May – June 2022

Money Moxie®

On June 4th, Smedley Financial celebrated its 40th year of business.

We wish to express our sincere thanks to you for being loyal clients and friends.

SMEDLEY FINANCIAL SERVICES, INC.®

Since 1982

Inflation No Longer a Silent Killer

People are generally worried about stock downturns, especially the closer they get to retirement. As financial planners, we also must worry about inflation and its potentially devastating impacts. For over two decades, inflation has been moving slow enough to hardly notice its effects. It has been a silent killer. However, it isn't silent anymore.

Anyone that has made a trip to the grocery store, bought gas, or a car has felt the pain of inflation. The inflation rate for April was a whopping 8.3%. However, inflation is felt differently by each person, depending on which items they buy. Inflation also has a disparate impact depending on socio-economic status. If you have a house and investments, you typically fare better as those assets tend to go up with inflation. If you rent and don't have investments, you are likely getting hit harder.

To combat inflation, the Fed has raised rates twice. The first was 0.25%, the second 0.5%. They are expected to raise rates another 6 times in 2022. This will have a direct impact on the housing market, borrowing costs, and the economy. Savings rates should improve a little, but their increase is expected to still be well below the inflation rate.

Bonds are usually a haven when things go south with stocks. This year is different as bonds are under pressure because of inflation. According to Jason Zweig of The Wall Street Journal, bonds have had their worst start to the year since 1842 (as of May 6, 2022). That was a long time ago, making you wonder if the worst is behind you.

If inflation tames later this year as expected, then bonds will improve. If the economy cools off because of higher interest rates, then there may be even more potential for bonds. However, the outlook for the next decade appears more challenging than those of the 1990s, 2000s, and 2010s. I believe it is more imperative than ever to have an active manager on your side to help navigate these challenging times.

Regardless of where you fall, inflation is taking a bite out of your wallet. While you're still working, your income typically increases with inflation. When you retire, you no longer have that luxury. Thankfully when we design retirement plans, we account for inflation. We want our clients to have enough income for their entire retirement, even if it needs to last into their 90s. We're working hard to manage inflation pressures, so it's not a silent killer for your retirement plan.

Mikal B. Aune
Vice President of Wealth Management

Power Up Wealth Podcast

SFS releases new podcasts weekly. We recently added interviews focused on the current state of the housing market, opportunities for patient investors, and the financial challenges of living a long time in retirement. Upcoming topics will include life insurance questions and inflation's economic impact.

Get to know our experts and learn timely investment principles that will impact your life.

Subscribe wherever you get your podcasts or listen at SmedleyFinancial.com.

Sharing Responsibility

By Lori B. Taylor, CFP®

I recently had the opportunity of moderating a documentary presentation and panel discussion at the University of Utah. The documentary "Savvy," directed by Robin Hauser, showcases financial literacy challenges for women.

About 54% of women abdicate finances to their partner. The real trouble comes when something happens to their partner.

One woman portrayed in the documentary lost her husband suddenly in a biking accident and found how vulnerable and unprepared she was for this loss. Robin went through a divorce and realized she didn't have sufficient knowledge about finances to protect herself moving forward.

Many women are widowed at various ages and go on alone, often unexpectedly. Although this documentary was focused on women, men can also be at risk as well when they are not involved in their finances.

It is not unusual in a marriage or relationship to divide out tasks that need to be done. There is a tendency to rely on each other for direction when one's own knowledge is lacking. A division of labor works as an advantage in marriage to a point. Splitting up the work allows us to accomplish tasks more efficiently and with a better result.

My husband handles all things technology since this is his field of expertise. I am happy with that but realized recently that my technology knowledge has suffered because I have leaned on him too much. I should have been learning along the way. I generally handle everything financial since this is something I enjoy and comes naturally to me. The problem is the spouse that most often does a certain task becomes more knowledgeable over time while the uninvolved spouse possibly even loses some of the skills they once had. This can be devastating in the financial realm, especially when one spouse must go on without the other.

Setting financial goals together and reviewing your financial picture can protect both partners and bring closeness to your relationship. Review your accounts together. Keep a list that you update at least annually of all your accounts and obligations. Talk about important documents and have a secure place where they are kept. Making finances a team effort shows respect for each other and helps prepare both for a crisis.

Ask yourself the following questions to gauge your readiness for being on your own:

1. What bills need to be paid each month? Are some paid automatically?
2. What debts do we have?
3. Do we have a list of our savings and investment accounts, including a contact?
4. Where can I find our life insurance and other insurance policies?
5. Where are our estate planning documents located?
6. How have we planned for end-of-life costs and funeral expenses?
7. Do we have a financial advisor or attorney that can help or should be contacted?

The more details you include in your financial reviews together, the better prepared you will both be to stand alone. We are all busy, and it is easy to put off something like this for another time. Making time for a regular review will benefit you in so many ways individually and as a couple, so schedule some time together today.

Is Now the Best Time to Invest?

