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Market Update

After a weak few months, stocks stabilized to a certain extent towards the end of March. Below are the March returns for popular benchmarks that investors track (Data provided by Stockcharts.com & Commonwealth Financial Network):

- S&P 500 Index: **+3.58%**
- Dow Jones Industrial Average: **+2.32%**
- Nasdaq Composite Index: **+3.41%**
- Russell 2000 Index: **+1.16%**
- S&P Target Moderate Risk Index: **-0.75%**

Inflation, the anticipation of higher interest rates, and the Russia/Ukraine conflict have undoubtedly shaken equity markets so far year-to-date.

Inflation:

It is no secret that inflation has been running hot for several months. We believe that the expectation of higher inflation does more damage to the stock market than real inflation. This makes sense as the stock market is forward-looking. If we thought the current inflationary numbers would stick around for a few years, we would have a different opinion on the direction of equities for the rest of 2022. However, we believe that inflation will peak over the next several months. Looking back at history, peaks in inflation have coincided with massive rallies in equities.

Higher Interest Rates:

The Federal Reserve hiked interest rates by 0.25% this past month. The prospect of rising interest rates tends to hurt stocks short term. Companies have to borrow at a higher cost to continue to fund their operations as money becomes more expensive. However, we believe investors should look at interest rates on a relative basis. Interest rates are still near historic lows. Because of this, we continue to be in the camp that believes equity markets will continue to offer a superior return relative to other assets such as bonds, CDs, and money market funds. Research shows that stocks tend to perform quite well after the first interest rate hike in the cycle.

What Happens After The First Rate Hike? Stocks Do Well

S&P 500 Index Performance After The First Fed Rate Hike

Date Of First Hike	Size Of First Hike	S&P 500 Index Future Returns		
		Next Three Months	Next Six Months	Next Twelve Months
8/8/1983	0.50%	2.0%	-0.7%	2.1%
4/1/1987	0.25%	3.6%	10.1%	-11.7%
5/11/1988	0.50%	3.4%	8.6%	20.7%
2/4/1994	0.25%	-5.9%	-2.5%	2.4%
3/25/1997	0.25%	13.6%	20.6%	39.6%
6/30/1999	0.25%	-7.6%	6.6%	6.0%
6/30/2004	0.25%	-2.3%	6.4%	5.2%
12/16/2015	0.25%	-1.1%	0.1%	9.1%
Average		0.7%	6.1%	9.2%
Median		0.5%	6.5%	5.6%
% Positive		50.0%	75.0%	87.5%

Source: LPL Research, Bloomberg 01/10/22

All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

Russia/Ukraine Conflict:

We hope, for the sake of humanity, we are close to a peaceful resolution even though the past couple of months have been anything but peaceful. Soaring energy prices usually coincide with weak equity prices. In our opinion, we do not believe that \$130-\$140 oil is sustainable over the long term. While we could see more energy price spikes over the next few months, we do not see this as a long-term issue. We can refer to one of our favorite quotes: "The solution to high oil prices is high oil prices."

Investors, analysts, and economists have been pointing to signs of an impending recession in the US. Consumer sentiment has been declining rapidly. The yield curve (2-Year & 10-Year yields) inverted temporarily at the end of March (listen to podcast episodes #140 & #141 for further discussion on the yield curve). While it may be true that the US will enter into a recession, not all recessions are built the same.

There have been 11 recessions since 1950. Some have been short, and some long. If the US does enter a recession, we believe it will be short relative to other recessionary environments since there are not many places to invest money and earn a decent return given the interest rate environment we are in.

We must remember that the stock market bottoms before the news cycle improves. The most remarkable example of this recently was the COVID sell-off in March 2020. Even though there may be a recession on the horizon, money will not sit in cash forever and will need to find a home to generate returns.

In closing, we view the overall market as favorable. However, we still do not think it is wise to take on speculative risk at this time. This continues to be a time to invest for your risk tolerance as well as goals and objectives.

Regards,

Market Update Recap: <https://youtu.be/86Hi8fC5xvs>

Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Past performance is not indicative of future results.

**Our weekly Podcast covers investor questions!
We would encourage you to subscribe!**



"The Independent Advisors" podcast produced by Mark McEvily, Matt Jessup and Jenna Rittenhouse focuses on investing and financial planning. You will hear tips, tricks and strategies to address your financial well-being and most importantly, conveyed in a way that everyone can understand.

