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Robert G. Elliott's Financial News

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Personal Note

My wife, Cassie, and I recently visited our youngest daughter, Tate, in Dallas. She moved to Dallas in September to start her first "real" job and we're very excited for her! In fact, as a treat we took her to one of her favorite restaurants, Nick & Sam's, for a nice dinner. If you like steak houses, and have the opportunity while you're in Dallas, I highly recommend it. As an aside, Tate received her first paycheck a few days ago and noticed the line item/deduction for income taxes. As a patriotic American we all want to pay our fair share, but I must admit it was interesting to hear a newly minted professional lamenting about how much the government takes. As I told her: get used to it, taxes never stop!

Moving on to the investment world, but keeping with the "restaurant" theme, you have probably noticed the volatility in the stock and bond markets over the past few months. To understand what's going on, let me tell you a story.

Imagine you are inside a fancy restaurant, waiting for your meal to be prepared. While you wait, you can watch the chefs as they work. Suddenly, though, you notice there seems to be some uncertainty going on in the kitchen. By listening closely, you can just barely make out what the chefs are arguing about: Does the recipe call for two teaspoons of salt, or two *tablespoons*? Or is it even two cups?

One by one, the other diners start paying attention to the debate, too. Each voices their opinion to the other. Some diners want the chefs to add two teaspoons of salt. They rationalize that, while you can always add more salt later, you can't ever *un-salt* your food. Too much salt will ruin both the meal and everyone's night. Others point out that there are no salt shakers on the tables, meaning if more salt is needed, the chefs will have to do it themselves. That will delay the meal, and people need to eat now. Better to just use two tablespoons. Sure, maybe the food will end up a little too salty, but that's better than overly bland food — or no food at all.

As the wait drags on, the diners start getting nervous. They decide to amend their order and ask for less food. Other diners decide to leave the restaurant entirely. Finally, the head chef announces the restaurant is committed to adding just the right amount of salt, so they will add it gradually, little by little, until they know they have it right.

Unfortunately, this little speech, while providing clarity as to the chef's intentions, does nothing to quell the concerns of all the diners. Some applaud loudly, others boo. Some rush to order more food, while others ask for the check. Before long, the noise is deafening.

Maybe, you think, *we should have just ordered a pizza.*

Crazy as it may seem, this little play actually describes some of what is happening in the markets right now. (Except that the chefs are the Federal Reserve, the food is the economy, the salt is interest rates, and the recipe is to reduce inflation.)

Over the last nine months, the Federal Reserve has attempted to follow an incredibly tricky recipe: Bring down inflation *without* bringing down the economy. In the same way that chefs use salt to enhance the flavor of their food, our nation's central bank uses interest rates to moderate runaway consumer prices. Both cases, can present difficulties in determining how much of that magical ingredient to use. As too much salt can make food unbearable to eat, raising interest rates too high, too quickly can trigger a recession. However, raising interest rates too little, may not have the desired impact on combating inflation. Like the diners in the story who needed to eat, consumers need relief from inflation *now*.

Those diners, of course, are investors. Every investor has their own opinion on what the Fed should do. More importantly, every investor is trying to predict what the Fed will do next. It is this guessing that is primarily responsible for the current volatility. Investors who believe rising interest rates will adversely affect corporate earnings and trigger a recession decide to eat somewhere else, bringing the stock market down. Investors who still see the restaurant as the best place in

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Allie, Bob, & Sarah

Personal Note...

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town – regardless of interest rates – order more food and drive the markets back up.

Remember in the story how the head chef came out and made a big speech? Well, that's my attempt at describing what Fed Chairman Jerome Powell did in mid-September. Every year, Powell delivers a speech in Jackson Hole, Wyoming where he reveals the Fed's outlook on the economy. In the days leading up to his speech, some investors speculated that he might announce that the Fed would be looking to scale back on further increases in rates. Their reasoning? Some data released earlier this summer showed inflation as peaking, so it would not be necessary to continue raising interest rates. Powell did not waste time in dispelling those hopes. In his speech, Powell said that this is "no place to stop or pause."[1] Fighting inflation will remain the Fed's number one priority for the foreseeable future. Therefore, the Fed is likely to continue raising interest rates. Powell further said:

"*While higher interest rates, slower growth, and softer labor market conditions will bring down inflation,*
they will also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation. But a failure to restore price stability would mean far greater pain."[2]

In other words, bringing down inflation is simply more important than stimulating economic growth right now (or propping up the markets). This is why there's been so much volatility in the markets lately. This is also a reason why we can expect volatility to continue, at least in the short term. Several economists predict that the Fed will raise interest rates by 0.75% in November and again by 0.50 % in December. Consequently, short-term interest rates would reach 4.25-4.50% by year-end.

