Foresight
Capital Management Advisors, Inc.

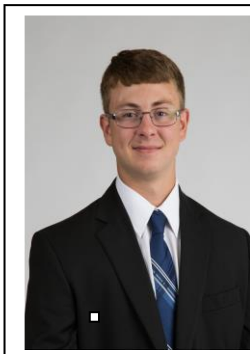
Newsletter 1Q 2022 & Market Summary

The U.S. economy is in the positive feedback loop or mid-cycle phase, which is the second phase, of a growth cycle in the economy that should last the next 3-5 years. The mid-cycle will see economic activity reaching peak efficiencies with full employment, rising corporate profits, incomes rising for workers, and continued consumer spending. The Federal Reserve has announced it will begin tapering bond purchases and then begin to raise interest rates in 2022. This will likely moderate market growth in 2022 to more normal growth of mid to high single digits. 4Q encountered the peak of the Covid Delta Variant and the introduction of the Omicron Variant as vaccine resistance continued worldwide. The good news was the Covid boosters became available in 4Q and have been highly effective against the Delta and Omicron variants! The market encountered a pullback of about -4% during the month of November only to end the year at all-time highs when the holiday sales were saved by cargo ship backlogs being addressed just in the knick of time. Unemployment has dropped to 3.9% but inflation has spiked to 7% CPI YOY (See I-Bond Investment Idea below). The market on the other hand has reported 77.4% beating earnings, and 76.8% beating revenues and finished 2021 with double digit gains for the third year in a row! The Foresight Mutual Fund Model's 2021 returns, as of December 31, 2021, were as follows: Conservative +9.08%, Moderate +10.14%, and Aggressive +10.99%.

Welcome our employee accomplishments and newest employees at Foresight!

Patrick Carney, VP and Director of Personal Wealth Management, CFP, AIF®
Has Passed the CIMA®-Certified Investment Management Analyst License!

Jessica Osburn
Assistant Financial Analyst-Para Planner
Arizona St-BS Global Business and Finance

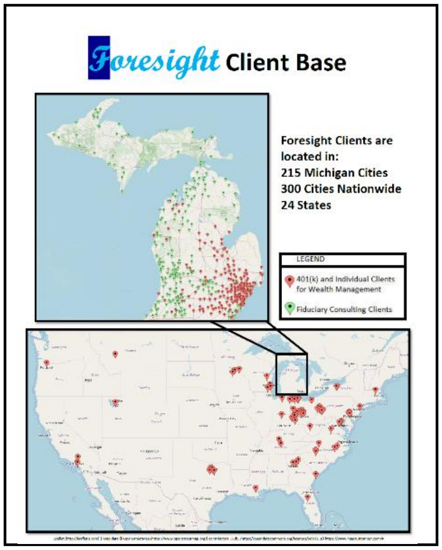


Michael Behrendt
Financial Analyst-Intern
UofM Dearborn pursuing
BBA-Finance and Marketing

I-Bond Investment Idea for idle cash: With inflation running near 7%, which is the highest inflation we have seen in 40 years, the I-Bond or Inflation Bond offered by the U.S. Treasury is something to consider as an investment for idle cash. You can buy up to $10,000 at Treasurydirect.gov and up to an additional $5,000 with your income tax refund. The I-Bonds are paying 7.12% interest for the first 6 months for bonds purchased through April 2022! The interest resets every 6 months according to inflation in the U.S. You must hold the bond for at least 1 year and if you cash it in before 5 years you will lose only 3 months of interest as the penalty. With inflation running high this is definitely an investment to consider to offset some of the inflationary pressures we all feel in groceries, gas, and purchased goods. Visit Treasurydirect.gov to learn more and open an account if you wish to purchase an I-Bond.

PEP-Pooled Employer Plans: Foresight now offers 401(k) plans for small businesses under the new SECURE Law that introduced PEP Plans to all small businesses. Please call us today for more information on how to join the new PEP 401(k) plans and offer your employees a new expanded benefit!

CEPA- Certified Exit Planning Analysis Services: Foresight can provide exiting planning valuations for businesses and owners. Our firm can assist with implementing business improvements to assist with increasing the value of your business prior to an exit or retirement. If you are interested in these services or know someone who is, please reach out to Foresight at 877-429-4690.



FCMA Mutual Fund Model Returns
December 31, 2021

Conservative Model	+ 9.08%
Moderate Model	+ 10.14%
Aggressive Model	+ 10.99%

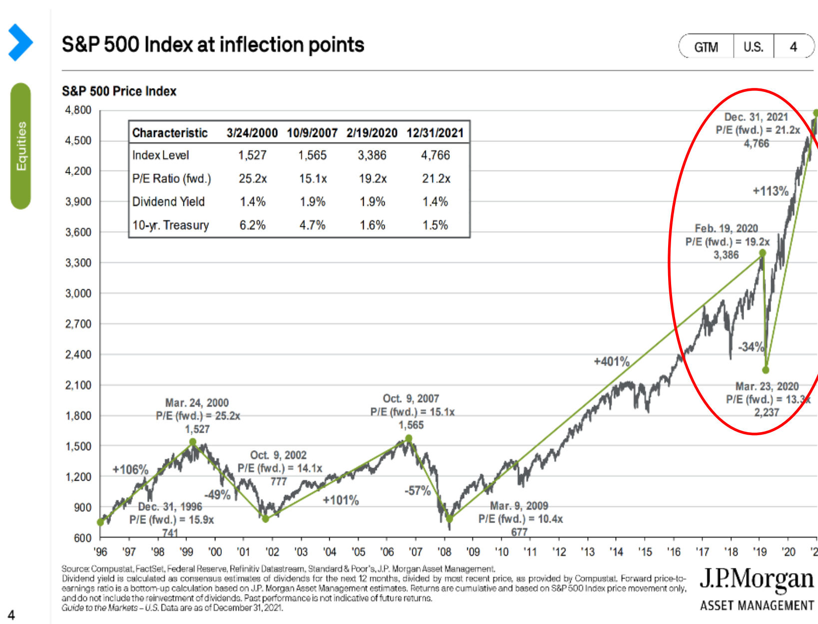
Indexes:

