Summer Edition 2022

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Robert G. Elliott's FINANCIAL NEWS

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Personal Note: The Bear is Back

With the amount of turmoil in the world today, I wanted to take a short detour and give you an update about my youngest daughter, Tate. (As you know, my oldest daughter, Sarah, works with me and her Personal Note is on page 3!) Tate recently completed her Masters of Marketing at Vanderbilt University and accepted a position with a data marketing firm in Dallas. My wife, Cassie, and I are thrilled for Tate as she starts her career, even though she'll be moving back to Texas. I expect her to have a wonderful experience as she begins working and finds her path forward.

Speaking of the path forward, I'll get right to the point: **THE BEAR IS BACK**: On Monday, June 13, investors began the week by digesting a new spate of bad – albeit familiar – news: Inflation continues to surge. In response, the markets sank swiftly and sharply, pushing the S&P 500 officially into bear market territory.[1] (A bear market, as you may remember, is a drop of 20% or more from a recent peak. In this case, the "recent peak" was all the way back on January 3 of this year.)

Having helped clients navigate – and even take advantage of – several bear markets in my career, I've found that looking solely at that 20% number can paint a picture of pure chaos in the markets. But not all bear markets are the same. Some are long, some are short. Some come with economic recessions and others don't. Some catch investors completely unawares, while others come on more gradually. For this reason, it's better to focus on the *reasons* behind the number rather than the number itself. When we concentrate on the cause instead of just the effect, suddenly a bear market doesn't seem so abstract or bewildering.

Breaking Down the Bear: This current bear market is not a surprise. It's the result of a slow, gradual market decline that's been going on since the start of the year, all driven by one thing: Inflation. In fact, the NASDAQ has actually been in a bear market since March, and the S&P 500 threatened to tip over last month before recovering somewhat after the Federal Reserve raised interest rates by a half-point. (More on this in a moment.) The hope was that this step – the first of its kind since the year 2000 – would start slowing inflation's rise.

Unfortunately, a half-point was not enough. On Friday, June 10, a new Consumer Price Index report showed that inflation rose even *higher* in May, to the tune of 8.6%.[2] That's the biggest increase since 1981. In essence, the Fed's half-point rate hike was like sticking your finger in a leaky dam when the water is threatening to spill over the top anyway.

This means the Federal Reserve now has a choice: Raise interest rates more aggressively and risk triggering a recession or continue on the same measured path and risk worsening inflation. (To clarify, this has been the Fed's choice for months; it's just that now, the pressure to get it right is even greater.) Both approaches come with short-term pain for the markets, which is why Friday's news was the tipping point for a bear market.

On the one hand, higher interest rates are a proven tool for fighting inflation. Higher interest rates reward saving over spending. If Americans spend less, demand for goods and services go down, forcing companies to lower their prices if they're to attract new business. Lower prices, of course, means lower inflation. On the other hand, higher rates mean higher borrowing costs and more expenses for both individuals and companies. If rates rise too high, too fast, it could trigger nationwide layoffs, a crash in housing prices, and more.

Still, many economists expect the Fed to announce even larger rate hikes soon, both because of inflation and because the economy *may* be able to handle it. After all, if you remove inflation from the equation, the economy is actually in pretty good shape. The unemployment rate is at 3.6%, which is *almost* back to where we were in January 2020 before COVID hit.[3] And consumer spending – the bedrock of our economy – remains strong. It was to shore up the economy that the Fed dropped interest rates in the first place. Now, the thinking goes, that mission is complete, which means it's time for the Fed to pivot to the second

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Allie, Bob, & Sarah

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prong of their "dual mandate": stabilizing prices. (The first prong is stable employment.)

The Fed met on June 15th, and raised interest rates 0.75%. Additional increases are expected over the coming months. What kind of price movement will these moves prompt? Frankly, you could make arguments for almost any result. If the Fed announces even bolder action, that could help reassure investors and pull the markets *out* of bear territory. But this is a fluid situation. Depending on how the Fed words its guidance, coupled with any other economic developments that may happen, it's possible the bear takes an even *bigger* bite out of stock prices.

Which is why we need to be prepared for either result – both mentally and emotionally. Because the *headlines* – or rather, how we react to them – will play a big role in determining how well we navigate these turbulent times.

You see, news of a bear market is an unpleasant headline in a year that's been full of them. But in my experience, the real danger during market conditions like these is not the bear itself, but the way people *respond* to it. Because, when you think about it, headlines are written to seem *big, grand,* even *epic*. They're designed to get your attention. What they are not designed to do is give advice specific to *you*. So, let's talk about what a bear market does and does *not* mean for your investments, your financial plan, and your financial goals.

