

## Table of Contents

- ✓ Market Update
- ✓ The Independent Advisors Podcast
- ✓ Financial Planning Topic of the Month
- ✓ Special Holiday Hours

### Market Update

After a strong few weeks to end the first quarter of 2022, stocks resumed their downtrend during April. The S&P 500 is now off to its third-worst start to a year in the post WWII period (Source: Bespoke Investment Group). Below are the April returns for popular benchmarks that investors track (Data provided by Stockcharts.com & Commonwealth Financial Network):

- S&P 500 Index: **-8.80%**
- Dow Jones Industrial Average: **-4.91%**
- Nasdaq Composite Index: **-13.26%**
- Russell 2000 Index: **-9.90%**
- S&P Target Moderate Risk Index: **-5.33%**

Please bear with me as this market update is a bit longer than most. Due to ongoing market volatility, we plan to increase our communication to keep all clients informed.

The main culprits we have discussed so far year-to-date have continued driving volatility and selling in the equity markets:

- Inflation
- Interest Rate Hikes
- Russia/Ukraine conflict
- Supply Chain Issues

The news of severe lockdowns in China to contain recent COVID outbreaks can be added to the list above that has shaken investors. The fear with this is that it will further delay the normalization of supply chains just as we were beginning to see the light at the end of the tunnel. China's zero COVID policy is expected to affect global economies over the next several months.

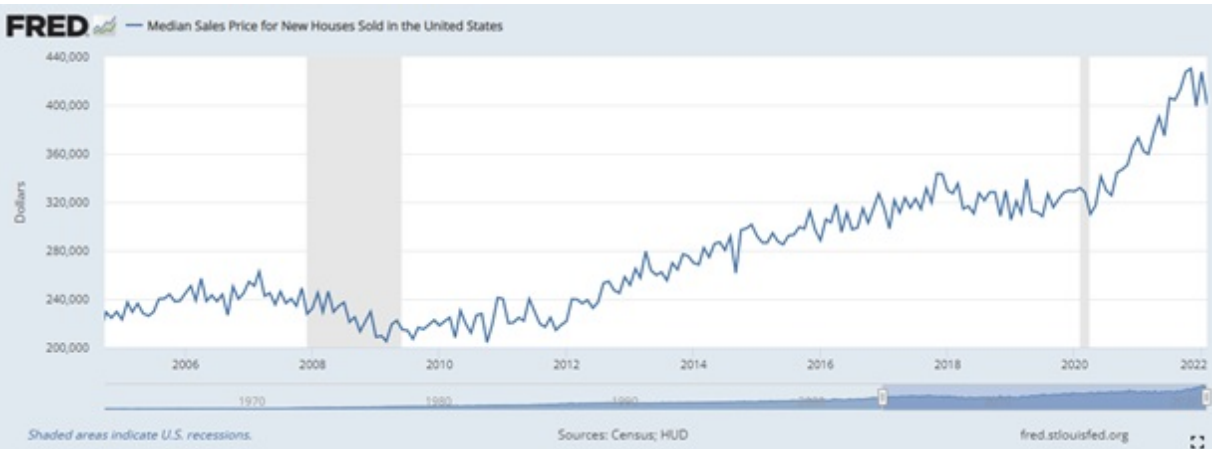
There have been virtually 0 vessels leaving China's ports in the past few weeks, which means we could experience supply chain issues akin to those seen in 2020. This has now become the biggest threat to inflation. According to the United Nations Statistics Division,

in 2019, China's share of global manufacturing was a world-leading 28.7%. For the US, the fear is that we could experience severe port congestion (again) in the next few months.

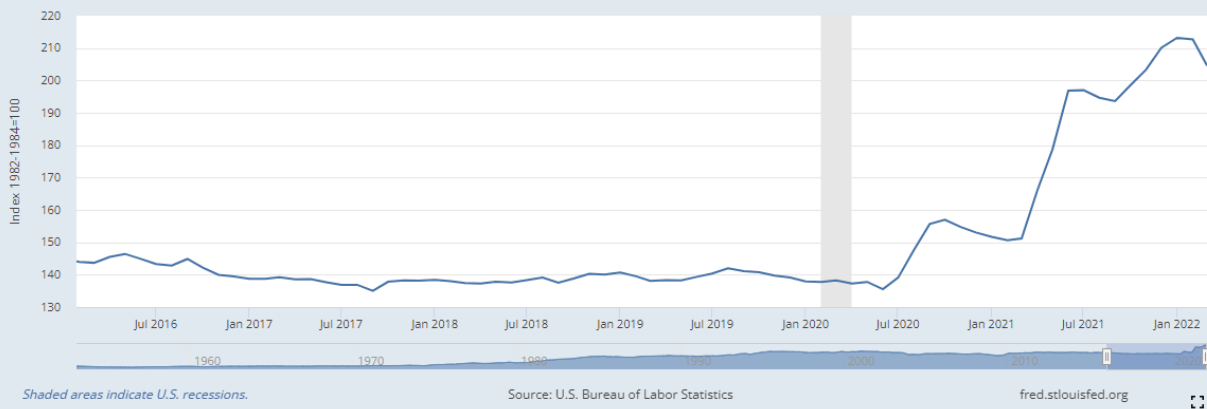
It is public knowledge that President Xi intends to "reunite" Taiwan with China. The US and several other countries are highly dependent on imports from China. If this were to occur, with all the other issues we've discussed, the world economy would face unprecedented challenges.