The podcast is available through Apple Podcasts (iTunes), Amazon Music (just ask Alexa to "play the Independent Advisors podcast"), Spotify, Breaker, Stitcher, IHeartRadio & YouTube. There is a tab on our website (www.jessupwealthmanagement.com) dedicated to the podcast where you will be able to find links to every episode. You can also subscribe by email at www.blubrry.com/the_independent_advisors/

We are taking listener questions! Email, inquiries@jessupwealthmanagement.com, for anything you want us to explain, debate or highlight in our weekly podcasts!

Financial Planning Topic of the Month

Key Numbers for 2022

Presented by Mark McEvily

Individual Income Tax	
Unmarried Individual (Other than Surviving Spouse and Head of Household)	
If taxable income is:	The tax rate of taxable income is:
\$10,275 or less	10% of the taxable income
\$10,276–\$41,775	\$1,027.50 plus 12% of the excess over \$10,275
\$41,776–\$89,075	\$4,807.50 plus 22% of the excess over \$41,775
\$89,076–\$170,050	\$15,213.50 plus 24% of the excess over \$89,075
\$170,051–\$215,950	\$34,647.50 plus 32% of the excess over \$170,050
\$215,951–\$539,900	\$49,335.50 plus 35% of the excess over \$215,950
\$539,901 or greater	\$162,718 plus 37% of the excess over \$539,900
Married Individual Filing Jointly and Surviving Spouse	
\$20,550 or less	10% of the taxable income
\$20,551–\$83,550	\$2,055 plus 12% of the excess over \$20,550
\$83,551–\$178,150	\$9,615 plus 22% of the excess over \$83,550
\$178,151–\$340,100	\$30,427 plus 24% of the excess over \$178,150
\$340,101–\$431,900	\$69,295 plus 32% of the excess over \$340,100
\$431,901–\$647,850	\$98,671 plus 35% of the excess over \$431,900
\$647,851 or greater	\$174,253.50 plus 37% of the excess over \$647,850
Married Individual Filing Separately	
If taxable income is:	The tax rate of taxable income is:
\$10,275 or less	10% of the taxable income
\$10,276–\$41,775	\$1,027.50 plus 12% of the excess over \$10,275
\$41,776–\$89,075	\$4,807.50 plus 22% of the excess over \$41,775
\$89,076–\$170,050	\$15,213.50 plus 24% of the excess over \$89,075
\$170,051–\$215,950	\$34,647.50 plus 32% of the excess over \$170,050
\$215,951–\$323,925	\$49,335.50 plus 35% of the excess over \$215,950
\$323,926 or greater	\$87,126.75 plus 37% of the excess over \$323,925
Head of Household	
If taxable income is:	The tax rate of taxable income is:
\$14,650 or less	10% of the taxable income
\$14,651–\$55,900	\$1,465 plus 12% of the excess over \$14,650
\$55,901–\$89,050	\$6,415 plus 22% of the excess over \$55,900
\$89,051–\$170,050	\$13,708 plus 24% of the excess over \$89,050
\$170,051–\$215,950	\$32,145 plus 32% of the excess over \$170,050
\$215,951–\$539,900	\$46,385 plus 35% of the excess over \$215,950
\$539,901 or greater	\$161,218.50 plus 37% of the excess over \$539,900

Trusts and Estates	
If taxable income is:	The tax is:
\$2,750 or less	10% of the taxable income
\$2,751–\$9,850	\$275 plus 24% of the excess over \$2,750
\$9,851–\$13,450	\$1,979 plus 35% of the excess over \$9,850
\$13,451 or greater	\$3,239 plus 37% of the excess over \$13,450

Qualified Business Income

For taxable years beginning in 2021, the threshold amount under Section 199A(e)(2) is \$340,100 for married individuals filing jointly and \$170,050 for married individuals filing separately, unmarried individuals, and heads of households.

[The Tax Cuts and Jobs Act](#) (TCJA) reduced the U.S. federal corporate income tax rate from 35 percent to 21 percent.

Standard Deductions			
Married Filing Jointly and Surviving Spouse	\$25,900	Married Filing Separately	\$12,550
Single	\$12,950	Head of Household	\$19,400

Kiddie Tax
Applies to unearned income exceeding \$2,300 for children younger than 18 (and full-time students ages 19–24 whose earned income does not exceed half of their support for the year).
The TCJA modified the tax rates and brackets to calculate the tax on unearned income. The SECURE Act of 2019, however, rolled back the kiddie tax to pre-2018 rules. Therefore, net unearned income over the threshold amount of \$2,300 for 2022 is taxed using the parents' tax rates.

