SAMALIN WEALTH

FINANCE FOCUS

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IN THIS ISSUE

Announcing Our New Name

Last month, we were pleased to announce that Samalin Investment Counsel, LLC will newly be conducting business as **Samalin Wealth**. This new name more accurately represents the holistic financial approach requested by our clients and one we advocate. It also reflects the company's progress over the past 15 years and positions us for our next stage of growth.

We remain committed to providing our valued clients with curated wealth management that is designed to elevate your financial potential. Over the coming weeks, we will be rolling out the Samalin Wealth logo and the following enhancements for your client experience including (1) a new mobile app, (2) better access to public and private investment vehicles, (3) improved communication channels, and (4) more personalized financial insights.

Our fiduciary structure remains in place, and your fees will not change.

Thank you for choosing us for your wealth management needs.

SAMALIN WEALTH

2021: It's a Wrap

The year 2021 was one of extreme change. Yet throughout the year, the U.S. stock market pushed higher. Despite mounting COVID cases, escalating inflation, labor shortages, supply bottlenecks, and severe weather that hit nearly every part of the country at one time or another, Wall Street continued to post gains. Large caps, small caps, growth, value — seemingly every market segment increased, surpassing most of the outlooks at the start of the year. While many factors contributed to the strong market performance in 2021, a few highlights include consistently favorable data pointing to ongoing economic recovery, strong corporate earnings throughout 2021, the acceptance of cryptocurrency as a mainstream investment, a low interest-rate environment, stimulus programs that provided consumers with cash, increasing job opportunities, and the availability of coronavirus vaccines.

In addition, several of the worlds' largest economies enjoyed notable recoveries. In the United States, two additional rounds of stimulus payments in the first quarter helped line consumers' pocketbooks, which led to rapidly increasing demand for goods and services. Historically low lending rates and a rise in remote work increased the opportunity for consumers to spend.

U.S. economic recovery was also highlighted by job growth and dwindling unemployment claims. Employment gains averaged over 550,000 per month in 2021, while weekly jobless claims fell to a 52-year low in December.

However, the rapid economic turnaround brought with it a historic surge in consumer and producer prices, labor shortages, and global supply-chain bottlenecks. Low interest rates and stimulus measures adopted by the Federal Reserve gave people more access to money and buying power. Personal income increased as did personal consumption expenditures. Corporate earnings were strong, despite labor and supply shortages and lingering economic uncertainty caused by the pandemic.

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U.S. inflation reached a nearly 40-year high late in the year, as growing consumer demand was stunted by pandemic-related supply constraints. Historically low mortgage rates helped propel the housing market, as both the number of residential sales and property values escalated. Energy prices, particularly gas prices, rose by nearly 50%, as crude oil reached more than $80 per barrel for the first time since 2014.

An influx of day-trading investors collided with hedge-fund investors and Wall Street professionals. So-called “meme traders” manipulated stock prices from their sofas through collaborative investing on social media platforms.

Cryptocurrency gained more mainstream acceptance and attention in 2021, with a market cap of all cryptocurrencies topping $3 trillion. The rapid growth of cryptocurrency also led to more government scrutiny. China’s central bank declared all cryptocurrency-related transactions illegal as that country was determined to crack down on the industry.

The year 2022 should bring continued economic recovery. As the United States and the world inch slowly toward normalcy following the battle against the COVID-19 pandemic, stock markets, employment, and production should also advance. Inflationary pressures are likely to continue, which will most certainly prompt adjustments to the target range for the federal funds rate. Will President Joe Biden and lawmakers be able to reach an accord on a spending bill? Will the coronavirus continue to mutate and spread? The year 2022 is likely to provide another roller-coaster ride.

Breaking Down the Gender Wage Gap

Women who worked full-time earned just 82 cents for every dollar earned by men in 2020. Women also earned less than men in almost all of the 50 occupations tracked by the Bureau of Labor Statistics. More women work in lower-paid industries than men, and even women in higher-paying fields tend to have fewer years of experience, as they are more likely to take time out of the workforce to care for children or elders. Although illegal, gender discrimination may play a role in some work environments.

Women’s median weekly earnings as a percentage of men’s earnings in the same occupation (2020)

87% Construction Workers

87% Office & Admin. Support

86% Software Developers

85% Registered Nurses

82% Physicians

77% Educators/ Librarians

76% Chief Executives

72% Lawyers

Source: U.S. Bureau of Labor Statistics, 2021

Sizing Up Inheritances, Real and Imagined

According to the Federal Reserve’s Survey of Consumer Finances, last taken in 2019, about one-fourth of U.S. families have received an inheritance, trust, or gift. The average inheritance received was $46,200, and the average inheritance expected in the future is $72,200. Wealthier households tend to inherit far greater amounts than those in lower wealth groups, and some members of younger generations may have unrealistic inheritance expectations.

