conversations with the current advisor or custodian. Give us a call if you have any questions on this or any other financial topic.

This newsletter represents the opinions of Woodard & Company which are subject to change and does not constitute a recommendation to purchase or sell any security. The information contained herein has been obtained from sources believed to be reliable but cannot be guaranteed for accuracy.