We have recently seen some data that points to inflation decelerating in the US and supply chains moderating, which is positive for the economy:

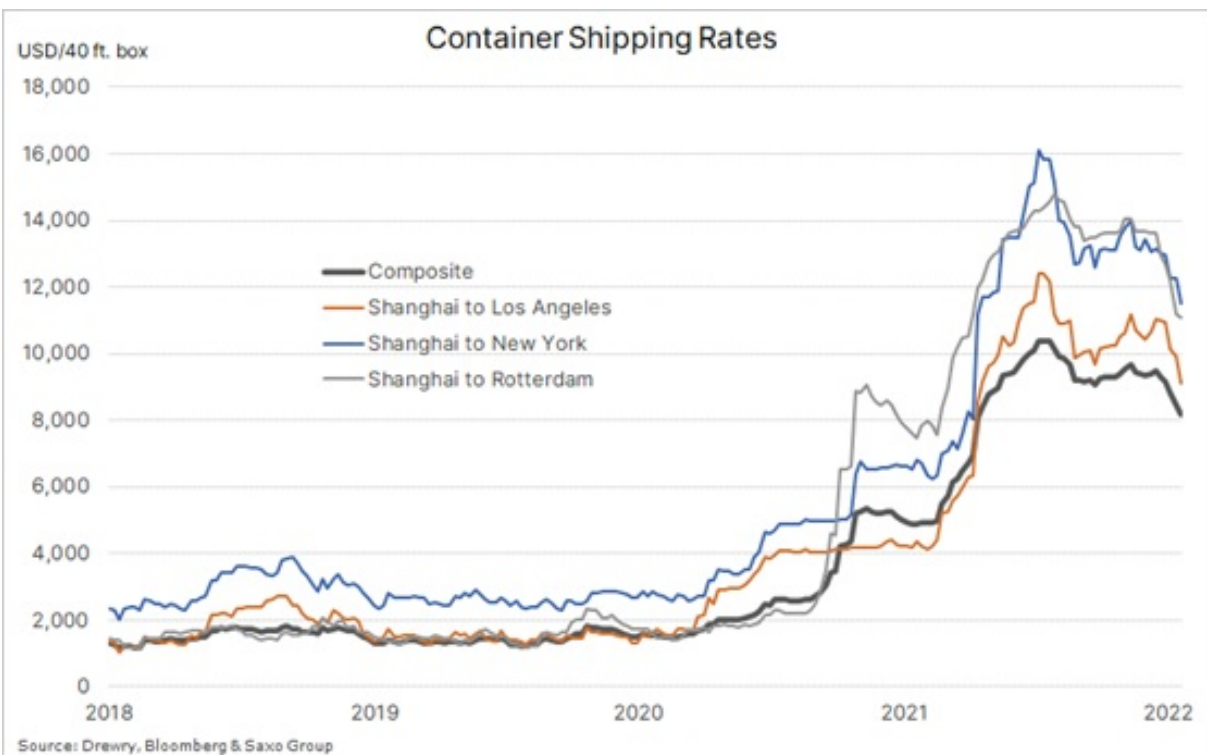
- The median sales price for new houses sold in the US has started to roll over as average mortgage rates have jumped to their highest level since 2010. Building permits, housing starts, new home sales, and pending home sales all declined at the end of March compared to one year ago.



- The National Association of Realtors expects existing home sales to decline 9% in 2022.
- Used auto prices have fallen from their peak. Prices still have much more work cut out to get back to normal levels, but it's a start.



- The Labor Force Participation Rate continues to climb higher. As more people join the workforce, businesses will not have to pay as much to hire and should tame wage inflation to a certain extent over time.
- Shipping Rates have fallen drastically since their peak in 2021.



