Market Know How and The Year Ahead

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2022 FIVE STAR WEALTH MANAGER
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- Past performance is not an indication or guarantee of future results.
- Converting from a traditional IRA to a Roth IRA is a taxable event.
- A Diversified portfolio does not assure a profit or protect against loss in a declining market.
- S&P 500 – A capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
- Russell 2000 Index - The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.
- The Dow Jones Industrial Average is a price-weighted average of 30 U.S. blue-chip stocks traded on the New York Stock Exchange and NASDAQ. The index covers all industries except transportation, real estate and utilities.
- The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index includes over 2,500 companies, spanning all 11 sector groups.
- Some IRA's have contribution limitations and tax consequences for early withdrawals. For complete details, consult your tax advisor or attorney. Distributions from traditional IRA's and employer sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59 ½, may be subject to an additional 10% IRS tax penalty. Converting from a traditional IRA to a Roth IRA is a taxable event. A Roth IRA offers tax free withdrawals on taxable contributions. To qualify for the tax-free and penalty-free withdrawal or earnings, a Roth IRA must be in place for at least five tax years, and the distribution must take place after age 59 ½ or due to death, disability, or a first time home purchase (up to a $10,000 lifetime maximum). Depending on state law, Roth IRA distributions may be subject to state taxes.
- All Investing involves risk, including the possible loss of principal. There is no assurance that any investment strategy will be successful.

  Additional risks are associated with international investing, such as currency fluctuations, political and economic stability, and differences in accounting standards.
- For a comprehensive review of your personal situation, always consult with a tax or legal advisor.
- MSCI Emerging Markets- Designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.
- There is a surrender charged imposed generally during the first 5 to 7 years that you owned the contract. Withdrawals prior to age 59 ½ may result in 10% IRS tax penalty, in addition to any ordinary income tax. The Guarantee of the annuity is backed by the financial strength underlying insurance company. Investment sub-account values will fluctuate with changes in the market conditions. An investment in a variable annuity involves investment risk, including possible lost of principle. Variable annuities are designed for long term investing. The contract, when redeemed, may be worth more or less than the total amount invested. Variable mortality and expense charges, administrative fees, and the expenses associated with the underlying sub accounts. Investors should consider the investment objectives, risks and charges and expenses of the variable annuity carefully before investing. Contact Debra Taylor at dtaylor@taylorfinanicalgroup.com or 201-891-1979 to obtain a prospectus, which should be read carefully before investing or sending money.
- *MSCI EAFE index is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) Excluding the U.S and Canada. The index is market capitalization weighted.*

What are we going to talk about?

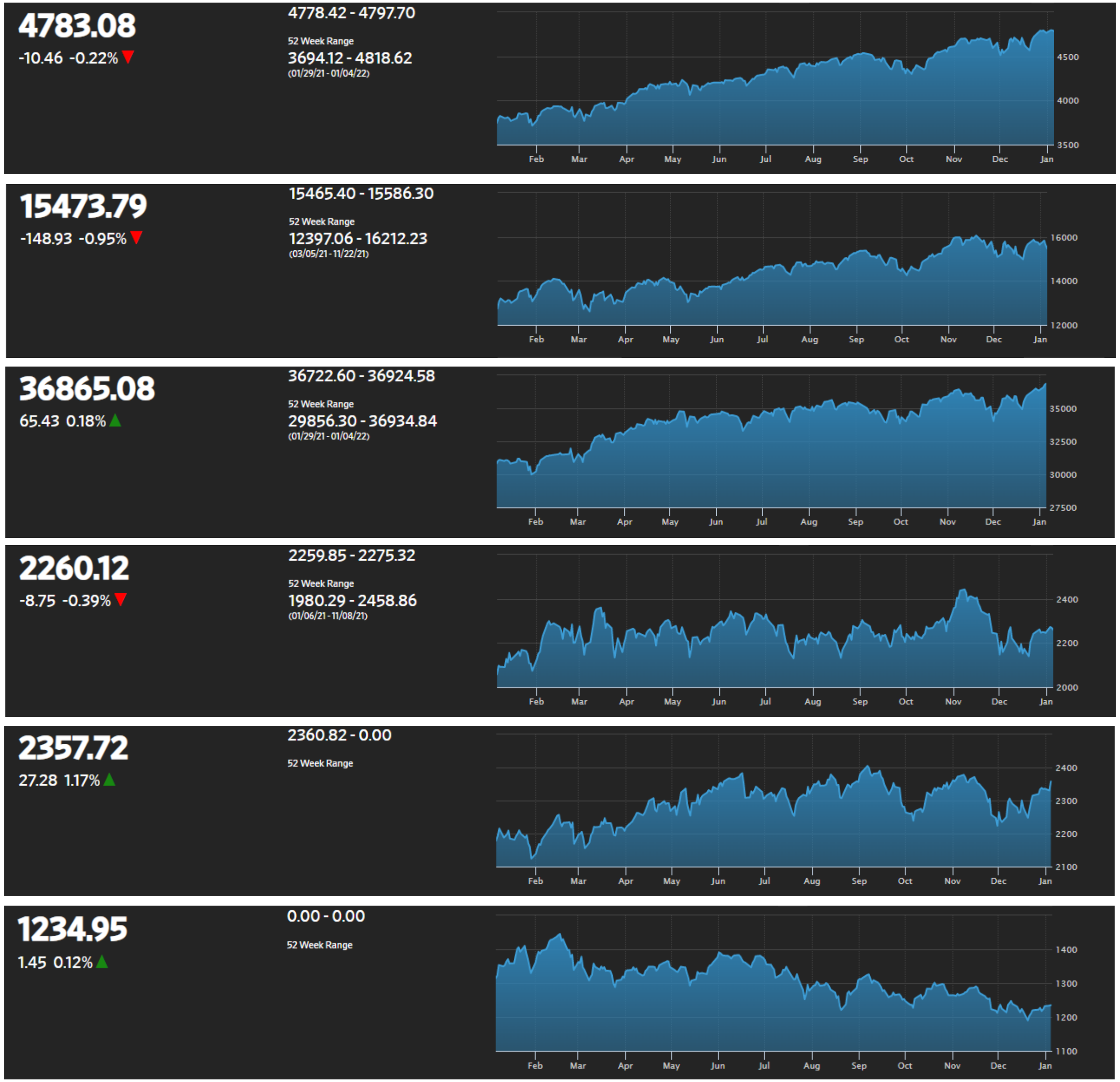
1. Economic Outlook and Market Pulse for 2022

2. Washington Update & Tax Changes

3. Year-Round Planning

2021 Index Returns

- **S&P 500**
  - 2021: +26.9%
- **Nasdaq Composite**
  - 2021: +21.4%
- **Dow Jones Industrial Average**
  - 2021: +18.7%
- **Russell 2000**
  - 2021: +13.7%
- **MSCI EAFE**
  - 2021: +7.8%
- **MSCI Emerging Markets**
  - 2021: -5.5%



Source: WSJ As of December 31, 2021

Five Key Economic Themes for 2022

1. Strong, But Slower, Growth Ahead

- For 2022 as a whole, World GDP is expected to rise to 4.5%, more than 1pp above potential.
- U.S. expected to rise to 3.8% in 2022, more than 2pp above potential.
- European GDP expected to rise 4.4% in 2022, over 2pp above potential.

Real GDP Growth Percent Change yoy	2020	2021 (f)		2022 (f)		2023 (f)		Potential
		GS	Consensus	GS	Consensus	GS	Consensus	GS
US	-3.4	5.5	5.7	3.9	4.0	2.1	2.4	1.8
Euro Area	-6.5	5.2	5.1	4.4	4.3	2.4	2.1	1.1
Germany	-4.9	2.9	2.8	4.0	4.3	2.4	2.0	1.4
France	-8.0	6.9	6.3	4.5	4.0	2.4	2.2	1.1
Italy	-9.0	6.4	6.1	4.5	4.3	2.1	1.9	0.6
Spain	-10.8	4.5	5.5	6.5	5.8	3.9	3.1	1.2
Japan	-4.6	2.3	2.4	2.8	2.6	1.6	1.3	1.0
UK	-9.7	7.1	7.0	5.3	5.0	2.3	2.0	1.4
Canada	-5.3	4.8	5.0	4.0	4.0	3.1	2.4	1.8
China	2.3	7.8	8.1	4.8	5.5	4.6	5.4	5.0
India	-7.0	8.0	8.0	9.1	7.8	6.4	6.5	6.0
Brazil	-4.1	4.9	5.0	0.8	1.8	2.2	2.3	1.9
Russia	-2.9	4.4	4.3	3.1	2.5	2.9	2.1	2.1
World	-3.2	5.9	6.0	4.5	4.5	3.4	3.6	3.1

Source: Goldman Sachs Asset Management as of November 15, 2021

1. Strong, But Slower, Growth Ahead: Emerging Markets

- **China:** Below-consensus growth of 4.8% as the property market likely softens further and macro policy looks set to ease only modestly.

- **Brazil:** Underperforms with growth of just 0.8% in 2022 due to sharply tighter financial conditions and a potentially messy election.

- **India:** Strong growth in India following the hit from the Delta wave.

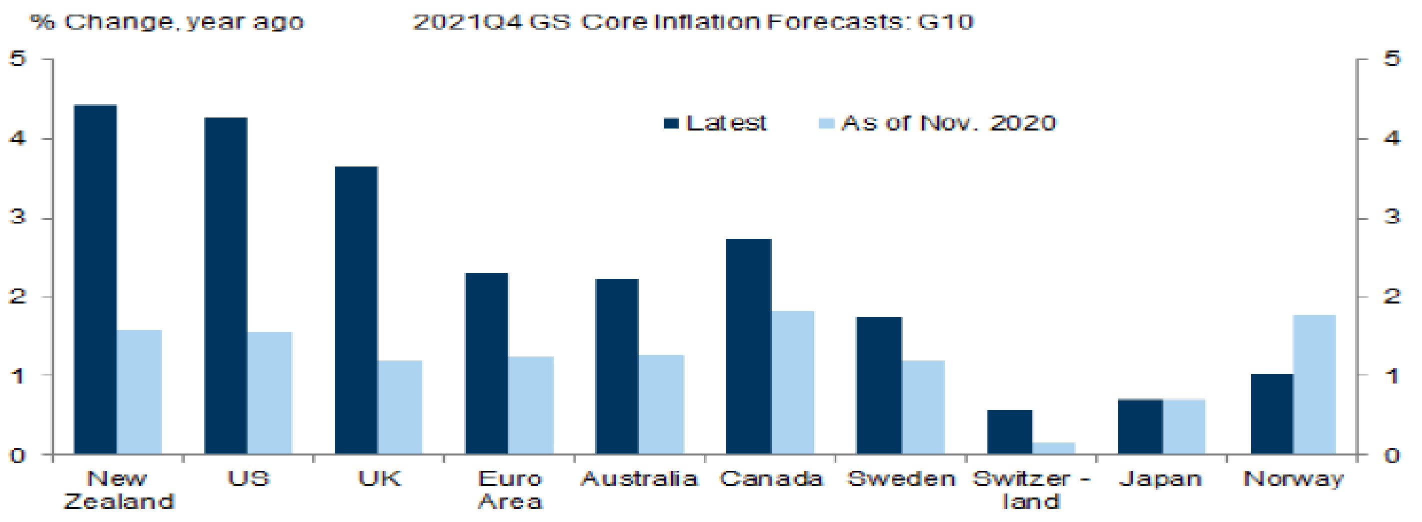
- **Russia:** Growth catch-up from oil and gas boost.

Source: Goldman Sachs Asset Management as of November 15, 2021

2. Inflation Gets Worse Before It Gets Better

- **Inflation:** Driven mainly by a surge in durable goods prices, headline US CPI rose to 6.8% YoY in November, a level not seen in 39 years.

- Prolonged supply-demand imbalances in durable goods, strong wage growth, and accelerating rents will leave Core PCE and especially core CPI quite high for much of 2022.

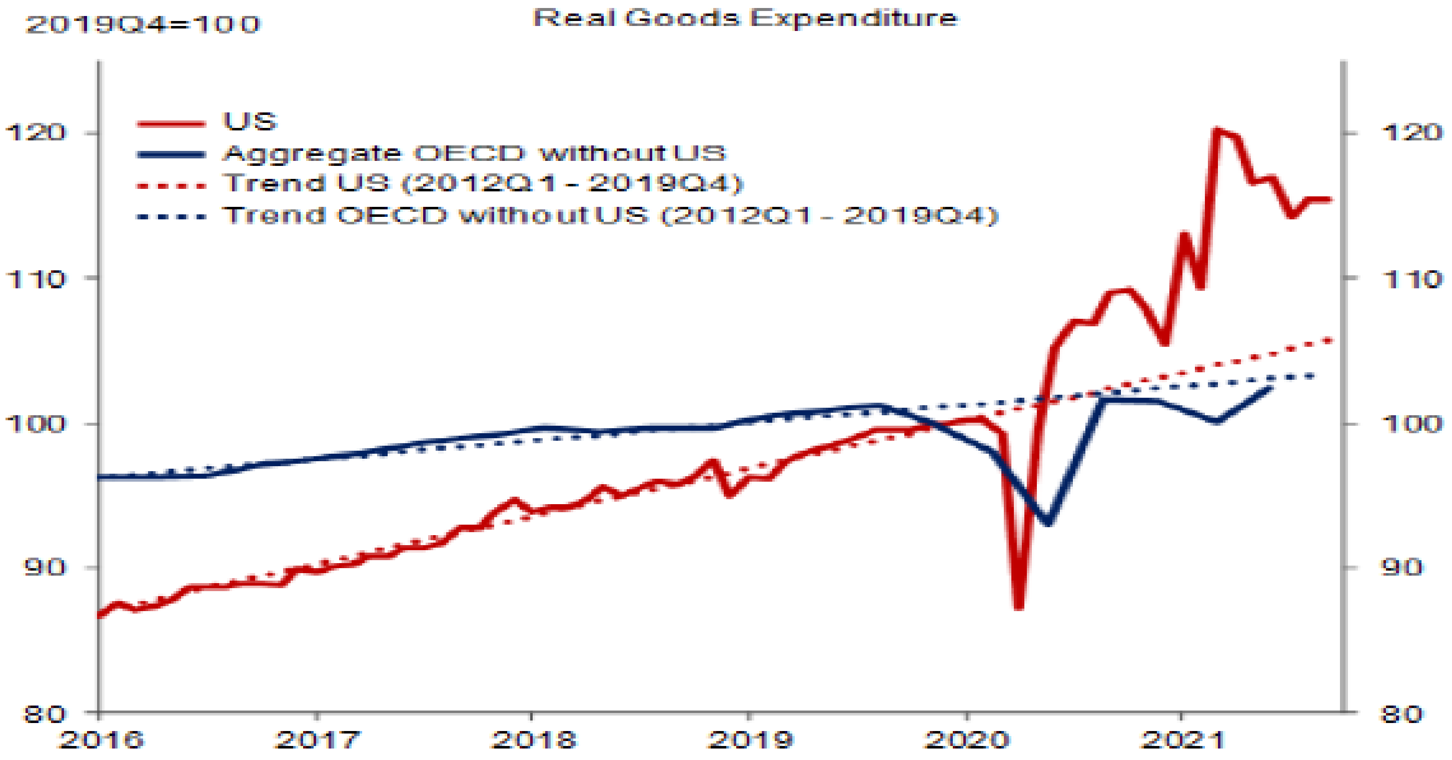


Source: Goldman Sachs Asset Management as of November 15, 2021

2. Inflation Gets Worse Before It Gets Better

- **Commodities:** Don't expect the underinvestment problems in the commodity sector to be easily resolved.