Average Inheritances by Wealth Group | Received (R), Expected (E)

Top 1%
R: $719,000
E: $841,100

Next 9%
R: $174,200
E: $266,600

Next 40%
R: $45,900
E: $60,100

Bottom 50%
R: $9,700
E: $29,400

Are You a HENRY? Consider These Wealth-Building Strategies

HENRY is a catchy acronym for "high earner, not rich yet." It describes a demographic made up of young and often highly educated professionals with substantial incomes but little or no savings. HENRYs generally have enviable career prospects, but many of them feel financially stretched or may even live paycheck to paycheck for years, especially if they are working in cities with high living costs and/or facing large student loan payments.

If this sounds like you, it may be time to shed your HENRY status for good and focus on growing wealth — even if it means making some temporary sacrifices. One simple metric that can be used to gauge your financial standing is your net worth, which is the total of your assets (what you own) minus your liabilities (what you owe).

WEALTH SNAPSHOT

The net worth of U.S. families varies greatly depending on housing status, education, and income level. But it also takes time to build wealth, so there are significant differences by age. *See Median Net Worth chart below.*

PAY ATTENTION TO YOUR SPENDING

It's virtually impossible to increase your net worth if you don't live within your means. After studying long hours and working your way into a good-paying job, you may feel that you deserve to spend some money on fashionable clothes, the latest smartphone, a night on the town, or a relaxing vacation. However, if you can't pay for most of your splurges without relying on credit — or wiping out your savings — then you may need to rein in your lifestyle. Budgeting software and/or smartphone apps can help you analyze your spending patterns and track your financial progress.

UTILIZE A WORKPLACE RETIREMENT PLAN

Making regular pre-tax contributions to a traditional 401(k) plan is a no-nonsense way to accumulate retirement assets, and it helps reduce your taxable income by the same amount. Experts recommend saving at least 10% of your income for future needs, but if that's not possible right away, start by contributing 3% to 6% of your salary to your retirement plan and elect to escalate your contribution level by 1% each year until you reach your target (or the contribution limit).

The maximum you can contribute to a 401(k) plan in 2022 is $20,500 ($27,000 if you are age 50 or older).

Many companies will match part of employee contributions, and free money is a great reason to save at least enough to receive a full company match and any available profit sharing. Some plans may require that you remain employed by the company for a certain amount of time before you can keep the matching funds.

ASSESS YOUR HOUSING SITUATION

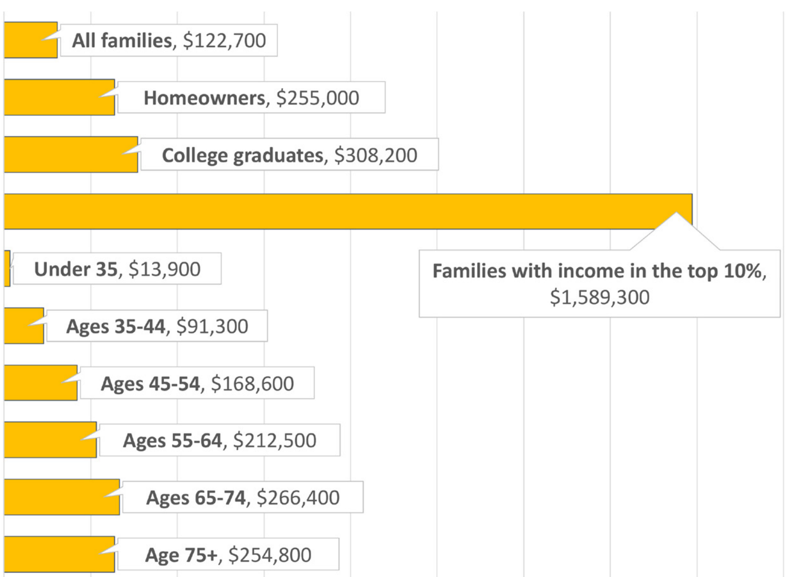
Paying rent indefinitely may do little to improve your financial situation. Buying a home with a fixed-rate mortgage could help stabilize your housing costs, and you can build equity in the property over time as your loan balance is paid off — especially if the value appreciates. A home purchase may also afford tax advantages, but only if you itemize rather than claim the standard deduction on your tax return. Interest paid on up to $750,000 of mortgage loan debt is deductible, as are the property taxes, subject to a $10,000 cap on state and local property taxes.

