Quarterly Newsletter

News From Flourish

4th Quarter | 2022

JANUARY 2023

Happy New Year! We hope that your holiday season was spent with those you love and that your 2023 is off to a good start. We are looking forward to a new year with new beginnings and a refreshed sense of purpose and meaningfulness in the service and support we offer to our clients.

We are celebrating our updated office space. With our recent lease renewal we had an opportunity to refresh our space. Our new space turned out beautiful and has plenty of room for team collaboration and space to meet with our clients who prefer an in-person option. We continue to work in a hybrid environment with a couple of days in the office each week and the other days working remote.

Professional development is a cornerstone of our continued effort to best serve our clients, and in that vein, we are pleased to share that Jay Pluimer, our Director of Investments, has recently completed the CFA Institute Certificate in ESG Investing. Earning this Certificate will enhance Jay's ability to analyze and integrate material ESG factors into his role as an investment professional.

This badge confirms that Jay Pluimer has earned the CFA Institute Certificate in ESG Investing by undertaking up to 130 hours of study and passing a 2-hour 20-minute exam. As a holder of the certificate the owner of this badge has learned how to analyze and integrate material ESG factors into their role as an investment professional.

The Certificate in ESG Investing is awarded by CFA Institute, the global association of investment professionals that sets the standard for professional excellence and credentials.

This quarter we are sharing an article that can provide guidance to women who may be seeking a financial advisor that can meet their needs, unique challenges, and expectations for a strong working relationship. Following the article, read Jay Pluimer's Market Commentary on the Fourth Quarter of 2022 along with our Annual Market Review, and what may be on the horizon for the economy and the markets for 2023.

QUARTERLY ARTICLE

Women, Wealth, Wisdom

How to start taking control of your financial future.

By: Kathy Longo, CFP®, CAP®, CDFA®
President and Founder

*The following content features excerpts from my book, **Flourish Financially: Values, Transitions, and Big Conversations**.*

Several years ago, I was at an industry conference listening to Sallie Krawcheck when the challenges that women face in building their wealth became painfully obvious to me. During her keynote speech, which was specifically about women and their financial planning needs, Sallie asked the audience, comprised of financial professionals, *"What's a woman's greatest asset?"* Immediately, several members of the audience murmured, *"A man."*

My reaction to the audience's answer was, *Oh my gosh! This is really sad.*

Sallie was actually asking about a woman's ability to create earning power and save for the future, and about the opportunities she has to maximize the possibility of building a successful long-term plan with an effective wealth management relationship. But the audience immediately deferred to "a man" as a woman's greatest asset.

As sad as it is, though, this response speaks to two significant and ongoing issues within financial services: First, many women don't feel heard or part of the financial conversation. And second, the majority of financial planners don't engage in the bigger picture purpose money plays in our lives.

In Case You Need a Reminder: A Man is Not a Plan

The audience that Sallie Krawcheck was speaking to was about 80% male, which is representative of the financial services industry. Only 27% of financial planners are women, and this statistic has been stubbornly consistent for decades. I have seen time and again that the financial advice industry as a whole doesn't know how to speak to women or seem committed to learning what they want. In some circles, there is a lingering feeling that women take a backseat when it comes to finance and, instead, let their spouses manage their accounts. However, I also know from personal experience that this couldn't be further from the truth.

SEE ALSO: **5 Unique Financial Planning Considerations for Women**

Women and Money

Women's wealth and their ability to make money are growing faster than ever. Currently, women control more than $10 trillion of personal wealth or about 33 percent of the wealth. In the next three to five years, this is expected to increase to $30 trillion. Now, more than ever, women have larger incomes and a greater desire to take control of their financial futures. Unfortunately, their experiences with financial planners are often lacking.

Many women have told me that, when meeting with a financial planner in the past, they either didn't have a comfortable conversation about their finances or goals, were presented with options that were too laden with jargon for them to ask important follow-up questions, or they were made to feel they didn't have a voice.

While some women are comfortable with relying on their husbands to make financial decisions, as Sallie Krawcheck said when she responded to the murmurs about men being a woman's best asset, a man is not a plan. In fact, the majority of women will be responsible for their own finances at some point in life whether they like it or not. This might happen when they first leave school, when they go through a divorce, or after their spouse dies.

What's a Woman to Do? Confidence is Key

If you're likely to be managing your finances alone at some point, you've got to prepare. However, this can be a challenge, especially because many women find it stressful to talk about money or feel uncomfortable seeking help. In my experience, this is due in large part to a lack of confidence. To increase your confidence in making financial decisions, I suggest three initial steps:

Step 1: Understand Your Spending

Forty-one percent of Americans spend less money than they make, meaning the majority of us are spending about what we make or *more* than we make. Understanding your spending habits is the first step toward building financial confidence.

