JEMMA | FINANCIAL WISDOM

WINTER 2022

For many people, the start of a new year serves as a reminder to get financially organized. **After all, January is National Financial Wellness Month.** Increasing your contributions to a retirement plan, starting a regular savings program, or opening an investment account for a loved one will pay off in the long run.

In this edition of our Newsletter, we discuss the stock market and economy, how the “Great Resignation of 2021” impacted retirement and the positive effects of employee financial wellness programs.

As we head into 2022, Jemma Financial is here to help you on your financial journey no matter your stage in life.

MARKET UPDATE

(Performance as of December 31, 2021)

	1 Year	3 Year*	5 Year*
Dow Jones	20.95%	18.49%	15.51%
S&P 500	28.71	26.07	18.47
Nasdaq	22.18	34.26	24.97

Average annual return. Past performance is no guarantee of future results. Source: Morningstar.

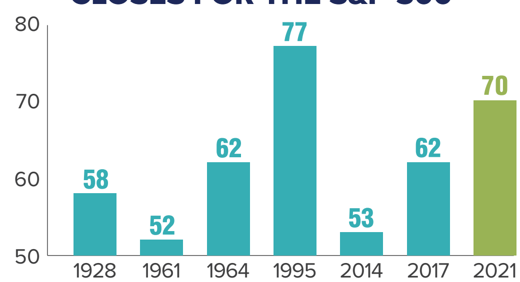
INVESTMENT CORNER:

A STRONG 2021 MARKET

In 2021, the market, as defined by the S&P 500 Index, rose over 28%. Stocks ended the year with another above-average return helped by strong corporate earnings and accommodative monetary policies from central banks. In fact, the market’s return in 2021 was significantly higher than the average annual return of 10% experienced over the past 30 years.

The market achieved several new record highs: By the end of the year, the S&P 500 hit 70 record closes. Since 1928, there was only one other year with more record closes.[1]

YEARS WITH AT LEAST 50 RECORD CLOSES FOR THE S&P 500



Source: Dow Jones Market Data

Looking across the 11 S&P 500 Sectors, all rose by double digits for the year.[2] Energy stocks gained the most, rising over 50% after being the worst performer in 2020. Real Estate, Financial and Technology stocks also advanced over 30% in 2021. Even Utilities, which was the worst sector performer, rose 17%.[3]

It was also a record-breaking year for initial public offerings (IPOs), with nearly 1,000 deals and $315 billion raised.[4] Robinhood, Rent the Runway, Squarespace, and Coinbase were only a few of the highly anticipated public debuts of 2021.

A Strong U.S. Economy

In a strong market year, the U.S. economy continued its recovery despite concerns over inflation, supply chain constraints, labor shortages and Coronavirus variants that dominated the headlines. Many factors point to a strong consumer, including:

» **A tight labor market.** By November, the unemployment rate had fallen to 4.2% and the average number of weekly jobless benefits claims over the past four weeks fell to under 200,000 — the lowest since October 1969.[5]

- **Record wage increases.** Companies have set aside an average 3.9% of total payroll for wage increases in 2022, which is the largest increase since 2008.[6] In addition, according to a survey of approximately 2,000 companies, more than 75% planned on offering year-end bonuses to employees in 2021.[7]
- **Rising house prices.** The median existing-home price in November 2021 was up nearly 14% from the prior year. This increase marks 117 months of year-over-year increases in a row, the longest-running streak on record.[8]
- **Excess savings.** U.S. households have amassed $2.7 trillion in "excess savings," which is the amount above what they would have saved had there been no pandemic, as of September 30, 2021.[9]

On the cautionary side, inflation continued to erode consumers' purchasing power in 2021. The annual inflation rate in the U.S. increased to 6.8% in November 2021, the largest 12-month increase since June of 1982.[10] Two of the largest relative increases include energy prices, which rose 33.3% over the last year, and food prices, which increased 6.1%.

Investing in 2022 and Beyond

While 2021 was an exceptional year in the equity market, no one can accurately predict market returns and volatility in 2022. The key is to work with your Jemma Financial Advisor to build a diversified portfolio, remain invested and have a long-term view. It's best to stay focused on what you can control and remember your goals when planning for the future.

"GREAT RESIGNATION" LEADS TO THE "GREAT RETIREMENT"

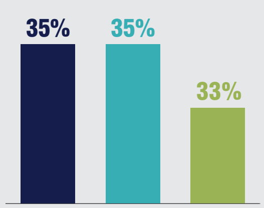
The pandemic has had a profound effect on many employees. Many Americans wanted to explore new career opportunities that offered more money, flexibility, and often a shorter commute, while many others simply chose an early retirement.