- As such, they expect commodity prices to rise somewhat further next year, but begin to fade as YoY changes decline.

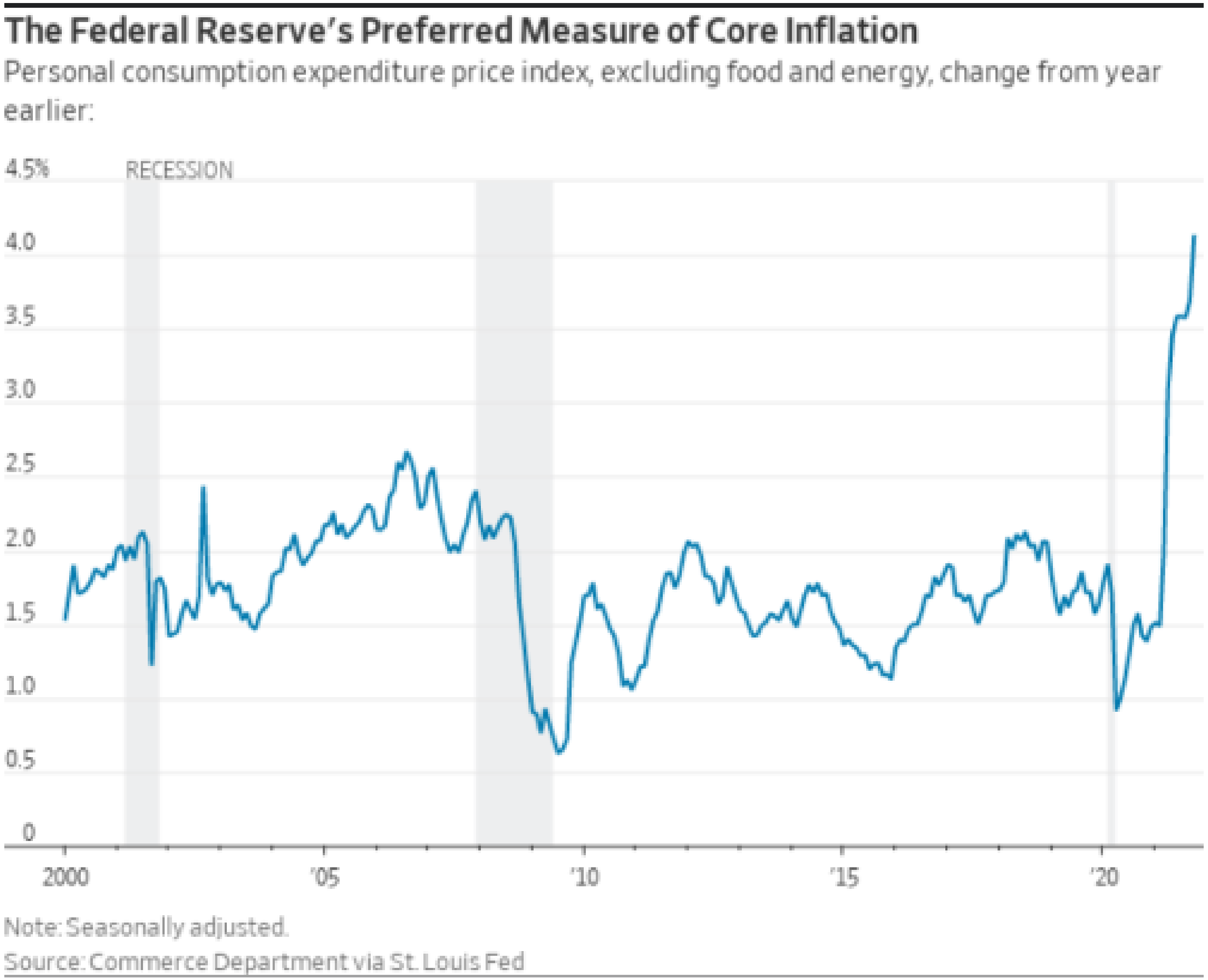


Source: Goldman Sachs Asset Management as of November 15, 2021

2. Inflation Gets Worse Before It Gets Better

- The personal consumption expenditure (PCE) is the Fed's preferred inflation measure.

- As seen in the chart, the PCE price index has risen from about 1% in 2020 to over 4% in 2021.



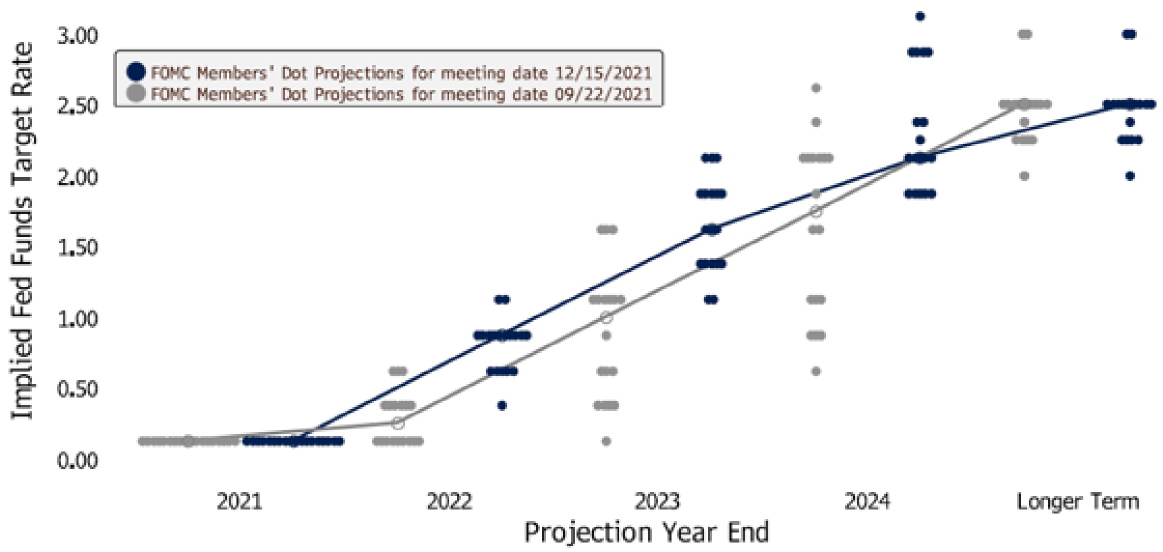
2. Inflation Gets Worse Before It Gets Better

- The Fed chairman and other Fed policymakers are signaling that tapering and then rate hikes are going to happen sooner than previously expected

- This graph indicates that the Fed members believe they will need to move more quickly to reel in inflation next year and that they expect the labor market to continue its recovery.

- Although most investors and market watchers have been anticipating this move, the Fed has been slow to react to rising inflation.

Committee Now Expects a Quicker and Steeper Rate Hiking Campaign



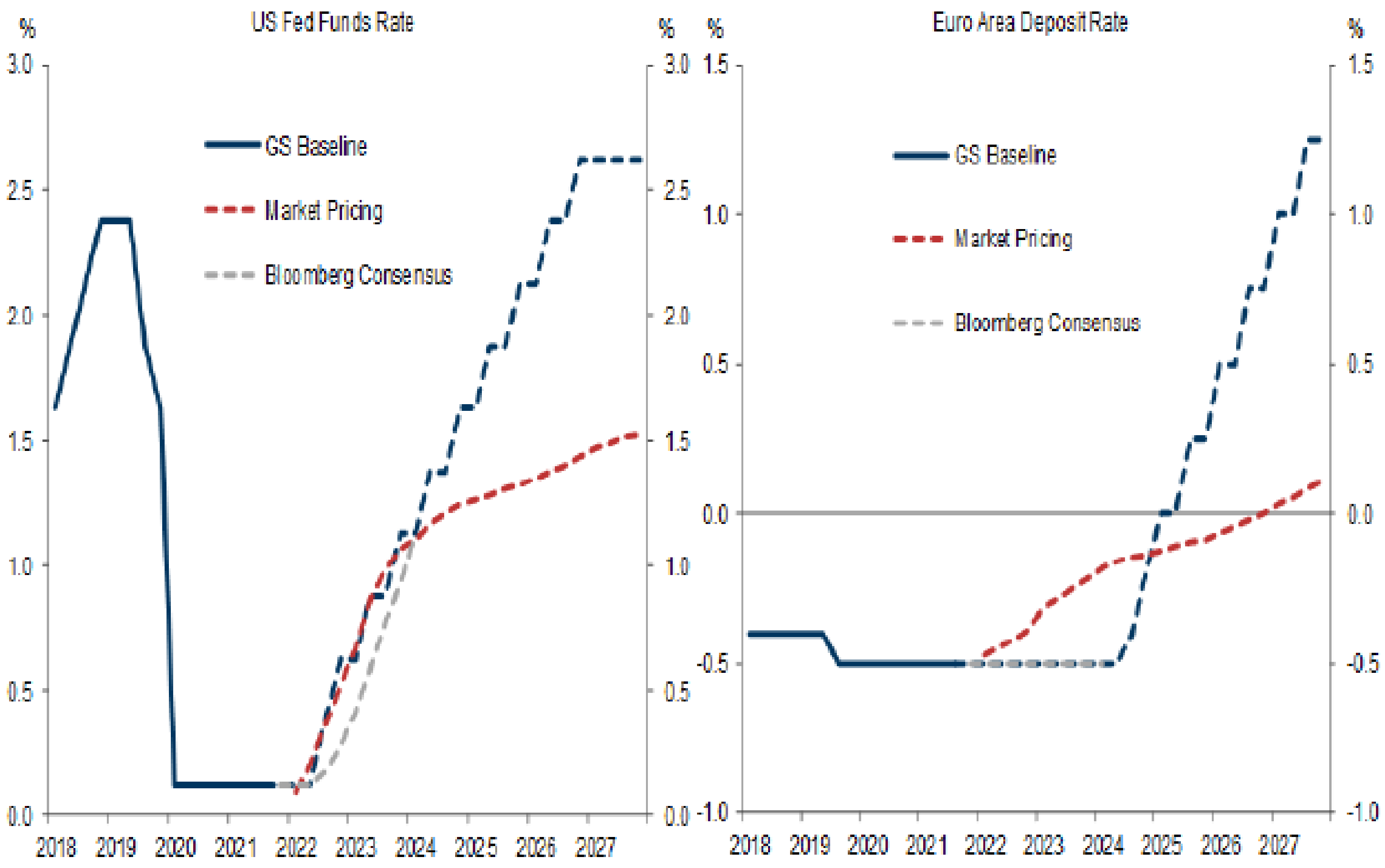
Source: LPL Research, Federal Reserve. Data as of 12/15/21

3. Brace For Tighter Monetary Policy

Timing: US Core personal consumption expenditure (PCE) price index inflation will remain above 3% when the taper concludes early next year, and expect a seamless transition to three rate hikes for 2022.

De-linking: Several Developed Market central banks have already or will already be well into the process

Curve: Given these central bank expectations, G10 yields at the belly and back end of the curve to rebound from low levels



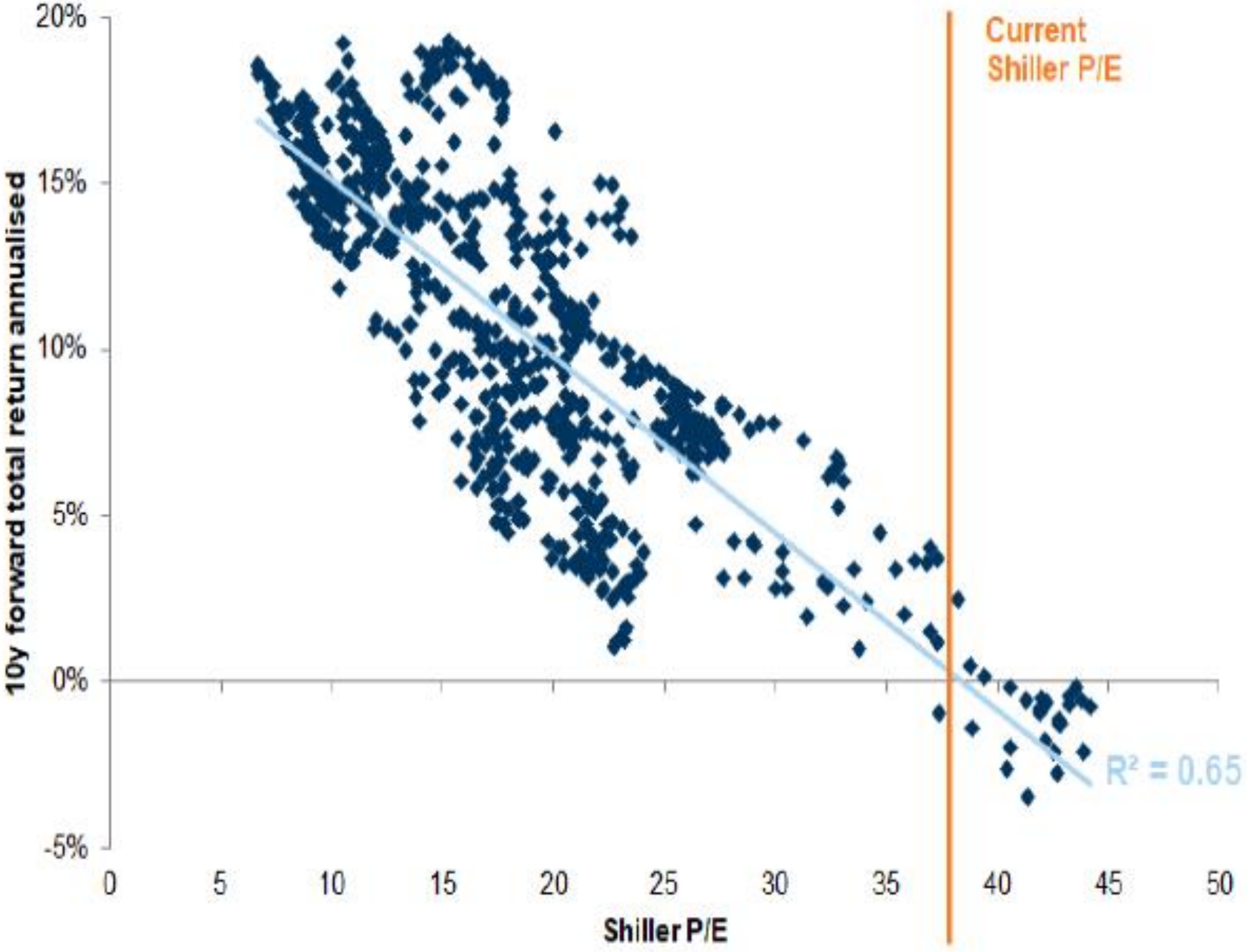
Source: Goldman Sachs Asset Management as of November 15, 2021

4. Too Early To De-risk, Right Time To Be Realistic

- **Easy Money:** The most supportive phase of the economic cycle for risk assets has passed.

