Financial freedom
WEALTH MANAGEMENT GROUP, LLC

QUARTERLY UPDATE
SPRING 2022

Happy Spring!

Now that spring has sprung and we're enjoying the longer days, thoughts turn to new possibilities – the trips you could take, a day at the beach or a new vegetable garden. Spring is all about new journeys.

Wherever your path takes you, we are here to support you with your financial life so you can be free to flourish and bring all these new possibilities to life.

STAFF SPOTLIGHT

Introducing Rena Chen, our new Executive Assistant!

As an Executive Assistant, Rena provides support to clients, advisors and staff. A New Jersey native, Rena enjoys helping others reach their goals and serving her community. Her valuable contributions to the team are primarily the result of her years of teaching, administrative, marketing and HR experiences. Her interest in financial services initially began with her experience as an instructor at an international business school and was further enhanced during her time at an impact investing firm.

Rena obtained her bachelor's degree from Princeton University, majoring in anthropology with minors in environmental studies and urban studies. She is currently on several Boards of Directors within her community.

When Rena is not in the office, she enjoys cooking, baking, visiting plant nurseries and spending time with family and friends.

MARKET UPDATE

The first quarter of 2022 was volatile for markets as numerous threats to economic growth emerged. As we start the second quarter, investors are looking for incrementally positive progress across geopolitics, monetary policy expectations and the outlook for inflation.

1st Quarter Performance Review

All four major equity indices posted negative returns for the first quarter of 2022, although the S&P 500 and the Dow Jones Industrial Average saw only mild losses compared to the Nasdaq and Russell 2000. Investors rotated out of growth-oriented technology stocks and that rotation primarily benefitted the Dow while the Nasdaq lagged both the S&P 500 and the Dow.

Looking specifically at market capitalization, large-cap stocks outperformed small-cap stocks, which was to be expected given the geopolitical uncertainty and rising interest rates. Small-cap stocks typically are more reliant on debt financing to sustain their businesses, and therefore, rising interest rates can be a hindrance. Additionally, investors moved towards large caps amid the rise in volatility over the course of the quarter.

On a sector level, Energy and Utilities were the only two of the eleven sectors in the S&P 500 that finished the first quarter with a positive return. The Financials sector outperformed the S&P 500 and saw only a small loss as the sector has historically benefited from rising interest rates.

International markets declined in the first quarter. Geopolitical uncertainty hit international markets early in the quarter, erasing what was a moderately positive performance until that point. Emerging markets slightly lagged international developed markets due to a stronger U.S. dollar and rising geopolitical risks, but the underperformance was modest.

Commodities registered positive returns primarily due to rising geopolitical risks. Oil, wheat, natural gas, corn and other essential commodities surged on a combination of actual production outages related to the Russia-Ukraine war (reducing current supply) and buyers locking in supply for fear of future production disruptions should the war continue for months or spread beyond Ukraine's borders.

As for fixed income markets, bonds registered some of the worst performance in years. Most major bond indices declined as investors exited fixed income holdings in the face of high inflation and as the Federal Reserve consistently signaled impending interest rate hikes faster than investors had previously expected.

US Equity Indexes	Q1 Return
S&P 500	-4.60%
DJ Industrial Average	-4.10%
NASDAQ 100	-8.91%
S&P MidCap 400	-4.88%
Russell 2000	-7.53%

2nd Quarter Market Outlook

Markets are facing the most uncertainty since the pandemic, as resistance from inflation, less-accommodative monetary policy and geopolitics remain in place.

Inflation is still near a 40-year high as we start the second quarter. With major commodities surging in response to the Russia-Ukraine war, it's unlikely that key inflation indicators like the Consumer Price Index will meaningfully decline anytime soon. Until there is a definitive peak in inflation, the Federal Reserve is likely to continue to raise interest rates, and over time, higher rates could become a drag on economic growth.

While there are risks to the performance of portfolios, it's important to note that the U.S. economy is very strong and unemployment remains historically low. Additionally, while interest rates are rising, they remain far below levels that most economists believe would begin to slow the economy.

Finally, consumer spending, which is one of the main engines of growth for the U.S. economy, is robust, and corporate and personal balance sheets are healthy. So, while risks remain, as they always do, there are also multiple positive factors supporting markets. It is important to remember that a well-executed and diversified, long-term financial plan can help manage bouts of intense volatility like we have seen in the first quarter.

SPECIAL UPDATE

Later this year, I will be celebrating my 74th birthday. In December of this year, Holli and I will be leaving Financial Freedom Wealth Management Group to start crossing off some of our bucket list items, including traveling with our fifth wheel trailer to explore the sights of America and spending more time with our children and grandchildren.

My time at Financial Freedom has allowed me to meet many wonderful people and serve them as they became clients. I have been supported by a great team who strive every day to delight our clients. This exceptional team of advisors and support staff make it possible for Holli and me to even consider making this change.

You may notice that I am not using the term "retirement" since I plan to be active in one of my other passions, which is teaching managers to lead and to help all people discover and implement their inherent leadership qualities. These qualities are referenced in my book, *Catch the Arrows*. In conjunction with this, I have a company named Leadership Workshops LLC, where I will spend some of my time in the years ahead.

I wish you all the best and I hope to see you around.

Cheers,

Chandran Rajaratnam
President and Wealth Advisor

FINANCIAL SPRING CLEANING

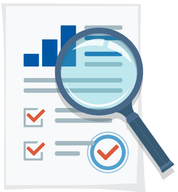
With spring cleaning underway and Tax Day over, a common question we get this time of year is, "What documents should be kept and what can be shredded?"

As for what to shred, the IRS generally has up to three years after the due date of your tax return to begin an audit, so you can toss most of your supporting tax documents after three years. To be safe, you should keep your returns and supporting documents for seven years if you had a more complex return that included items such as a loss from worthless securities or a bad debt deduction. Also keep records of your home's purchase price and major home improvements for three years after you sell your home.

You can also shred monthly statements from your bank and investment firm after you receive your year-end statements. Get rid of ATM receipts and bank-deposit slips as soon as you match them up with your monthly statement. You can also discard your pay stubs after seeing that they agree with your W-2 for the year. Shredding these documents will help protect your identity.

It's a good idea to keep records of stock and mutual fund purchases made in taxable accounts for as long as you hold the investments. The records will come in handy when you sell shares and must report the purchase price, date of purchase and number of shares involved. Additionally, hang on to records of any stock or mutual fund dividends you've reinvested so you can avoid paying taxes on them again when you withdraw the money. At Financial Freedom, we keep these records for our clients indefinitely. If you are not a client of ours, check with your financial advisor for their records retention policy.

Happy spring cleaning!



Complimentary Consultation!

If you are not a client with us, we would like to offer you a one-hour, complimentary, private consultation with one of our Wealth Advisors. To schedule, please call us at 458.777.4458 and someone from our team will be happy to assist you!