While these data points are encouraging, the global economy is still grappling with the War in Ukraine, and now lockdowns in China, which could further hinder supply chain normalization and prolong inflation.

Bonds tend to "soften the blow" when equity prices are under pressure. However, bonds have had one of their worst starts to the year looking back at history and have been falling along with stocks. This can be attributed to the Federal Reserve's aggressive rate hiking campaign.



We are awaiting the next Federal Reserve meeting on May 3rd-4th. The central bank has pointed to multiple rate hikes throughout the remainder of the year. However, Q1 2022 GDP came in at a decline of (1.4%), putting the economy one quarter closer to a recession (need 2 consecutive quarters of negative GDP growth to "count" as a recession). This may give Fed Chair Jerome Powell another thing to think about in regards to hiking interest rates too aggressively.

We will continue to be proactive in client portfolios when it is necessary. Most client portfolios that have discretionary trading authority have an above-average cash position as we reduced risk during the month of April. We will continue to evaluate risk and may use short-term strength in the market to further reduce market exposure.

To say the current news cycle is negative would be an understatement. It is difficult to see past the next few weeks. However, things will get better. It may take some time, but we remain extremely optimistic in our long-term view of the markets. Stocks have endured difficult times in the past and have persevered in the end. Now is one of those times. We believe the outcome will be no different.

"Down cycles are not fun. But they form the basis for enormous future profitability."  
-Steven A. Schwarzman

Regards,

Mark McEvily  
Chief Investment Officer

**Market Update Recap:** <https://youtu.be/GuO9byYUJ4g>

*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!**

MARK MCEVILY

MATTHEW JESSUP



# THE INDEPENDENT ADVISORS

OUR WORLD OF FINANCIAL MARKETS &  
FINANCIAL PLANNING

EST. 2019

“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](http://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/](http://www.blubrry.com/the_independent_advisors/)

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

---

## Financial Planning Topic of the Month

**By: Taylor Ledbetter**

There are a few misunderstandings regarding paying taxes on social security benefits. One common misconception is how much your social security benefit will be lost to taxes.

After retirement, if you have earned income from wages or investments, social security benefits are generally taxable. Therefore, it is crucial to understand when this tax is triggered because this can help reduce the tax burden.

### **Determining Social Security Tax**

When calculating taxable income, no more than 85% of your social security benefit is included. Actual tax is calculated by modified adjusted gross income (MAGI) and marginal tax rates if your state taxes social security benefits.

## Calculating MAGI

To determine if your social security benefits are taxable, you need to calculate your MAGI. You and your spouse need to add the following:

1. 50% of social security retirement benefits
2. All income, including tax-exempt interest

If your spouse does not receive benefits, you still must add your spouse's income to yours to determine if your social security benefits are taxable.

Once you have calculated your MAGI, you need to compare it with the base amount. The base amount is the maximum combined income you can earn or receive before social security benefits are taxable.

Your base amount is:

- \$25,000 if you are single, head of household, or a qualifying widow(er)
- \$25,000 if you are married, filing separately, and lived apart from your spouse for the entire tax year
- \$32,000 if you are married, filing joint
- \$0 if you are married, filing separately, and lived with your spouse at any time during the tax year

Your social security benefit is taxable if your MAGI is greater than the base amount. Up to 50% of benefits are taxable for retirees most of the time. Up to 85% can be taxable if one of the following situations applies:

- The total of one-half of benefits and all other income is more than \$34,000 (\$44,000 if an individual is married filing jointly).
- You were married, filing separately, and lived with your spouse at any time during the tax year.

IRS Publications 915 provides detailed information, including examples and worksheets to help you with this calculation.

## Strategizing to Help Minimize Taxes

The best strategy to minimize taxes on social security retirement benefits is to reduce MAGI. If cash flow is not an issue, consider delaying your application for social security until your taxable income is lower. This can increase your future benefits by as much as 8% per year.

## Your Retirement Portfolio

To minimize taxes on your social security retirement benefits, you must consider your other retirement income and possible tax deductions. But taxes are not the only factor to consider when making investment choices for your retirement portfolio.

Mark McEvily

Jessup Wealth Management

35 Park Avenue Dayton, OH 45419

937.938.9105

---

## Special Holiday Hours



- Our office will be closing early on Friday, May 27th. 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 Monday, May 30th, in observance of Memorial Day.

---

### **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!**

**Jessup Wealth Management Inc.**

Office: 937-938-9105

Address: 35 Park Ave, Dayton, OH 45419

[www.jessupwealthmanagement.com](http://www.jessupwealthmanagement.com)

*Advisory services offered through Commonwealth Financial Network®, a Registered Investment Advisor.*

---