- **First Half 2022:** Pro-cyclical market trends to continue alongside economic recovery.

- **After that?:** Not all bull markets are as strong and possess the directional trajectory of the current market. They are normally flatter, with Alpha generation more idiosyncratically derived as factor returns become less bifurcated.

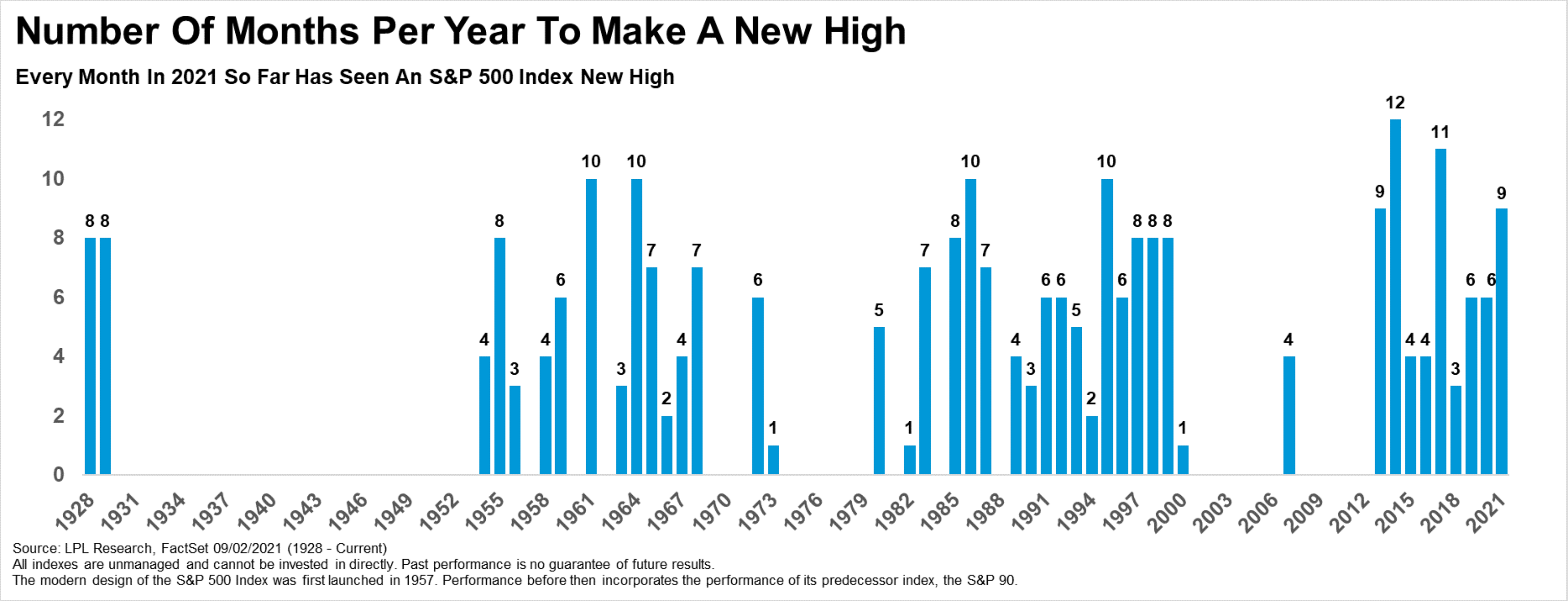


Source: Goldman Sachs Asset Management as of November 15, 2021

Rally Time For Stocks? Or Not?

As you can see from this chart, 2021 joined 2014 as the only years to have a new high each month.

Will that continue in 2022?



4. Too Early To De-risk, Right Time To Be Realistic

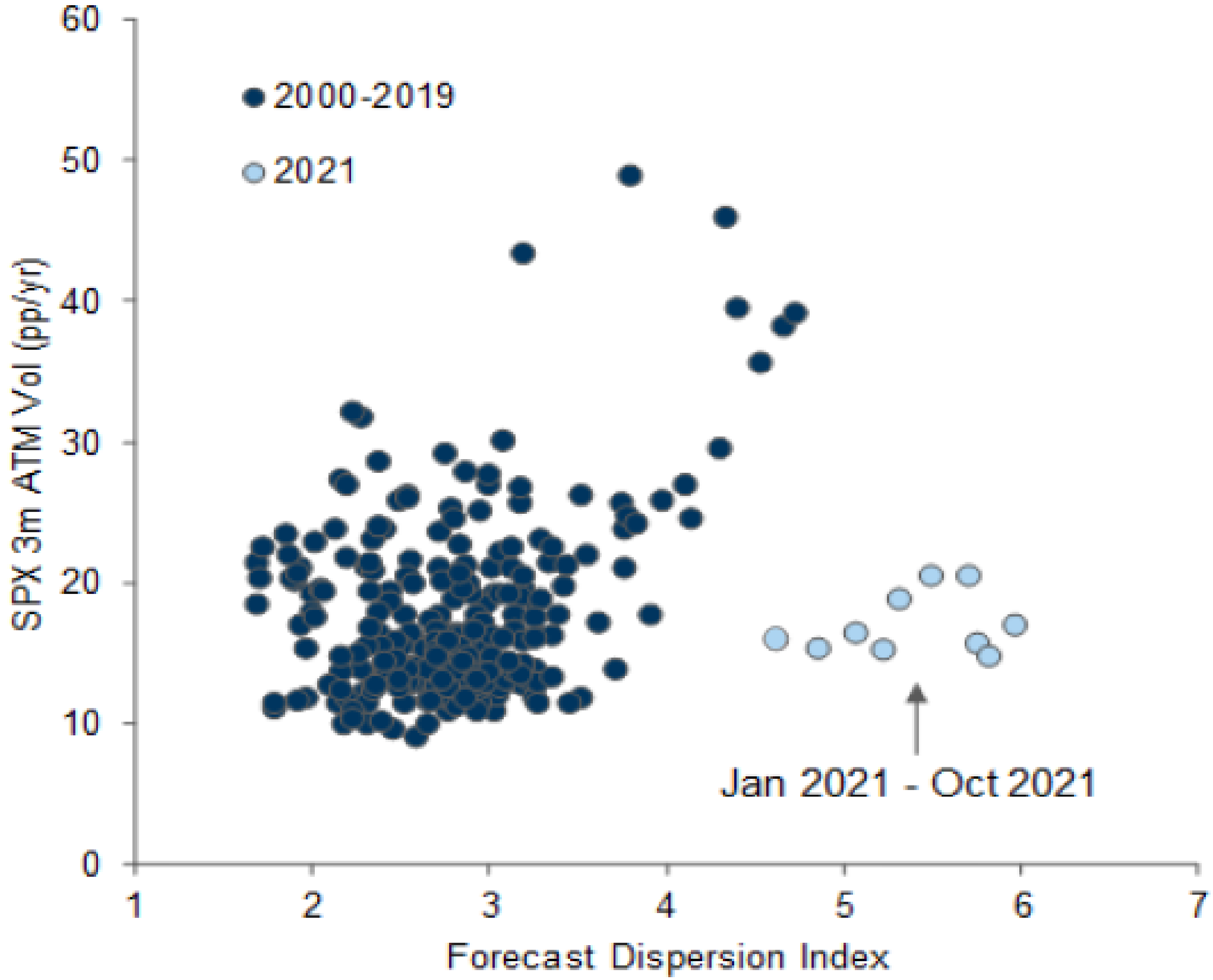
First Half of 2022:

- Growth to slow in second half of 2022 but remain strong in near term
- Major central banks not yet tightening aggressively
- Risks exist this winter from COVID-19 and energy shocks, but premature to take a defensive stance
- Ideal time to take a more active view, especially should markets doubt the longevity of recovery

Bottom Line: Be strategic. Be Realistic

5. Risks Are The Usual Suspects

- COVID-19 – the most obvious deep challenge
- Fiscal drag
- China
- Inflation
- Rate increases
- Mid Term Elections
- Unknown Unknowns?



Source: Goldman Sachs Asset Management as of November 15, 2021

Key Takeaways Heading Into 2022

1. Strong, but slower, growth into 2022
2. Inflation gets worse before it gets better. Sticky enough for liftoff.
3. Tighter US monetary policy, G10 central banks de-link a bit
4. Too early to de-risk, right time to be realistic
5. Risks are usual, plentiful, but manageable

Source: Goldman Sachs Asset Management as of November 15, 2021

Goldman's Asset Class Views & Forecasts

Stocks Can Still Perform Well Even If Tighter Monetary Policy

- As seen in the chart, over the past 6 cycles, the S&P has gained 9.5% on average during the 6 months leading up to the first hike.
- The sectors that performed best during this pre-Fed hike were materials, industrials and energy.

Shift From Growth Sector?

- We may be seeing signs of a shift from Growth towards Value and Defensive sectors.

- The Growth, Defensive, and Value sector started at 1 late November and then at 12/16, Value and Defensive sectors shoots pasts the Growth sector with Defensive at 1.03 and value at 0.97.

- We can see in the chart that defensive stocks, represented by the blue trend line, have taken off since late November at, and are beginning to outperform growth and secular growth.

Exhibit 11: Style Performance Since End of November Shows Defensive Outperformance...

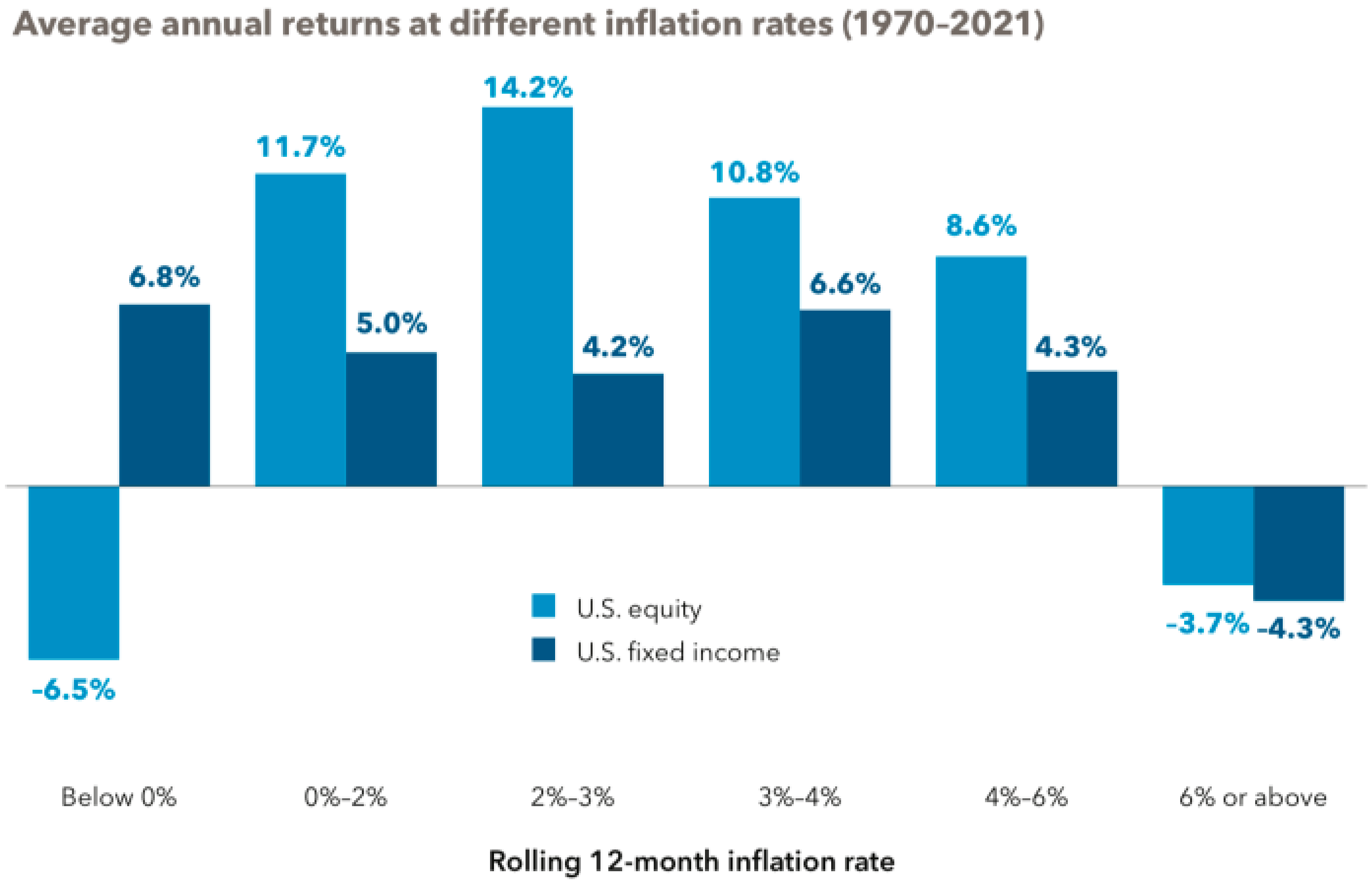
Source: Bloomberg, Morgan Stanley Research.

