A Year in Review for Green Wealth Management Group!

2022 marked the first full year of independence for Green Wealth Management Group (GWMG) and what a year it was! We are grateful to our clients, friends, and colleagues for contributing to our success and granting us the opportunity to deliver positive, life-altering advice for a living.

Every year brings new challenges and milestones for the extended GWMG family and last year was no different. We saw clients' children get married, give birth to their own children, enter college, and even buy a first or second home. We celebrated clients' milestone birthdays, long-awaited retirements, business sales, second home purchases and lived vicariously through many once-in-a-lifetime vacations. Our hearts go out to those of you who suffered a personal loss in 2022. We hope and pray that 2023 brings joy and prosperity to us all.

Last year GWMG settled into our permanent space, welcomed our seventh team member, and hosted an Open House at our 555 Heritage Rd office in Southbury, CT. We were thrilled to welcome over 90 of our clients, friends, and fellow community members for a tour of our new headquarters. If you haven't seen the office yet, we would welcome the opportunity to show it off once more!

Spring and summer brought a less hectic pace after working non-stop to establish Green Wealth Management Group, LLC. in 2021. Drew finally went on his trip to the Azores, Alan met family in Ireland and then did some hiking in Iceland, both Fran and Deb headed to Cape Cod with their families, and Eva spent a couple of weeks in Greece. Perhaps the highlight of the year was the marriage of Lori's daughter, Marissa, on a beautiful autumn day in September.

Goodbye 2022!

The markets left little place to hide in 2022, with stocks and bonds both having weak performance relative to history. The S&P 500 generated a total return of -18.13% while the Bloomberg Barclays Aggregate Bond index experienced a -13.01% total return. Combining the annual returns of these two asset classes led to one of the worst periods ever for the well-recognized "60/40" stock/bond portfolio.

The market turbulence in 2022 was brought on by a variety of factors, but certainly inflation was the primary culprit. Runaway inflation in 2022 caused a "behind-the-8-ball" Federal Reserve to conduct one of the most aggressive tightening cycles in history. The Fed funds target rate went from 0.25% at the beginning of the year to 4.5% today with the Federal Reserve seemingly content to keep raising rates to fight inflation. As a result, interest rate-sensitive investments, like bonds and growth stocks were significantly impacted by price declines as the hiking cycle was relentless. As the year progressed, and bonds consistently failed to diversify equity risk, GWMG reiterated their commitment to alternative investments as a different way to provide the diversification benefits bonds had delivered in past periods. As persistent inflation continued to spur aggressive Federal Reserve monetary policy through year-end, the investment dialogue shifted to recession-watch. In the early 80's, the last time inflation was this elevated, the Fed's aggressive hiking cycle led to a recession. While we can't say for certain whether a recession is imminent or not, to paraphrase an old cliché, "history doesn't repeat itself, but it often rhymes."

Hello 2023!

As we make the turn into 2023, here are several of our investment thoughts:

- As long as the Fed is raising interest rates, stay with quality, as it outperforms in late-cycle and recessionary periods. Valuation matters, so we would reduce factor exposure to Growth and shift to Value.
- Look for free cash flow! One way companies who generate free cash flow can use it is to pay dividends. We expect the income stream from dividends to remain in demand as Baby Boomers move into retirement.
- With short-term rates providing yields in the 4-5% range, continue to diversify into short term bonds. With 2022's bond performance in the rear-view mirror, future bond returns look more compelling.
- As policy needs change, we expect cross-asset (i.e., currencies, commodities, stocks, bonds, real estate, etc.) volatility to remain high.
- Where appropriate, alternative investments can continue to serve as a source of diversification and uncorrelated returns.
- As opposed to the last decade, cash is an investable asset class again and must be attended to. Between CDs, money market funds, and treasuries, there are current opportunities to realistically return between 4-5% on cash balances.
- As the Fed gets closer to its targeted peak Fed Funds rate of 5%+, we would consider moving to longer-duration assets.

From a financial planning perspective, here are a few topics of focus for 2023:

- In late 2022, the SECURE Act 2.0 passed into law and expands on the SECURE Act of 2019. There are over 90 new provisions promoting savings and retirement security. For our business owner clients, there are a lot of implications to unpack here with respect to your corporate retirement plans. Know that we are digesting this massive piece of legislation and will look to provide a more thorough update (virtually or in-person) to you all as soon as possible.

- Required Minimum Distributions (RMDs) ages have changed again. Starting January 1, 2023, the required distribution date has been increased to age 73. The minimum age will move to 75 years old starting in 2033.
- Contributions to 401(k), 403(b), IRAs and Health Savings Accounts (HSAs) are all increasing this year. Review your contribution elections and adjust accordingly.
- Before filing taxes, we suggest reviewing deadlines for maxing out **2022** contributions for accounts like IRAs and Health Savings Accounts (HSAs), which can be tax deductible.
- Health Savings Accounts (HSAs) are often overlooked and misunderstood. These are powerful accounts that allow for triple tax benefits: contributions are tax deductible, funds are tax deferred while in the HSA, and withdrawals (including earnings) are tax free for qualified medical expenses. If you have a high deductible health plan that is eligible for an HSA, ask your GWMG advisor or CPA about the benefits of contributing to one of these accounts.
- The IRS has adjusted the income thresholds for all seven of the federal income tax brackets. Your representatives at GWMG are happy to interact with your CPA to discuss advantageous strategies for your personal situation. https://www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2023
- Maintaining variable rate debt is still a potential risk as the Fed's ongoing rate hikes make this type of debt ever-more expensive to service. Fixed interest rate debt may make more sense in this environment.

New and Improved!

You will notice GWMG reaching out to connect in several additional ways this year, all with an eye toward sharing helpful and timely information in easily accessible formats. Look for regular LinkedIn and Facebook posts, short-but-informative video messages, and the opportunity to easily schedule time with your GWMG team through our new, web-based scheduling system. If you'd like to follow us here are our links: https://www.gwmgllc.com/ and https://www.linkedin.com/company/gwmgllc/.

As always, we look forward to hearing your feedback on these touchpoints and any other helpful suggestions you care to share.

We hope you all enjoy a healthy and profitable 2023!