S&P 500 Index	+ 28.71%
MSCI EAFE Foreign	+ 11.78%
10Yr T-Bond Index	- 1.54%

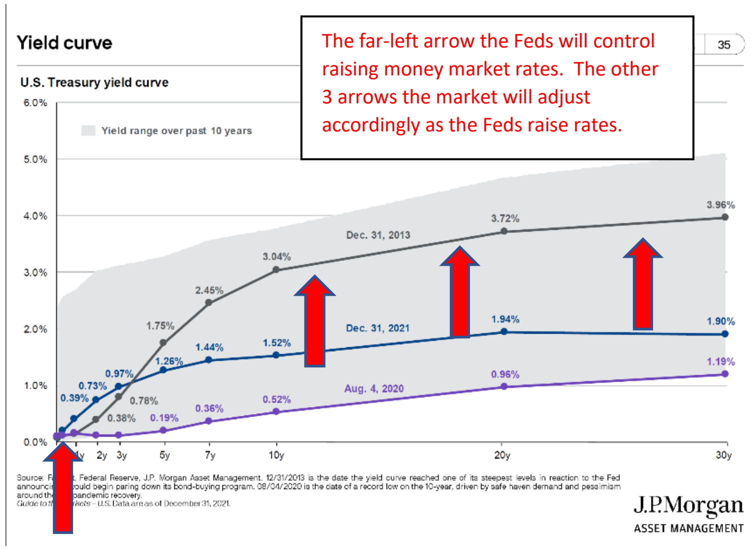
Future performance is not guaranteed; above returns are total return with reinvestment of dividends, interest, capital gains, and shown net of fees.

Foresight's Outlook and Portfolio Strategies

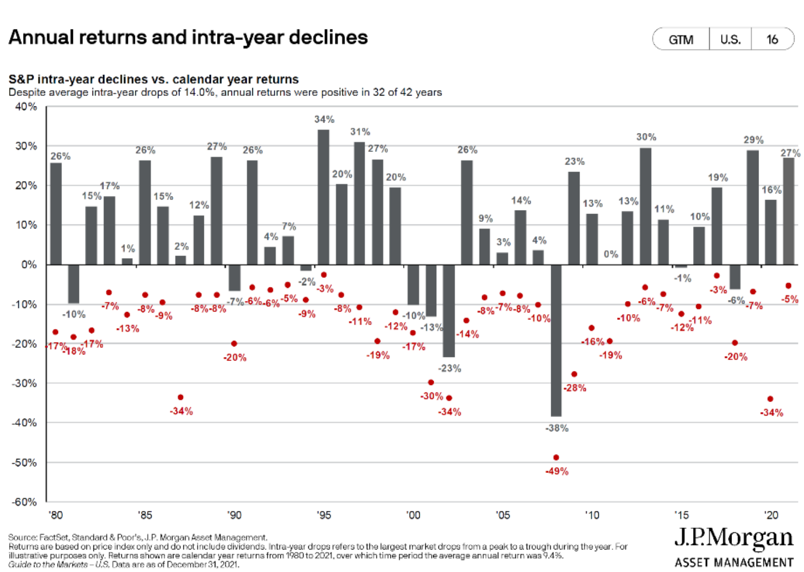
Happy New Year and we hope 2022 is off to a nice start for you! 2021 had its challenges with Covid lingering and re-opening delays for schools and businesses but the market continued to rise given all the adversity we continue to live with. Refinitive predicts the S&P 500 expect 4Q 2021 earnings to be up 22.4 with FactSet estimating 21.8%. Either of these estimates would put overall earnings up approximately 49% for 2021, or the third double digit return year for the S&P 500! However, this party is not expected to last in 2022, but we do believe a more moderated growth or normal growth is expected, something in the mid to single digit growth for returns in 2022. Notice the chart to the left shows the market recovery of 113% from the low of the Covid recession. This visually shows the "V" shaped recovery and what the 49% earnings growth has done to stock prices. Remember the P/E ratio is P=Price of the Stock divided by the E=Earnings of the Stock Company. Price can only keep rising if earnings keep rising. So 2022 we do not expect many companies will maintain 49% earnings increases. According to CNBC on Jan 13, 2022, The market will deal with 3 major issues that affect corporate profits: 1. Consumer Demand 2. Profit Margins 3. Federal Reserve Policy (raising interest rates or tightening). The two that will create the most headwind is profit margins and Fed policy. We will explain how these 3 impact the market but our believe is 2022 is likely to be a year of modest gains and investors will need to be selective in choosing stocks and look for managers who seek alpha or value, because not all stocks will rise in 2022, and the market



will see more overall volatility. Risk Tolerance needs to be reviewed and broad diversification with both value and index equity holdings as well as bond/fixed income that can adjust to rising interest rates and short in duration will be key to success in 2022. As Warren Buffett has famously said, 8 different ways, “Interest rates rising are to asset prices like gravity is to the apple. They power everything in the economic universe.” What Warren is saying is if the Federal Reserve begins to raise interest rates in 2022 then expect stock prices to correct or adjust downward in price to meet the new interest rate environment. High P/E stocks will adjust downward in price in 2022. Note the Yield Curve chart, the Dec 31, 2021 appears to be flattening from the 7yr to the 30 yr. We believe all these rates will rise in 2022 as the Feds raise MMkt rates. This will cause all bonds to adjust downward in price and this is why as you enter retirement it is so important to actually own the prime market bonds (laddered bonds) to keep stability in your portfolio. For savers or workers floating interest, inflation protection, and short duration bonds are the safest play during this time period. Foresight has already adjusted the bond portfolios for our clients in this regard.