What a Bear Market Means: Have you ever been driving on the road and hit *every green light* on the way to your destination? It's a great feeling, isn't it? Well, that's sort of what a **bull market** is – and the road is the journey to your financial goals.
A bear market is the opposite.

During a bear market, the road to your financial goals, for the foreseeable future, is like getting caught at every red light in a major traffic jam. We're still progressing toward your goals, but we're inching instead of cruising. Sometimes, we may not move at all for a while. Sometimes, it may be necessary to take a detour and backtrack. It's not fun, but it's also not the end of the world. Because here's what a bear market *doesn't* mean:

Have you ever been caught in rush hour traffic, and the lane you're in just won't budge? Meanwhile, the lane next to you seems to be moving just fine. So, as soon as you see an opening, you merge into *that* lane – only to immediately slam on your brakes. Now the new lane is backed up! So, you try again…until you find yourself in the very lane that's closed off and causing a traffic jam in the first place.

This is what emotional, undisciplined investors do during bear markets. They start frantically trying to change lanes, get off the road, or even abandon the car altogether. As a result, they burn fuel, waste time, and end up making the situation worse – because they aren't where they need to be when the road gets cleared and the traffic speeds up again.

They aren't there when the bear market inevitably ends, and a new bull is born.

You see, history doesn't show us how long a bear market will last. Until now, we've had three bear markets in the 21st century. The first, in the early 2000s, lasted 929 days. The second, amidst the Great Recession, lasted 517. But the third, back in early 2020, lasted only 33.[4] What history *does* show us is that bear markets are always temporary. The markets always recover – and the recovery can be a generational chance to get in the next bull market on the ground floor.

Warren Buffett once said, "The stock market is a device to transfer money from the impatient to the patient." If we can remember this; if we can remember what a bear market means and does not mean, we can not only weather this volatility…but turn it to our advantage in the long run. Because while a bear market may signal the end of a bull, it does *not* signal the end of our investment strategy. Your financial plan. Or your journey toward your financial goals. Because, at the end of the day, we're prepared for this. Our car is tuned up, and there's plenty of gas in the tank.

A bear market just means we might have to sit in traffic for a while.

My team and I will keep a close eye on what the Fed does and how the markets respond to it. Expect to hear more from me on this subject soon. In the meantime, please let me know if you have any questions or concerns about the road ahead.

1 "Dow tumbles 876 points and stocks enter bear market," CNN Business, https://www.cnn.com/2022/06/13/investing/dow-stock-market-today/index.html
2 "Inflation rose 8.6% in May, highest since 1981," CNBC, https://www.cnbc.com/2022/06/10/consumer-price-index-may-2022.html
3 "The Employment Situation – May 2022," Bureau of Labor Statistics, https://www.bls.gov/news.release/pdf/empsit.pdf
4 "Stock Market Briefing: S&P 500 Bull & Bear Market Tables," Yardeni Research, Inc. https://www.yardeni.com/pub/sp500corrbeartables.pdf

COMMUNITY SPOTLIGHT: YWCA

For over 120 years, the YWCA has helped women, children and families in Nashville and Middle Tennessee build safer, more self-sufficient lives. They do this by operating the largest domestic violence shelter in Tennessee so women and children fleeing abuse can heal – and they just opened a state-of-the-art pet shelter on their campus which will remove a barrier to safety and allow pets and people to escape abuse together. The YWCA empowers youth to break down negative gender stereotypes through Girls Inc. and AMEND Together. They provide the tools needed to become successful in work and life through Dress for Success, Career Services, and our Family Learning Center. Their programs are FREE to the thousands of people they serve each year and are offered to everyone. Please visit their website – www.ywcanashville.com if you would like to learn more about how you can help them continue their important work.

A Note from Sarah

With basketball season over, I've been working to find other hobbies to fill my time during the week and on weekends. I've recently started going to golf courses with a friend of mine who goes multiple times a week. He's been showing me the ropes and starting to teach me about the different clubs and how to play. I still have a hard time consistently hitting the ball on each swing, but I think I'm getting better! I've never played before and I've found that it's a fun way to get outside and be active. Any tips you would like to share I will be happy to receive!

A Note from Allie

With summer in full force here in Nashville, my husband, Jack, and I are working to navigate the current record-breaking heat wave with our 7-month-old daughter, Lucy. We are learning that the leisure activities of summer such as going to the pool, beach, and lake, are now much more work than play with a baby in tote, as I'm sure some of you can relate! That being said, Lucy has been a trooper as we've taken her around to these different places, and has even grown to enjoy the snug fit of her life jacket! We plan to spend most of our weekends escaping to Center Hill Lake and look forward to making many memories as a family at one of our favorite places! I hope you all have a great summer!

Municipal Bonds

We offer the following bonds subject to prior sale or change in price as of June 15, 2022.

