J.K. Financial, Inc.

REGISTERED INVESTMENT ADVISOR
8222 Douglas Ave Suite 590
Dallas, TX 75225

1st QUARTER 2022

Don't miss our blog
www.street-cents.com

Anatomy of a slowdown/recession

Not calling for one, what it looks like

John A. Kvale, CFA, CFP ®

The slowdown/recession, definition, characteristics, average length, market reaction, headlines, emotions, investors best response

As a reminder, those 10 years or more from retirement should embrace the eventual slowdown and market reactions. This is the time you really get to make great purchases and shine in the future but it may not feel like it at the time. Enjoy and embrace!

Those in the five to 10 year range from retirement, recall we adjust our risk level down as we get closer to retirement. Yes, that means taxes and a slower ride but a lot less bumpy and less stress.

Those five years out or already retired, as a slowdown occurs and values drop, our most important item is to rebalance from the safe things that have held up in value to the riskier items that have dropped in value (agnostic sell high and buy low), and of course remind ourselves we came into this with a good allocation for each and every one of us and can easily navigate this.

(see **Near,** Page 2)

New retirement contribution limits, contribution strategies, one nifty trick for those partial year workers...

Most years, there are increases allowed in our retirement plans, called COLA (Cost of Living Adjustments). It is not in all years, as the CPI index does not warrant moves every year.

This year the moves were rather large, 5.13% to be exact for 401k's, the most popular retirement plan.

(see **Retirement,** Page 6)

Near end, headlines are worst but rewards great

(continued from Page 1)

For the record, we are not calling for an imminent recession. We do believe that the U.S. economy will slow down in the coming year but have no idea if that will turn into an official *"recession"* and have no idea what Federal Reserve policy will be, which could dramatically change the outcome.

What we do have a good idea from a historical sense, the last few slowdowns and especially the last recession were not normal in a variety of ways, hence the historical reminder; reminder of the clouds, umbrella and it's use while the sun is shining, so to speak.

The most important items we want to convey are that near the very end of a recession/ slowdown, the headlines are the worst but the rewards are the greatest.

The definition of a recession is two consecutive quarters of negative (less than zero) growth as measured by Gross Domestic Production (GDP). This measure is one of the broadest of economic growth but is not any form of predictive measure as the recession call is actually made by the NBER (National Bureau of Economic Research) and is almost always made well after the economy is in a recession, and frequently is made near the end of a recession.

The average length of a recession is about nine to 12 months, much longer than the most recent 2020 recession (-36%), and the interest rate temper tantrum slowdown of late 2018 (-19.9%) or the low volatility (VIX) shake out of early 2018 (-12%) all shown in the chart below.

But thankfully, also and much shorter than the 18 month, GFC Great Financial Crisis of 2007-2009, (-56%) shown in the chart, Page 3.

With a frequently late call by the NBER of an "official" recession, the headlines can turn very dark. Using the GFR – Great Financial Recession of 2007-2009 as an example, the capital markets struggled mightily from mid-2007 through the end of 2008. As the calendar turned to 2009, one of the largest and most popular media outlets ran in early 2009 within weeks of the end of the recession the following similar headline.

Early 2009 headline: **"This is just the start of four more years of pain!"**

(see Page 3)

(continued from Page 2)

Recalling from earlier, the rewards are the best near the end of the recession, many investors were certainly shaken out of their investments just weeks before the final bottom in March of 2009, only to miss the best reward of making it through the recession:

The best gains are frequently made near the END of the recession, as markets and participants get back on their feet and think more rationally!

Most normal investors will feel their worst due to the headlines and depreciation of capital, just as they should be looking for the light of the near ending.

To appropriately navigate a slowdown or recession, investors need to remember a few items:

Investing is risky and one will almost certainly have a drop in value during a slowdown/recession.

Invest rationally when the sun is shining. AKA Don't get over your ski's by keeping your allocations (safe/risky, fixed income/equity) correct during good times, thereby making it through the inevitable bad times.

Reallocation from winning to losing areas is the most important item to capture the best part of a slowdown/recession, the eventual recovery.