Foresight recently attended numerous conferences and listened to many global economists and investment managers explain their insights and predictions for 2022. Here is what some of the experts are saying: Most believe 2022 will be volatile but they also believe equities/stocks are the place to be over bonds. Bonds should be short duration given the Feds plan to raise interest rates at least 3-4 times in 2022. They believe 2022 will return to normal modest gains of 5% to 8% returns. Most believe international will begin to outperform in the next 3 years but patience will be needed as international is a long-term play. The consumer is spending but differently, less on services and more into capital goods like appliances, fixing up backyards and homes, and musical instruments. Not on vacations, commuting, or restaurants and movies. Most believe more volatility will be expected and the chart of intra-year declines shows by year the deepest pullback the market had that year. The average negative pullbacks are as follows: every 2 years -10%, every 7 years -20% and every 12 years a -30%. With rising interest rates we could see a negative -10% pullback during the year of 2022, however there is a high likelihood the year will end with positive returns! So do not fret this volatility but be able to embrace it without worry.

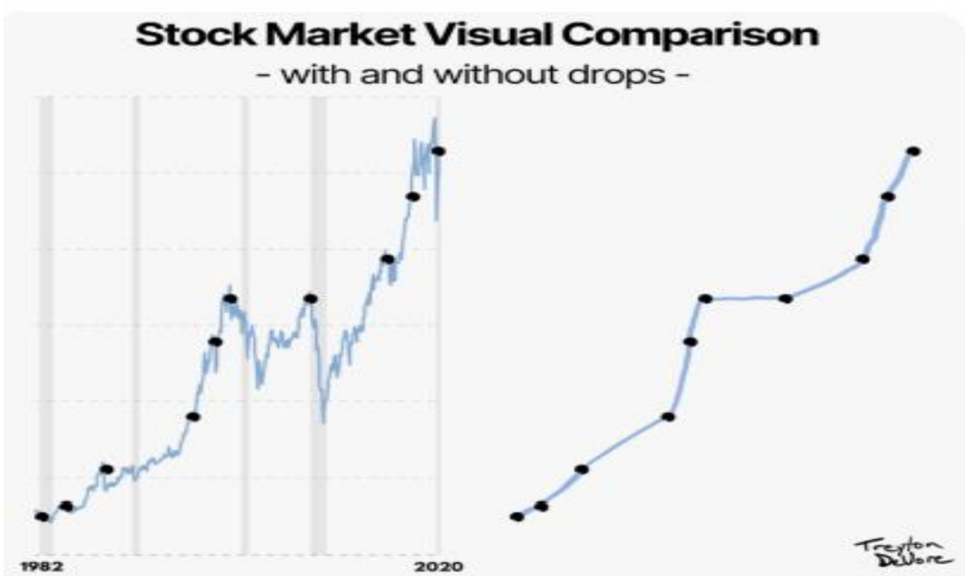


Inflation is overheating at 7% and should be brought down by the Feds raising interest rates. ESG-environmental, sustainability, and governance is becoming more important as the push to greener energy emerges. Most believe clean energy is an opportunity but will take years to become a reality. It will also be very hard to achieve and could cause high inflation if not done correctly. Larry Fink of Blackrock said on Jan 12, 2022, "De-carbonizing the world has created huge opportunities for carbon (oil) companies to figure out how to take pipelines and make them hydro power! He believes incumbents in the autos will also have the edge for electric vehicles. Larry thinks 2022 is a time of joys not worries.

Joshua Feuerman, JP Morgan Global Equity Strategist, on Jan 19, 2022 said, "The last 100 years the Feds have had only 16 interest rate tightening cycles and the following year the stock market averaged returns of +12%!" He said increasing interest rates is a sign of a healthy economy, so we should hope and pray the Feds raise interest rates this year.

Dr. David Kelly of JP Morgan said on Jan 3, 2022, "Omicron will slow demand but not stop it, instead it will let us catch up with supply!" He went on to say, "The global economy is very strong, and expects the U.S., Japan, and Europe to backoff because of Omicron but then rise in 2022." Dr. Kelly looks for the U.S. to get back to slower growth like in the late 20 teens, from 2016-2019.

So to summarize: Unemployment has hit the low of 3.9%, profit margins are at highs of 55.3% (earnings are robust), which has spiraled inflation to highs of 7%, and GDP cleared 6.9% for 2021. P/Es will be adjusted if companies stock prices are too high and they cannot support the continued earnings growth. Ergo expect increased volatility for 2022. Although the market is near all-time highs the chart Treyton Devore recently tweeted shows two dot charts of the S&P 500 over 38 years. The left has the drops of the 2001, 2008, and the 2020 recessions. The right chart only shows the dots of the market highs. I believe the chart on the right is certainly not scary and shows a trajectory upward! This is a true testament to staying invested and ride the market along its path. Stay with us this year and remember investing is a journey and with some "foresight" about the future the odds are you will win in the long term!



Foresight has moved the portfolios into their mid-cycle risk level allocations and is stepping up the equity allocations as the economy enters the peak efficiency and growth-phase of the market. A typical moderate allocation is 60% equities and 40% fixed income but Foresight is leaning into equities at this time with a moderate allocation nearing 70:30. Broad diversification favoring both value and indexing is the focus of all the Foresight portfolios at this time. We see opportunities in financials, technology, foreign markets, U.S. large value stocks, convertible bonds, floating interest rate bonds, and short duration bonds. For Individuals who have personal portfolios with Foresight we continue to monitor the stock portfolios weekly using stop-losses when they make sense to protect double-digit gains within the stock portfolios and we have built out the laddered bond holdings to weather the interest rate increases 2022 will experience. Please call or email if you have any questions or would like to review your portfolios.

Foresight Planning Ideas

IRS Contribution Limits - Some Increases for 2022: The IRS has released the new 401(k),403(b), and 457 savings limits for 2022 to increase to $20,500 deferral max and for 50+ $27,000 deferral. Total Savings limits for deferral, match and profit sharing has risen to $61,000 and if 50+ $67,500. IRA or Roth savings limits remain the same at $6,000 and if age 50+ $7,000. HSA savings limits rise in 2022 for single $50 up to $3,650 and for family up $100 to $7,300 and if 55+ up to $8,300.