AMT		
	Exemption	Phaseout
Married Individual Filing Jointly and Surviving Spouse	\$118,100	\$1,079,800
Single	\$75,900	\$539,900
Married Individual Filing Separately	\$59,050	\$539,900
Trusts and Estates	\$26,500	\$88,300

Long-Term Capital Gains and Qualified Dividend Tax			
Capital Gains Tax Rate	Unmarried	Married Filing Jointly	
20%*	\$459,751 or greater	\$517,201 or greater	
15%*	\$41,676–\$459,750	\$83,351–\$517,200	
0%	\$0–\$41,675	\$0–\$83,350	
* Additional 3.8 percent unearned income Medicare contribution tax applies to the lesser of net investment income or modified adjusted gross income (MAGI) above the following thresholds:			
Married Filing Jointly	\$250,000	Married Filing Separately	\$125,000
Single	\$200,000	Head of Household	\$200,000

Health Savings Account (HSA) Maximum Contribution Limits

Self-Only Coverage	If younger than 55: \$3,650 If ages 55–65: \$4,650
Family Coverage	If younger than 55: \$7,300 If ages 55–65: \$8,300

Retirement Plan Limits

401(k), SARSEP, Section 457(b), 403(b) Elective Deferral Limit	\$20,500
Age 50+ Catch-Up for 401(k), SARSEP, 457(b), 403(b)	\$6,500
SIMPLE Elective Deferral Limit	\$14,000
Age 50+ Catch-Up for SIMPLE IRA	\$3,000
Traditional and Roth IRA Contributions	\$6,000
Age 50+ Catch-Up for IRA and Roth IRA	\$1,000
Section 415 Limit (Defined Contribution Plan)	\$61,000
Defined Benefit Plan Benefit Limit	\$245,000
Annual Compensation Limit for QRP, SEP, and 403(b)	\$305,000
Highly Compensated Definition	\$135,000
Control Employee	\$120,000
Key Employee in Top-Heavy Plan Definition	\$200,000

IRA Deduction Phaseout for Active Participants

Filing Status	Starting at:	Fully Phased Out at:
Single or Head of Household	\$68,000	\$78,000
Married Filing Jointly or Qualifying Widow(er)	\$109,000	\$129,000
Married Filing Jointly and Spouse Is Active Participant in an Employer Plan	\$204,000	\$214,000
Married Filing Separately and Either Spouse Is Active Participant in an Employer Plan	\$0	\$10,000

Roth Contribution Income Limits

Filing Status	Starting at:	Fully Phased Out at:
Single	\$129,000	\$144,000
Married Filing Jointly	\$204,000	\$214,000
Married Filing Separately	\$0	\$10,000

Business Health Insurance

Health Insurance Premium Deduction for Self-Employed	100%
Limit on Employee Health Insurance Credit for Small Employers	\$28,700

Education Planning

U.S. Savings Bond Income Exclusion Phaseout	Modified AGI \$128,650–\$158,650 (joint) Modified AGI \$85,800–\$100,800 (others)
Coverdell Education Savings Account (Education IRAs) Annual Contribution Limit	\$2,000
Coverdell Education Savings Account Phaseout	Modified AGI \$190,000–\$220,000 (joint) Modified AGI \$95,000–\$110,000 (others)
\$2,500 American Opportunity Tax (HOPE) Credit Phaseout	Modified AGI \$160,000–\$180,000 (joint) Modified AGI \$80,000–\$90,000 (others)
\$2,000 Lifetime Learning Credit Phaseout	Modified AGI \$160,000–\$180,000 (joint) Modified AGI \$80,000–\$90,000 (others)
Phaseout of \$2,500 Interest Deduction on Education Loans	Modified AGI \$145,000–\$175,000 (joint) Modified AGI \$70,000–\$85,000 (others)

Federal Estate and Gift Tax

Annual Gift Tax Exclusion per Donee	\$16,000
Annual Gift Exclusion to Non-U.S.-Citizen Spouse	\$164,000
Estate Tax Exemption	\$12,060,000
Lifetime Gift Tax Exemption	\$12,060,000
Generation-Skipping Transfer Tax Exemption	\$12,060,000
Special Use (Section 2032A) Valuation Reduction	\$1,230,000

Long-Term Care Premium Deductions

Qualified LTC Insurance Deductions: Subject to 10 Percent of AGI Medical Expense Floor

Age	Limit
40 and younger	\$450
41–50	\$850
51–60	\$1,690
61–70	\$4,510
71 and older	\$5,640

Please note: Indemnity policy benefit payments that exceed the higher of the cost of long-term care or \$400 per day will be taxed as income.

