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### Market Update

Stocks ended the month down after a strong rally in July. Below are the August returns for popular benchmarks that investors track (Data provided by Y-Charts & Commonwealth Financial Network):

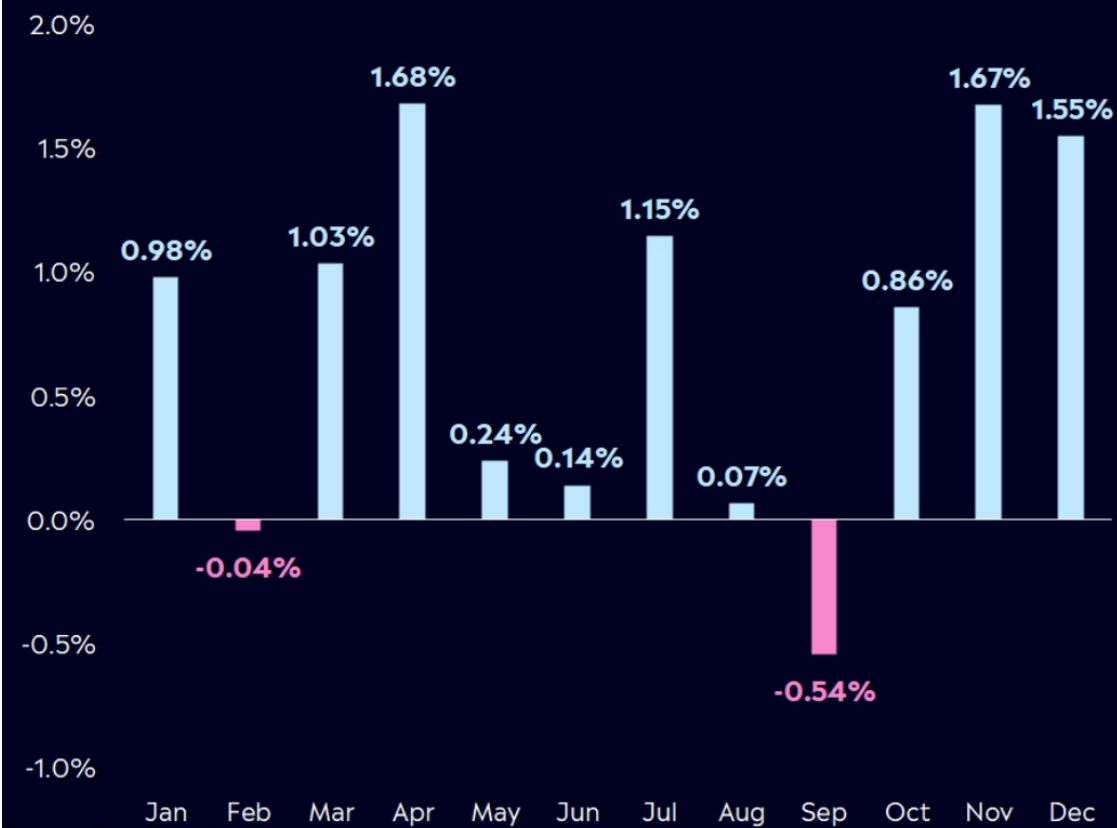
- S&P 500 Index: **-3.5%**
- Dow Jones Industrial Average: **-3.2%**
- Nasdaq Composite Index: **-4.1%**
- Russell 2000 Index: **-1.4%**
- S&P Target Risk Moderate Index: **-1%**

The strength in stocks continued throughout the first half of the month. However, the combination of the S&P 500 tagging its downward sloping 200-day moving average on August 16th and Fed Chair, Jay Powell's speech from Jackson Hole on August 26th, sent markets lower in the second half of the month.

A lot was made out of the 8-minute Speech from the Fed Chair last week. In our opinion, nothing that was said in the speech surprised us. The Fed has been consistent all year in their plan to do whatever is necessary to bring down inflation. We believe investors were looking for the Fed to "pivot" and announce they would not have to be as aggressive with interest rate hikes throughout the rest of the year. The words "economic pain" and "slow growth" spooked investors to the point where the S&P 500 sold off approximately 3.5% last Friday. Jay Powell's speech has not changed our outlook for the rest of the year. We continue to believe the market will move higher between now and year-end.