Stocks and Bonds Have Done Well in Various Inflation Environments

- Inflation can be healthy for companies as it allows them to raise prices and enhance profitability

- During times of high inflation, stocks and bonds have provided solid returns as shown in the chart. Financial assets tend to struggle when inflation is negative or above 6%

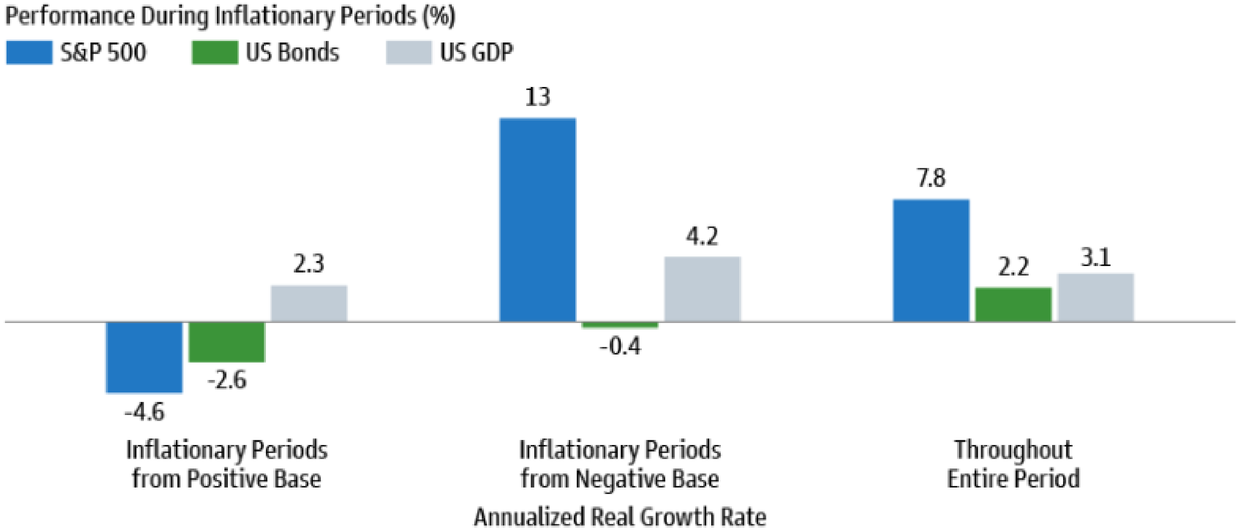
- Sustained periods of elevated inflation are rare. Over the past 100 years, U.S. inflation has stayed below 5% the vast majority of the time



Source: Capital Group December 2021

Performance During Inflationary Periods

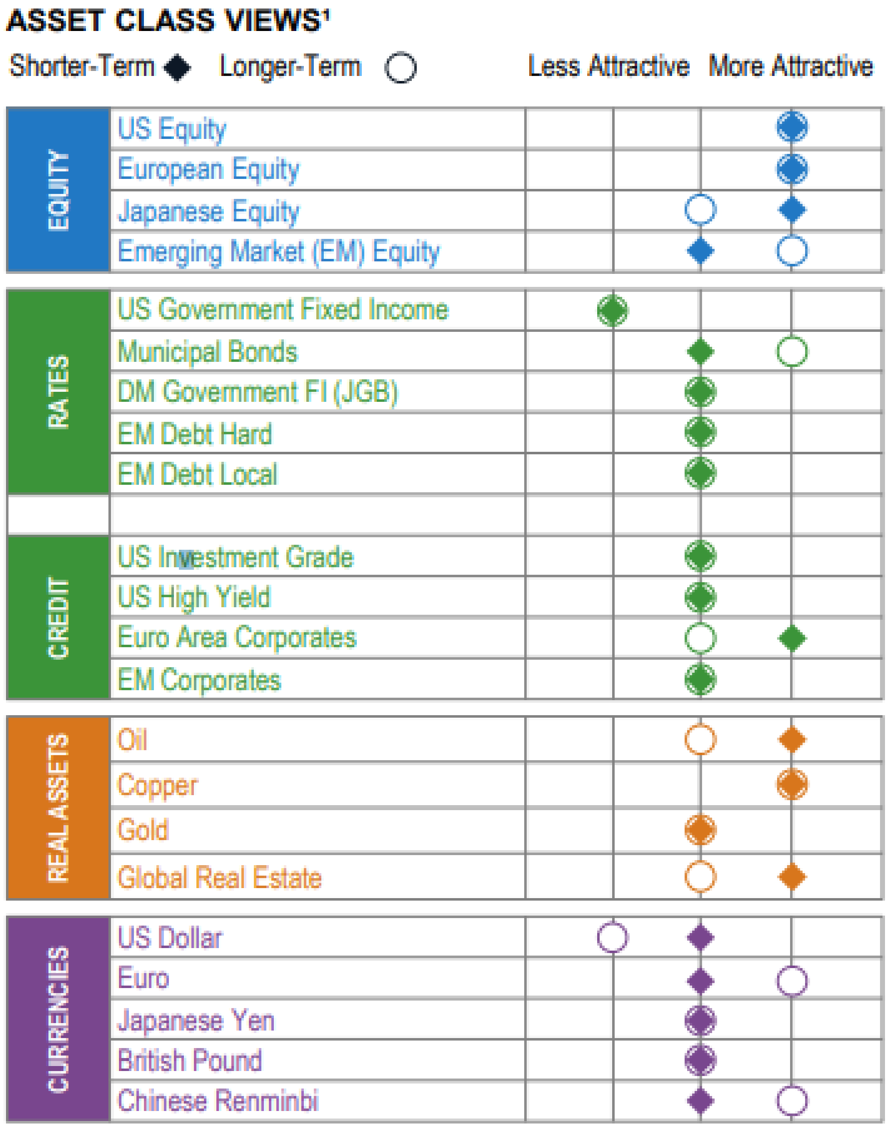
- Inflationary environments which start from positive inflation levels tend to result in negative returns for both stocks and bonds.
- Higher input costs hurt profits for companies and reduce expectations for future growth.
- As seen in the chart, although GDP was growing (illustrated by the grey bar), the annualized real growth rate for stocks and bonds (green and blue bars) was negative.



Source: As of October 26, 2021. Federal Reserve Bank of St. Louis, Shiller, and Goldman Sachs Asset Management. The time period is from December 1947 to March 2021. US Bond Returns are derived from Shiller's database and implied by the monthly market yield on U.S. treasury securities at 10-year constant maturity. Arithmetic average of the performance of the periods identified in Exhibit 2. **Past performance does not guarantee future results, which may vary.**

Goldman's Asset Class Views

- Goldman Sachs sees **US and European Equities** as more attractive in both the shorter-term and longer-term.
- They see US Government Fixed Income as less attractive in both the shorter-term and longer-term.
- They view the US Dollar as attractive in the shorter-term and less attractive in the longer-term, but the Euro as more attractive in the longer-term.
- They believe Municipal Bonds are attractive in the shorter-term and more attractive in the longer-term.



Source: Goldman Sachs Asset Management as of December 2021

Goldman's Asset Class Forecasts

- Goldman Sachs forecasts the S&P 500 will rise by 11% over the next 12 months.
- Goldman believes the 10-Year Treasury will rise 50 basis points to 2.0% over the next 12 months.
- Goldman believes that Europe will increase 14.2% and Asia-Pacific (Excluding Japan) will increase 14.7% over the next 12 months.

ASSET CLASS FORECASTS[2]

	Current	3m	12m	% Δ to 12m
S&P 500 ($)	4595	4850	5100	11.0
STOXX Europe (€)	464	495	530	14.2
MSCI Asia-Pacific Ex-Japan ($)	628	670	720	14.7
TOPIX (¥)	1985	2180	2250	13.4
10-Year Treasury	1.5	1.8	2.0	50 bp
10-Year Bund	(0.3)	0.0	0.3	60 bp
10-Year JGB	0.1	0.1	0.2	11 bp
Euro (€/$)	1.13	1.14	1.18	4.4
Pound (£/$)	1.33	1.33	1.37	3.0
Yen ($/¥)	113	115	111	(2.2)
Brent Crude Oil ($/bbl)	72.7	90.0	85.0	16.9
London Gold ($/troy oz)	1799	2000	2000	11.2

Source: Goldman Sachs Asset Management as of November 2021

Portfolio Trends for 2022

1. Allocations to Core Equity (CE) in general—and US equities in particular—continue to drive most portfolio volatility.

2. Within US equities, the average portfolio remains under-allocated to US small caps.

3. Liquid alternative investments are heavily underrepresented in the average portfolio.

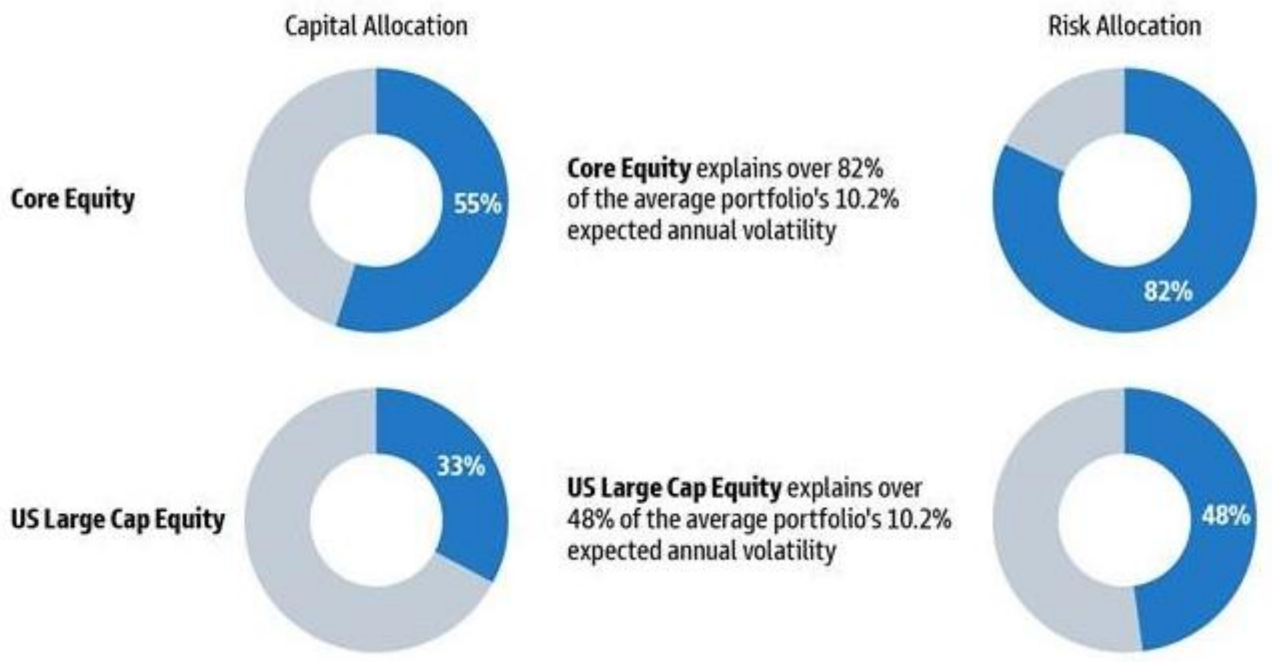
Source: Goldman Sachs Asset Management as of December 8, 2021

1. Allocations to Core Equity (CE) and US equities

- In 2021, the average portfolio featured a 55% capital allocation to CE, which we define as US equities at all levels of market capitalization, plus developed-country large caps, up from 51.5% in 2016.   This allocation drives around 78% of portfolio risk.

- Looking at the capital allocation, Goldman's CE strategic baseline suggests a more balanced 70/30 split between US and developed international equities, compared to the current 81/19 split in the average portfolio.

EXHIBIT 1: CORE EQUITY AND US LARGE CAP PLAY A DOMINANT PART IN TERMS OF RISK CONTRIBUTION FOR THE AVERAGE PORTFOLIO



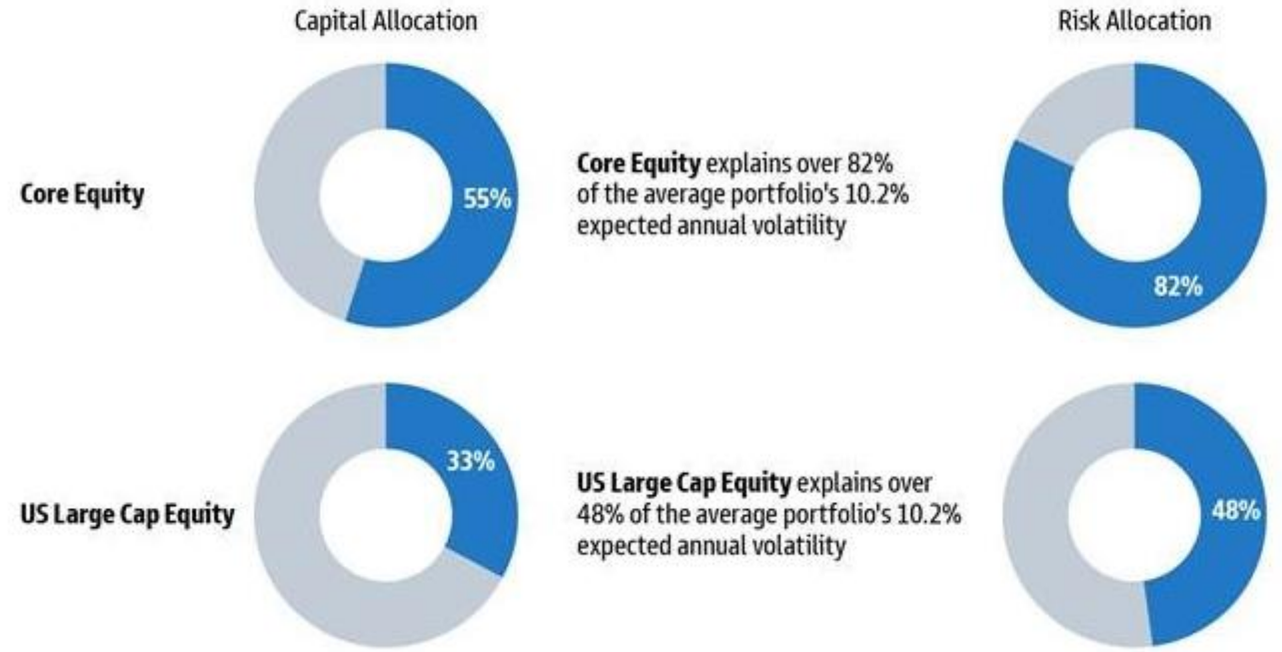
Source: Goldman Sachs Asset Management SAS Portfolio Strategy Group. For illustrative purposes only. This does not constitute a recommendation to adopt any particular asset allocation.