PEP-Pooled Employer Plans: Foresight now offers 401(k) plans for small businesses under the new SECURE Law that introduced PEP Plans to all small businesses. No matter what size your company is with employees from 1 to 100 can join a PEP plan and offer 401(k) savings limits to your company employees! The PEP offers economy of scale and keeps the cost extremely reasonable for all members of the PEP. Please call us today for more information on how to join the new PEP 401(k) plans and offer your employees a new benefit!

I-Bond Investment Idea: With inflation running at 7%, which is the highest inflation we have seen in 40 years, the I-Bond or Inflation Bond offered by the U.S. Treasury is something to consider as an investment for idle cash. You can buy I-bonds from $25 up to $10,000 maximum at Treasurydirect.gov and up to an additional $5,000 in paper bonds with your income tax refund, however you need to file a form 8888 if you wish to invest your IRS refund in an I-Bond. The I-Bonds are paying 7.12% interest for the first 6 months for bonds purchased through April 2022! The interest resets every 6 months according to inflation in the U.S. The interest you earn is federally taxed but you do not pay state or local taxes on this interest. You must hold the bond for at least 1 year and if you cash it in before 5 years you will lose only 3 months of interest as the penalty. So consider if you receive 7.12% from Jan to July 2022 and then the interest resets in July 2022 at 5% the average interest you would receive for the year is 6.06%! Now compare that to money market interest rates or one year CD's in the banks which are averaging .15% to .75% according to Bankrate.com. The I-Bond looks to be a real winner, especially with inflation running high this is definitely an investment to consider to offset some of the inflationary pressures we all feel in groceries, gas, and purchased goods. Visit Treasurydirect.gov to learn more and open an account if you wish to purchase an I-Bond.

HSA-Health Savings Plans: Foresight now offers HSA investment plans with debit cards and investment growth for your health care savings accounts. Most employers are now offering HSA plans with your health benefit plans to keep costs reasonable, but the HSA plan attached to the benefit does not allow for you to invest your HSA account and the funds just set in a bank account. The Foresight HSA can be opened, in addition to your employer HSA, and allows you to invest your HSA in our Foresight Models just like we have for our 401(k) plans or mutual funds clients. Any unused HSA balance you have can be easily transferred to a Foresight HSA and made into an investment portfolio while keeping the minimum at your employer for use with your debit card! Then if you need funds put on your debit-card we can simply move funds to the debit card as needed. In the meantime, your HSA is growing and can be saved for healthcare in retirement too! Contact us for more information, 877-429-4690.

Student Debt Refinancing: Consider refinancing student debt, if possible, since the interest-free period is scheduled to sunset on May 1, 2022. The Biden Administration is still working on loan forgiveness, but it is not a forefront topic is likely to be $10,000 if that. Therefore, the interest rates are still low and we recommend applying for a refinance to see if the payment options with lower interest are suitable for you. Please contact us if you would like an analysis regarding your student debt.

A New Idea! Charitable Remainder Trusts-CRT to Stretch Inherited IRAs for your beneficiaries: Meriline & Meacham, PA attorneys at law article, Jan 10, 2022, With proper planning, a charitable remainder trust can replicate a "stretch" IRA. Here's how it works according to Meriline and Meacham's article: You provide in your estate plan that on your death an IRA will be transferred to a CRT. This is an irrevocable trust that pays out a percentage of its assets to your children or other beneficiaries for life (or for a term of up to 20 years) and then distributes its remaining assets to one or more charities. A CRT is a tax-exempt entity, so any assets you contribute to the trust -including IRAs- aren't subject to tax unless they're distributed to noncharitable beneficiaries. The longer distributions can be stretched out, the closer a CRT comes to replicating a stretch IRA. It's important to note, however, that the trust's ability to do so depends on the age of your beneficiaries when you die. Contact us for more information.

CEPA- Certified Exit Planning Analysis Services: Foresight is now certified to provide exiting planning valuations for businesses and owners. Our firm is also prepared to assist with implementing business improvements to assist with increasing the value of your business prior to an exit or retirement. If you are interested, or know of someone who is interested, in pursuing services in this area please reach out to Foresight at 877-429-4690.

Last Pass App: Allows you to enter your Passwords in the application on your cell phone. The app allows you to assign Masters (people) who can enter the app and obtain the information if you pass away. Masters would be given the information to access your cell phone and this app to obtain the critical information needed. This is an app worth looking into as a safekeeping vault for all your passwords and user id logins.

Millennials: Have reached the age of 40. Millennials are now the largest % of the population, the most educated, and the most diverse group. This group will continue to drive the market and economy for years to come as they enter their highest earning years. Foresight has expanded our Speculative Portfolio which invests in future growth areas of the market. This portfolio is not for everyone, but especially millennials who have many years to let a portfolio grow, may find this a great opportunity. If you are interested in learning more about this please email us at consultant@fcmadvisors.net.

Foresight to release a new Whitepaper in 2022!

Focused on the many financial planning areas a young professional should strategically work into their overall lifestyle. When this is organized and addressed at a young age the young professional can successfully launch their career, start a family, pay off student debts and plan for their future! We walk through the Foresight holistic approach to financial planning in this new whitepaper that will be a must read for most career minded professionals. The sooner you read this whitepaper the more settled you will be as you begin the journey in your career.

On-line Access: Each year we encourage everyone to test your on-line access to your account(s) at the custodian or third-party administrator for your plan. Please visit Journeyrps.com, Noblepension.com, or Sentinelgroup.com retirement participant. For individual clients at TD Ameritrade access Advisorclient.com for Schwab Institutional Clients access Schwaballiance.com. To access your web portal for individual accounts, go to https://fp.morningstar.com. If you have any difficulty accessing your account, please email or contact us.