Ignore the headlines and remember they will likely be the worst near the end. **(**extra reminder!)

Avoid false prophets. There will always be someone who has made a negative correct call but most of the time that is not that someone's first call, and they likely will overstay their welcome, once again missing the best part of the slowdown/recession, the recovery.

Stay positive, and know our job is to help talk and guide you through these situations, just like we are now by reminding and reviewing during sun shining times.

There you have it, a manifesto of sorts and a reminder of what a slowdown/recession looks like, feels like, what others may be saying and the actions to make collectively for best results, in advance while the clouds are shining and that umbrella is dry.

We will be here with you along the way!

CPI (Consumer Price Index) prints 6.8% year over year increase, quick analysis on likely peak

Posted on December 10, 2021 at Street-cents.com

About three hours ago, the BLS (Bureau of Labor Statistics) released their November 2021 report on CPI (Consumer Price Index) one of the broadest measures of Inflation...

If you have noticed your grocery basket smaller and more expensive, this is why.

This report has a ton of factors in it, as can be seen at the top of the chart from the BLS report, below....

The year over year print was 6.8% increase!

A very large portion of the CPI is Energy.

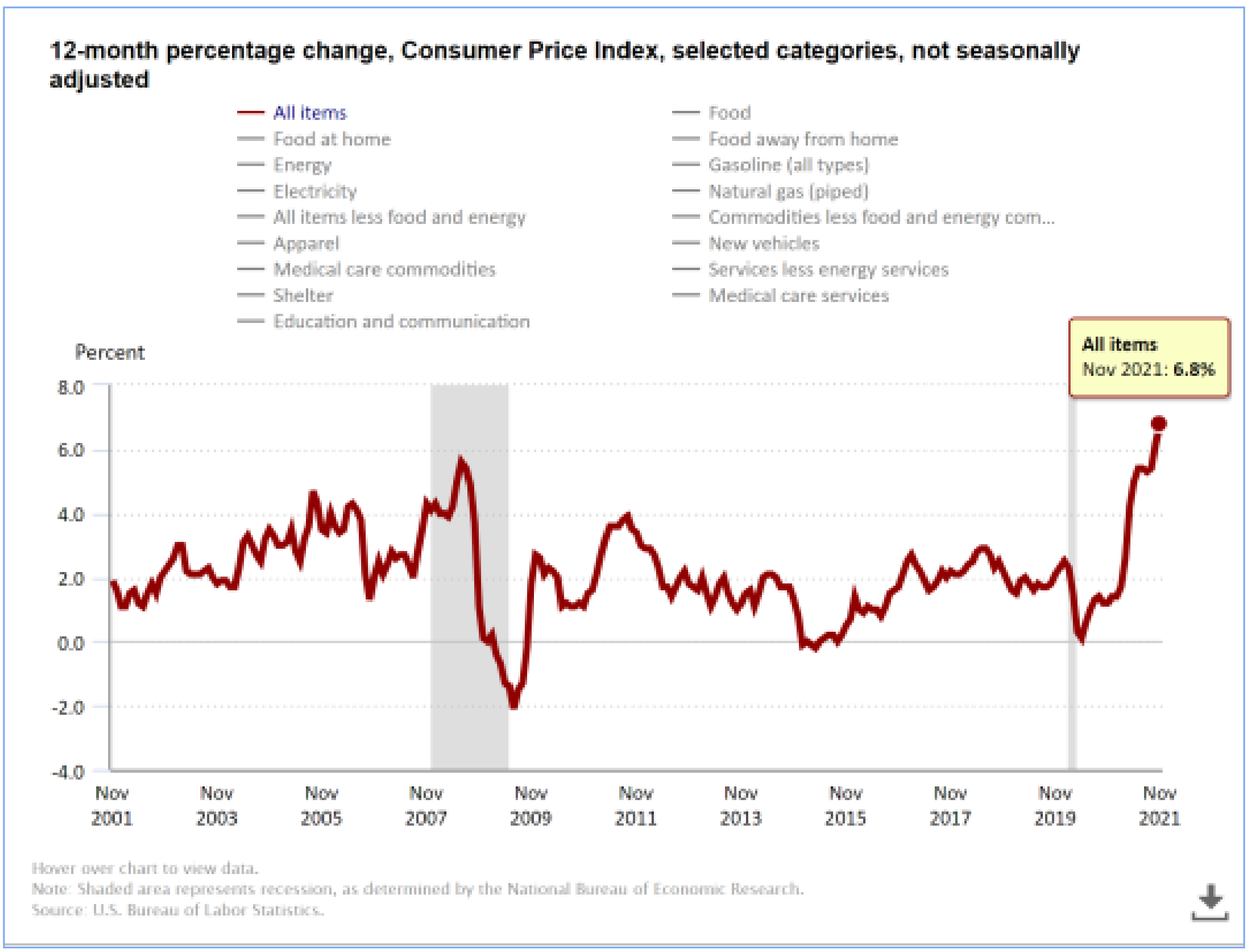
Have you noticed a LOWER bill to fill your tank lately? (See chart, top of Page 5)

