JGC Wealth Management, LLC

Fee-Only Financial Planning and Asset Management

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Fourth Quarter Update
December 31, 2022

YEAR IN REVIEW

Every January, it's typical to reflect on market data from the year past. Even when the numbers aren't what we'd prefer—which has certainly been the case for 2022—we look at them anyway. It's good to keep an eye on your annual investment returns, as they are one consideration among many that guide your financial plans. Across many of the asset classes, returns were quite good for the quarter ending December 31, 2022, but those good quarterly returns were not able to completely compensate for the negativity from the rest of the year. However, whether the numbers are up or down in any given year, we caution against letting them alter your mood, or more importantly, your portfolio mix. When it comes to future expected returns, using an arbitrary 365-day period to make decisions for a 20-, 30-, or 40-year time horizon can lead to "overcorrection" – and may cause our investment performance to swerve off the road.

To illustrate, consider what happened in 2022, and how global markets reacted. In the thumbs-down category, U.S. stock market indexes turned in annual lows not seen since 2008, with most of the heaviest big tech stocks taking a bath. Bonds fared no better, as the U.S. Federal Reserve raised rates to tamp down inflation. The U.K.'s economic policies resulted in Liz Truss becoming its shortest-tenured prime minister ever, while Russia's invasion of Ukraine and China's continued COVID woes kept the global economy in a tailspin. Cryptocurrency exchanges like FTX … well, you know what happened there.

WHAT COULD HAVE BEEN PREDICTED

Now, how much of this did you see coming last January? Given the unique blend of social, political, and economic news that defined the year, it's unlikely anything but blind luck could have led to accurate expectations at the outset. In fact, even if you believe you knew we were in for trouble back then, it's entirely possible you are altering reality, thanks to recency and hindsight bias. The Wall Street Journal's Jason Zweig ran an experiment to demonstrate how our memories can deceive us. Last January, he asked readers to send in their market predictions for 2022. Then, toward year-end, he asked them to recall their predictions (without peeking). The conclusion: "Respondents remembered being much less bullish than they had been in real time." In other words, just after most markets had experienced a banner year of high returns in 2021, many people were predicting more of the same. Then, the reality of a demoralizing year rewrote their memories; they subconsciously overlaid their original optimism with today's pessimism. A similar rewriting might take place a year from now – should 2023 turn out to be a better year than expected, we might forget how pessimistic we were today.

Where does this leave us? Clearly, there are better ways to prepare for the future than being influenced by current market conditions, and how we're feeling about them today. Instead, everything we cannot yet know will shape near-term market returns, while everything we've learned from decades of disciplined investing should shape our long-range investment plans.

SECURE 2.0

At the end of 2022, Congress tucked the follow-up to the original SECURE act inside the 1,650 page "Consolidated Appropriation Act of 2023" and delivered a largely investor-friendly package of changes to IRAs and employer provided retirement plans. Over the next few years, we will see an impact on strategies that are used both for accumulating assets for retirement and spending them down wisely after retirement. These include:

- ***Higher limits and looser restrictions on qualified charitable distributions from IRAs.*** The amount currently eligible for a qualified charitable distribution from an IRA ($100,000) will be indexed for inflation. In addition, beginning in 2023, investors will be able to make a one-time charitable distribution of up to $50,000 from an IRA to a charitable remainder annuity trust, charitable remainder unitrust, or charitable gift annuity
- ***Later age for required minimum distributions (RMDs).*** The 2019 SECURE Act raised the age at which retirement savers must begin taking distributions from their traditional IRAs and most work-based retirement savings plans to 72. SECURE 2.0 raises that age again to 73 beginning in 2023 and 75 in 2033.
- ***Roth matching contributions in 401(K) and similar plans.*** The new law permits employer matches to be made to Roth accounts. Currently, employer matches must go into an employee's pre-tax account. This provision takes effect immediately; however, it may take some time for employers to amend their plans to include this feature.
- ***Higher catch-up contributions.*** The IRA catch-up contribution limit will be indexed annually for inflation, like work-sponsored catch-up contributions. Also, starting in 2025, people aged 60 to 63 will be able to contribute an additional minimum of $10,000 for 401(k) and similar plans (and at least $5,000 extra for SIMPLE plans) each year to their work-based retirement plans. Moreover, beginning in 2024, all catch-up contributions for those making more than $145,000 will be after-tax (Roth contributions).
- ***Emergency savings accounts in qualified plans.*** The legislation includes measures that permit employers to automatically enroll non-highly compensated workers into emergency savings accounts to set aside up to $2,500 (or a lower amount that an employer stipulates) in a Roth-type account. Savings above this limit and any employer matching contributions would go into the traditional retirement account.
- ***529 rollovers to Roth IRAs***. Starting in 2024, people will be able to directly roll over up to a total of $35,000 from 529 plan accounts to Roth IRAs for the same beneficiary, provided the 529 accounts have been held for at least 15 years. Annually, the rollover amounts would be subject to Roth IRA contribution limits.

Trusted Contact

You may remember receiving some communication from TD Ameritrade recently urging you to add a "trusted contact" to your brokerage account; we encourage you to consider this. A trusted contact does not get access to your account or your personal information, they are not given authority to discuss or make changes to your investments or goals with us. Rather, they serve as a contact person in case you cannot be reached, or if we suspect you, along with your accounts, may have been a victim of financial abuse. At any age we can become become vulnerable to financial abuse, but because of larger dollar accounts and age-related health issues, we are at a greater risk in our later years. This calls us to think about how to protect ourselves in a new way. If you know of someone you trust, who is also 18 years or older, who you would like to cast in this role for you, please contact our office for the appropriate form.