Market Update
(all values as of 12.31.2021)

Stock Indices:

Dow Jones	36,338
S&P 500	4,766
Nasdaq	15,644

Bond Sector Yields:

2 Yr Treasury	0.73%
10 Yr Treasury	1.52%
10 Yr Municipal	1.05%
High Yield	4.35%

YTD Market Returns:

Dow Jones	18.73%
S&P 500	26.89%
Nasdaq	21.39%
MSCI-EAFE	8.78%
MSCI-Europe	13.75%
MSCI-Pacific	0.24%
MSCI-Emg Mkt	-4.59%
US Agg Bond	-1.54%
US Corp Bond	-1.04%
US Gov't Bond	-1.75%

Commodity Prices:

Gold	1,828
Silver	23.35
Oil (WTI)	75.21

Currencies:

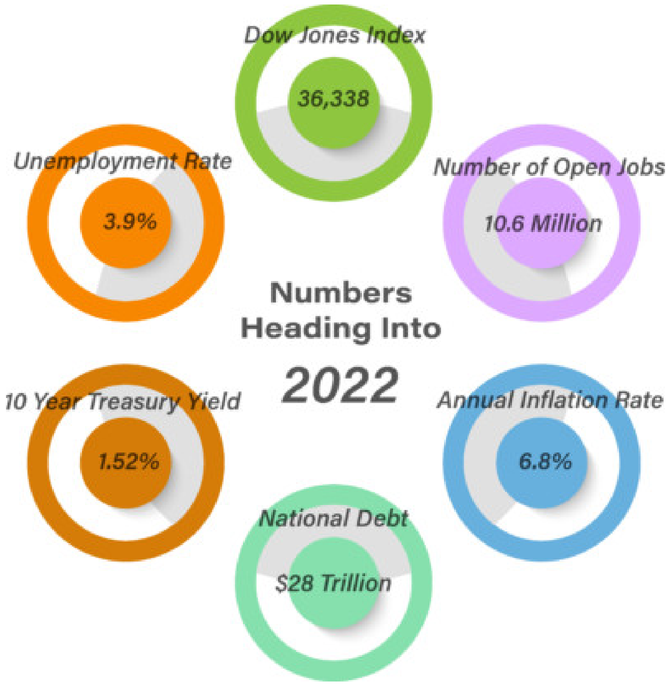
Dollar / Euro	1.13
Dollar / Pound	1.34
Yen / Dollar	115.09
Dollar / Canadian	0.78

Macro Overview

A year after Covid-19 changed the course of travel, socialization, and financial markets, 2021 witnessed a much quicker rebound than had been anticipated. The equity market upswing caught many by surprise as it was not anticipated.

Inflation brought about by supply constraints and rising labor costs are expected to linger well into 2022, with little abatement as underlying inflationary pressures persist. Some economists are even expecting stagflation to become an issue in 2022 should economic growth stagger and inflationary pressures persist.

Labor shortages triggered by the pandemic continue into 2022, leading to wage inflation and difficulty for employers filling over 10 million open positions nationwide. Workers are quitting their jobs at record levels, transitioning to higher paying positions and new occupations.



Consensus is that the Federal Reserve is on course to start removing monetary stimulus from the economy and begin raising short term rates as soon as March, in order to curtail inflation. Fed governor Christopher Waller described current inflationary pressures as "alarmingly high".

Global vaccinations and the end of lockdowns, in both developed and emerging countries, allowed the world economy to reignite and get back on track in 2021. However, the recent emergence of new coronavirus variants threaten to once again derail economic recovery efforts throughout the world.

Pandemic driven volatility due to uncertainty affected financial markets throughout 2021, distorting economic data and possibly misleading Federal Reserve members. Central banks from various countries worldwide have started to raise short term interest rates in their efforts to combat inflationary threats in both developed and emerging economies.

U.S. Census Bureau data revealed that for the first time ever that immigrants surpassed the number of births for the past census year which ended in July 2021. Population growth was driven by 245,000 entrants into the country, versus only 148,000 births.

Sources: Federal Reserve, Census Bureau, CDC, Labor Dept., Treasury Dept.

Foresight

Capital Management Advisors, Inc.

Rates Start Their Steady Climb – Fixed Income Overview

Various fixed income analysts expect a reversal in downward trending rates as the Fed prepares to start raising short term rates as early as the first quarter of 2022.

The Fed is on track to shrink its balance sheet of mortgage and treasury bonds sooner rather than later. The expectation is that the Fed will continue reducing or selling off portions of its $8.76 trillion balance sheet over the next few months. Markets view this dynamic as a form of tightening monetary policy, signaling the deliberate attempt to stifle inflation by slowing economic expansion.

The 10 year treasury bond yield rose in the final trading days of 2021 to 1.52%, up from 0.93% at the end of 2020. Corporate bond yields also rose for the year, yet not as significant as U.S. government bond yields. (Source: U.S. Treasury)

Equity Markets Surprised Many in 2021 – Global Equity Overview

All sectors of the S&P 500 Index posted gains in 2021, with the energy sector leading, following a dismal outcome in 2020. Real estate, technology and financial sectors were also leading sectors in 2021.

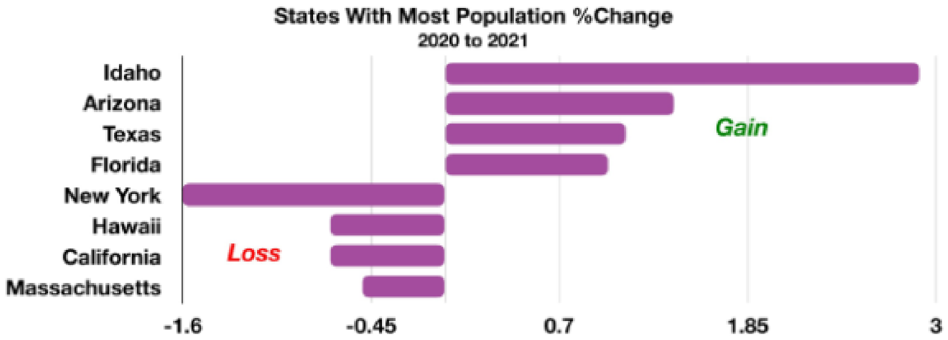
Domestic equity markets were resilient to the challenges brought about by the pandemic, fairing better than developed international and emerging equity markets in 2021. Massive fiscal and monetary stimulus aided U.S. based companies amid supply constraints and labor shortages.

