



FINANCIAL FOCUS:

A Pegasus Newsletter[©]

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Dear friends, Summer has gone by quicker than ever and the leaves are already starting to turn. Although the seasons are changing the financial issues of this year remain the same. Stubborn inflation with a tightening Fed, a perpetually rising dollar, high heating costs and the continuing war in Ukraine are setting up for an unusually cold winter (with all due respect to the Farmers Almanac). However, spring always comes and with our strong banking system, exciting new technologies, low unemployment and American entrepreneurship, the future has a distinctly brighter outlook.

Our new analyst, Jaysen Bohrod, assisted in writing this newsletter and will be taking over starting next year. Please give us your feedback. We always enjoy hearing from you.

By, Rodd D. Berro

Market Commentary

The S&P 500 has given back the gains made in July and August to reach new lows, officially down 4.82% for the quarter and 24.36% for the year. The technology heavy Nasdaq has fared even worse, with quarterly and yearly performance of -12.19% and -33.19% respectively. Small cap stocks, measured mainly by the Russell 2000 index, were down 8.6% for the quarter and 25.34% since January 1. Expectations for additional rate hikes by the Federal Reserve, due to continuously high inflation numbers and a very strong labor environment, are weighing on investor sentiment creating more uncertainty for the short term.

Volatility in the oil markets is expected to continue as well, with the price per barrel closing

at \$83.63, down 23.76% for the quarter. Gold, which is seen by investors as a way to hedge against inflation, closed at \$1,702 per ounce, down 5.86% for the quarter.

The 2-Year US Treasury interest rate rose to 4.31% and the 10-Year Treasury interest rate rose to 3.88%. The spread, still inverted, widened from .248% to .432%.

Qualified Charitable Distributions

Qualified charitable distributions allow for donations to be made directly from your individual retirement account to a qualified charity of your choice. These distributions are excluded from your income and count towards your RMD for the year. There are some requirements to make a QCD, which include:

- You must be 70 1/2 or older
- The maximum annual amount is \$100,000
- The deadline is December 31
- The funds must be distributed directly to the charity
- You must obtain acknowledgement from the charity that the gift was received
- Gifts to a donor advised fund or private foundation do not qualify

It is recommended that you speak with your accountant first if you plan to make a deductible IRA contribution at age 70 1/2 or older and want to make a QCD. The QCD tax benefit may be reduced - a portion of the QCD may become taxable. Also, 1099-R tax documents do not code the QCD so you must let your accountant know the details of the QCD and provide the acknowledgement letter from the qualified charity.



Numbers Talk

- Personal savings rate as of August.....3.5%
- Average U.S. home price in 2020.....\$383,000
- Average U.S. home price in 2022.....\$507,800
- Average mortgage rate September 2021....3.3%
- Average mortgage rate September 2022....6.91%
- Elon Musk estimated wealth in billions as of August 2021.....\$340
- Elon Musk estimated wealth in billions as of September 2022.....\$254
- U.S. population increased .3% in 2021, the slowest rate in history.
- Percentage of Americans who say money negatively impacts their mental health.....42%
- Percent of total car sales composed of Electric vehicles in the second quarter of 2021.....2.7%
- Percent of total car sales composed of Electric vehicles in the second quarter of 2022.....5.6%

Taxes & Retirement Accounts

- Annual IRA & ROTH IRA contributions for 2022: \$6,000 per year if under age 50; \$7,000 if 50 years old or older. The total can't be more than your taxable compensation for the year.
- Employee Salary Deferral Limits for 401(k) and 403(b) plans in 2022: Maximum contribution \$20,500 if under age 50; \$27,000 if 50 years old or older.
- SEP IRA contribution limit for 2022 is the lesser of 25% up to \$305,000 of compensation or \$61,000
- Simple IRA contribution limit for 2022 is \$14,000 if under age 50; \$17,000 if 50 years old or older
- Annual Gift Tax exclusion for 2022: \$16,000
- 2022 Tax Form 1099 is issued by Charles Schwab in the middle to end of February. This tax document is also available online at www.schwaballiance.com
- Please make all 2022 retirement account contributions & tax payment requests by the first week in April 2023

Beneficiaries

Annually review and update your account beneficiaries to confirm accuracy. Especially after major life events such as marriage, divorce, death, or having a baby. The new SECURE Act rules can affect Trusts as beneficiaries. Be sure to review your Trust with your Estate attorney.

To update your beneficiaries online, go to:

www.schwaballiance.com

Click the 'Service' tab

Click the 'My Profile' tab

Click the 'Beneficiaries' tab

Stock Market Holiday Calendar

The stock market, bond market and/or our office will be closed on the following days:

November 24-25, 2022 -Thanksgiving Day
December 26, 2022 - Christmas Day Observed
January 2, 2023 - New Year's Day Observed
January 16, 2023 - Martin Luther King Jr. Day



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Exclusive of charts

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