In fact, of the 5 million people who left the labor force during the pandemic, 2.5 million people retired. Of that 2.5 million, roughly 1.5 million were early retirements.[11]

The reasons people retire early vary. According to a 2019 Retirement Confidence Survey, 43% of respondents said they retired earlier than they had planned. Here's why:

REASONS FOR EARLY RETIREMENT

- Retired due to changes at company
- Retired due to hardship of disability
- Could afford to retire



Source: 2019 Retirement Confidence Survey

If you or someone you know has retired early, or you are planning an early retirement, here are a few things to consider:

Receiving Social Security

The retirement age when you can start receiving full Social Security benefits depends on when you were born. You can start taking Social Security at age 62 but your benefit amount will be smaller throughout the duration of your life. You can expect that your monthly benefit may be reduced by 30% if you begin receiving benefits at age 62.[12] If you wait until age 70 to receive your Social Security benefits, your amount will be much higher. (For more information, please visit www.ssa.gov/benefits/retirement/planner/agereduction.)

Review Your Healthcare Options

It's important to understand your healthcare options and costs if you are younger than 65 — the age you become eligible for Medicare. If you do not have access to a spouse's healthcare plan, then COBRA (Consolidated Omnibus Budget Reconciliation Act) could be the next best option. You are eligible for COBRA if you were enrolled in your employer's health plan when you were working and the health plan is still available for active employees.

Reevaluate Inflows and Outflows

You may soon be transitioning from receiving a regular paycheck to partially relying on your savings to cover bills. Aggregating your retirement and/or investment accounts can help define the amount and where the money can come from. An updated budget will help provide insight on the amount of any anticipated shortfall.

Understand Potential Tax Consequences

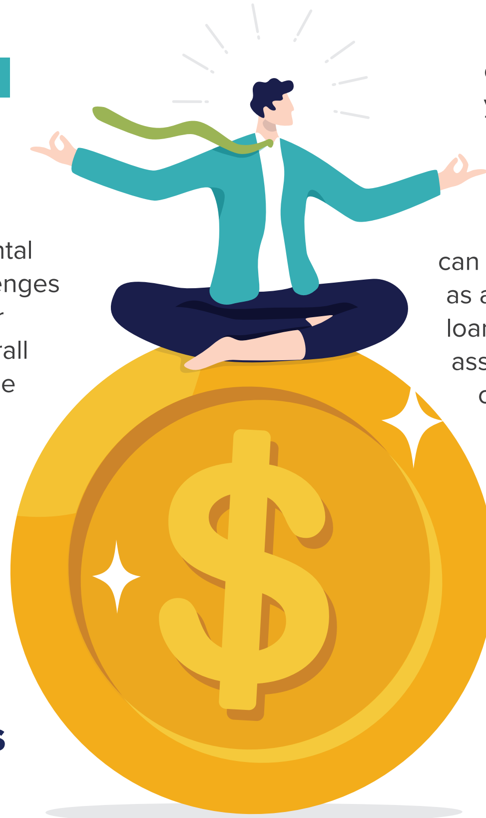
Investing in a retirement account can offer tax-deferred savings and are excellent ways to build up your nest egg over time. However, there may be potential tax consequences if you withdraw the funds too early. Alternatively, you may want to plan on using other sources of income from non-retirement assets.

Speak with Your Jemma Financial Advisor

Planning on retiring sooner than expected? Working with your Jemma Financial Advisor can provide you with a roadmap on how to navigate this new journey.

FINANCIAL WELLNESS

AN ESSENTIAL BENEFIT FOR 2022

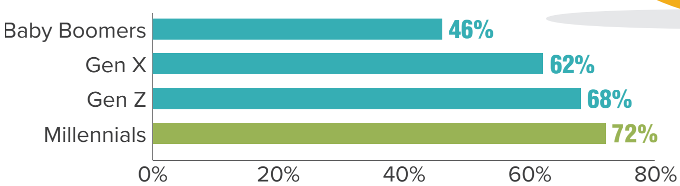


There is a strong connection between mental health and finances. Facing financial challenges can lead to feelings of anxiousness and/or depression which, in turn, may impact overall health, reduce productivity at work or cause poor financial decision-making, such as prematurely withdrawing money from retirement accounts.

In a survey of 1,600 working U.S. adults, 63% indicated that they have experienced more financial stress since the start of the pandemic.[13]

PERCENTAGE FACING INCREASED FINANCIAL STRESS

By Generation Since the Pandemic



To improve your financial situation, reduce your stress and enhance your well-being, you may want to consider implementing your own "financial wellness" program for 2022. Your plan of action should include the following:

Building Emergency Savings

Whether it's an auto repair, medical emergency or even a layoff, an unexpected financial emergency can cause a lot of stress. According to a recent survey by Bankrate, only 25% of Americans have six months' worth of expenses covered in a savings account for unplanned expenses and less than 20% say they could cover three to five months' worth of bills and living costs with their emergency fund.[14]

Generally, three to six months' worth of living expenses should be readily available. If building emergency savings needs to be in your 2022 plan, develop a "pay yourself first" mentality. Determine the dollar amount you'd like to have after one year and divide by 52. Then, set up weekly automatic transfers of that amount from your checking account to your savings account.