U.S. companies continue to absorb higher production costs and pass them along to consumers in the form of higher prices while maintaining favorable profit margins. Such a scenario bodes well for stocks of companies that exhibit these characteristics. (Sources: S&P, Bloomberg)

States That Lost & Gained Population During The Pandemic – Lifestyle Trends

As Covid infections swept the nation in 2020 and 2021, states differed on restrictions and guidance surrounding the pandemic, encouraging many to migrate to another state.

Health, jobs, housing and quality of life were all factors in influencing Americans to leave for other states. Deaths and births were also a factor in states' population growth and declines, yet not as significant as migration.



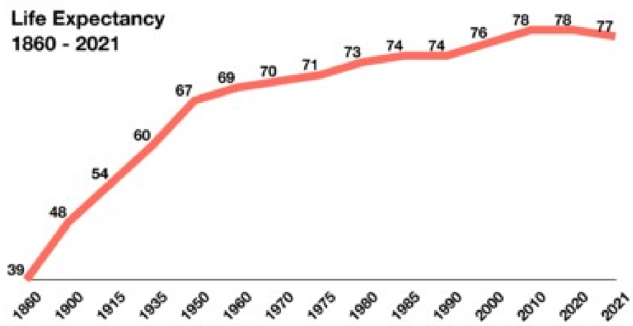
From 2020 to 2021, Idaho, Texas and Florida were among the states that saw the largest population increases, while New York, California, and Massachusetts were among states with the most declines. (Source: U.S. Census Bureau)

Foresight

Capital Management Advisors, Inc.

Life Expectancy Drops – Demographics

Recently released data by the Center of Disease Control and Prevention reveal that life expectancy in the U.S. declined by 1.8 years in 2020. The three leading causes of death in 2020 were heart disease, cancer and Covid-19.



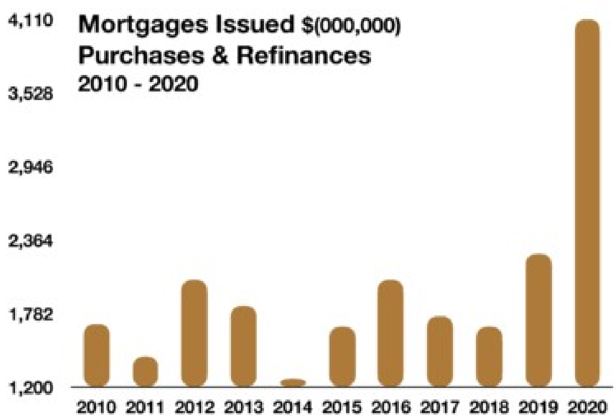
Life expectancy for all Americans in 2019 was 78.8 years falling to 77 years in 2020. Those aged 85 and older saw the most deaths, many experiencing medical complications from Covid-19. In 2020, Covid related deaths exceeded deaths caused by strokes, Alzheimers, diabetes, and kidney disease.

The U.S. Department of Health & Human Services tracks factors contributing to life expectancy including age, gender and race. The most recent data revealed that females are estimated to live to age 81 while males are expected to live to 76, a five year difference. Financial planners usually take this into account should one spouse / partner pass prior to the other along with the uncertainty as to how long the second will live.

Medical advancements and safer living conditions over the decades have led to a gradual increase in life expectancy. In 1860, life expectancy was 39, increasing to 69 in 1960, representing a 30 year life span increase in 100 years. (Sources: U.S. Department of Health & Human Services, CDC)

Record Mortgage Issuance Expected To Continue…For Now – Housing Market Overview

A robust housing market led to a record number of mortgages issued in 2020, with over $4 trillion in mortgage loans issued as reported by the Mortgage Bankers Association. A rush to refinance and purchase is expected as rates start to rise in 2022.



Continued low interest rates, work at home transitions, and rising wages all contributed to an ongoing demand for homes nationwide. Rising rates over the past two months have slowed the pace of refinances, yet purchases continue to materialize.

For some homebuyers, rising home prices have put homeownership out of reach, even with low interest rates and higher wages. The Federal Reserve Bank of Atlanta found that mortgages have become less affordable relative to income the most since 2008. It revealed that Americans needed about 29% of their income to pay a mortgage payment on a median priced home in early 2021, rising to 33% in October 2021. (Sources: Mortgage Bankers Association, Federal Reserve Bank of Atlanta)

Foresight

Capital Management Advisors, Inc.

Medical Positions Represent Highest Paying Jobs Heading Into 2022 – Labor Market Overview

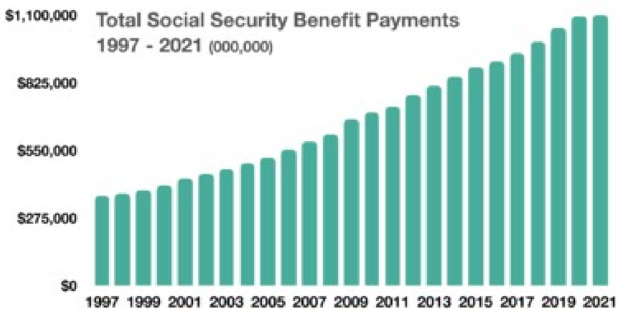
The U.S. Bureau of Labor Statistics compiles pay on occupations across various industries and has found that 14 of the nation's top 20 paying occupations are in the medical field. Psychiatrists, surgeons, and anesthesiologists top the pay list along with airline pilots and chief executives.

Advancements in medical technology as well as changing demographics have created a growing demand for medical specialists and general practitioners. Medical industry positions can be either part of a private practice or hospital / medical group. (Source: U.S. Bureau of Labor Statistics)

Over $1 Trillion Paid Out In Social Security Benefits In 2021 – Retirement Planning

As of November 2021, over 69.9 million Americans received Social Security benefit payments, with over 51 million age 65 or older. The Social Security Administration estimates that Americans received over $1 trillion in Social Security benefit payments in 2021. Total annual benefit payments have nearly tripled in the past 13 years, up from $361 billion in 1997.