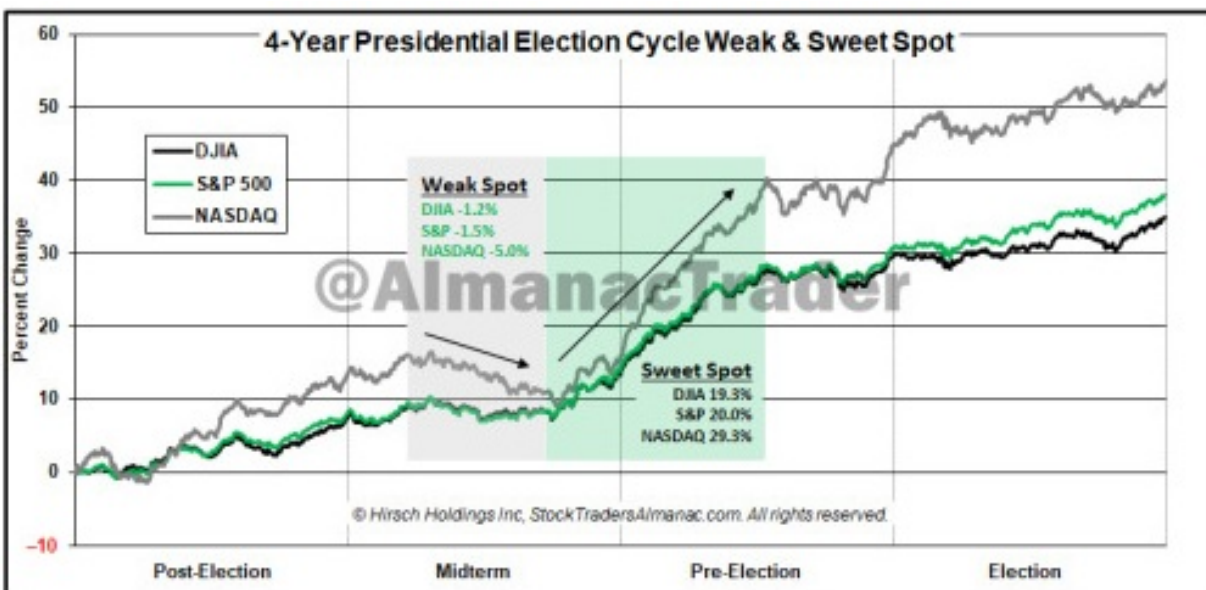
As outlined in the chart below, September has been the weakest month of the year for the S&P 500 since 1950 (on average). If you look a little further out, October, November, and December tend to be stronger than average. Anything can happen between now and the end of the year, however, investors will have the wind at their backs going into Q4.

## S&P 500's Average Returns Since 1950 (by Month)



Source: eToro, Bloomberg

Like we have mentioned previously this year, we are on the tail end of the weakest period of the 4-year presidential cycle for the stock market. Historically, stocks tend to struggle in the second year of the presidency, leading up to the midterm elections. Luckily, the "weak spot" is followed by the "sweet spot" of the 4-year cycle which tends to last from Q4 of the midterm year through Q2 of the pre-election year. As always, we cannot assume the market will play out exactly as it has in the past, but we can use history as our guide to navigate the markets throughout the rest of the year and beyond.



As always, please reach out to our team with any questions you may have.

Regards,

Mark McEvily

*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.*

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## Join us LIVE for an interactive Market Recap hosted by JWM Advisors on Zoom! - Registration Required

On Tuesday, September 6th at 5:30 pm EST, Mark McEvily and Taylor Ledbetter will be hosting a Zoom video conference for all email subscribers. Our hope is to use Zoom's platform to communicate in real-time with everyone simultaneously. During this meeting, you will receive a brief market update. The conversation will then be opened up for Q&A. We will answer any questions you may have regarding various topics we have discussed in the recent market updates and current events/news happening in our world today.

### Important details to note:

- The maximum capacity of this zoom meeting is 100 participants.
- **REGISTRATION is REQUIRED**. Please pre-register now to secure your spot. (Link to register below)
- To stay organized and efficient, all participants will be automatically muted upon entry. During the Q&A we will walk you through how to unmute your microphone and ask your question(s) out loud.

### Registration:

Register in advance for this meeting on September 6, 2022 05:30 PM EST with this link:

<https://us02web.zoom.us/meeting/register/tZMucu6qrD4qHdAhLwV2BBRoXvq4Bxe7fnIS>

After registering, you will receive a confirmation email containing information and links necessary to joining the meeting when the time comes. Keep this email somewhere safe so that you can easily reference it.

### Privacy:

To maintain your personal privacy and join our zoom anonymously, please follow the instructions provided:

[How to Join a Zoom Meeting Anonymously - All Things How](#)

### Password:

If Zoom prompts you to enter a password, before entering the meeting, input the following: **JWM**

We look forward to speaking with you soon!

The Jessup Wealth Management Team

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**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!

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## Financial Planning Topic of the Month

**By: Taylor Ledbetter**

### **Employee Stock Options**

Employers use stock options to compensate, retain, and attract employees. Stock options allow employees to buy shares of the company's stock at a certain price for a given period of time. This is a way for employees to participate in the company's potential growth, and it helps incentivize their work.

Stock options are issued, or "granted," at a price set by the employer company, called the "strike price." Typically, a vesting schedule must be satisfied before the employee can exercise the options. Vesting is the process of gaining 100% ownership of an asset. This typically happens over time, and every employer has a different vesting schedule.

Once a stock option has been granted and is fully vested, the employees can purchase the shares at the strike price or "exercise the option." Once the options are exercised, the employee has the freedom to either sell the stock immediately or wait before selling the stock option. There are two primary stock options: incentive stock options (ISOs) and



nonqualified stock options (NQSOs).

Under the Internal Revenue Code, properly structured ISOs are eligible for preferential tax treatment. If an employee is granted an ISO, there is no taxable income upon the grant date. There is also no ordinary income or capital gains tax upon the exercise of an ISO. The shares must be sold at least two years after the ISO grant date and one year after the ISO exercise to receive long-term capital gain tax treatment on any gain from the sale. This holding period requirement also applies to NQSOs.

NQSOs are generally subject to higher taxes than ISOs because they are taxed on two separate occasions. First, when you exercise NQSOs and opt to purchase company shares, the difference between the market price of the shares and the strike price is called the "bargain element." The bargain element is taxed as compensation, which means you'll need to pay ordinary income tax on that amount. When company shares are sold, the gain will also be subject to long-term capital gains tax treatment if you meet the holding period requirements.

Stock options can play an important role in your portfolio and provide the opportunity to build significant wealth. A clear understanding of what kind of stock options are available to you and how they are taxed is essential to maximize your benefits. In addition, stock options can give you an advantage for retirement and provide diversity within your portfolio.

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### **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.*

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