Amadeus Wealth Alternatives 1345 Ave. of the Americas 2nd Fl., New York, NY 10105 www.amadeuswealth.com

212-697-3930

Edward Papier, CIMA®, CFF

ep@amadeuswealth.com

In this week's recap: Fed tightens money policy.

Weekly Economic Update

Presented by Ed Papier, December 20, 2021

THE WEEK ON WALL STREET

Stock prices retreated last week as global central banks joined the Federal Reserve in taking steps to tighten monetary policy.

The Dow Jones Industrial Average fell 1.68%, while the Standard & Poor's 500 dropped 1.94%. The Nasdaq Composite index tumbled 2.95% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, managed a gain of 0.47%. [1,2,3]

FROM UNCERTAIN TO UNSETTLED

Stocks weakened ahead of Wednesday's Federal Open Market Committee (FOMC) meeting as investors weighed how aggressive the Fed might be in reversing its easy-money policies. Investor sentiment was further dented by disappointing economic data. Retail sales fell short of expectations and a year-over-year jump of 9.6% in producer prices reflected price pressures that may translate into higher future consumer prices. It was the highest percentage increase since records started in 2010. [4]

The market initially responded well to the FOMC announcement on Wednesday afternoon, but became unsettled into Thursday and Friday over a tighter monetary policy and Omicron concerns.

A NEW FED NARRATIVE

After the FOMC meeting, the Fed announced a plan to quicken the tapering of its monthly bond purchases. It plans to double the rate from $15 billion a month (announced in November) to $30 billion a month, effectively putting an end to asset purchases by March 2022. The Fed also signaled that as many as three rate hikes may be coming in 2022. [5]

The Fed cited elevated inflation and an improved labor market as justification for the pivot from its pandemic-related, easy-money policies. Reflecting the persistence of higher-than-anticipated inflation, the Fed raised its previous inflation estimates for this year and 2022. [6]

FINAL NOTE

Our weekly market commentary will not be published next week. We want to take this opportunity to wish you and your family a wonderful holiday season and a very happy and prosperous new year!

THE WEEK AHEAD: KEY ECONOMIC DATA

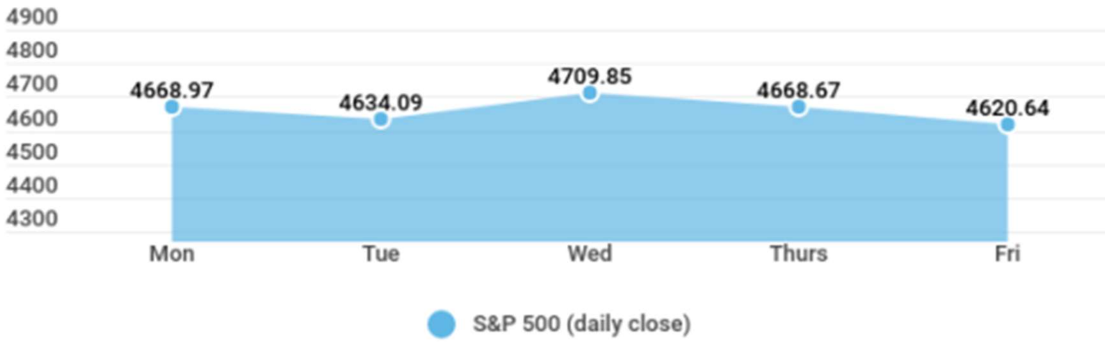
Monday: Index of Leading Economic Indicators. FOMC (Federal Open Market Committee) Announcement.
Wednesday: GDP (Gross Domestic Product). Consumer Confidence. Existing Home Sales.
Thursday: Durable Goods Orders. Jobless Claims. New Home Sales. Consumer Sentiment.

QUOTE OF THE WEEK

"When the people fear the government there is tyranny, when the government fears the people there is liberty."

JOHN BASIL BARNHILL

Market Index	Close	Week	Y-T-D
DJIA	35,365.44	-1.68%	+15.55%
NASDAQ	15,169.68	-2.95%	+17.70%
MSCI-EAFE	2,300.38	+0.47%	+7.12%
S&P 500	4,620.64	-1.94%	+23.02%



	Treasury	Close	Week	Y-T-D
	10-Year Note	1.41%	-0.07	+0.48%

Sources: The Wall Street Journal, December 17, 2021; Treasury.gov, December 17, 2021
Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, December 10, to Friday, December 17, close. Weekly performance for the MSCI-EAFE is measured from Friday, December 10, open to Thursday, December 16, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

OF NOTE

The end of the year is a financial opportunity, an opportunity to take advantage of remaining tax breaks and keep Uncle Sam's hand from going deeper into your pocket than it has to, and an opportunity to clean up your portfolio and make sure your financial house is in order. Here is a year-end financial checklist.