In 1940, the life expectancy of a 65-year old was 14 years, today it's about 20 years. By 2036 there will be almost twice as many older Americans eligible for benefits as today, from 41.9 million to 78.1 million. Even the current drop in life expectancy to 77 years of age is not estimated to affect current projections much.



The latest annual report issued by the trustees of Social Security and Medicare revealed that by 2034, the program's trust fund will be depleted. Depletion means that Social Security recipients will no longer be receiving full scheduled benefits. Recipients would receive about three-quarters of their scheduled benefits after 2034. Congress can eventually act to fortify the program's finances, but it may be years before it actually takes effect and funds.

Social Security's largest costs are attributable to Medicare, which represents over 76% of Social Security benefits. The report also mentioned that Medicare's hospital insurance fund would be depleted in 2026. The trustees noted that the aging population of the country has placed additional pressure on both the Social Security and Medicare programs. A decade ago, roughly 12% of Americans were age 65 or older, today 16% of Americans have already surpassed 65, the eligibility age for Medicare.

The Social Security Administration considers various factors in projecting its estimates, including fertility, immigration, wages, health, and economic growth. A recent drop in U.S. birthrates along with stagnant wages has placed additional burden on the viability of future benefit payments. (Sources: https://www.ssa.gov/oact/TR/2019/index.html)

Foresight

Capital Management Advisors, Inc.

CRYPTO TRADING PLATFORMS START ISSUING 1099-MISC AND 1099-K FORMS

Year-End Tax Planning For Cryptocurrency Transactions – Tax Planning

As millions of investors dabbled in cryptocurrency this past year, the IRS has heightened its surveillance of transactions in order to tax gains. The pending infrastructure bill in Washington, Build Back Better, contains an entire section on identifying and taxing gains on cryptocurrency transactions. The rapid and extensive emergence of cryptocurrency transactions has brought about uncertainty surrounding taxing transactions as an asset, similar to a stock, rather than a currency. Some cryptocurrency trading platforms also pay interest on lended digital currency positions, creating yet another tax liability on the interest earned.

Since the federal government sees a tremendous tax revenue opportunity in taxing digital currency transactions, the IRS has already started to issue tax ramification guidelines applicable to such transactions. The U.S. government expects to raise about $28 billion over the next ten years by tracking and taxing transactions. Digital wallets, which hold crypto currencies, may be required to report holdings and transactions to the IRS, similar to traditional financial institutions. The IRS also plans to crack down on taxpayers not reporting gains from crypto transactions, as noted on the most recent IRS tax return forms. Some crypto trading platforms intend to start issuing 1099-Misc and 1099-K forms in order to comply with IRS reporting requirements.

As consumers become more comfortable with making payments with digital currencies, each transaction may become a taxable event. The ability to store cryptocurrency in a digital wallet, then use it for a purchase, may trigger a tax consequence if the currency is sold at a gain in order to make the purchase. The IRS is expected to require platforms providing digital wallets to maintain the cost basis on all currency transactions. Should a 1099 form not be issued by the digital currency platform used, then the IRS is suggesting that taxpayers maintain a record of all purchases and sells in order to properly report any taxable gains or losses. (Sources: IRS)

IRS Introduces New Tax Brackets & Standard Deductions For 2022 – Tax Planning

Heading into the new year, the recent higher than expected inflation numbers will also be affecting tax rates for everyone. The IRS has adjusted 2022 tax brackets to reflect the most recent inflation data. Ironically, the adjustment for higher inflation will amount to lower tax rates for many taxpayers. For those earning more in 2022 than in 2021, the applicable tax bracket may actually be lower than the prior tax year because of the inflation adjustment. Standard deductions and estate tax exclusions have also risen for tax year 2022. (Sources: IRS, taxpolicycneter.org, taxfoundation.org)

2022 TAX NUMBERS

STANDARD DEDUCTIONS

Single / Head of Household / Married Filing Jointly
$12,950 / $19,400 / $25,900

ESTATE TAX & ANNUAL GIFT EXCLUSION

ESTATE TAX EXCLUSION
$12.06 MILLION

ANNUAL GIFT EXCLUSION
$16,000

TAX BRACKETS

Single / Head of Household / Married Filing Jointly	TAX BRACKET
$0 - 10,275 / $0 - 14,650 / $0 - 20,550	10%
$10,276 - 41,775 / $14,651 - 55,900 / $20,551 - 83,550	12%
$41,776 - 89,075 / $55,901 - 89,050 / $83,551 - 178,150	22%
$89,076 - 170,050 / $89,051 - 170,050 / $178,151 - 340,100	24%
$170,051 - 215,950 / $170,051 - 215,950 / $340,101 - 431,900	32%
$215,951 - 539,900 / $215,951 - 539,900 / $431,901 - 647,850	35%
$539,901+ / $539,901+ / $647,851+	37%

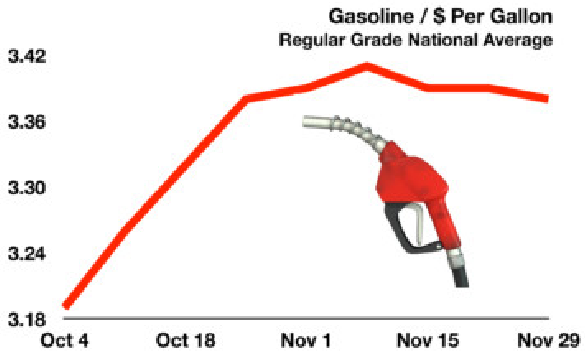
Foresight

Capital Management Advisors, Inc.