The reason I'm telling you all this, is to reassure you that volatility is *not* unexpected., although it is never fun. We are not surprised by it. Frankly, we do not feel that this is something you need to stress over. You see, we act more like "financial dietitians" than anything else. This is the last food metaphor, I promise) A dietitian uses the fundamentals of good nutrition to help people achieve their health goals, by eating better, healthier foods – regardless of what's "in style" or what celebrity fad-diet is trending. Our job, as your financial advisors, is to help you achieve your *financial* goals, in part by making sound, long-term decisions, without overreacting to what the Fed does – or says - or what the market thinks.

To put it simply, the volatility we've seen lately is the same old story we've been reading about all year long. It's the same story we'll probably continue to read about moving forward. Instead of stressing over market headlines, enjoy the beginning of fall with your family and friends. My team and I will continue to monitor the market, and we'll let you know if anything changes. And of course, should you have any questions or concerns, please do not hesitate to contact us. That's what we're here for!

1 "Stocks Fall on Hotter-Than-Expected Inflation Data," The Wall Street Journal, https://www.wsj.com/articles/global-stocks-markets-dow-update-09-13-2022-11663065625

2 "Powell warns of 'some pain' ahead as the Fed fights to bring down inflation,"CNBC,August 26,2022. https://www.cnbc.com/2022/08/26/powell-warns-of-somepain-ahead-as-fed-fights-to-lower-inflation.html

COMMUNITY SPOTLIGHT: OASIS CENTER

Oasis Center was founded in 1969 as a "Rap House" for youth in crisis. At Oasis, our goal is to support youth as they move toward a happy, healthy, and productive adulthood. We build relationships that advance youth well-being, amplify youth voice, and inspire action toward a just community. We've grown to over 20 different programs and services that fall within two main categories: **Action, Advocacy, & Education and Crisis to Housing**.

We serve over **3,500 youth each year** and all of our programs are founded in principles of positive youth development and trauma-informed care

A few programs at Oasis include the following:

The Outreach Center is a place where young people, 18-24, experiencing homelessness can take care of their basic needs and work with a case manager to create a plan to get into safe, permanent housing.

- We see about **20 youth per day**, and work with around **300 youth per year.**
- Youth can get a hot meal, wash their clothes, pick out clothes from our clothing closet, get hygiene products and food to take with them when they go.
- We **canvass the streets weekly**, distributing supplies (backpacks with clothes, food, and other emergency gear) to build relationships and encourage youth to engage in our services.

Rapid Rehousing is our newest program, it provides **rental assistance and wraparound services** (like job skills training, access to healthcare, mental healthcare, etc.) for youth, 18-24, to quickly and permanently end their homelessness.

- **Host Homes** is a driven, youth-centered solution to ending youth homelessness. Room for You will provide young adults with a stable, short-term (1-6 month) housing solution while they work closely with a case manager to achieve goals and work toward permanent housing of their own. This is possible through the recruitment, training, and support of community members who are interested in and able to share their home.

Action, Advocacy & Education

- These programs are all **in-school or afterschool programs for middle and high school age youth**
- Together they serve around **700 youth per year**
- They include: Oasis College Connection, Oasis Bike Workshop, ITOP (International Teen Outreach Program), REAL (Reaching Excellence as Leaders), Just Us (LGBTQ+ programs for youth), Mayor's Youth Council, Building Bridges, We City Leaders, Statewide TOP (Teen Outreach Program), and the Underground Art Studio.

For ways to get involved visit oasiscenter.org

This is not a paid advertisement. The amazing charities and organizations we spotlight have each been specifically nominated by one of our clients or a member of the Elliott Team.

401(k) Plan Mistakes to Avoid

We all know how important it is to save for retirement, and 401(k) plans have become one of the most effective ways to save. However, many workers who have access to a retirement plan don't participate. That's probably the biggest mistake you can make. If you have access to a plan, you should take full advantage of it.

If you are participating in your employer's retirement plan, you are headed down the right path. But just because you are participating, doesn't mean you're all set. There are 401(k) mistakes that can derail an investor's retirement plan. Here are some of the biggest mistakes and how you can keep things on track:

Not Knowing How Much You Need to Save for Retirement. If you don't have a goal for how much you need to save to life comfortably during retirement, you will probably fall short. The first step is to determine how you want to spend your retirement. In addition to paying your basic expenses, do you want to travel? Maybe you want to start a small business that you've always dreamed about. Or perhaps you have a hobby that you would like to pursue. All of the things need to be factored into your estimate for retirement savings so that you can live the lifestyle you want.

Most financial experts agree that you will need at least 70-90% of your preretirement income to live comfortably. But don't just use a rule of thumb; make sure to review your specific situation.

Not Saving Enough. Most experts suggest that you save 10-20% of your income for retirement. Because many companies auto-enroll new employees into their 401(k) plans using a default dollar amount, many employees fail to adjust the dollar amount and end up not saving enough to meet their retirement goals.