Medicaid

Community Spouse Resource Allowance	\$27,480 minimum; \$137,400 maximum
Monthly Maintenance Allowance	\$2,523 minimum; \$3,435 maximum
Home Equity Limit	\$636,000 (state can opt to increase to \$955,000)
"Income Cap" State Income Limit	\$2,523

Social Security

CPI Increase in Benefits	5.9%
Maximum Monthly Benefit at Full Retirement	\$4,194 month
Retirement Earnings Exempt Amount Under FRA	\$19,560; \$1 withheld for every \$2 earned more than this amount
Retirement Earnings Exempt Amount Year of FRA	\$51,960; \$1 withheld for every \$3 earned more than this amount

Medicare	
Medicare Part A (if applicable) Monthly Premium	\$471 for fewer than 30 quarters of coverage \$259 for between 30 and 39 quarters of coverage
Medicare Part A Deductible and Coinsurance	\$1,556 for 1–60 days An additional \$389 for 61–90 days \$778 for 91–150 days All costs for more than 150 days
Medicare Part A Deductible for Skilled Nursing Facility in a Benefit Period	\$194.50 per day during 21–100 days
Medicare Part B Deductible	\$233 per year

Medicare Premium			
		Individual Filer	Married Filing Jointly
Medicare Part B Monthly Premium Some Medicare beneficiaries may pay less if certain conditions are met.	\$170.10	\$0–\$91,000	\$0–\$182,000
	\$238.10	\$91,001–\$114,000	\$182,001–\$228,000
	\$340.20	\$114,001–\$142,000	\$228,001–\$284,000
	\$442.30	\$142,001–\$170,000	\$284,001–\$340,000
	\$544.30	\$170,001–\$499,999	\$340,001–\$749,999
	\$578.30	\$500,000 or greater	\$750,000 or greater
Medicare Part D Deductible	The amount paid for Part D deductibles, copayments, and/or coinsurance varies by plan.		
Medicare Part D Monthly Premium Surcharge	(no surcharge)	\$0–\$91,000	\$0–\$182,000
	\$12.40 + plan premium	\$91,001–\$114,000	\$182,001–\$228,000
	\$32.10 + plan premium	\$114,001–\$142,000	\$228,001–\$284,000
	\$51.70 + plan premium	\$142,001–\$170,000	\$284,001–\$340,000
	\$71.30 + plan premium	\$170,001–\$499,999	\$340,001–\$749,999
	\$77.90 + plan premium	\$500,000 or greater	\$750,000 or greater

Please note: Medicare premiums are based on MAGI from two years prior to the current premium year. These 2022 Medicare premium costs and thresholds are based upon 2020 MAGI.

Payroll Taxes		
	Employee	Self-Employed
Social Security Tax	6.2%	12.4%
Social Security Wage Base	\$147,000	
Medicare Tax	1.45%	2.9%
Additional Medicare Tax	0.9% on Earnings Higher than the Following Thresholds:	
Single or Head of Household	\$200,000	
Married Filing Jointly	\$250,000	
Married Filing Separately	\$125,000	

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Practice Update

Dayton Art Institute tickets are up for grabs!

We are giving away 15 sets of tickets! Tickets cover admission to DAI's Collection and Special Exhibitions, courtesy of Jessup Wealth Management! Tickets are first-come, first-serve. Please email jenna@jessupwealthmanagement.com to secure your tickets!

JWM Phone tree, COMING SOON!

We will be implementing a phone tree to help funnel inquiries and direct you to the most appropriate team member! Our goal is to minimize line transfers and wait times and get you to the person who will best assist you with anything and everything you may need. We look forward to speaking with you soon!

Implementing Calendly

We are pleased to announce that JWM is implementing an improved process that will streamline the communication and confirmation of review meetings. Going forward, you will receive email notifications from Calendly, a best-in-class software used to schedule and confirm client meetings. This notification will replace the call you previously received a week prior to your scheduled meeting. You will now receive email reminders one week and 24 hours prior to your meeting. If you need to cancel or reschedule your meeting, there will be a link to do so in the email reminders and calendar invites. As always, you are welcome to call the office to cancel or reschedule your meeting. Please keep us informed of your preferred email address and let us know of any changes.



Special Holiday Hours



- Our office will be closing early on April 14th. We will be in the office from 9:00 am to 12:00 pm. From 12:00 pm to 4:00 pm, you can reach us remotely via our office phone.
- Our office will be closed on April 15th in observance of Good Friday.

Our growth allows us to advise more clients!

We have added amazing new hires to the team and are even increasing our physical office footprint! This growth equips JWM with all the tools to allow us to advise more clients, while maintaining the premium quality of service we pride ourselves on! We would greatly appreciate your client referrals. Let us care for those you care about!

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