ANNUAL INFLATION RATE OF 6.2% FROM OCTOBER 2020 TO OCTOBER 2021

Release of Oil Reserves Hasn't Reduced Gas Prices Much If Any – Oil Sector Review

The administration announced in November that it had authorized the release of 50 million barrels of oil from the strategic petroleum reserve (SPR) in order to help alleviate rising gasoline prices across the nation. Markets reacted to the release as non-consequential, since the 50 million barrels of oil amount to roughly 5 days of U.S. oil production.

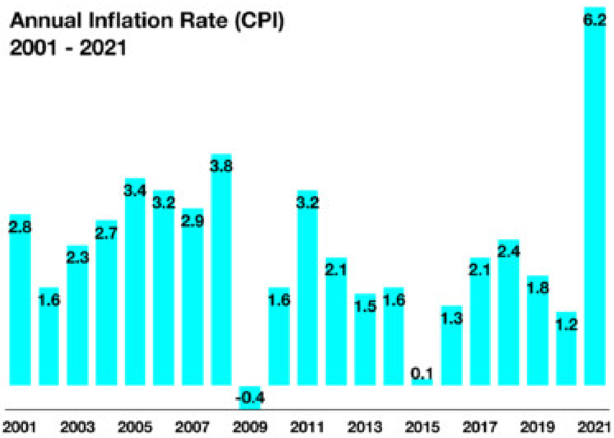


Some industry advocates argued that additional production might be warranted in order to ease pricing pressures. OPEC, as well as U.S. based oil producers, are reluctant to ramp up production due to the threat of another sudden global slowdown similar to what occurred last March and April 2020. Oil prices fell below $20 per barrel and traded negative at times in April 2020 as demand for oil collapsed. A severe shortage of oil storage in the weeks following the demand collapse drove several drillers and producers out of business.

Ironically, the energy sector, which is primarily made up of oil industry companies, is the leading performing sector of the S&P 500 Index so far this year. (Sources: U.S. Energy Information Administration)

How Inflation Might Ease – Consumer Behavior

The pandemic pulled forward or accelerated an enormous amount of consumer spending that was pent up for months during lock downs and closures. As a result, demand for automobiles, homes, furniture, and appliances all skyrocketed, driving prices higher and evaporating inventories.



Much of the pulled forward demand is expected to ease especially among consumers and businesses that modified their business models in order to work from home. As the transition for millions has begun to settle and become complete, additional transitions are expected to be limited.

Elevated prices for essentials including food and gasoline will limit how much money consumers have for discretionary items such as movies, furniture, and automobiles. As discretionary income falls, so does consumer demand, alleviating inflationary pressures. Several economists are predicting a pullback in the inflation rate as consumers slow spending behaviors and overall demand eases.

The most recent inflation data revealed an annual inflation rate of 6.2% from October 2020 to October 2021, the steepest increase in 31 years. Economists and market analysts alike believe that inflation may be temporary for certain goods yet more lasting for others as consumers determine where to spend. (Sources: Bureau of Labor Statistics)

Foresight

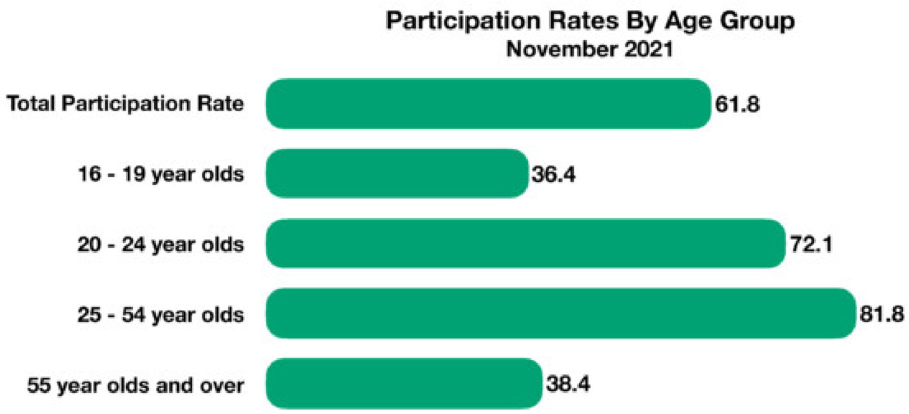
Capital Management Advisors, Inc.

LABOR FORCE PARTICIPATION RATE STILL BELOW PRIOR TO PANDEMIC

Labor Force Participation Rate Still Below Prior To Pandemic – Labor Market Update

Workers across all age groups are still not willing or able to work as they did before the pandemic. The participation rate is basically the percentage of the population that is either working or actively looking for work. That percentage has fallen to 61.8% as of November 2021, down from 63.3% in February 2020. The 1.5% difference may seem small yet still represents over 2.4 million workers that have essentially left the workforce. Those leaving the workforce include prime working age adults 25-54 years of age, as well as teenagers and 65 year old's.

There are various reasons why workers leave the workforce including health, lack of skillsets, and retirement. With the onset of baby boomers retiring, succeeding generations will make up the majority of the workforce over the next few years. The pandemic brought about early retirement for many workers in their 60s and 70s, removing tens of thousands from the workforce and eventually will be filled by younger workers. (Source: U.S. Department of Labor)



Rates In Flux As Omicron Creates Uncertainty – Fixed Income Overview

The renomination of Fed Chair Jerome Powell for another four years is not expected to result in any changes to monetary policy objectives. With the emergence of the new Covid variant, the Fed now has the challenge of taming inflation while not stifling a sensitive economic recovery. Comments by the Fed Chair conveyed that the Fed will start raising rates once it has ceased buying treasury and mortgage bonds as a stimulus effort. It signaled that it may start that process before the third quarter of 2022.

Tapering objectives by the Federal Reserve may be modified should the latest Covid variant prove to hinder economic recovery, yet the Fed is still on track to add another $420 billion to its already inflated $8 trillion balance sheet.

Rates were in a state of flux at the end of November as short-term government bond yields rose simultaneously as longer term yields fell. Economists view this dynamic as a flattening yield curve representative of slowing economic growth. The yield curve flattened to levels not reached since the onset of the pandemic in 2020. (Sources: Fed, U.S. Treasury)