



# BostonWealth STRATEGIES

*Your Financial Journey. Our Expertise.*



We are in the home stretch of 2022! Can you believe it? As we get the kiddos settled back into their school routines, prepare for what we hope will be a nice fall and brace for what we hope is not a dreadful winter, let's pause to talk a little about year-end planning.

This newsletter is dedicated to providing you with some insight, tips and checklists on what you should know and consider with year end approaching. You will also find information from our CIO on the current market and economic conditions and of course all the latest news with what's happening at BWS.

We hope you find this information helpful and as always please reach out to us through our website if we can be of further assistance.

## Investment Management



## A message from our CIO Jason Edinger, CFA

2022 has marked a difficult year for risk assets, with rampant inflation seeping into all corners of the economy, an aggressive and hawkish Federal Reserve, and whispers of a global recession, it is no wonder that most asset classes are decidedly in the red this year. Accordingly, volatility has been the hallmark across global markets. Historically, in volatile years the range of returns for asset classes such as stocks and bonds becomes elevated. If an investor were looking at a single volatile year in isolation, he or she may see a range in equity returns, for example, spanning -39% to 47%. That is an awfully wide dispersion of returns for just 12 months of invested time. It is easy to understand why investors could become jittery and begin to lose confidence in a long-term plan.

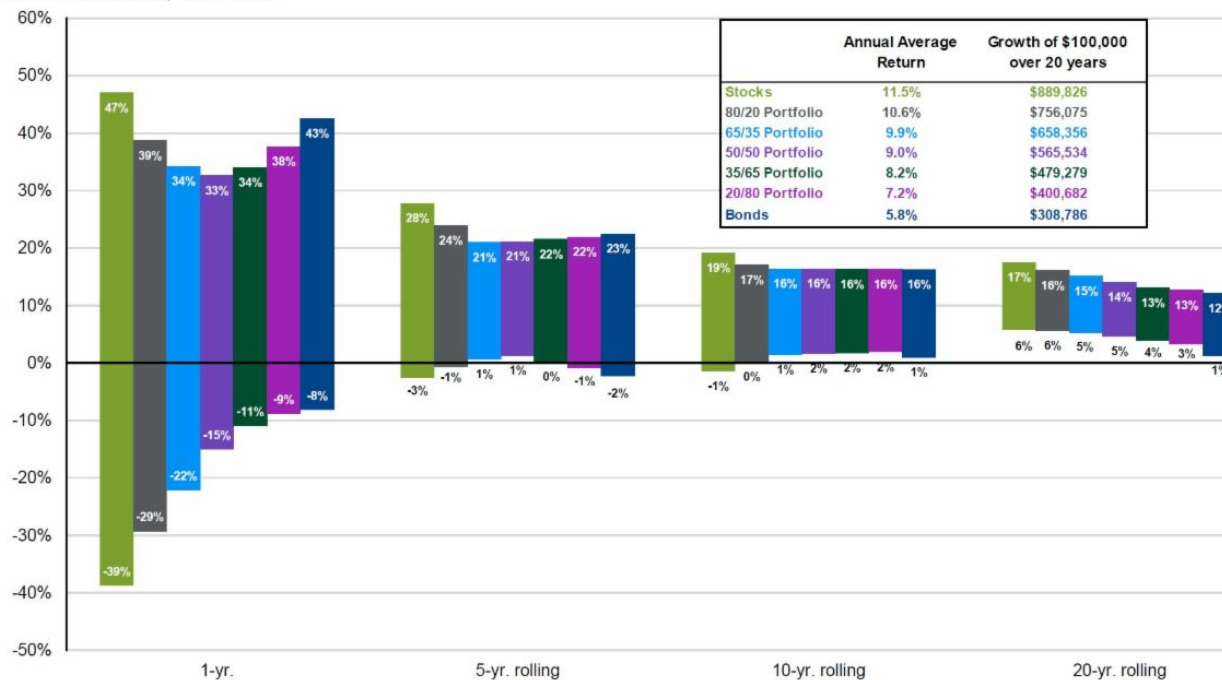
However, periods of elevated volatility are typically the worst time to sell assets and exit the market. In fact, they frequently provide opportunities to acquire assets at a discount, and lock in attractive entry points for when markets eventually rebound. Most importantly, as the chart below illustrates, the realized volatility clearly decreases as the holding period increases. When the holding period increases from just one year to twenty, we see volatility compress and annualized returns become more smoothed out. For instance, over a 20-year holding period, the dispersion between stock returns ranges from +6% to +17%, for a spread of just 11 percentage points. In other words, the longer our investment time horizon becomes, the lower the volatility we realize in our portfolios (all else equal). This is known as the time volatility of returns, or simply: time diversification. It is also a great reminder that, over the long term, what matters most is time IN the market, not TIMING the market.

### Time, diversification and the volatility of returns

GTM U.S.

#### Range of stock, bond and blended total returns

Annual total returns, 1950 - 2021



[Click here for larger chart](#)



### **ATTENTION: Employees and Employers**

It is important to ensure you **both** have taken advantage of all the benefits your employer sponsored qualified plan offers and complied with the regulations that it mandates. Here are a few tips to help you achieve that.

- **Click Here** for a year-end checklist for working professionals
- Employers should confirm you are efficiently maximizing employer contributions to support increased deductions
- Employees should try to max out 401(k) or 403(b) deferrals for the year
- Business owners structured as an S-Corp need to make sure all 401(k) deferrals are withheld from your form W2
  - You do not have the option to withhold employee deferrals from your K1 distributions
- If you are 72 + and have at least 5% ownership within the company, or have separated from your company with funds still in the qualified plan, you **MUST** take an RMD if you had an account balance as of December 31, 2021

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## Financial Planning



What issues should individuals & families consider before year end?

**[Click here to learn more!](#)**

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## What's Happening at BWS?

# Annual Feedback Survey is Coming!

Your feedback is one of the most important factors in how we decide to update or modify aspects of our practice. Please look for communication from us in November asking you to complete a survey. We ask that you take a few minutes to complete this to help us ensure you are receiving the best possible services.

## Market News

Stay up to date with our market news from Commonwealth's Investment Management and Research Team.

[Click for Market Thoughts](#)

## New Planning Email

We are glad so many of you already use our new email for the financial planning department. If you haven't used it yet, you can contact our team at [planning@bostonwealth.com](mailto:planning@bostonwealth.com) to answer planning questions and assist with eMoney.

Save the email [planning@bostonwealth.com](mailto:planning@bostonwealth.com)



Make sure to like and follow us to stay up to date with our latest content on both our [LinkedIn](#) and [Facebook](#) pages.

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## Boston Wealth Strategies

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