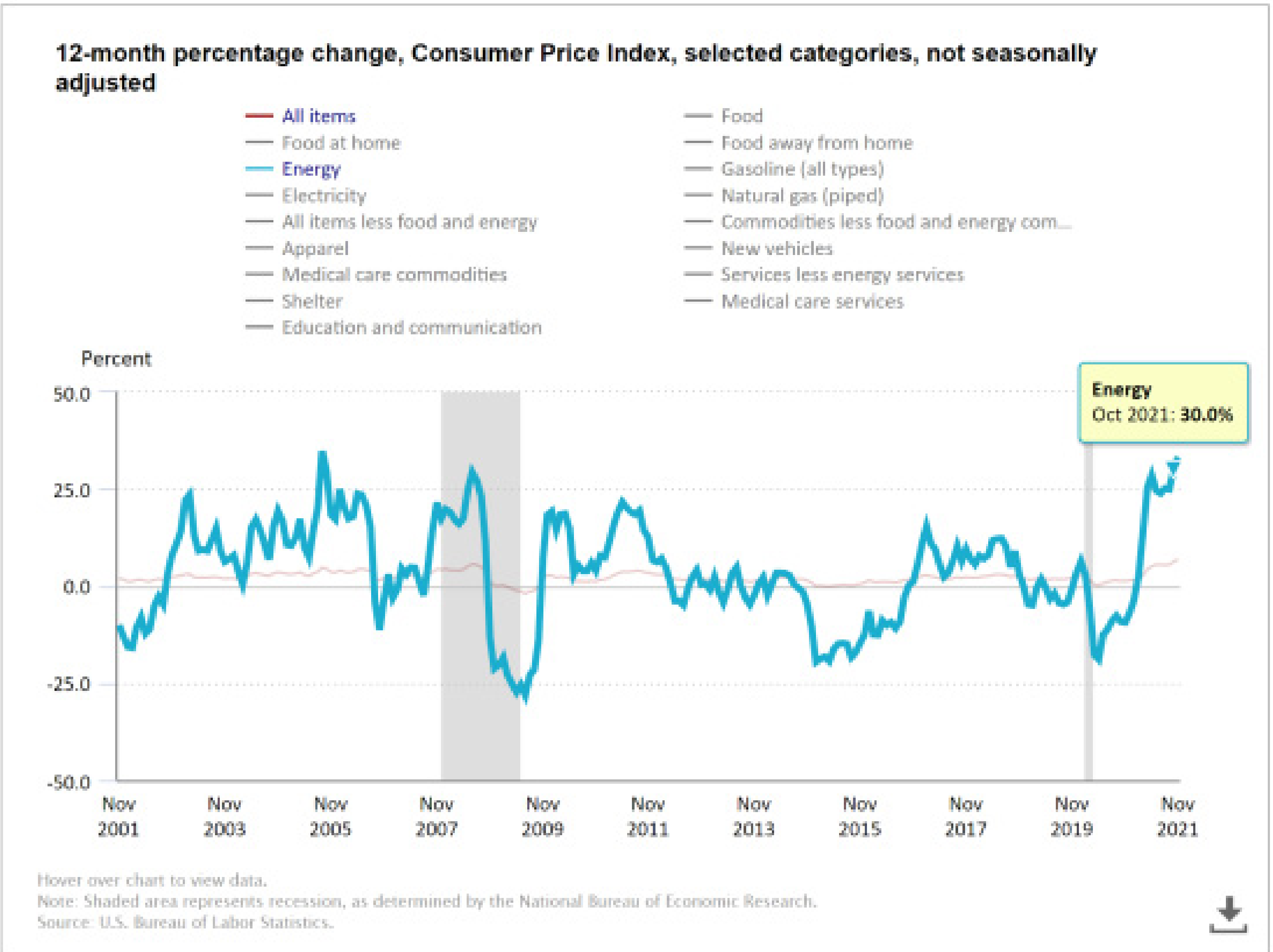
The BLS report is lagging, below is a current oil price, which is over 10% LOWER currently... hence the cheaper refills. (See chart, bottom of Page 5)

