

Quarterly Newsletter: *Quarter ending Sept. 2022*

Market Summary: It's an understatement to say this has been a Bear of a year for investors so far. Our September statements show big drops in bonds and stocks when compared to the highs seen earlier this year. The S&P 500 and other major stock trackers declined to new lows for the second time this year [First Trust].

Market disturbances are a fact of life for investors



Sources: MSCI, RIMES. As of 6/30/22. Data is indexed to 100 on 1/1/87, based on the MSCI World Index from 1/1/87-12/31/87, the MSCI ACWI with gross returns from 1/1/88-12/31/00, and the MSCI ACWI with net returns thereafter. Shown on a logarithmic scale.

Market disturbances are a fact of life [American Funds]. All things being equal, expect additional rate hikes and continued market volatility. The mandate to bring bring down inflation closer to between 2 and 3% sooner than later has long-term implications to prevent a repeat of the 70's and 80's. Setting the right expectations requires that we understand the many factors at play today. Loose monetary policy [i.e. low interest rates], and extensive government stimulus juiced the economy. The goal was to prevent dire economic collapse due to the steep, but swift V-shaped recession from the pandemic lockdowns. We are now experiencing classic text book economics as part of our daily lives. Combined with the on-going war in Ukraine, a strong dollar, OPEC's out policy, a continued slow-down in China, U.S. mid-term elections and other worldly worries, it is hard, but important to keep a rational perspective.

While the economy is not yet in a recession and the stock market may not have reach a bottom,

we are heading in that direction. Whether it's two negative quarters of GDP growth, the yield on the 10yr U.S. Treasury bond, yield curve inversions, resistance points on stock/bond charts, a softening in the real-estate market, down-grades to corporate earnings, or a rise in the unemployment numbers that captures your attention we will feel the impact on our saving, spending, and sharing strategies.

Everyone's situation will warrant a different solution. Cash is not trash, and TINA [There's no alternative – the moto meaning stocks seemed the only option] went into hiding. If you're in or nearing retirement, having a cash cushion provides income to pay expenses and avoids selling depreciated investments. This remains a rational part of the planning process. Those in retirement should consider a fixed or variable annuity for an appropriate portion of their retirement money. Those far out from retirement and gainfully employed should continue to make contributions to retirement plans and other savings vehicles. Pausing investing due to poor market performance will only lead to more disappointment. In the near-term we will continue to see pressure on the equity markets. How long is anyone's guess. Three to five years out should pay off for taking some calculated risk [First Trust].



We cannot eliminate risk entirely but must be mindful of how we receive information and our

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reaction [Morningstar] [Google Images]. Behavioral finance provides some helpful insights on how we see and react to situations.

1. Planning Fallacy – we tend to overestimate the likelihood of a positive future event and underestimate the likelihood of a negative future event. Example: most plan to retire at age 65 or older but 2/3 leave the workforce earlier than intended.

2. Anchoring Bias – relying too much on the first piece of information we receive. Example: We know that you can claim Social Security benefits at age 62. But starting this early could have a significant impact on the amount of money you receive.

3. Mental Accounting – from a savings perspective, allocating different buckets of money for various needs such as current spending, emergency spending, and retirement savings. Example: This all works well until the time to turn the retirement savings into income. Many fail to efficiently turn the savings into spending [Jackson Life].

Educational Series via Zoom Continues

Every 2nd Thursday of the month at 4PM PST. Replays of past sessions are posted at www.labwealthmanagement.com and click learning center.

October: Economic up-date, Behavioral Finance Perspectives, Alternative Investments, Year-end planning, and open discussion

Business Up-date

Pictured: London Bridge on a foggy mid August morning. And Dublin, Ireland marking my 44th unique country visit.



Thanks for your continued support! Wishing you a happy, healthy, and prosperous year.

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Disclosure

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