



JESSUP WEALTH  
MANAGEMENT

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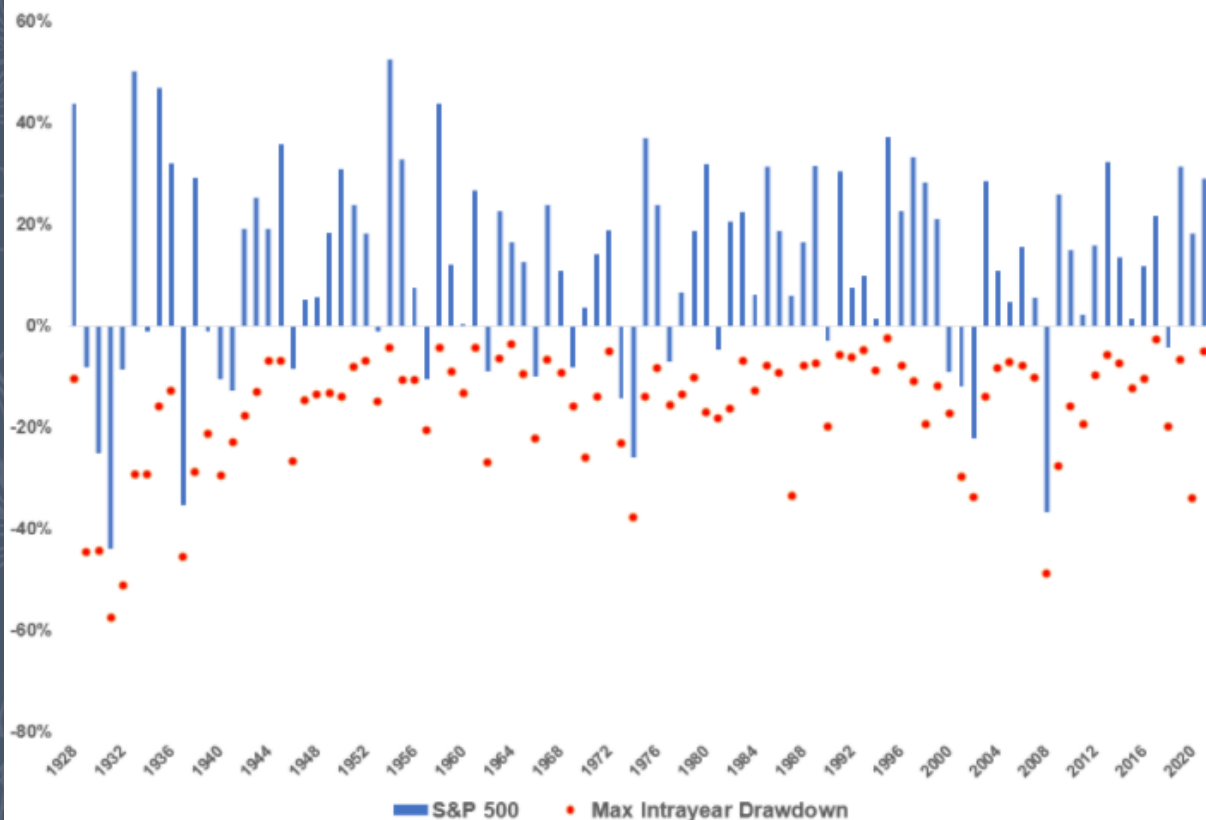
The first month of 2022 was not overly kind to the stock market after a strong finish to 2021. Below are the January returns for popular benchmarks that investors track (Data provided by Stockcharts.com & Commonwealth Financial Network):

- S&P 500 Index: **-5.26%**
- Dow Jones Industrial Average: **-3.32%**
- Nasdaq Composite Index: **-8.98%**
- Russell 2000 Index: **-9.53%**
- S&P Target Moderate Risk Index: **-2.98%**

The month of January has no doubt left investors with a sour taste in their mouths. However, it is not abnormal for the stock market to go through volatile periods like we are experiencing today. As we noted in our market update we sent last week, the average year for the S&P 500 (since 1980) experiences a -14% pullback at some point during the year. In midterm election years (since 1950), the average pullback in the S&P 500 has been -17% (Source: LPL Financial Research).