Source: Goldman Sachs Asset Management as of December 8, 2021

2. Allocations to U.S. Small Caps

- The average portfolio has an 89% allocation to US large and mid-caps and just an 11% allocation to US small caps. Goldman's strategic asset allocation guidelines suggest an 84/16 split.
- As much as a third of the average portfolio is allocated to U.S. Large Cap equities, accounting for almost half of the overall risk allocation
- Tactically, Goldman holds a positive view on US small caps as they look into 2022 and beyond. This asset class has historically been the best performer during periods of rising US rates.

EXHIBIT 1: CORE EQUITY AND US LARGE CAP PLAY A DOMINANT PART IN TERMS OF RISK CONTRIBUTION FOR THE AVERAGE PORTFOLIO

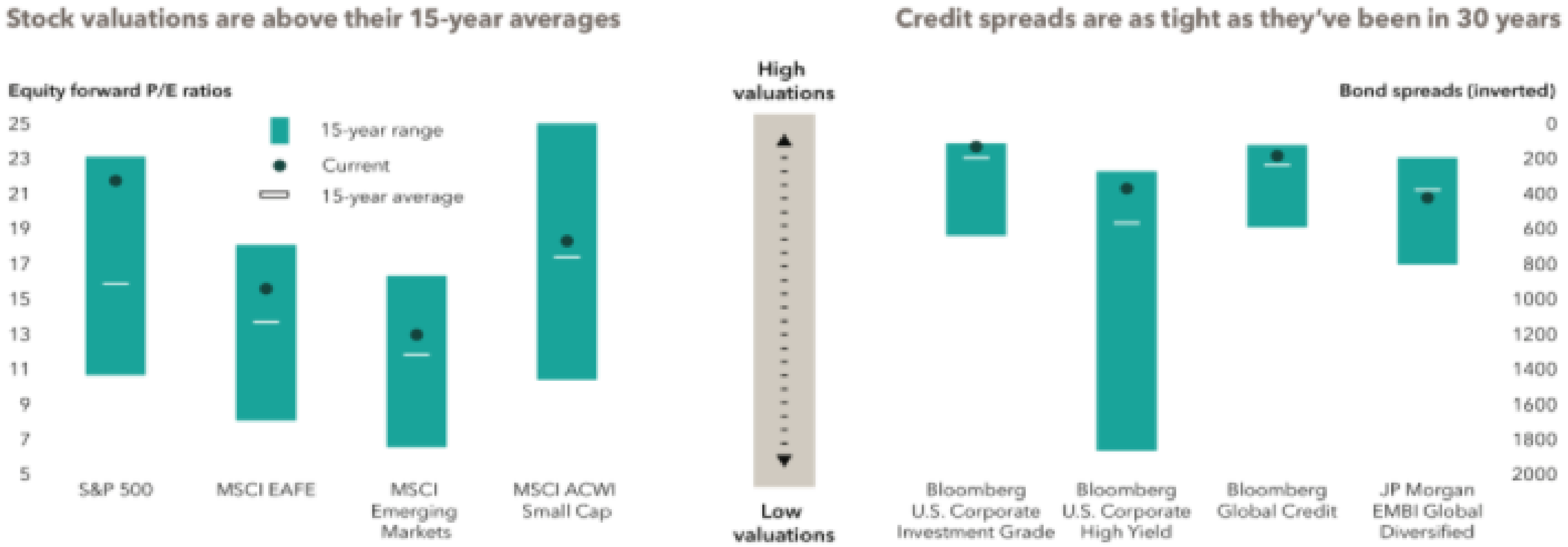


Source: Goldman Sachs Asset Management SAS Portfolio Strategy Group. For illustrative purposes only. This does not constitute a recommendation to adopt any particular asset allocation.

Source: Goldman Sachs Asset Management as of December 8, 2021

It’s A Good Time for Balance and Bottom Up Security Selection

- Thanks to low interest rates, accommodative central bank policy, and the reopening of economies, most classes of stocks and bonds have gotten pricey.
- While company earnings have generally been solid, price to earnings ratios for U.S., developed international and emerging markets were all above their 15-year averages as of November 30, 2021.



Source: Capital Group December 2021

Importance of Value Stocks

- Higher rates make future earnings worth less in the present, hitting growth stocks with far-off profits hard.

- Value stocks tend to be mature businesses whose earnings are more evenly weighted between the present and future years.

- This included financials, many of which have additional positive exposure to higher interest rates.

Source: Barron's December 2021

3. Liquid Alternative Investments

- The average portfolio allocation to liquid alternative investments—investments in public vehicles with characteristics similar to hedge funds—has been cut in half over the last five years, falling from 5% in 2016 to 2.5% in 2021.

- Investors should consider expanding their strategic allocations to alternative investments to better address moderating equity returns and rising interest rates.

- Liquid alternatives may reduce the effects of severe equity drawdowns and provide a differentiated source of returns during rising rate environments.

Source: Goldman Sachs Asset Management as of December 8, 2021

Portfolio Trends for 2022

1. Looking at the capital allocation side of the equation alone does not provide enough information to understand what is truly going on in portfolios.

2. Investors should consider analyzing both capital and risk allocations.

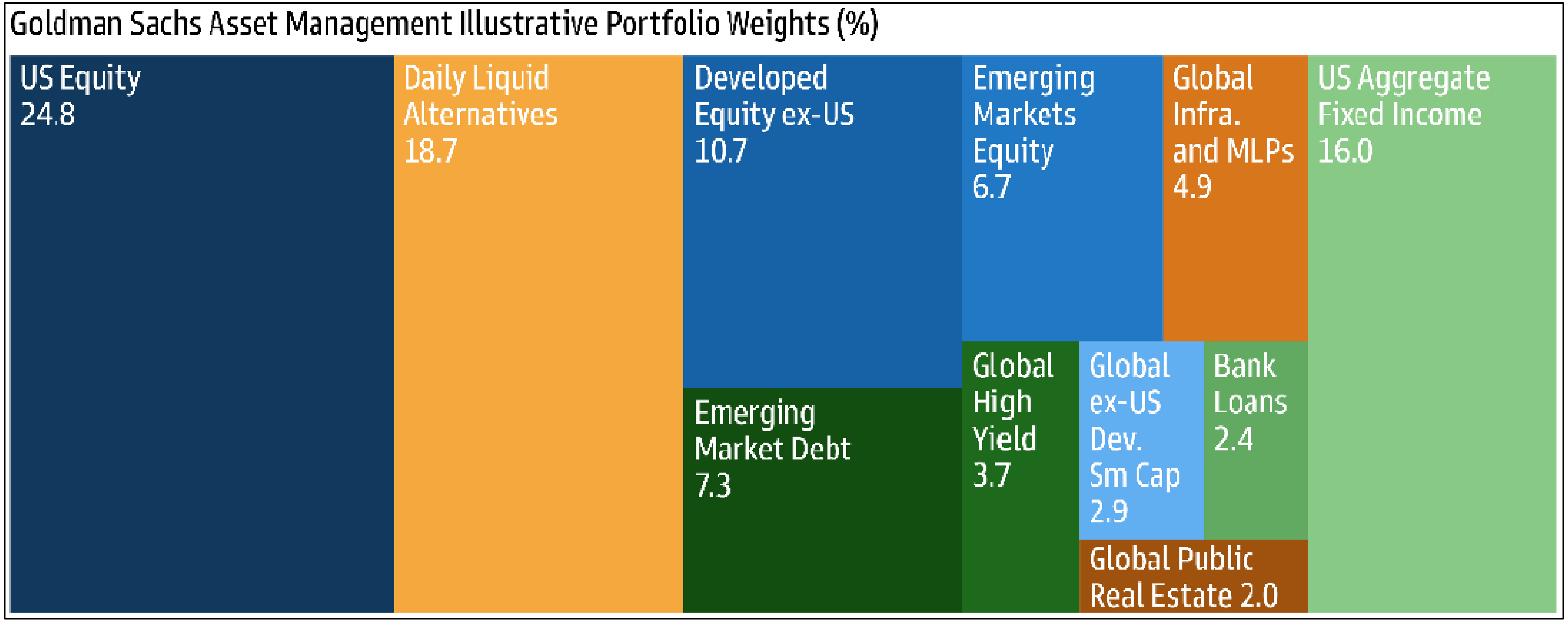
3. As we enter 2022 we believe advisors could consider adjusting US large cap equity allocations by “moving out” in geography, “moving down” in market cap, and “moving forward” into liquid alternatives.

4. As Miguel Cervantes famously warned, “don’t put all your eggs in one basket.” That’s especially good advice when it’s not clear what lies ahead.

Source: Goldman Sachs Asset Management as of November 15, 2021

Goldman Asset Allocation Going Forward

Goldman Sachs believes that a portfolio built for the future may look different from those of the past.



Source: Goldman Sachs Asset Management, October 2021

10 Things to Watch for 2022

1. What Will Happen with Economic Growth in 2022?

- Although the fastest pace of the recovery lies behind us, global GDP is likely to grow ~4.5% in 2022, more than 1% above potential.

- The first half is expected to be stronger, benefitting from improving virus conditions, economic re-opening, pent-up consumption, and inventory rebuilding.

- While most economies will remain above-trend in 2022, China and Brazil will be slower due to country-specific factors.

Source: Goldman Sachs Asset Management as of November 2021

Are We In For A Market Pullback?

2. Will Inflation Ease?

- Both headline (total inflation) and core inflation (excludes food and energy prices) will ease meaningfully in 2022.

- Price pressures are unlikely to subside quickly.

- New signs of relief are already visible and that various economic pressures should be sufficient to sustain higher trend levels and elicit policy responses.

Source: Goldman Sachs Asset Management as of November 2021

3. How Will The Monetary Policy Change Per Country?

- Following two years of largely synchronized accommodation, developed market (DM) central banks are beginning to de-link, deploying regionally tailored tightening of interest rates.

- By mid-2022, expect the U.S. Federal Reserve to begin rate hikes, while New Zealand, Canada, and the UK have or will have already begun.

- In contrast, expect the Reserve Bank of Australia and the European Central Bank to remain on hold until 4Q23 and 3Q24, respectively.

Source: Goldman Sachs Asset Management as of November 2021

4. How Will Geopolitics Impact The Markets?

- Historically in the US, the opposition party has made significant midterm gains, which would likely limit any major legislative wins for the second half of the Biden administration.

- Election-induced uncertainty may arise as presidential elections in France and Brazil may lead to policy changes, while midterms in the US may lead to policy roadblocks.

Source: Goldman Sachs Asset Management as of November 2021

5. How Will Developed Market Equity Change?

- The markets are likely to move higher in 2022, supported by negative real interest rates, a high equity risk premium, and flows seeking positive real returns.
- In the longer term, expect a flatter equity market, with lower aggregate returns, a wider range of volatility, and less regional bifurcation.
- Non-US markets are poised to narrow the differentials in earnings and returns.

Source: Goldman Sachs Asset Management as of November 2021

6. How Will Emerging Markets Equity Change?

- The improving global macro backdrop should support investor flows into the under-owned Emerging Markets complex.
- Expect highly disparate regional returns, reflecting China macro, COVID-19 medical, and commodity market sensitivities.
- Selectivity in investments, ie active management, will continue to be key.

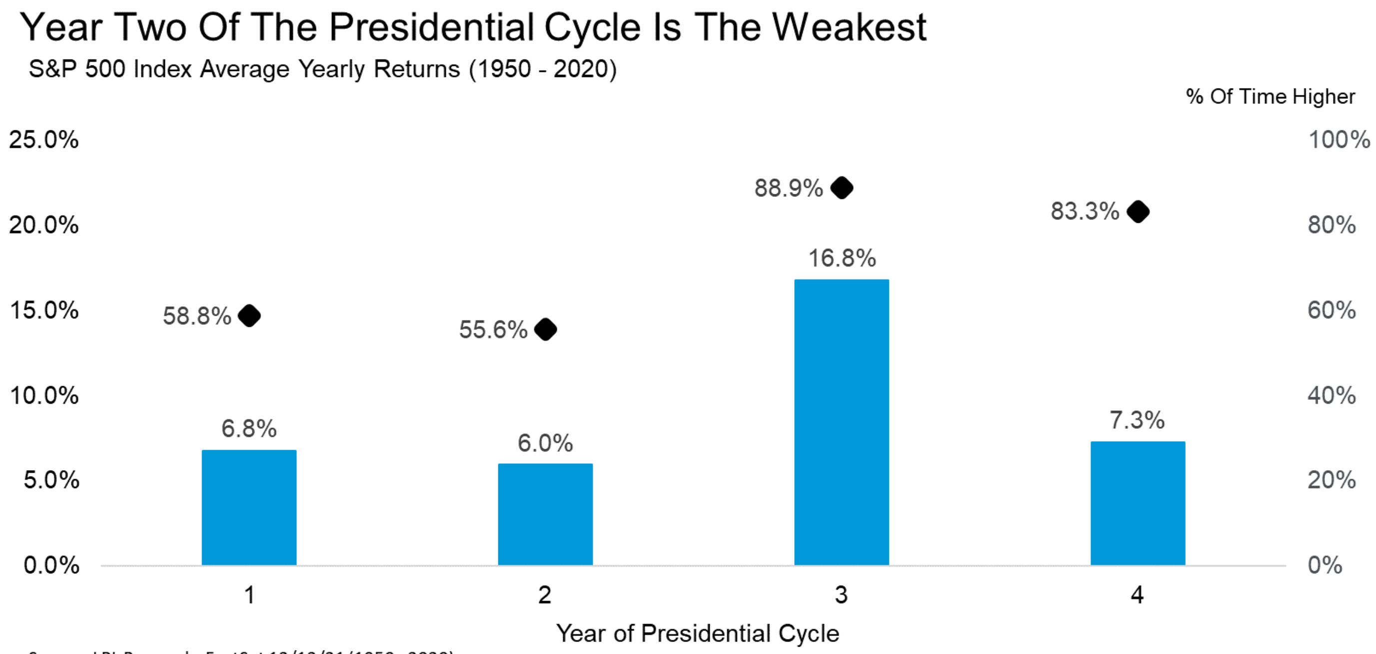
Source: Goldman Sachs Asset Management as of November 2021

Are We In For A Market Pullback?

- According to LPL Research, the second year of a presidential administration is typically the weakest for the S&P 500.