Ref No	Issuer	Maturity Date	Coupon	Yield to Maturity	Yield to Call	Call Date	Rating	Price
1	Harpeth Valley TN Utilities District	09/01/50	4.000	4.120	4.120	09/01/29	AA+	98.004
2	Clarksville TN Wtr Swr & Gas	02/01/45	5.000	4.310	3.650	02/01/31	Aa2	109.905
3	Clarksville TN Wtr Swr & Gas	02/01/45	5.000	4.220	3.480	02/01/31	Aa2	111.234
4	Met Govt Nashville & Davidson Cnty	07/01/31	5.000	2.970	2.970	n/a	Aa2 / AA	115.970
5	Nashville Hlth & Ed Belmont University	05/01/46	4.000	4.000	4.000	05/01/31	A+	100.000

Callable at 100% beginning of the call date above and every call date thereafter with 30 days notice.

In addition to the bonds listed, we have several other corporate bonds available. If you are looking for a specific bond or maturity, please feel free to contact me with your requests.

We are also interested in buying corporate bonds. If you have bonds for sale, please call me for a bid and details on how you can convert your present bonds to cash or alternative investments.

Finally, new bonds are coming to market every day. If you give me a call, I will be more than happy to go over current market offerings and conditions with you.

Although the information and statistics are not guaranteed, they have been obtained from reliable sources and are believed to be accurate. All put/call information may not be displayed and Wiley Bros.-Aintree Capital assumes no responsibility for such undisclosed features or omissions. All are subject to market conditions and/or prior sale.

5 Facts about Estate Planning

When it comes to the future, most Americans have a blind spot: estate planning. Maybe it's because of an unwillingness to think about mortality or a sense that wills and trusts are only for the wealthy that people put off this important financial planning task. Whatever the reason, there are a lot of estate planning slackers out there. That's a problem, because not having an estate plan could put your family's financial future in jeopardy and cause other serious consequences. Here are five facts everyone should know about estate planning:

Everyone Needs an Estate Plan

Yes, estate planning is absolutely necessary for the wealthy. But the rich are far from the only ones who need to think about the future. Pretty much everyone needs an estate plan, regardless of how old they are or how much money they have, and can benefit from putting documents in place that clarify who should receive their property after they die, what kind of healthcare they'd like to receive if they are incapacitated, how surviving family members will be provided for, and more. Estate planning is especially important for those who have children, complicated family situations, special needs family members, or own certain types of assets (like art, intellectual property, or a small business).

A Will Is Not Enough

Wills are an important part of estate planning, but they are just one piece of a larger puzzle. Wills clarify who should receive your assets after you die. But you may also need other documents, like a living will, which explains what kind of medical treatment you'd like to receive if you can't make decisions on your own, a healthcare proxy (a person who will make healthcare decisions on your behalf), and a power of attorney (a person who is authorized to make legal decisions on your behalf when you're not able to). In some cases, you may want to set up trusts to provide for your heirs or charities. An estate planning attorney can help you understand which estate planning documents are necessary in your situation.

Your Beneficiary Designations Supersede Your Will

Many people assume the instructions in your will take precedence over any other directions. That's not always the case. Beneficiary designations on retirement accounts, life insurance policies, and bank accounts are not superseded by your will. So, even if your will leaves your entire estate to your surviving child, a retirement account that names your brother as the primary beneficiary will still go to your sibling. That's why it's important you review your beneficiary designations regularly and update them when your life changes (birth of a child, divorce, etc.).

You Can Leave More to Your Heirs if You Structure Your Estate Properly

If you have a sizable estate – one that exceeds the $12.06 million federal estate tax exemption in 2022 – you may want to look into strategies that will allow you to pass that money to your heirs in a way that avoids estate taxes. There are numerous legal techniques you can employ to do this, such as transferring assets and property to a trust, making gifts during your lifetime, setting up family foundations, or leaving money to charity. Even those with smaller estates should keep taxes in mind. Did you know, for example, that life insurance proceeds pass tax-free to beneficiaries? That's important to keep in mind when you're considering how to make sure your spouse and children will be provided for if you die unexpectedly.

It's Important to Talk to Your Family about Your Estate Planning Decisions

Disagreements among family members about how to distribute an estate are far from uncommon. Often, those squabbles break out over the unexpected or unclear provisions in the deceased's estate plan. If one member of your family feels that they aren't getting their due, it can make the process difficult for everyone. Drawn out legal battles that eat away at the wealth you've accumulated – and wanted to leave to your heirs – may result. Even if you think your family can handle your estate civilly, it may still be a good idea to sit down as a group or with individual family members to discuss your wishes and explain your estate planning choices. If you plan to leave more of your wealth to one child than the other, make sure your children know about that so they don't end up feeling blindsided and betrayed after your death.

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