FORWARD
Investment Advisors

Forward Focus

January 2023

Inside this issue:

Yearly Market Review

Happy (It's A) New Year! 2022 was a down year for all major stock and bond market averages. The war in Ukraine, Federal Reserve rate hikes, inflation, and worries over a coming recession led to the S&P 500 index being down 18%, the tech-heavy Nasdaq falling 33%, and the U.S. Bloomberg Aggregate Bond Index ending the year down 13%.

The chart on the right shows the performance of the U.S. stock market in 2022. While there were several rallies, the overall direction was down.

The Fed raised rates 7 times in 2022, its fastest pace in history, taking rates from 0% in January to 4.25%-4.5% by year-end. Rising rates led to bonds posting their worst year in history! That led to the worst return for a 60% stock and 40% bond portfolio since 2008 and the second worst performance since 1974! There are bright spots though. After past annual 60/40 declines, the next few years saw positive double-digit returns.

For the year, the best performing sectors were Energy, Utilities, and Consumer Staples, while the worst performing sectors were Consumer Discretionary, Communication Services, and Technology. The U.S. dollar ended the year at $103.50, Oil (WTI Crude) closed at $80.26/bbl., and the 10-year Treasury yielded 3.88%. Unemployment is currently at 3.7%.

Interesting Factoids

There were 251 trading days in 2022. 25% of the time (63 days) the S&P 500 lost more than 1% for the day. Overall, the S&P 500 closed the day lower than the previous day 57% of the time (143 days).

The Dow Jones Industrial Average (Dow Jones) fell more than 500 points on 27 occasions and fell more than 1,000 points 4 times.

The average daily decline for the Dow Jones was 308 points.

According to Factset, the total S&P 500 market capitalization declined by $8.15 trillion dollars in 2022. ($40.36 trillion to $32.21 trillion) The largest decline coming from Apple with a market cap loss of $846 billion.

Over 40% of the companies in the Russell 2000 (small cap) index are unprofitable. In 2020 that number was 50%.

Forward believes that the U.S. economy will enter a recession in 2023. An inverted yield curve, rising interest rates, decreased savings rates, a slowing economy, still higher than normal inflation, and more announced layoffs are but a few reasons that point toward a recession in 2023. While there is a chance that a recession can be avoided, that probability is diminishing and is not our base case.

<u>Full Year 2022</u>

Dow Jones Industrial Average -6.9% ● S&P 500 -18.1% ● MSCI EAFE (International) -14.3%
Russell 2000 (Small Cap) -20.5% ● MSCI EMI (Emerging) -20.6% ● Barclays Capital Aggregate Bond -13.1%

Winning in 2023: Priorities Happen

Wishing, wanting, or hoping doesn't lead to success. Determination, commitment, and focus does. I like to say, 'Priorities Happen'. When you put your mind to something with focused intensity, most often it gets done.

So, <u>if you took the action steps I mentioned last year</u> (Wise Moves in a Bear Market), in spite of the stock market, <u>you made progress on your financial goals and made money in the process</u>. You made your finances a priority.

I'm asking the same again this year. **Make your financial life a priority.** We are all busy. That's not an excuse. What are you working towards? What are your goals? Are you on track? Make 2023 a year where you develop a clear picture of your current financial life, explore your dreams, and create a clear path towards your goals. The starting point for these steps begins with an annual review. Read on to learn about 2023's Annual Reviews.

Annual Reviews

Too often, life goes by and we go from thing to thing to thing. We have the best of intentions, but before you know it, decades have gone by and we haven't kept up with the changes. i.e., every dad's wardrobe. Finances are like that too. We start off strong then assume it still works and everything is fine. Maybe it does, maybe it doesn't. Self-evaluation doesn't always work either, because dads aren't going to see those duct tape slippers don't work anymore. Periodically, it's important to consult with others to make sure you are current.

This years' annual reviews are going to be focused on gathering a clear picture of where you are right now and a discussion of where you want to be (permission to dream). By creating a clear picture of the present and a clear vision of the future, we can develop a clear path forward toward your goals.

Annual reviews present a wonderful opportunity to ensure that your daily hard work and effort is actually helping you achieve your goals and that the steps you are taking are the right ones.

When your annual review time approaches, make it a priority. Set aside ample time, complete the tasks assigned before the meeting, and be present and focused during the meeting. This time is 100% about you and your financial life. Create To Do's for yourself after the meeting to make certain these Priorities Happen. Make yourself a priority this year. It's ok. It's not selfish to ensure you won't be dependent on others later in life. Take ACTION in 2023 to make sure that all of your years and decades of hard work are going toward the outcome you envision.

Roth IRA's: 2023 Investing Limits

I have been making this plea for several years and will continue to do so. <u>Please</u> contribute to a Roth IRA or Roth 401k. It provides enormous benefits to you, your beneficiaries, and your financial future.

Roth IRA	**$6,500 : Under Age 50** **$7,500 : Age 50 and above**
Married, Filing Jointly	$218,000 - $228,000 MAGI
Married, Filing Separately	$0 - $10,000 MAGI
Single or Head of Household	$138,000 - $153,000 MAGI

A **Roth IRA** allows for tax-FREE growth and tax-FREE withdrawals during retirement. However, the contribution is not tax deductible.

In order to qualify you simply need to have taxable income <u>below</u> the <u>highest amount</u> listed on the left. Ex: If you are married, filing jointly and make less than $218,000, you can contribute up to $6,500/person into a Roth IRA ($7,500 if you are age 50+). People with incomes within the phase-out range can make reduced contributions, and no contribution is allowed above the phase-out range.

If you are below the income range, I encourage you to <u>fully fund</u> (or at least partially fund) a Roth IRA. It provides tax-FREE growth and tax-FREE withdrawals in retirement. If financially able, why wouldn't you do this?