Homeownership is a worthwhile financial goal if you plan to stay put for at least several years. And in many places, owning a home can be less expensive than renting, thanks to low interest rates. But there could be hurdles to overcome, including a hot real estate market, high prices, lingering student debt, and the large chunk of money required for a down payment.

When shopping for a home, resist the temptation to buy more house than you can afford, even if the bank says you can. And don't forget to factor property taxes, insurance, and potential maintenance costs into your buying decisions and household budget.

MEDIAN NET WORTH (2019)

Source: Federal Reserve, 2021



P/E Ratios Offer Multiple Perspectives on Value

Many factors go into decisions on buying or selling shares of a particular stock, but the price/earnings (P/E) ratio can be a helpful starting point for evaluating whether a company's stock is under- or overpriced. The P/E ratio is calculated by dividing a stock's current price per share by the company's earnings per share over a 12-month period. This ratio quantifies what investors may be willing to pay for one dollar of earnings.

For example, a P/E of 20 means an investor would pay $20 for every $1 the company earns over the 12-month period. By this standard, a stock with a P/E of 25 could be considered more "expensive" than a stock with a P/E of 20, regardless of the share price. A higher multiple also indicates that investors may expect higher growth from the company compared to the overall market.

PAST AND FUTURE

There are two main types of P/E ratios. *Trailing P/E* is based on the company's actual reported earnings per share for the previous 12 months. Because earnings are reported quarterly, that part of the equation will generally remain the same for the entire three-month period, but the stock price may change every trading day.

Forward P/E is based on the company's projected earnings over the next 12 months. The forward P/E can also fluctuate with stock prices and as earnings projections are updated.

Trailing P/E is generally considered a more objective metric than forward P/E, because earnings projections are essentially opinions that may not turn out to be accurate. However, some investors prefer to focus on forward P/E, because a company's past performance may have little to do with its future prospects.

USE RATIOS WISELY

Knowing a company's P/E ratio may provide some insight, but only if you use it to make appropriate comparisons. It is generally more meaningful to compare ratios of companies in the same industry or one company against the industry average. This is because P/E ratios can vary widely among industries and may also change for an entire industry as it faces challenges or goes in or out of favor with investors.

You might also compare a company's current and past performance, but keep in mind that P/E ratios typically rise and fall with stock prices; if prices rise and earnings stay about the same, P/E ratios increase, and vice versa. So an increase or decrease in a company's P/E ratio that moves with the broader market may not tell you much about the company's performance.

On the other hand, a substantial change in a company's P/E ratio that is not in step with the market could be caused by an unexpected increase or decrease in reported or projected earnings, or by a shift in investor confidence in the company.

As of October 1, 2021, the average forward 12-month P/E ratio for stocks listed in the S&P 500 was 20.1. This is significantly higher than the five-year average of 18.3 and the 10-year average of 16.4 (FactSet, October 1, 2021). But that may or may not mean that the market as a whole is overpriced.

It's possible that earnings projections could be off by a wide margin — and that P/E ratios could be more difficult for investors to interpret — until the disruptive effects of the pandemic are well behind us. In fact, it's generally a good idea to consider additional types of data, such as dividends and longer-term growth expectations, when evaluating potential stock investments.

The return and principal value of stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

DIFFERENT INDUSTRIES, DIFFERENT RATIOS
Forward P/E ratios of the S&P 500 Index, by sector (as of 10/1/21)

13.5	14.2	15.8	16.6	18.7	19.7
Energy	Financials	Materials	Healthcare	Utilities	Consumer Staples
20.1	20.6	20.9	22.0	25.1	29.2
S&P 500 Index	Industrials	Comm Services	Real Estate	Information Technology	Consumer Disretionary

Source: FactSet, October 1, 2021. The S&P 500 is an unmanaged group of securities that is considered to be representative of the stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. A portfolio invested only in companies in a particular industry or market sector may not be sufficiently diversified and could be subject to a significant level of volatility and risk.

Charitable Giving Can Be a Family Affair

As families grow in size and overall wealth, a desire to "give back" often becomes a priority. Cultivating philanthropic values can help foster responsibility and a sense of purpose among both young and old alike, while providing financial benefits. Charitable donations may be eligible for income tax deductions (if you itemize) and can help reduce capital gains and estate taxes. Here are four ways to incorporate charitable giving into your family's overall financial plan.