By Sharla J. Jessop, CFP®

Prognosticators provide a myriad of reasons why you should not invest – inflation, increasing interest rates, the threat of war, and high P/E ratios. But the truth is that no one can predict what will happen in the month, quarter, or year ahead. What we do know is that investors experience their best results when they have a plan and stick with it – rain or shine.

If the investor missed the 30 best days, the investment would drop to $1,243, missing 67% in value.*

The point this example drives home is how can an investor determine which days in the future will be positive or negative?

At the recent Money Matters conference, we heard from two investment experts, James Derrick, Chief Investment Strategist at SFS, and Max McQuiston, Wealth Management Consultant at Capital Group. They shared valuable insights on investing.

Max shared a study that was done by Capital Group, home of American Funds. The study showcased what happens to investment returns when investors try to time the market.

Using the S&P 500 as an example, an investment of $1,000 made at the beginning of 2012 would have grown to $3,790 by the end of 2021. But if the investor missed just the 10 best trading days during that period, the investment result would be $2,108. That is 44% less.

The reality is that no one can predict future market movements. To receive the benefit of investing, one must remain invested. When things get volatile, remember this: Every S&P 500 decline of 15% or more, from 1929 through 2020, has been followed by a recovery. The average return in the first year after each of these declines was 55%.

When markets are volatile, and it seems like everything is in turmoil, recency bias leads us to think that things are only going to get worse. Thankfully, this is not the case. Markets will continue to fluctuate as they have in the past, and there will also be investment opportunities. If market volatility has you feeling jittery, reach out to our wealth management team. This is the time to review your plan and focus on your values and goals.

*Value of a hypothetical $1,000 investment in the S&P 500, excluding dividends, from 1/1/2012 to 12/31/2021. Investing involves risk, including the potential loss of principal. The S&P 500 index is widely considered to represent the overall U.S. stock market. One cannot invest directly in an index. Past performance does not guarantee future results. The opinions and forecasts expressed are those of the author and may not actually come to pass. Diversification does not guarantee results. This is not a recommendation to purchase any type of investment.

Protect Against the Unthinkable

By Jordan R. Hadfield, CFP®

Several years ago, I started looking into life insurance. I wanted to know my wife and children would not struggle financially if something happened to me. I purchased an appropriate policy on my life to accomplish this goal. But when purchasing a policy on my wife for my financial protection, my frugal side kicked in, and I focused more on monthly premiums. I purchased a much smaller policy.

Two years later, my wife was diagnosed with cancer. I still remember feeling the earth shake when I heard the news. How could this happen to her? How would our lives change from now on?

At that time, life insurance didn't cross my mind. But when discussing life insurance now, I think about these two events in my life. If my wife's diagnosis was terminal, how would I have provided for my young children given the loss of her income and increased childcare costs? The truth is, we are underinsured, and she no longer qualifies for additional coverage.

I recently had a good friend reach out to me. He is currently facing the same nightmare I did. He was wondering if it was too late to buy life insurance. He was thinking about worst-case scenarios and his family's financial future. He and I failed to plan for unthinkable possibilities beforehand, and we unintentionally put our families at risk. There is nothing either of us can do at this point to correct our mistake.

Thankfully, both women in these stories are going to be ok. They are strong and have bright futures ahead. But I have worked with individuals who have needed life insurance and didn't have it. In many of these situations, life for their loved ones became financially stressful. A financial burden on top of dealing with a loss can be overwhelming.

Are you and your loved ones sufficiently protected from an unexpected loss of a provider or caregiver? How much life insurance do you need? Does your spouse need insurance? What type of insurance should you own? These are important questions that are better asked years too early than seconds too late.

There is much to consider when creating an insurance plan. We are not only insurance agents but also fiduciaries. Please call us to review your specific situation. We can help you determine if you need insurance, help you purchase the right policy, review policies you may already own, or determine if older policies are still worth their premiums.

For a more in-depth conversation about life insurance, look for an upcoming episode of the Power Up Wealth podcast titled "Protect Against the Unthinkable."

Blindfolded

Driving a $25 Trillion Economic Machine

By James R. Derrick Jr., CFA®

The original MSRP price of a 1973 Ford F-100 truck was $2,889. Today, the least expensive F-150 is listed at $41,185. That's an incredible increase of 1,326%. Max Mcquiston of the Capital Group, who shared a similar example with me, suggested one would probably pay a lot more. He was right. The only new, available F-150 within 20 miles of my office was listed at $80,800. That's an increase of 2,697% from 1973. Could the S&P 500 keep up with either of those returns? The stock index was 103.3 back in January of 1973. Today it is around 4,000. That's a stunning rise of 3,772%!

Economic forecasting has been compared to driving a car blindfolded while getting instruction from a second person who is looking out the rear window. The Federal Reserve (Fed) has over 400 Ph.D. economists, and they are driving the $25 trillion U.S. economy.

In a healthy economy, technological progress leads to greater worker productivity and more profitability. Society benefits as this provides more of what people want. Improved productivity should also lead to higher incomes, which increases demand.