Tax Loss Harvesting: What losses are in your portfolio? It may be to your advantage to take them and offset capital gains you realized earlier in the year. When you've reviewed an investment that's worth less than you paid for it ask yourself if you'd buy the same investment today. If not, sell it. Don't hang on to it hoping it will, someday, be back to where you bought it. But if you have losses in investments you really like, but could use the loss, keep in mind the Wash Sale Rule from IRS Code section 1092. It allows you to sell at a loss, deduct the loss, and buy back the same investment or one similar in 31 days or more without a tax penalty. Buy it back in LESS than 31 days and the deduction is not allowed.

Investment Strategy: Has anything changed in your life or attitude since last year? Are you more conservative or more aggressive than you were the last time you reviewed your strategy? If so, consider the changes that should be made to your portfolio.

Reallocate and Rebalance: If your portfolio has experienced tremendous growth, it may be out of balance with your investment objectives. If that's the case, you may be exposed to more risk than you want. And if you're within sight of retirement, it can be a risk that jeopardizes when you retire and what kind of retirement you'll have. Then review your allocation to stocks, bonds, commodities, real estate and alternatives and then rebalance.

Roth Conversions: Consider whether this is the time to convert some of your pretax investments into a Roth IRA. The Roth allows you to take money out without taxes or penalties once you pass the age of 59 ½, but for that benefit later you have to pay taxes on it now. Check with your tax professional to see if a Roth conversion makes financial sense for you.

Manage Your Tax Bill: Your window on IRA contributions is a little longer. You actually have until April 15 of the following year to make your contribution for the current year. Whether you do it by year-end or when you file your taxes, don't forget this deduction.

Required Minimum Distributions: If you're 72 or older, don't forget to take your Required Minimum Distribution. You'll want to stay in the good graces of the IRS. If you don't take the RMD you'll have to pay a 50% penalty on what you should have withdrawn, still take the RMD amount, and pay income taxes on the withdrawal. Avoid the headache. If you have an inherited IRA the same thing applies. Remember, the inherited RMD must be withdrawn no matter the account holder's age. All RMDs have to be taken within the calendar year.

Charitable Contributions: It's not too late to make charitable contributions. And you can front-load your giving. For example, you may want to contribute the amount you plan to give over the next 5 years or 10 years. If you take advantage of such a donation, you can make the donation to a Donor Advised Fund which gives you the flexibility of deciding later what charity(s) you want the money to go to. Instead of gifting directly to charities, you establish an account at a sponsor organization. You make an irrevocable contribution to that account and receive a tax deduction that year. Then when you're ready to grant money to a charity you tell the sponsor who to give it to and how much. The sponsor organization does all the due diligence and all the record-keeping. Make sure to review the benefits of Charitable Remainder Trusts as well. These vehicles offer income, tax savings and charitable gifts wrapped in one vehicle and can play an important role in estate planning.

Review Your Beneficiaries: And, while you're reviewing everything, check your beneficiaries. Maybe you've had a life change—death, divorce, remarriage, birth of a grandchild, you've changed your mind about what organizations you want to give posthumous bequests to, or there's someone you just don't like anymore. Whatever the case, review your beneficiaries and make sure they're exactly who you want right now. Doing a beneficiary audit can save taxes, avoid legal difficulties, and make sure your money goes exactly where you want it to. [7]

Oil and Gas Drilling Partnerships: These partnerships offer tremendous tax advantages owing to the tangible and intangible drilling and depletion allowances which are deductible against ordinary wage income, and therefore a quasi tax-credit, however there are substantial risks associated with being an investor general partner. Again, check with your tax professional to see if these investments pertain to your circumstances.

Ed Papier may be reached at 2126973930 or ep@amadeuswealth.com
www.amadeuswealth.com

Know someone who could use information like this?
Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

CITATIONS:
1. The Wall Street Journal, December 17, 2021
2. The Wall Street Journal, December 17, 2021
3. The Wall Street Journal, December 17, 2021
4. The Wall Street Journal, December 14, 2021
5. The Wall Street Journal, December 15, 2021
6. The Wall Street Journal, December 15, 2021
7. alhambrapartners.com/2021/11/29/2021-year-end-investment-checklist/