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Quarterly Market Summary

Index Returns

Q4 2022	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
	STOCKS				BONDS	
	7.18%	16.18%	9.70%	6.88%	1.87%	0.18%

Since Jan. 2001	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Average Quarterly Return	2.1%	1.5%	2.5%	2.2%	0.9%	0.9%
Best Quarter	22.0%	25.9%	34.7%	32.3%	4.6%	4.6%
	2020 Q2	**2009 Q2**	**2009 Q2**	**2009 Q3**	**2001 Q3**	**2008 Q4**
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-5.9%	-4.1%
	2008 Q4	**2020 Q1**	**2008 Q4**	**2008 Q4**	**2022 Q1**	**2022 Q1**

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]).

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Long-Term Market Summary

Index returns as of December 31, 2022

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
	STOCKS				BONDS	
1 Year	-19.21%	-14.29%	-20.09%	-24.36%	-13.01%	-9.76%
5 Years	8.79%	1.79%	-1.40%	0.92%	0.02%	0.52%
10 Years	12.13%	4.59%	1.44%	3.88%	1.06%	2.10%

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]).

<u>Quarterly Reports</u>

Enclosed are the reports on your portfolio for the quarter ending December 31, 2022. If you want to discuss your portfolio, have had changes in your financial situation, or have any other financial concerns or questions, please call us.

The information presented is provided in good faith without any warranty and is intended for the recipient's background information only. It does not constitute investment advice, recommendation, or an offer of any services or products for sale and is not intended to provide a sufficient basis on which to make an investment decision. Before taking any action, we recommend that you seek professional advice from subject matter experts who can assist you with your specific situation and needs.

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WM PREFERRED MANAGED PORTFOLIOS

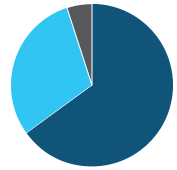
More Aggressive ↔ More Conservative

OBJECTIVE | **ALLOCATION** | **PORTFOLIO EXPENSES*[1]** | **PORTFOLIO PERFORMANCE***

Portfolio 100

This portfolio is suitable for someone who wants to take advantage of the long-term potential of the markets and has a risk tolerance to handle the gyrations of the market.

Allocation	
U.S. Equity	65%
Int'l Equity	30%
Real Estate	5%



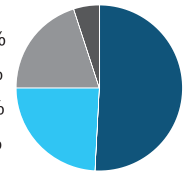
Portfolio Expenses: 0.26%

	3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Portfolio	13.33%	-9.65%	6.45%	5.11%	9.05%
Benchmark	11.27%	-13.55%	3.73%	4.21%	8.10%

Portfolio 80

This portfolio is suitable for investors who want to take advantage of the long-term potential of the markets but want to reduce the volatility of the portfolio by mixing in bonds.

Allocation	
U.S. Equity	51%
Int'l Equity	24%
Bonds	20%
Real Estate	5%



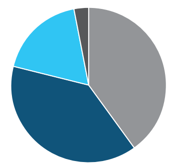
Portfolio Expenses: 0.23%

	3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Portfolio	11.12%	-9.91%	4.89%	4.27%	7.49%
Benchmark	9.43%	-13.20%	2.59%	3.47%	6.68%

Portfolio 60

This portfolio is suitable for someone who is nearing retirement or someone who has a moderate risk tolerance.

Allocation	
Bonds	40%
U.S. Equity	39%
Int'l Equity	18%
Real Estate	3%



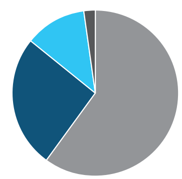
Portfolio Expenses: 0.18%

	3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Portfolio	8.55%	-10.69%	3.23%	3.54%	6.28%
Benchmark	7.82%	-13.56%	1.46%	2.79%	5.39%

Portfolio 40

This portfolio is suitable for someone who is nearing retirement or someone who has a low risk tolerance.

Allocation	
Bonds	60%
U.S. Equity	26%
Int'l Equity	12%
Real Estate	2%



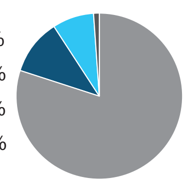
Portfolio Expenses: 0.15%

	3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Portfolio	5.97%	-11.45%	1.25%	2.47%	4.72%
Benchmark	6.17%	-13.70%	-0.06%	1.73%	3.78%

Portfolio 20

This portfolio is suitable for someone who is nearing retirement or someone who has a low risk tolerance.

Allocation	
Bonds	80%
U.S. Equity	11%
Int'l Equity	8%
Real Estate	1%



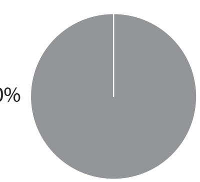
Portfolio Expenses: 0.11%

	3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Portfolio	3.75%	-11.92%	-0.17%	1.59%	2.93%
Benchmark	4.35%	-13.37%	-0.90%	1.08%	2.30%

Portfolio Income

This portfolio is suitable for someone who is in retirement or someone who has a very low risk tolerance.

Allocation	
Bonds	100%



Portfolio Expenses: 0.08%

	3 Mo.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Portfolio	1.34%	-12.83%	-2.03%	0.47%	1.11%
Benchmark	2.59%	-13.51%	-2.18%	0.13%	0.71%

**Source: Morningstar & fi360 through December 31, 2022*

[1] Portfolio Expenses (Net Expense Ratio) as Weighted Average Total

Note: Portfolio returns are reported net of all internal expense ratio fees. Returns are not net of any management or fiduciary fees. Historical performance is based on an assumption that an investor has owned the exact portfolio in the exact allocation reflected in the snapshot for the previous three months, one-, three-, five- and ten-year periods. Past performance is no guarantee of future results.