Others may feel they just don't earn enough to contribute 10% to 20% of their income due to competing demands on their money, such as debt or building an emergency fund. If that is the case, at least try to save enough money to get the company match.

Another method that can help you increase the amount you save in your 401(k) is a contribution rate escalator. Many companies now offer this feature as part of their retirement plans. A contribution rate escalator increases how much you're saving by making small automatic dollar increases over time.

Not Paying Attention to Fees. There are typically three types of fees associated with your 401(k) plan, including admin-

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Municipal Bonds

We offer the following bonds subject to prior sale or change in price as of September 23, 2022.

Ref No	Issuer	Maturity Date	Coupon	Yield to Maturity	Yield to Call	Call Date	Rating	Price*
1	Memphis Elec Sys Rev	12/01/50	4.000	4.700	4.700	12/01/30	Aa2 / A+	89.120
2	Knoxville TN Wtr-HH	03/01/29	3.375	4.380	4.380	03/01/26	Aa1 / AAA	88.310
3	Harpeth Valley TN Utility	09/01/35	4.000	4.050	4.050	09/01/29	AA+	99.500
4	Nashville ETC Co-A	05/01/46	5.000	4.460	3.920	05/15/31	AA	107.840
5	Met Gov't Nashville	05/01/31	5.000	3.540	3.540	n/a	A+	110.730

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.

**Prices Subject to Change*
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.

401(k) Plan...

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istration fees, investment fees, and service fees. These fees can eat into your retirement account's potential growth. To understand how much you are paying in fees and expenses, carefully review your regular statements. Also, at the end of the year, you should receive a statement that will show you how much you paid in 401(k) fees.

Also, if you have an old 401(k) plan from a previous employer, you should compare that plan's fees to your current 401(k) plan to see if rolling it over to your new plan makes sense. You should also consider an IRA rollover so that you can select the best investment options.

Too Much Stock in Your Company. Having company stock in your 401(k) plan may come with significant growth potential, but it may also increase the volatility of your retirement portfolio. If your 401(k) plan includes company stock, make an assessment of your risk. Most experts agree that your portfolio should not have more than 10% to 15% of any one stock.

Not Rebalancing Your Portfolio. The reason for asset allocation is to balance your portfolio across asset classes such as stock, bonds, or cash so that if one is performing poorly, others will help offset losses. Overtime, however, your investments may drift from your original asset allocation.

You should review your portfolio on a regular basis to determine if it needs rebalancing. Some 401(k) plans provide an automatic rebalancing feature that can do the work for you. If you do not have the time or inclination to rebalance your portfolio, you may want to invest in target-date retirement funds or asset allocation funds.

Not Contributing Enough to Get the Company Match. If your employer matches any percentage of your contributions, you should at least contribute enough to get that match. Look at your benefits package to determine how much your employer will contribute and take full advantage of this benefit.

In 2022, you can contribute up to $20,500 in your 401(k) or up to $27,000 if you are age 50 or older.

Not Considering a Roth 401(K). With a traditional 401(k), you receive the tax benefits up front because the contributions lower your taxable income during the current tax year. When you begin taking distributions from your 401(k) in retirement, you will then have to pay ordinary income tax on the withdrawals. With a Roth 401(k), you make contributions with after-tax dollars and your earnings grow tax-free, meaning that you will not have to pay taxes when you withdraw your money. Typically, people who don't need to lower their income today or believe they may be in a higher tax bracket during retirement benefit from a Roth 401(k) plan.

Please call if you'd like to discuss this topic in more detail.

A Note from Sarah:

As many of you read in my last note, I have started playing golf. Initially, I thought "Wow! I'm pretty good at this." On my first round of 9 holes, I had a birdie on Par 3! I had no idea how difficult that was to do until I kept practicing and had my ego checked. Although I get frustrated while practicing and playing, I'm still enjoying it. While golf has been great, many of you know my true passion is basketball. I have coached middle school girls' basketball for a local school during the winter for the past few years. A new season is right around the corner, and I am looking forward to getting back into it, but I won't forget to keep practicing my golf swing!

A Note from Allie:

My husband, Jack, and I had a great first summer with our daughter, Lucy! Her favorite summer activity was definitely floating and splashing in the lake. She started daycare in August, and she (as well as Jack and I!) are learning to cope with the daycare colds and ear infections. Aside from the doctor visits that it brings, she has LOVED going to school and being around other kids. Every morning at drop off, she screams with excitement when she sees her teachers, which makes it much easier for me! Now that fall is in full swing, Lucy is experiencing weekends filled with football (go Vols!) and pumpkins. We are looking forward to taking her trick-or-treating in her elephant costume this Halloween!

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