- The left-hand side of the graph represents the annual returns of the S&P, while the right-hand side (and the black diamonds) represent the percent of the time that the returns were higher than the average in that year.

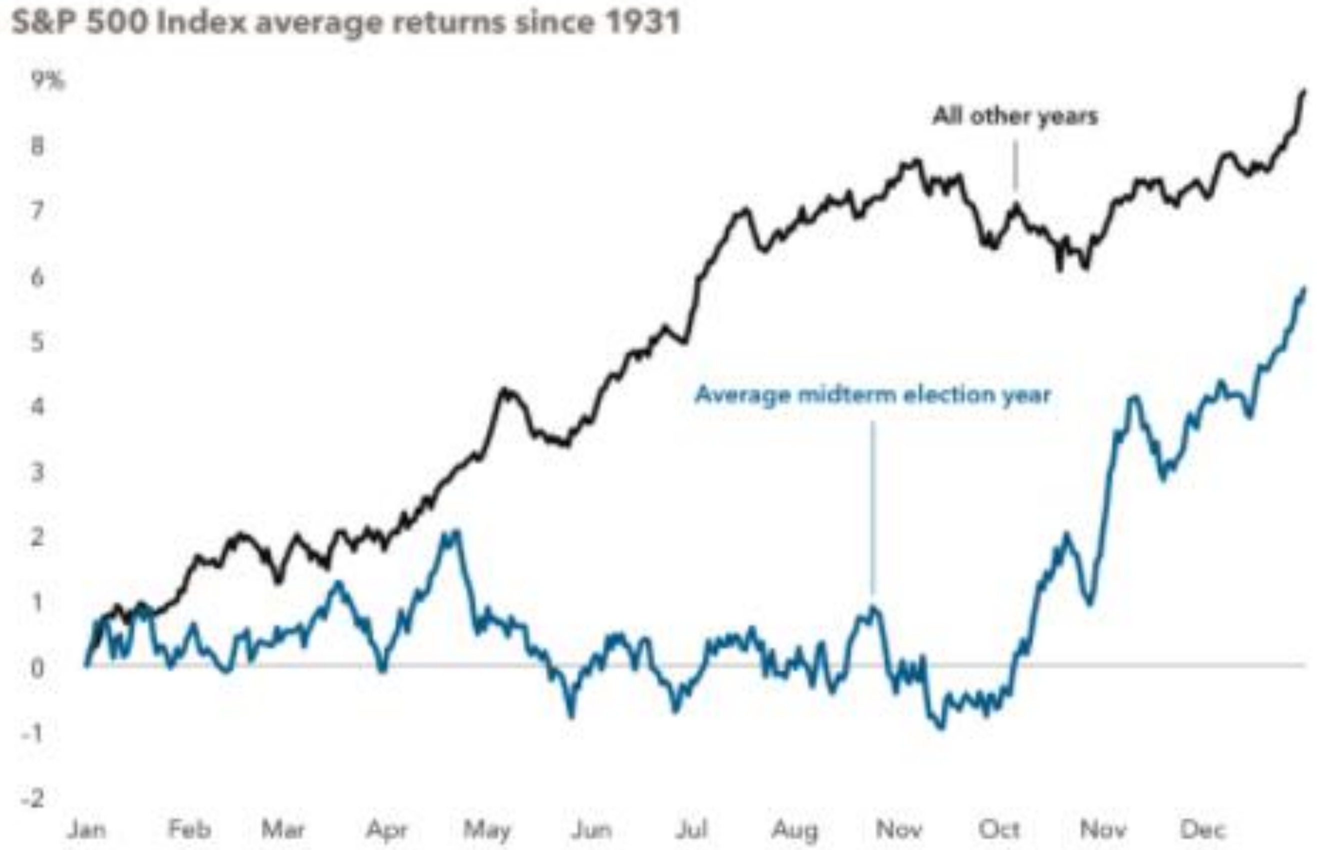
- Going into a traditionally weak year for stocks, coupled with rising interest rates and record-high inflation along with rich valuations could make for a very volatile market in 2022



Source: LPL Research, FactSet 12/13/21 (1950 - 2020)
All indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results.
The modern design of the S&P 500 Index was first launched in 1957. Performance before then incorporates the performance of its predecessor index, the S&P

Get Ready For Some Volatility In This Mid-Term Election Year

- Capital Group economist Matt Miller believes 2022 could be one of the most consequential elections in U.S. History.
- Political uncertainty often has a noticeable short-term effect on markets.
- As seen in the chart, stocks tend to have lower average returns and higher volatility for the first several months of mid-term election years.
- As results at the polls become more predictable, this trend often reverses and markets have tended to return to their normal upward trajectory.

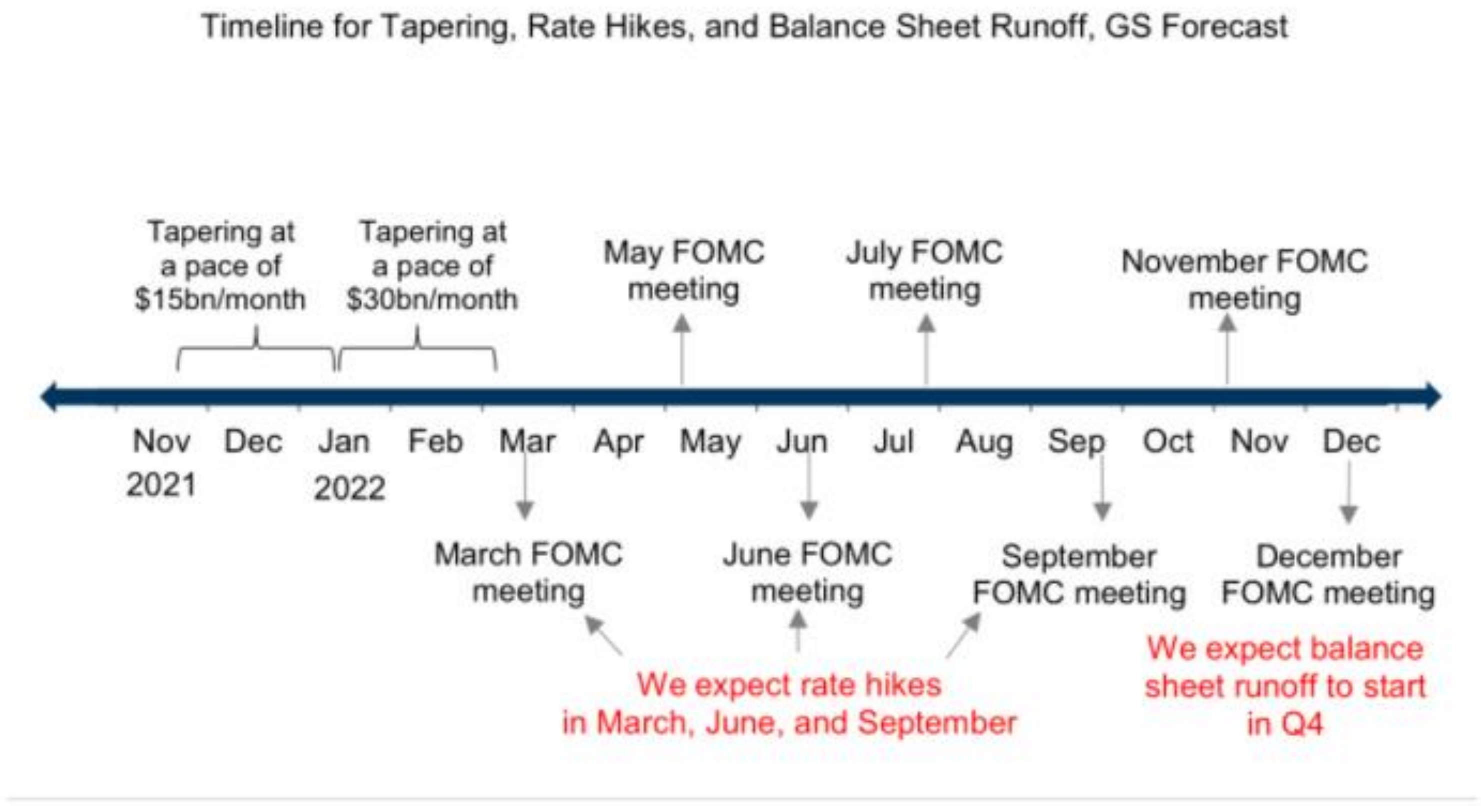


Sources: Capital Group, RIMES, Standard & Poor's. The chart shows the average trajectory of equity returns throughout midterm election years compared to non-midterm election years. Each point on the lines represents the average year-to-date return as of that particular month and day, and is calculated using daily price returns from 1/1/31-11/30/21.

Source: Capital Group December 2021

7. Where Will Interest Rates Go?

- According to the chart, expect rate hikes in March, June and September 2022 and Balance Sheet Runoff in Q4



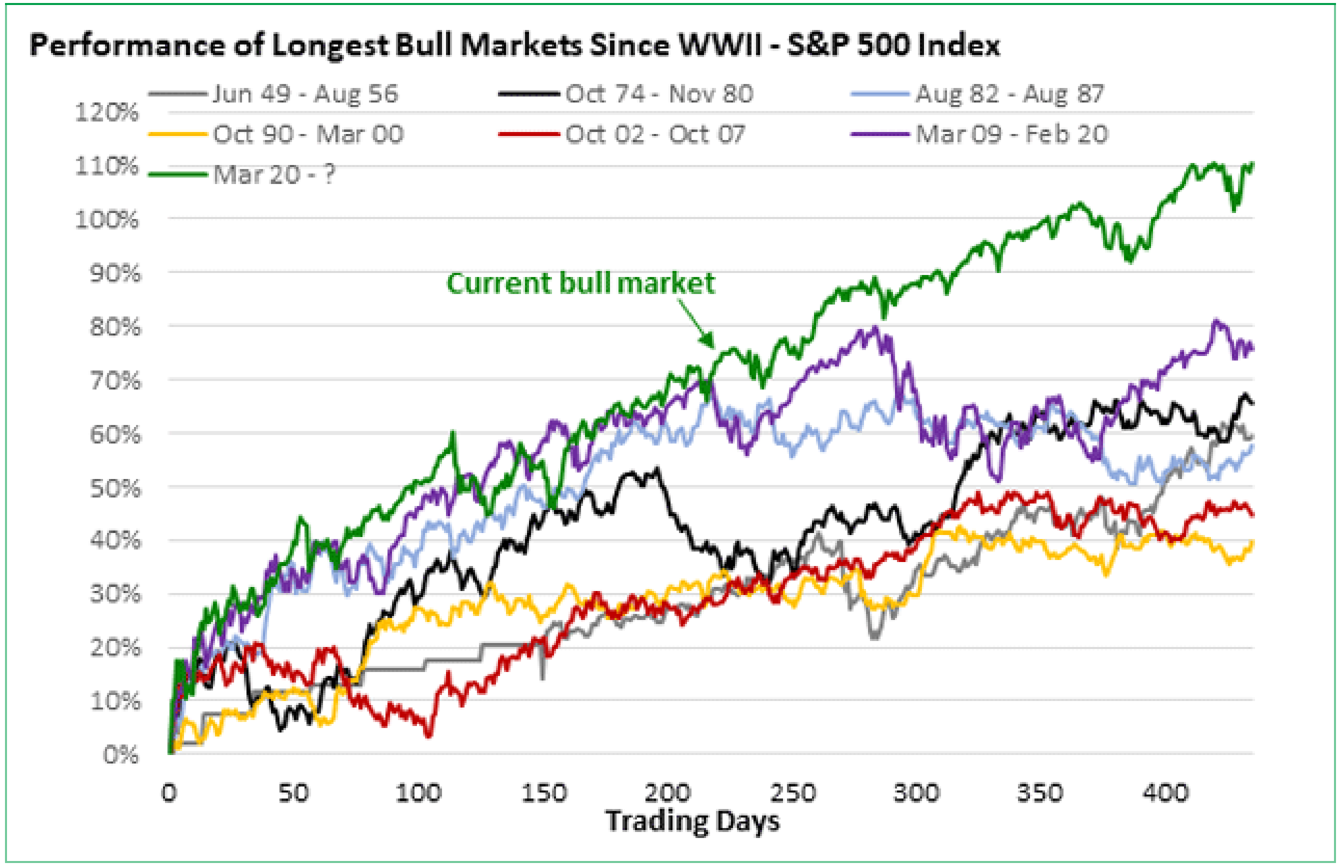
Source: Goldman Sachs Global Investment Research

How Will the Markets React to a Rise in Interest Rates?

- Gradual rate increases have not completely thwarted bull markets, but in fast-tightening cycles, the markets tend to do worse

- According to the graph, the first 400 days of this current bull market are the best performing since WWII

- 2021 has been the only year since 2014 to have a new all-time high every single month of the year (LPL Financial)



Source: Yahoo Finance, St. Louis Federal Reserve, S&P Capital IQ 12/10/21
Prior to the creation of the modern S&P 500 in 1957, the S&P 90 is used as a proxy.
Past performance is no guarantee of future results.

8. What Will Happen With Credit?

- Higher valuations will begin leading to lower risk appetite among investors. This decrease should result in modest spread widening and lower returns over time.

- While the scope for compression is limited, carry strategies (strategies that involve borrowing at low interest rates and investing the proceeds) remain fundamentally intact.

Source: Goldman Sachs Asset Management as of November 2021

9. What Will Happen With Currency?

- The US dollar appears vulnerable to high valuation, competitive overseas returns, new pressures on its global role, and cyclical sentiment.
- Expect more divergent Foreign Exchange trends to emerge in 2022, reflecting sensitivities to central bank de-linking, economic reopening, and commodity pricing.

Source: Goldman Sachs Asset Management as of November 2021

10. Will Commodity Expenditure Problems Be Resolved?

- Tightness in commodity markets is structural, based on years of under-investment.

- Unlike supply bottlenecks elsewhere, commodity capital expenditures problems will not be easily resolved and may be amplified by longer-term environmental and social policy objectives.