Very likely peak in CPI as measured by the BLS, next month which will be released in early January, we will take a peak and keep you updated.

Ok, another slightly heavy Friday, BUT the FOMC is watching this very closely and making decisions based on this increase, which may be peaking/lagging already....

Let's stay tuned!




12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted
All items
Food at home
Energy
Electricity
All items less food and energy
Apparel
Medical care commodities
Shelter
Education and communication
Food
Food away from home
Gasoline (all types)
Natural gas (piped)
Commodities less food and energy com...
New vehicles
Services less energy services
Medical care services
Percent
50.0
25.0
0.0
-25.0
-50.0
Energy
Oct 2021: 30.0%
Nov 2001
Nov 2003
Nov 2005
Nov 2007
Nov 2009
Nov 2011
Nov 2013
Nov 2015
Nov 2017
Nov 2019
Nov 2021
Hover over chart to view data.
Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.
Source: U.S. Bureau of Labor Statistics.

Retirement: If partial work year, max out current employer 401K if cash flow allows

(continued from Page 1)

Contribution strategies

We like for folks to contribute evenly throughout the year, maxing their contributions late November or early December just to be safe. This helps with cash flows and also has the effect of evening out the purchases through the ups and downs of capital market movements.

One nifty trick for partial year workers

If for some reason you have knowledge of a partial work year (retirement, job change or the like) we like maxing out our current employer 401K if cash flow allows.

Most employers have a waiting window for new employees along with the fact that if you can switch jobs and immediately contribute to the new plan, it requires attention in order to not accidentally over fund the stated maximums (see next) as your new employer has no idea how much you have saved prior.

Here are the 2022 maximums along with prior years, for the vast majority of plans from the IRS Website.

Please reach out if you have any questions concerning the new maximums. JK

401(k), 403(b), Profit-Sharing Plans, etc.	2022	2021	2020	2019
Annual Compensation	305,000	290,000	285,000	280,000
Elective Deferrals	20,500	19,500	19,500	19,000
Catch-up Contributions	6,500	6,500	6,500	6,000
Defined Contribution Limits	61,000	58,000	57,000	56,000
IRAs	**2022**	**2021**	**2020**	**2019**
IRA Contribution Limit	$6,000	$6,000	$6,000	$6,000
IRA Catch-Up Contributions	1,000	1,000	1,000	1,000
Traditional IRA AGI Deduction Phase-out Starting at	**2022**	**2021**	**2020**	**2019**
Joint Return	109,000	105,000	104,000	103,000
Single or Head of Household	68,000	66,000	65,000	64,000
SEP	**2022**	**2021**	**2020**	**2019**
SEP Minimum Compensation	650	650	600	600
SEP Maximum Contribution	61,000	58,000	57,000	56,000
SEP Maximum Compensation	305,000	290,000	285,000	280,00

Important Disclosures regarding the D Magazine Best Financial Planners and Wealth Managers Award 2021

SEC guidance requests us to respond to the following points about this award:

The sole criteria for being chosen for this award was anonymous votes from Certified Financial PlannersTM who are members of the DFW Financial Planning Association who answered the question of who they believe to be the most skilled and experienced financial planners and wealth managers in the industry.