ANNUAL FAMILY GIVING

The holidays present a perfect opportunity to help family members develop a giving mindset. To establish an annual family giving plan, first determine the total amount that you'd like to donate as a family to charity. Next, encourage all family members to research and make a case for their favorite nonprofit organization, or divide the total amount equally among your family members and have each person donate to his or her favorite cause.

When choosing a charity, consider how efficiently the contribution dollars are used — i.e., how much of the organization's total annual budget directly supports programs and services versus overhead, administration, and marketing. For help in evaluating charities visit charitynavigator.org where you'll find star ratings and more detailed financial and operational information.

ESTATE PLANNING

Charitable giving can also play a key role in an estate plan by helping to ensure that your philanthropic wishes are carried out and potentially reducing your estate tax burden.

The federal government taxes wealth transfers both during your lifetime and at death. In 2021, the federal gift and estate tax is imposed on lifetime transfers exceeding $11,700,000, at a top rate of 40%. States may also impose taxes but at much lower thresholds than the federal government.

Ways to incorporate charitable giving into your estate plan include will and trust bequests; beneficiary designations for insurance policies and retirement plan accounts; and charitable lead and charitable remainder trusts. (Trusts incur upfront costs and often have ongoing administrative fees. The use of trusts involves complex tax rules and regulations. You should consider the counsel of an experienced estate planning professional and your legal and tax professionals before implementing such strategies.)

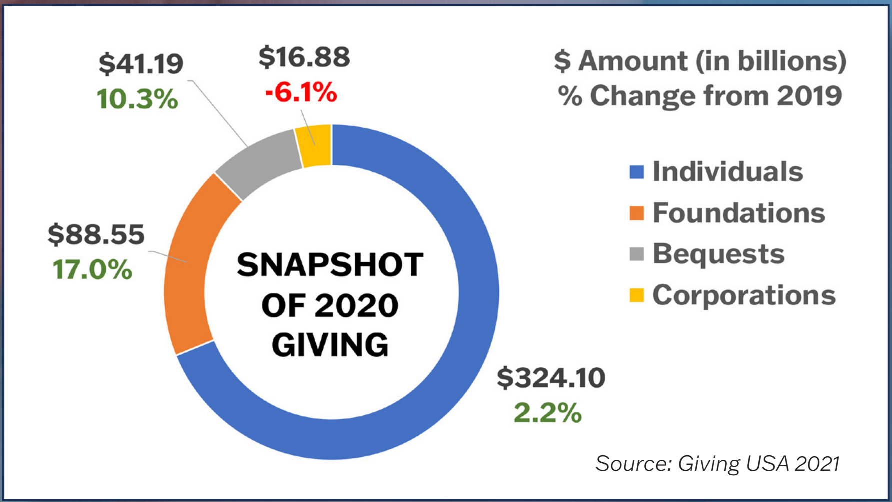
DONOR-ADVISED FUNDS

Donor-advised funds offer a way to receive tax enefits now and make charitable gifts later. A donor-advised fund is an agreement between a donor and a host organization (the fund). Your contributions are generally tax deductible, but the organization becomes the legal owner of the assets. You (or a designee, such as a family member) then advise on how those contributions will be invested and how grants will be distributed. (Although the fund has ultimate control over the assets, the donor's wishes are generally honored.)

FAMILY FOUNDATIONS

Private family foundations are similar to donor-advised funds, but on a more complex scale. Although you don't necessarily need the coffers of Melinda Gates or Sam Walton to establish and maintain one, a private family foundation may be most appropriate if you have a significant level of wealth. The primary benefit (in addition to potential tax savings) is that you and your family have complete discretion over how the money is invested and which charities will receive grants. A drawback is that these separate legal entities are subject to stringent regulations.

These are just a few of the ways families can nurture a philanthropic legacy while benefitting their financial situation. For more information, contact your financial professional or an estate planning attorney.



Source: Giving USA 2021

Despite the pandemic and economic downturn, 2020 was the highest year for charitable giving on record, reaching $471.44 billion. Giving to public-society benefit organizations, environmental and animal organizations, and human services organizations grew the most, while giving toarts, culture, and humanities and to health organizations declined.

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Two Decades of Inflation

After being largely dormant for the last decade, inflation roared back in 2021 due to various factors related to the pandemic and economic recovery. For perspective, it may be helpful to look at inflation over a longer period of time. During the 20-year period ending September 2021, the Consumer Price Index for All Urban Consumers (CPI-U), often called *headline inflation*, rose a total of 53.8%. While the prices of some items tracked the broad index, others increased or decreased at much different rates.