Source: Goldman Sachs Asset Management as of November 2021

Perspectives on Risk and Volatility

Systemic Risk

ASSESSMENT OF SYSTEMIC RISKS

Themes	Risks	Examples
Environment	• Climate change • Biodiversity loss • Natural disasters	• Global warming, rising sea levels, extreme weather • Deforestation, loss of essential ecosystems, depleted resources • Tephra and particulate matter from volcanic eruption
Health	• Human pandemics • Anti-microbial resistance • Agriculture-related pandemics	• Vaccine-resistant Coronavirus mutations • Diminished capacity to address routine health events • Agricultural / animal disease threatening food chain
Technology	• Cyber security risk • Data privacy	• Large scale cyber and malware attacks • Loss of trust in the internet • Electoral interference
Geopolitics	• Ineffective global governance	• Extreme ideological polarization • Weak rule of law and governance • Sanctions and trade wars arising from interstate conflict
Economy	• Global financial crisis • Global economic crisis	• Excess sovereign debt and deficits • Extreme cyclical downturn, chronic inflation, deflation, USD debasement

Source: Citi and Goldman Sachs Asset Management. As of November 30, 2021. For illustrative purposes only.

Correction Risk & Bear Market Risk

Correction Risk: US equities have rallied substantially since the lows of 2020. There have been only 5 other times in history that the Index rallied by at least 50% in 1 year.

Bear Market Risk: Risks of a bear market are elevated, with factors of high valuation and peak growth offset by healthy private sector balances.

Source: Goldman Sachs Asset Management as of November 2021

Correction Risk is Moderate, But You Never Know

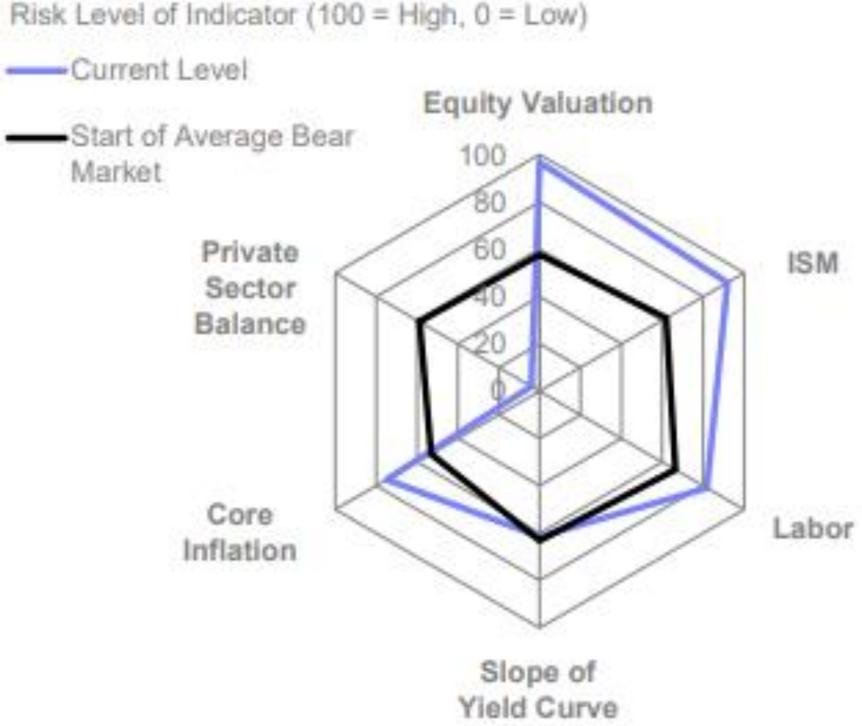
ASSESSMENT OF MARKET CHARACTERISTICS

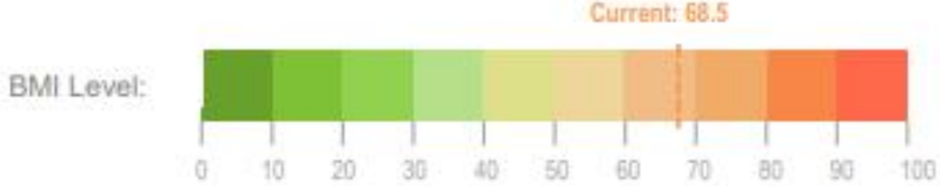
Common Characteristics	Any Signs?	Risks
1. Excessive price appreciation & extreme valuations	Yes / Selective	Moderate
2. New valuation approaches justified	Yes / Selective	Limited / Moderate
3. Increased market concentration	Yes	Moderate / High
4. Frantic speculation and investor flows	Yes	Moderate / From low base
5. Easy credit, low rates, and rising leverage	Yes	Limited in private sector
6. Booming corporate activity	Yes	Moderate / From low base
7. 'New Era' narrative and technology innovations	Yes	Moderate / High
8. Late cycle economic boom	No	Limited
9. The emergence of accounting scandals and irregularities	No	Limited

Source: Goldman Sachs Global Investment Research. As of November 30, 2021.

Breaking Down Bear Market Risk

COMPONENTS FOR BEAR MARKET RISK





UNPACKING THE COMPONENTS

Component	Signals to Watch	%tile	Risk Level
Equity Valuation	**High valuation** is a feature of most bear markets, but rarely a trigger for market decline	96.6	High
ISM	**High ISM** suggests moderating growth and lower equity returns	91.9	High
Labor	**Bottoming unemployment rate** precedes most bear markets; still labor market slack today	81.8	Medium
Slope of Yield Curve	**Flat yield curve** precedes inversion; recovering growth should moderately lift long-dated rates today	61.5	Medium
Core Inflation	**Rising inflation** suggests late cycle condition; today driven by more temporary pandemic effects	74.8	Medium
Private Sector Balance	**Elevated imbalances** imply excess corporate spending; limited leverage and stable corporate balance sheets lessen risks today	4.1	Low

Source: Bloomberg, Robert Shiller, FRED, Goldman Sachs Global Investment Research, and Goldman Sachs Asset Management. As of November 30, 2021. Risk Level indicates historical percentile from 1st to 100th for each indicator, where 100 is the highest the indicator has ever been in history and 0 is the lowest. Data analyzed from common inception from January 1954 to present. Core Inflation refers to Core CPI, Equity Valuation refers to Shiller Cyclically Adjusted PE Ratio, ISM refers to ISM Manufacturing Index, Labor refers to Unemployment Rate, Slope of Yield Curve refers to the spread between the 3 Month Treasury yield and the 6 Quarter Forward interpolated yield, Private Sector Balance refers to total saving minus total investment of all US households and businesses. **Past performance does not guarantee future results, which may vary.**

Perspectives on Risk and Volatility

While the aforementioned risks remain fluid, the current opportunity set is sustained

1. Sizeable global growth of 4.5% in 2022
2. Solid corporate profitability
3. Historically easy financial conditions
4. Limited structural damage
5. Manageable inflation
6. Well-telegraphed monetary normalization

Absent an external catalyst, expect markets to remain healthy and advance forward at a more moderate rate.

Source: Goldman Sachs Asset Management as of November 2021

Nine Mostly Bearish Predictions for 2022

Nine Mostly Bearish Predictions for 2022

1. As the Fed accelerates its tapering, interest rates will rise.

2. The U.S. economy will decline after just a few rate increases, possibly late 2022/2023.

3. Inflation will likely remain elevated until at least mid-2022.

4. High auto pricing is another factor that will slow the economy down.

Source: Think Advisor December 2021

Nine Mostly Bearish Predictions for 2022

5. The U.S. dollar will decline.

6. Non-U.S. stocks will start outperforming.

7. The economy stands to be further hurt if two- and three-year Treasury yield rates continue to rise.

8. Gold pricing will go up when the U.S. dollar goes down.

9. The Fed will continue to defend risk assets through more money printing.

Source: Think Advisor December 2021

2. Washington Update & Tax Changes

Tax Bill Update: What's Changed Over the 3 Versions

	Biden Proposal	House Ways and Means Bill (9/27)	House Democratic Bill (10/28)
Corporate Tax Rate	Increase from 21% to 28%	Increase from 21% 26.5%	Removed
Corporate AMT	Minimum tax of 15% on book earnings if book earnings are in excess of $2 billion,	N/A	Minimum tax of 15% on book earnings if book earnings are in excess of $1 billion for a 3-year period
Individual Income Tax Rate	Increase from 37% to 39.6%	Increase from 37% to 39.6%	Removed
Surcharge Tax on High Income Individuals	N/A	Additional 3% tax if modified AGI exceeds $5,000,000 (MFJ)	Additional 5% tax if modified AGI exceeds $10,000,000 (MFJ) and 8% for AGI that exceeds $25,000,000 (MFJ)
20% deduction for qualified business income (199A)	N/A	Maximum 199A deduction allowed limited to $500,000 (MFJ) or $2,500,000 of qualified business income	Removed
Expansion of Net Investment Income Tax (NIIT) For High Income	Application of active pass-through business income to either NIIT or self-employment tax (both 3.8%)	Application of active pass-through business income to either NIIT or self-employment tax to individuals with modified AGI above $500,000 (MFJ) not allowing net operating losses to be taken into account as an offset	Application of active pass-through business income to either NIIT or self-employment tax to individuals with modified AGI above $500,000 (MFJ) not allowing net operating losses to be taken into account as an offset
Capital Gains Rates	Increase from 20% to marginal tax rate	Increase from 20% to 25%	Increase to 25% (due to surcharge) for modified AGI above $10,000,000 (MFJ) and 28% for AGI above $25,000,000 (MFJ)
Like -Kind Exchange Limitations	Limit the amount of gain that can be deferred to $1,000,000 (MFJ)	Removed	Removed
Excess Business Loss Limitation (Section 461(l)	Make the excess business loss limitation permanent, limitation of $500,000 (MFJ) losses per year	Make the excess business loss limitation permanent, limitation of $500,000 (MFJ) losses per year and any carryforward losses are no longer considered net operating losses but would remain in the excess business loss "bucket"	Make the excess business loss limitation permanent, limitation of $500,000 (MFJ) losses per year and any carryforward losses are no longer considered net operating losses but would remain in the excess business loss "bucket"
Interest Expense Limitation	N/A	Section 163(j) for partnerships and S corporations to apply at the partner and S corporation shareholder level and limiting interest expense carry over to 5 years	Section 163(j) for partnerships and S corporations to apply at the partner and S corporation shareholder level

Federal Tax Law Proposal Comparison THE BONADIO GROUP

New Version of Build Back Better Plan

October 28, 2021

$1.75T Tax Bill Passed by House on October 28, 2021 (1,684 pages!)

What Stayed:

- Universal preschool for all 3- and 4-year olds, which is funded for at least 6 years.
- Expanded tax credits for 10 years for utility and residential clean energy, including electric vehicles.
- Extend the current, pandemic-related Affordable Care Act subsidies for 4 years.

What was cut? Paid family leave and an expansion of Medicare (however some Medicare provisions remained)

October 28th Tax Bill: Retirement Plan Changes Have Been Removed

- **Before:** The previous draft of the How Ways and Means Committee Bill had numerous changes to retirement accounts, including limits on traditional IRA contributions, changes to required minimum distributions for high-income earners, limits on Roth conversions and an end to so-called "back-door" Roth conversions.

- **Now:** All of these retirement planning changes have been scrapped.

October 28th Tax Bill: Estate and Gift Tax Exemption to Remain Unchanged

- **Before:** The estate and gift tax exemption would return to $5 million ($10 million for married couples) in 2022, after the 2017 Tax Cuts and Jobs Acts signed by President Donald Trump pushed that number to $11.7 million ($23.4 million for married couples). No change would be made to the step-up in basis rule.

- **Now:** The estate and gift tax exemption would remain at $11.7 million for individuals ($23.4 million for married couples). As before, no change would be made to the step-up in basis rule. But the exemption goes back to $5 million in 2026 anyway.

October 28th Tax Bill: Income Tax For Top Earners Remains The Same With Some Caveats

- **Before:** The highest personal income tax bracket would jump from 37% to 39.6%. The proposal also added a 3% surtax on individuals with modified adjusted gross income over $5 million.

- **Now:** The top personal income bracket would remain at 37%. However, there would be a 5% surtax on annual modified adjusted gross income over $10 million for all individuals except married filing separately ($5 million). There would then be an additional 3% surtax on income over $25 million. This would directly impact only the wealthiest 0.02% of Americans.

October 28th Tax Bill: Capital Gains Tax Remains The Same

- **Before:** The top rate for taxes on capital gains and dividends tax would increase from 20% to 25%.

- **Now:** The capital gains tax rate would remain at 20%.

October 28th Tax Bill: Top Corporate Tax Rate Remains But A New Minimum Rate Is Added

- **Before:** The top federal corporate tax rate would increase from 21% to 26.5% starting in 2022.
- **Now:** The top federal corporate tax rate would remain at 21%, but large companies would now face a minimum 15% rate.

October 28th Tax Bill: What Stayed From Previous Versions

- **'Wash Sale' Rules for Cryptocurrency**

Starting in 2022, cryptocurrencies like Bitcoin and Ethereum would be subject to anti-abuse rules that currently apply to stocks, bonds and other securities.

- **International Tax Overhaul**

International taxes on U.S. multinational companies have been a strongly debated topic for the past few years, preceding even the changes that took place in 2017 as part of the Tax Cuts and Jobs Act.

What's New In The October 28th Tax Bill?

- **Additional Taxes on Large Trusts and Estates:** The new tax on money taken from trusts or estates starts at a 5% rate for anything in excess of $200,000, with an additional 3% for anything over $500,000.

- **Child Tax Credit:** The enhanced credit – passed in March through the American Rescue Plan – will continue through 2022. It provides $3,000 for children ages 6 to 17 (up from $2,000), with an additional $600 for children under the age of 6.

- **IRS Funding:** The bill calls for an $80 billion increase in funding for the IRS – several projections show that the IRS, if it were properly funded, could raise more money by just enforcing current laws.

October 28th Tax Bill: Looking Ahead

What Could Still Be Added to the Bill? This version of the BBB Act doesn't include any changes to the cap on state and local income tax (SALT) deduction although there were discussion of allowing up to $80,000 a year.