The Firm paid no fees for participation in this award or any award contests, nor for being chosen as a winner. The Firm did choose to pay a fee to place an ad in the publication to advertise the fact they have been selected for this award and may purchase plaques or similar items after being announced as a winner.

This award was independently granted by D Magazine.

Client voting or input (positive or negative) was not used in this survey and therefore had no bearing on these results. This award was strictly based on peer voting.

J.K. Financial, Inc. has no affiliation or relationship, formal or informal, with D Magazine.

D Magazine is solely responsible for checking the statistical validation of the survey results.

J.K. Financial, Inc is aware of no facts, issues, or events that would call into question the validity of receiving this award.

The advertisement of this award is not intended to reflect any promise or prediction of future performance of Financial Planning services rendered to clients.

From D Magazine on criteria for top Wealth Manager Selection 2021

How we compiled this list:

We asked every wealth management firm and team in the Dallas-Fort Worth chapter of the Financial Planning Association, Chartered Financial Analyst Institute, and the Investments and Wealth Institute to tell us about their practices. The final list was selected based on these criteria: top firms or teams must have total assets under management for individual clients of at least \$100 million; average assets under management per client of at least \$1 million; a 95 percent client-retention rate over the last two years; and no current disciplinary actions. Additionally, all firms (or teams, should the team apply as an entity separate from its parent company) must have been in existence for at least five years as of the application deadline (June 7, 2021). They must also hold themselves out as fiduciaries for their clients and provide them with a written disclosure. A panel of esteemed local wealth managers reviewed the final list. All numbers are current as of the application deadline. Out of the 58 that applied, 36 firms and teams were selected.

From D Magazine on criteria for top Financial Planner 2021

D Magazine asked every Certified Financial Planner in the Dallas-Fort Worth chapter of the Financial Planning Association to cast an online ballot. They were asked to name peers, both inside and outside their firms, whom they considered to be the most skilled and experienced financial planners in the industry. Outside-firm votes counted more than inside-firm votes. Self-nominations were tossed out. A panel of esteemed local financial planners reviewed the list. Only CFPs made the list. A total of 718 votes were cast, and 240 individuals were nominated. Of these, 96 were selected.

J.K. FINANCIAL, INC.
REGISTERED INVESTMENT ADVISOR
8222 DOUGLAS AVE SUITE 590
DALLAS, TX 75225
Phone: 214-706-4300
Fax: 214-706-4262
E-mail: info@jkfinancialinc.com

Check out our Blog
www.street-cents.com

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investments may be appropriate for you, consult your financial advisor prior to investing.

Parting thoughts for you...

We hope you enjoy our Q1 2022 Newsletter as much as we enjoyed making it.

Our main article, the anatomy of a slow down/recession is not meant to scare or a prediction but merely a reminder that the most recent slowdowns were not normal and extremely short in length. Normal more lengthy slow downs with horrible headlines are the usual. While the skies are clear we wanted to remind everyone what the rain looks like while the umbrella is dry.

Our inflation article, first appearing on our blog site, garnered so much attention we decided to add it here for further review. Inflation, while much higher than many decades ago, has likely peaked.

The retirement tips and tricks article, with the new maximum contributions along with funding levels felt perfect due to the larger than normal 5.13% increase in the maximum contributions, garnered by the afore mentioned heightened inflation measurements.

We hope everyone has a great start to 2022 as we say goodbye to 2021.

Thank you so much for your time and we hope you enjoy our newsletter. Cheers!

Dates:

Jan. 17 - Martin Luther King, Jr. day, markets closed

Jan. 18 - Q 4, 2021 ES Tax Deposit Due

Feb. 21 - Presidents' day, markets closed

April 15 – Good Friday, markets closed