The U.S. government created approximately $9,000,000,000,000 in 2020 and 2021. There were two sources: Fed asset purchases and money direct to Americans from the U.S. Treasury. This created a sudden demand for all kinds of things. However, there was no increase in supply. We had shortages.

If demand goes up without an increase in supply, then prices rise. If supply falls without a decrease in demand, then prices rise. In 2020 and 2021, both occurred.

All this seemed temporary, and the Fed thought it was. It repeatedly told us it was "transitory" as it kept its focus on bringing down unemployment. Now unemployment is 3.6%, which is just one-tenth of a percent away from the lowest since WWII.

A shortage of workers is one of the most damaging kinds of shortages. It leads to higher wages, which leads to higher demand, which leads to higher prices, which leads to workers asking for higher wages. I think you can see where this is going.

Americans are making more money than ever before but notice that they are no better off than a year ago, and many are worse off.

Unemployment is hurting 1 out of every 30 people. Inflation is hurting 30 out of 30.

The Fed is raising rates to make it more expensive to borrow money. That will eventually cut demand by discouraging purchases of homes, cars, boats, swimming pools, etc.

The Fed would like to slow demand without destroying it. Fed Chair Jerome Powell recently admitted he has no idea what that exact rate is. He will raise rates until he sees (rear window) that inflation is not a problem.

Investors have compared this to what we endured in 1994 and 2000. The inflation rate in those years was 2.5% and 3.3%, respectively. This gave the Fed

Continued on next page

flexibility to stop or reverse course at any time. This time, the Fed will have to keep going until it knows it has stabilized prices.

Investors have been busy trying to figure out what all this will mean for them. If consumer demand falls, then profits would undoubtedly be affected. Of course, the Fed would like to make this as comfortable a process as possible. We are all crossing our fingers that it will be able to do so.

Many will make guesses about the outcome, but predicting the short-term future of the stock market is nearly impossible. The long-term direction is different. History has shown that the stock market has risen and rewarded the diversified investors who hang in there. SFS

*Investing involves risk, including the potential loss of principal. The S&P 500 index is widely considered to represent the overall U.S. stock market. One cannot invest directly in an index. Past performance does not guarantee future results. The opinions and forecasts expressed are those of the author and may not actually come to pass. Diversification does not guarantee results. This is not a recommendation to purchase any type of investment.

Parker Thompson

We are pleased to welcome Parker Thompson to the Smedley Financial Wealth Management Team. Parker grew up in Draper, Utah, loving sports and the outdoors. He is especially a fan of football, basketball, and golf. In addition, he says he can never get enough of the mountains: camping, hiking, swimming, you name it. If it's outdoors, count Parker in.

Parker married his high school sweetheart, Jaydra, almost five years ago, and they just had their first baby. Her name is Marley. Parker describes them as being "his world." Together, they love to travel the world and spend time with relatives.

Parker received a Bachelor of Science degree from the BYU Marriot Business School studying Business Management with an emphasis in Entrepreneurship.

He is happy to be with the SFS Team and looking forward to getting to know the clients.

Your SFS Team

Smedley Financial Services, Inc.® is an independent registered investment advisory firm. We work for our clients. Our wealth managers have the flexibility to implement our financial plans, retirement plans, and income distribution plans using the strategies that work towards each client's needs and goals. We work with individuals, businesses, and family estates. We provide financial solutions for your life.

Wealth Accumulation
- Managed Accounts
- Indexed Investing
- Mutual Funds
- Exchange Traded Funds (ETFs)
- Stocks and Bonds
- Alternative Investments

Family Protection
- Term Insurance
- Whole Life Insurance
- Universal Life Insurance
- Variable Universal Life Insurance

Retirement
- Social Security Maximization Strategies
- Medicare Supplement
- Guaranteed Income (Annuities)
- Lifetime Income Planning

Disability (Injury)
- Short-Term Disability Insurance
- Long-Term Disability Insurance

Elder Care
- Long-Term Care Insurance
- Hybrid LTC

Employers and Self Employed
- Health Insurance
- 401(k) Plans

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Joined 1994

James R. Derrick Jr., CFA®
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Joined 2000

Mikal B. Aune, CFP®
Vice President of
Wealth Management
Joined 2006

Shane P. Thomas
IT Specialist &
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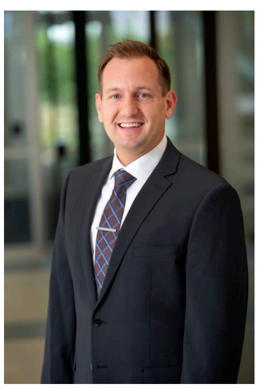

Jordan R. Hadfield, CFP®
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Lori Taylor, CFP®
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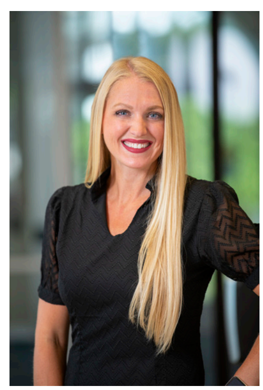

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