The chart below shows returns for the S&P500 going back to 1928 along with the intra year drawdowns. We define the term "drawdown" as the peak to trough decline in a financial asset (Source: A Wealth of Common Sense)

## S&P 500 Annual Returns: 1928-2021



As you can see in the chart above, just because markets pull back during the year doesn't necessarily mean that the full year's return will be negative. A recent example is the COVID-related crash in 2020. In March of 2020, it seemed impossible to think that markets would end the year in the green on December 31st. However, that is exactly what happened.

Inflation is the most pressing concern for investors in 2022. This is a good time to remind participants in the financial markets that this is why we invest in the first place. We invest to protect our purchasing power over time so that inflation does not devalue our dollars.

The Federal Reserve is set to raise interest rates several times this year. The narrative is that stocks cannot advance when the Fed is raising rates. However, I wanted to provide some data that shows how stocks performed during previous cycles of rising interest rates (Source: Strategas).

### Index Performance During Periods of An Increasing Fed Funds Target Rate (Annualized)

Index	1/31/1994 2/28/1995	5/31/1999 5/31/2000	5/31/2004 6/30/2006	11/30/2015 12/31/2018	Average (Sorted)
Technology	20.0%	47.5%	0.0%	15.0%	20.6%
Real Estate	NA	NA	20.4%	3.6%	12.0%
Energy	4.4%	11.8%	33.6%	-2.3%	11.9%
Health Care	20.3%	9.2%	0.8%	8.5%	9.7%
Utilities	-3.9%	5.1%	20.9%	11.2%	8.3%
<b>S&amp;P 500</b>	<b>4.1%</b>	<b>10.5%</b>	<b>8.1%</b>	<b>8.4%</b>	<b>7.8%</b>
Industrials	0.6%	10.9%	12.4%	6.7%	7.7%
Financials	2.6%	1.7%	8.9%	8.2%	5.3%
Discretionary	-6.4%	3.8%	3.9%	8.3%	2.4%
Materials	0.5%	-11.6%	14.1%	5.6%	2.1%
Staples	13.8%	-15.1%	5.1%	4.0%	1.9%
Communications	-3.1%	-9.3%	12.5%	2.7%	0.7%

The data shows that stocks have advanced in prior rate hike cycles. We do not believe that the Fed would raise interest rates if they didn't think the economy could handle it.

It is tough to look past current market volatility, but this too shall pass.

We continue to believe we are in a two-step-forward, one-step-back type of market.

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

Regards,

Mark McEvily  
Chief Investment Officer

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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: JWM Wealth Advisor, Taylor Ledbetter

## Revocable Trust vs. Irrevocable Trust

A trust allows you to plan for managing assets during your life and after. The creator of the trust is called a grantor. The grantor decides how and when assets will be passed down to beneficiaries. The grantor also names a third party, a trustee, who is responsible for managing assets held in the trust and any other financial affairs. This includes tax filings for the trust and asset distribution according to the terms of the trust. The two most common types of trusts are a revocable trust and an irrevocable trust. These trusts serve the same purpose but have a few important differences.

The owner of a revocable trust may change its terms at any time. They can remove beneficiaries, designate new ones, and modify how assets within the trust are managed. This trust helps assets avoid probate while retaining control of the assets during the grantor's lifetime. The main drawbacks are that there are no tax benefits or creditor protection.

If a grantor creates an irrevocable trust, they cannot modify or terminate the trust without approval from the beneficiary or beneficiaries of the trust. The reasoning for this inflexibility is when the trust maker signs the documents for an irrevocable trust, all ownership rights to the assets are removed. Because of this, irrevocable trusts are often used to remove assets from a person's estate, which helps reduce estate taxes. Even though an irrevocable trust allows you to save on taxes and creditor protection, the main drawback is losing control over assets.

When choosing between a revocable and irrevocable trust, the key factors to evaluate include:

- **Degree of control.** Is it essential for you to retain control over the assets during your lifetime, or are you comfortable relinquishing control?
- **Tax Shelter.** Do you want to reduce estate taxes in the future by removing those assets from your estate?
- **Creditor Protection.** Are you concerned creditors may try to seize your assets?

Maintaining control is your primary concern; a revocable trust is probably best. But, if you're more concerned about taxes or creditors, an irrevocable trust is the better choice.



## Special Holiday Hours

- Friday, February 18th, we will be in the office from 9:00 am to 12:00 pm and our receptionist will be available by phone from 12:00 pm till the markets close at 4:00 pm.
- Monday, February 21st, we will be closed in celebration of President's 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!**

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

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