BUILDING AND PRESERVING WEALTH

INVESTMENTS | TAX | RETIREMENT | INSURANCE | ESTATE

Quarterly Update
April 2022

ASSET CLASS RETURNS

Asset class returns in the first quarter 2022 (1Q22) were impacted by heightened geopolitical tensions, tighter monetary policy and a divergence of COVID-19 policies across regions. In term of performance, commodities led the way with all other asset classes down in 1Q22. Equities, overall, had a difficult quarter due to higher rates challenging valuations and fears that inflation may put a dent on consumer spending and earnings. Within equities, large cap finished the first quarter down 4.6%, while the small cap peers ended the period down 7.5%.

Comments and data were provided by JP Morgan Asset Management. On a recent call, they were still "bullish" for positive portfolio returns in 2022. They see continued market volatility as the year goes on, and like value based companies over growth for the next 6 to 9 months.

S&P 500
Large Cap
2021 +28.7%

S&P 500
Large Cap
4th Qtr. 2021
+11.2%

S&P 500
Large Cap
1st Qtr. 2022
-4.6%

Russell 2000
Small Cap
2021 +14.78%

Russell
Small Cap
4th Qtr. 2021
+2.12%

Russell 2000
Small Cap
1st Qtr. 2022
-7.5%

Returns remain positive over the last five quarters going back to beginning of 2021.

War, Inflation, Oil Prices, What's Next?

Dave Verbeke
Financial Advisor

Just when we thought things were getting back to normal, Putin decides to invade Ukraine putting the world and the market in chaos again. Inflation has reached a level we haven't seen since the 70s. Oil is over $100 a barrel. What is the impact on your portfolio and what is Webb Financial doing to minimize the impact on your investments?

There are a few things to remember when investing in the stock market:

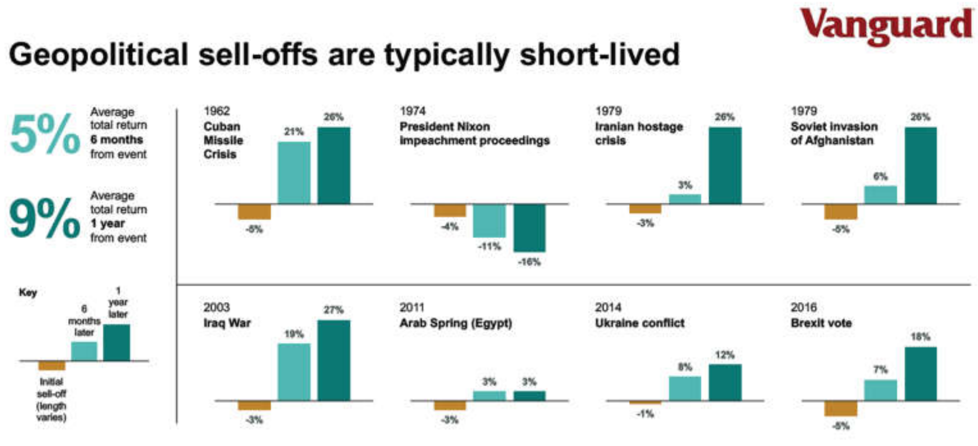
Large draw downs in the market happen frequently, especially when unplanned events happen. It's impossible to accurately time the market. A decline in the market is the right time to rebalance and make sure the investments in the portfolio still meet your goals. In taxable portfolios, it's a great time to balance gains & losses for tax purposes.

Make sure your portfolio matches your appetite for risk. Everyone loves to see their investments go up but hate to lose money. If your account had a larger short term loss than you're comfortable with, you may be invested too aggressively. We've implemented a new tool called Riskalyze that helps you understand, in dollars, the ups and downs of your risk profile. You might need to trade some upside to minimize the down. If you'd like to review your risk score, contact your advisor.

Use the right investments to meet your goals. We are constantly reviewing our fund choices and making sure that they meet the expectations for that type of investment. In many portfolios, we have added risk reducing products such as structured notes and buffered ETFs. These allow us to have downside protection from the market and allow for monthly income to reinvest. We will continue to add these to accounts, where it makes sense, to help protect the downside risk.

The war in Ukraine is likely a short term impact to the overall market. The sanctions on Russia, and the isolation of that nation, are here for the longer term. The sanctions will affect oil, grain, fertilizer and metal prices. Some unintended consequences could benefit US producers of those products and increase earnings of US based companies.

Expect volatility every year. We can't avoid the downs in the portfolios without also missing the ups that are needed to grow your account over the long term. The chart below was provided by Vanguard and shows the impact of geopolitical events on the market. Let's hope for a peaceful resolution in Ukraine, and a successful reduction in inflation, so things can get back to "normal".



Notes: Returns are based on the Dow Jones Industrial Average through 1963 and the Standard & Poor's 500 Index thereafter. All returns are price returns. Not shown in the above charts, but included in the averages, are returns after the following events: the Suez Crisis (1956), construction of the Berlin Wall (1961), assassination of President Kennedy (1963), authorization of military operations in Vietnam (1964), Israeli-Arab Six-Day War (1967), Israeli-Arab War/oil embargo (1973), Shah of Iran's exile (1979), U.S. invasion of Grenada (1983), U.S. bombing of Libya (1986), First Gulf War (1991), President Clinton impeachment proceedings (1998), Kosovo bombings (1999), multi-force intervention in Libya (2011), and U.S. anti-ISIS intervention in Syria (2014).
Sources: Vanguard calculations as of December 31, 2021, using data from Refinitiv.

Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

All investments are subject to risk, including the possible loss of the money you invest. Be aware that fluctuations in the financial markets and other factors may cause declines in the value of your account.

PID 1661102 (2044689) DOLU 08/17/2023

Announcement

We would like to welcome Taylor Fish to our team!

Taylor joined the WFG team as our new Client Services Associate in February 2022. Prior to coming to WFG, Taylor worked at BerganKDV as a staff accountant where she handled the accounts for 8 different charter schools in Minnesota.

Born and raised in Minnesota, Taylor graduated from Lakeville South High School then ventured north to obtain degrees in Accounting and Paralegal Studies at Lake Superior College.

Taylor currently resides in Apple Valley with her two boys, Mason (5) and Max (2). When she is not working, Taylor enjoys spending time with family and friends, bowling, and playing softball.

Sam is our intern and a senior at the University of Minnesota majoring in Business and Marketing. Within his major, he focuses on Finance and Business Management.

Webb Financial Group provides comprehensive wealth management solutions to individuals and businesses. For over thirty-nine years, we have helped our clients achieve financial security.

Michael Bischoff, *CFP® & COO*

Gary Webb, *RFC®, CKA® & CEO*

Dave Verbeke, *Financial Advisor*

Tim Greife, *Financial Advisor*

Michelle Brennan, *FPQP Financial Paraplanner®*

Kristi Mattiuz, *Controller*

Taylor Fish, *Client Services Associate*

Sam Balow–*Intern*

Inflation And Your Taxes

Tim Greife
Financial Advisor

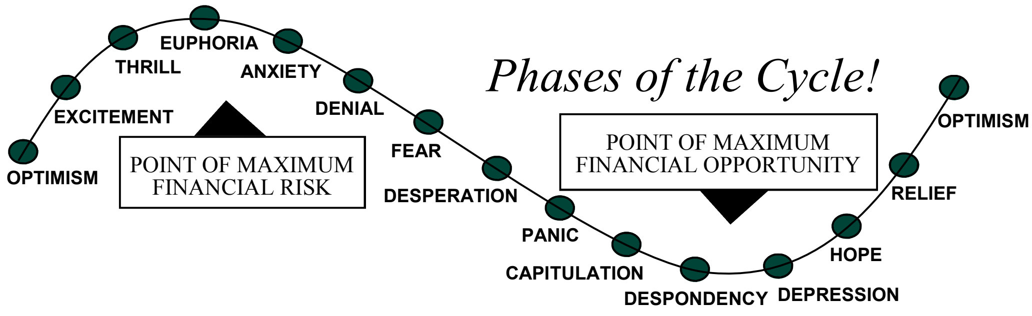
You're probably well aware of inflation's sting in recent months, with higher prices across the board from cars to groceries to energy. The consumer price index climbed 7.5% last year – the biggest jump in 40 years. Large inflation jumps typically lasts only a short period of time. Numerous discussions have occurred surrounding the Fed raising interest rates to curb inflation.

What you might not know is that inflation may have an impact on your taxes in a variety of ways. That's because lawmakers have taken a scattered approach to indexing various tax provisions for inflation over the years.

Here is how your taxes could be affected in several key areas:

- **Real estate.** If you sold a home last year and are subject to capital gains taxes on profits, the amount before taxes kick in remains at $250,000 for single filers and $500,000 for married couples filing jointly. These amounts that have not changed since the provision was enacted in 1997. Likewise, caps on state and local property, income and sales tax deductions have not budged since they were enacted in 2018. The $10,000 limit remains in place despite rapidly appreciating property values and associated taxes. House Democrats did pass an increase to $80,000 through 2030, but it's a provision in the currently stalled Build Back Better legislation.
- **Income.** Income brackets are indexed, meaning that you may not be subjected to higher rates simply because you've received larger-than-usual raises due to higher cost-of-living increases, pay jumps from job moves, or adjustments to a tight labor market. That helps avoid "bracket creep" — at least in federal taxes. The take-home pay of wage earners, who are making 7.3% more on average since the pandemic, may rise because of inflation adjustments to withholding tables. The standard deduction was adjusted upward slightly, to $25,100 for married couples (up $300 from the prior year). Married filing separately and singles get an increase of $150 to $12,550.
- **Retirement.** Inflation will have the biggest impact on retirement savings because a majority of retirees are on a fixed income. For those who are still saving, increasing tax-deductible contributions to retirement accounts can help. If you contribute to a 401k, it's now tax deductible up to $20,500 for those under 50, an increase of $1,000. Contributions to traditional and Roth IRAs remain capped at $6,000. If you're over the age of 50, you can make a catch-up contribution of an additional $1,000.

Please reach out to us with questions regarding 2021 taxes and planning for 2022.



Webb Financial Group
Southtown Office Park
8120 Penn Avenue South, Suite 177
Bloomington, Minnesota 55431
www.webbfinancial.com • 952-837-3200 • info@webbfinancial.com
1-800-927-9322