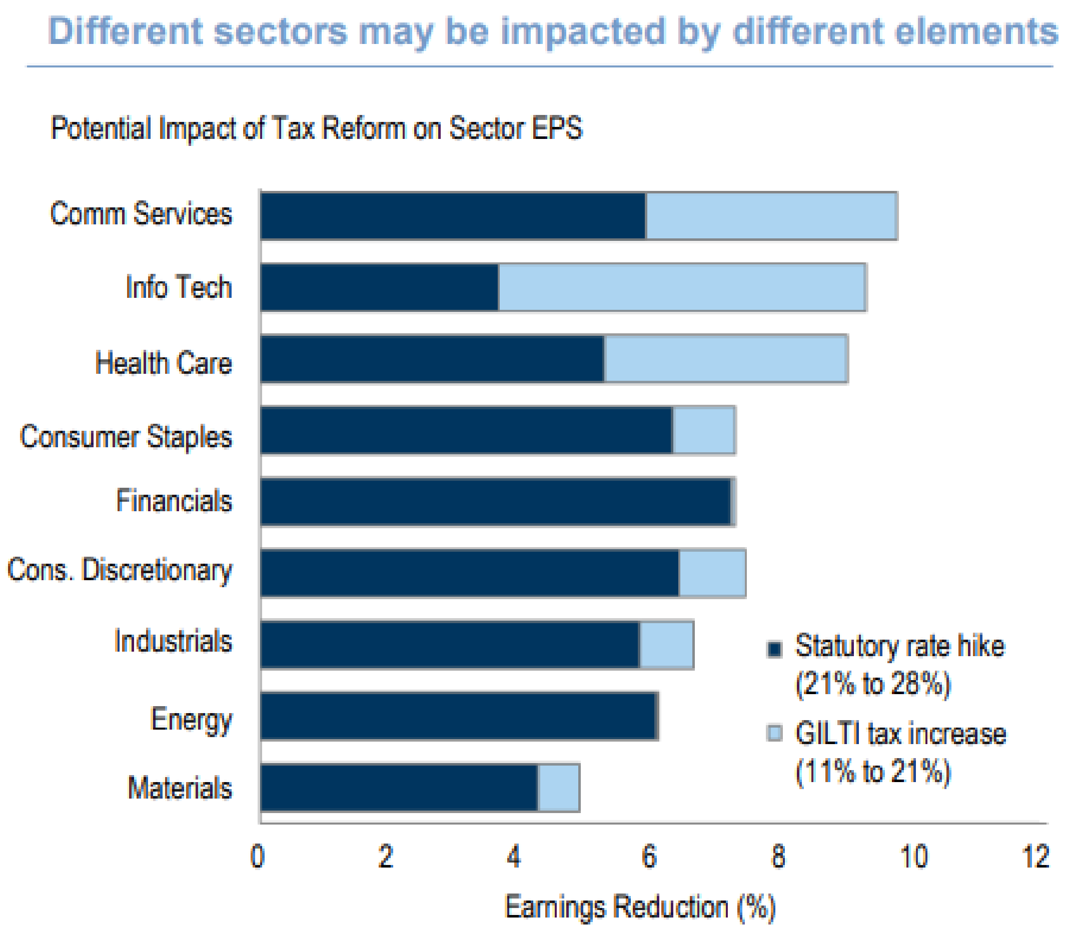
What's Next? The Biden administration and Democrats in Congress are pushing to pass the Build Back Better Act relatively quickly, and the current framework will likely be close to the final version.

And though many of the previously proposed changes to personal taxes and retirement planning were dropped from this bill, they may still make it into the SECURE Act 2.0 – though, much like with the BBB Act, there's no guarantee they'd survive negotiations among the Democrats' narrow Senate majority.

What Increased Taxes Means For Corporations

- Some sectors could be hit harder by the new tax proposals such as Communication Services and Information Technology

- New corporate tax rate plus increasing taxes on income earned abroad



Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management. As of August 31, 2021

Key Points: Remain Vigilant in Watching for Roth and Retirement Plan Crackdowns and Plan Ahead

- Close after-tax employee contributions in qualified plans for all?

- Prohibits Roth conversions of after tax IRA contributions and employer sponsored retirement plans (includes back door Roth Conversions and Mega Back Door Roth IRA)?

- No more contributions for IRAs and defined contribution retirement accounts if the combined total value is over $10 Million?

- If these accounts exceed $10 Million at the end of the taxable year, you would be required to withdraw 50% of the excess in the **following** year?

Source: Think Advisor

3. Year-Round Planning

Section 3 Topics

1. Potential Solution For Higher Taxes

2. TCJA: Raising Top Ordinary Income Rates to 39.6% In 2026

3. Protect Against Potential Capital Gains Tax Increases

4. TCJA: Lifetime Exclusion Decreased to $5M Adjusted for Inflation in 2026

5. SECURE Act Targeting large IRA balances

Potential Solutions for Higher taxes

A wealth of potential solutions can help address higher tax rates with different considerations

Tax-Efficient Vehicles	• Municipal Bonds • Exchange Funds • Insurance
Tax-Loss Harvesting	• Lot Management • Long-term versus Short-term
Asset Location	• Qualified Accounts • Trust and Estate Planning • Insurance
Gain Acceleration	• Time Horizon • Return Expectation • Cost Basis

Source: Goldman Sachs Investment Strategy Group and Goldman Sachs Asset Management.
As of August 31, 2021.

TCJA: Raising Top Ordinary Income Rates to 39.6% In 2026

1. **Look for tax diversification and tax deferral opportunities** such as 401(k)'s, Roth IRA's, annuities, PSP/CB plans, 529s, and HSAs. Consider all strategies to decrease income.

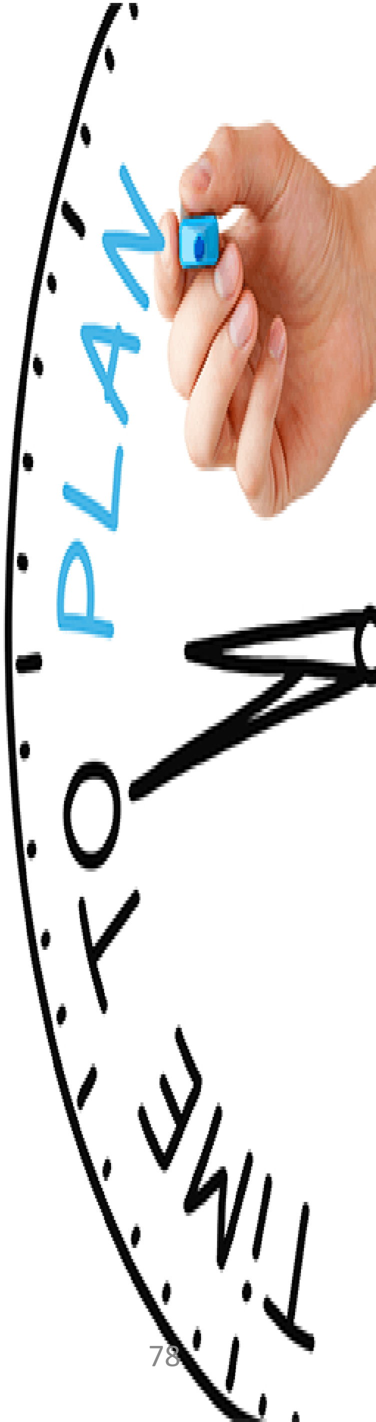
2. **Make use of tax bracket management**, taking advantage of low income years to take IRA distributions or sell appreciated stock.

3. **Consider all tax efficient investments and strategies**, such as tax loss trading, maximizing retirement contributions, bunching deductions, and so on.

4. **Consider purchasing cash value life insurance or annuities for tax-free growth** and death benefits.

5. Consider asset location strategies and investing in individual **stocks and ETF's, and municipal bonds as most are exempt from federal taxes** and some are exempt from state and local taxes.

6. **Consider Charitable giving to decrease taxes**: QCD (if 70 ½), CGA's, CLT's, DAF's, and donating appreciated stock to charity.



Protect Against Potential Capital Gains Tax Increases

1. **Consider increasing contributions** to 401k's, IRA's, defined benefit/cash balance plans, and Roth accounts. Consider tax loss harvesting, accelerating deductions, increasing expenses, leveling income, and deathbed planning (depending if step up is still available).

2. **Leverage property and investments** (borrow against appreciated property and lending back) instead of taking withdrawals. Consider installment sales.

3. **Consider leveling or bunching income**, buy and hold, tax loss trading, tax gain harvesting and other tax efficient investment strategies.

4. Consider all **strategies to drive down income** in future years.

5**. Gift assets before they appreciate**; use up the lifetime exclusion.

TCJA: Lifetime Exclusion Decreased to $5M Adjusted for Inflation in 2026

1. **Use it or lose it!** Use the large gift exemption now as the IRS announced at the end of 2020 that there will be no retroactive tax on gifts made using the exemption in prior years should the exemption be reduced.

2. **Consider gifting or transferring assets out of your estate** now when interest rates and asset values are low.

3**. Gift before estate tax laws change** to prevent any planning mistakes or challenges that can come if you are forced to rush the process.

4. **Consider charitable giving strategies and other advanced gifting strategies** including GRAT’s, SLAT’s, QPRT’s, loan forgiveness, and Trusts before Congress abolishes.

5. **Consider the step up in basis at death** or instead of holding until death, gift assets sooner, before they appreciate too much in value. Lock in and preserve the lifetime exclusion at today’s value.

SECURE Act Targeting large IRA balances

1**. Consider drawing down** large Traditional IRA balances in lower income years and paying taxes on the IRA monies now.

2. **Consider annual partial Roth conversions**. May not be able to do past 2031.

3. **Consider leaving Roth (after-tax) retirement assets** to non-spouse beneficiaries.

4. **Review retirement account beneficiaries** to ensure a Trust is not listed as the beneficiary.

5. **Consider life insurance** to replace the Stretch IRA and/or to pay income taxes.

6. **Consider multiple beneficiaries for IRA accounts** or whether IRAs should be left to lower tax beneficiaries.

7. **Consider charitable beneficiaries** including a charitable remainder trust if you are so inclined

Wrapping Things Up…

The Four Phases of the Wealth Life Cycle

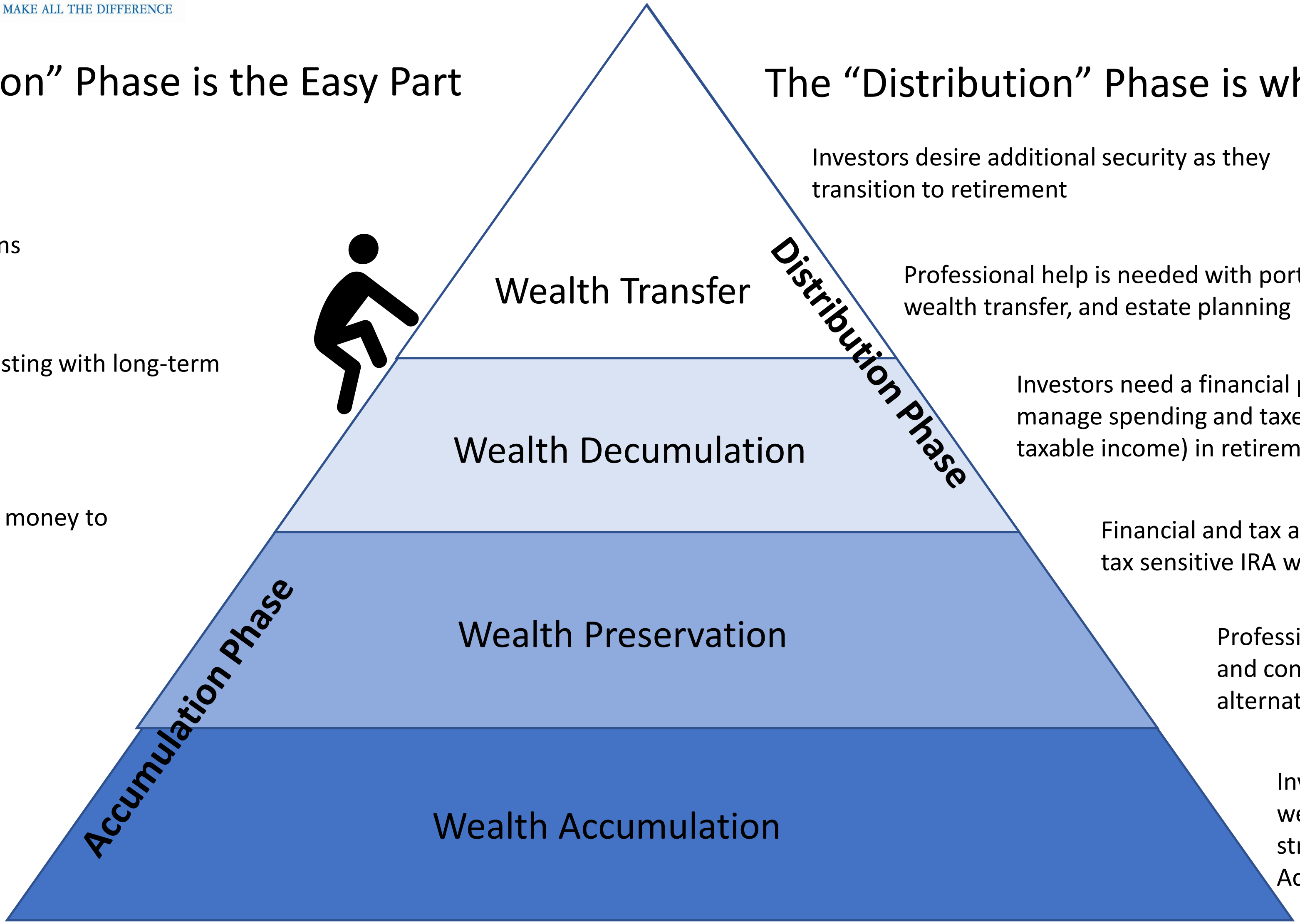
TAYLOR FINANCIAL GROUP, LLC
THE RIGHT PARTNER CAN MAKE ALL THE DIFFERENCE

The "Accumulation" Phase is the Easy Part

Simply live within your means

Do-It-Yourself, low-cost investing with long-term strategies

Investors must save enough money to retire



The "Distribution" Phase is where it Gets Difficult

Investors desire additional security as they transition to retirement

Professional help is needed with portfolios, taxes, wealth transfer, and estate planning

Investors need a financial plan and distribution strategy to manage spending and taxes (caused by RMDs and high taxable income) in retirement

Financial and tax advice with retirement planning and tax sensitive IRA withdrawal strategies

Professional guidance when developing a plan and considering active investments, hedging, alternatives and annuities

Investors need to develop tax-advantaged wealth transfer and estate planning strategies, particularly in light of the SECURE Act

Key Takeaways

1. The global economic recovery, although slowing, remains intact.

2. Equity valuations are high and bond yields are low, so investors will need to be selective in their portfolios moving forward.

3. Washington, D.C. is not your friend. Taxes are going up. Be prepared.

4. Investors who are targets of the proposed tax legislation need to address their concerns now. Make income tax diversification and planning a priority to have more flexibility and control in retirement.

Client Reminders

If you haven't already sent us copies of your 2020 tax returns, please do so as soon as possible.

Reviewing your 2020 returns will make it easier for us to determine what tax strategies are best for you.

Contact Us! We are happy to act as a resource!

Debra Taylor

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