Creating a Budget

Setting up a budget doesn't have to be tedious and restrictive. Rather, look at it as a smart way to stay on track and to pay attention to your spending. Monthly costs can be fixed (mortgage payments, cable, gym memberships, etc.) or more flexible (dining out or shopping). The goal of establishing a budget and sticking to it is so you can have control over how you spend and save your money.

Reducing Your Debt

There are two types of debt: good and bad debt. Good, low-cost debt can be considered an investment, such as a mortgage, student loan, or business loan. There could also be tax advantages associated with these debts. On the other hand, high-cost bad debt comes into play when you are purchasing a discretionary item with a credit card. Credit card companies often charge high interest rates so reducing outstanding credit card balances should be a top priority. Reducing credit card debt may also result in an improved credit score.

Insurance Coverage

Review your various insurance policies and levels of coverage to see if they meet your current needs and family situation. In addition to health, auto and homeowner's insurance, consider whether disability insurance should be a part of your financial safety net. Review your life insurance coverage, especially if you have young children and a family growing in number.

Paying Off Student Loans

Almost one-third of all American students are going into debt to pay for college, and the average student loan debt reached a record high of $38,792 in 2020.[15] To reduce your debt load more quickly, consider paying off more than the minimum amount each month.

Your Financial Advisor Can Help

Financial wellness programs can bring many positive changes for investors. Your Jemma Financial Advisor can work closely with you to help get you on the right track so you can leave worry behind and work towards achieving your long-term goals.

DID YOU KNOW?

From January through November 2021, approximately 5 million new businesses were launched—55% higher than the same period in 2019.

Source: U.S. Census Bureau

2022 CONTRIBUTION LIMITS

With the start of a new year, you may be preparing your taxes for the upcoming April 15th filing deadline. It's also an opportune time to review any contributions to your 401(k), 403(b), Individual Retirement Account (IRA) and Health Savings Account (HSA).

To offset 2021 income, a contribution to your Traditional IRA must be made prior to the April 15th filing deadline. For 2021, the maximum combined contribution for Roth and Traditional IRAs is $6,000, and for taxpayers over 50 years old, an additional $1,000 catch-up contribution can be made. The maximum contribution for HSAs is $3,600 for individuals and $7,200 for families, with an additional $1,000 catch-up contribution for those over 55.

<table>
<tr><th></th><th>2021 Tax Year</th><th>2022 Tax Year</th></tr>
<tr><td>401(k) and 403(b) Plans</td><td>• Maximum Contribution - $19,500
• Catch-up Contribution for Employees over 50 years old – Additional $6,500</td><td>• Maximum Contribution - $20,500
• Catch-up Contribution for Employees over 50 years old – Additional $6,500</td></tr>
<tr><td>Traditional and Roth IRA Plans</td><td colspan="2">• Contribution Limit - $6,000
• Catch-up Contribution if over 50 years old - $1,000</td></tr>
<tr><td>Health Savings Accounts (HSAs)*</td><td>• Contribution Limit - $3,600 for individuals; $7,200 for families
• Catch-up Contribution if over 55 years old - $1,000</td><td>• Contribution Limit - $3,650 for individuals; $7,300 for families
• Catch-up Contribution if over 55 years old - $1,000</td></tr>
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**Specific exclusions apply. Please contact your Jemma Financial Advisor.*

CATCHING UP ON RETIREMENT SAVINGS

Looking for a way to get on track with your retirement savings? For those 50 and older, a great tool to put more towards your savings is a catch-up contribution.

Employee Catch-up Limits Effective January 1, 2022:

- **401(k), 403(b), 457 plans** - $6,500 in addition to the $20,500 annual contribution limit
- **SIMPLE 401(k)/IRA** - $3,000 in addition to the $14,000 annual contribution limit
- **IRA** - $1,000 in addition to the $6,000 annual contribution limit

Catch-up contributions are available across all retirement accounts. Any additional amount you can put toward your retirement account can help boost your savings. Talk to your Jemma Financial Advisor for more information.

1. "What the S&P 500 ringing up 50 record highs in 2021 says to stock-market historians," Marketwatch. 2. Morningstar.com 3. Morningstar.com. 4. "The record-breaking IPO market in 2021 masked some problems under the hood," Marketwatch.com 5. US Unemployment Claims Drop to 198,000, usnews.com 6. "Big Raises Are Coming in 2022, So Make Your Game Plan Now," wsj.com 7. "Amid the Great Resignation, most companies give higher bonuses," bizjournals.com 8. "Existing-Home Sales Continue Upward, Increasing 1.9% in November," National Association of Realtors. 9. "Vast Household wealth Could Be a Factor Behind U.S. Labor Shortage," The Wall Street Journal. 10. Bureau of Labor Statistics. 11. "Goldman just figured out why the labor shortage will last for a long time: 60% of the missing workers retired, many for good," businessinsider.com. 12. ssa.gov. 13. "2021 PwC Employee Financial Wellness Survey," pwc.com. 14. Bankrate's July 2021 Emergency Savings Survey, bankrate.com 15. "Student Loan Debt: 2021 Statistics and Outlook," investopedia.com.