All spending can be divided into two categories:

1. Critical spending
2. Nice-to-have spending

Critical spending includes everything you need to live. It includes things like your rent or mortgage payment, health insurance, and utility bills to name a few. These expenses are critical to your day-to-day existence.

Nice-to-haves, on the other hand, aren't necessary for day-to-day living. They are just that: nice to have. These expenses might include this season's jacket, a vacation, or a phone upgrade.

Understanding the difference between these two kinds of expenses will help you budget and know which expenses to cut back on when needed.

SEE ALSO: Seven Harmful Myths About Women and Money

Step 2: Understand Your Debt

Debt can be a little tricky because there's good debt and bad debt. Generally, good debt facilitates a goal. Buying a house or taking out student loans can lead to good debt. The house might be a long-term investment and the student loan debt might help you pursue that career you know you'll thrive in. Of course, you don't want to get in a situation where you can't pay off the student loan or the house debt.

Bad debt, on the other hand, is debt that includes a high-interest rate and doesn't necessarily support a life goal. The most common bad debt in the US is credit card debt. Most people fail to understand that making the minimum payment each month means the payment goes right toward interest and doesn't make a dent in how much they owe. The amount they're paying interest on increases as they add new charges, but many people think small purchases don't matter because they don't fully understand the importance of reducing debt.

Step 3: Build an Emergency Fund

Life brings many ups, downs, and surprises. These are inevitable. What you can control is how you handle financial surprises as they come along. What if family members become sick and you have to take a leave of absence from work or absorb the costs associated with caring for them? What happens if you or your spouse lose a job?

Job loss can have a drastic effect on your finances. If the labor market is tight, if you have a very specialized skill, or if you get paid very well, finding a new job can take months. Having an emergency fund can help you through the transition period after a job loss.

I recommend having three to six months of living expenses stored away as your emergency fund. This will go a long way toward paying for any unexpected expenses such as a car repair bill, an unexpected medical bill, or costs of living during a job loss when life hands you one of its many surprises.

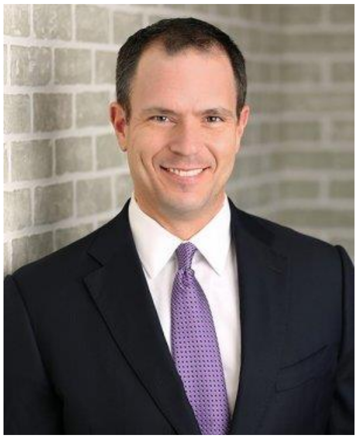
Financial Planning for Women

The three steps above are foundational for your financial future. However, I believe strongly that a woman also needs a trusted financial planner in her corner to help achieve her financial and life aspirations and to live a life where she can flourish.

If you want to be more intentional and proactive with your financial planning, we can help! At Flourish Wealth Management, we help women clarify their financial and life goals and build smart strategies to achieve them. Schedule a conversation with us today to learn more about our services.

MARKET COMMENTARY

4th Quarter 2022 and the Year in Review



By: Jay E. Pluimer, AIF®, CIMA®

Director of Investments

Markets gained ground during the fourth quarter while following a path that was familiar from prior quarters. Investor sentiment was optimistic in October and November under the premise that the Federal Reserve would reverse course by cutting interest rates sooner rather than later. The market dip in December, on the other hand, reflected the reality that the Fed plans to raise rates through at least the first half of 2023 with no plans to cut rates until early 2024. The Fed's aggressive (but late) fight against inflation in 2022 led to one of the worst years in history for a diversified portfolio because it was the first time when Bonds and Stocks both dropped by over 10% at the same time. US Large Caps ended the year with a loss of 18.1%, Small Caps dropped by 20.4%, International Stocks fell 14.0%, and Core Bonds lost -13.0%. It was a difficult investment environment with nowhere to hide, but we are cautiously optimistic for a sustained market recovery starting in the latter half of 2023 that should reward long-term investors for staying patient during a brutal year.

There are multiple reasons to be optimistic about better market returns in the New Year. For starters, Bonds are yielding over 4% for the first time in almost 20 years. That yield provides a reliable source of income for investors and an important buffer for potential price decreases from additional Fed rate hikes. At the same time, we have positive economic growth rates in the US, improving corporate earnings, low unemployment, and rising wages, all of which combine for a strong foundation for a sustained Stock market recovery. Strong relative performance for Value-oriented investments with reliable profits and reasonable prices could hint at a rotation away from a market dominated by Big Tech, which would be a favorable change of pace. We also experienced better International Stock returns during the latter stages of 2022 accompanied by weakness in the US Dollar, which would also be a change from

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the past 10+ years where US investments have consistently outperformed International investments. Although it's difficult to predict that each of these investments will have positive returns in 2023, we expect to see a broad market recovery to help client portfolios offset losses from the past year. In the meantime, we are maintaining multi-year cash flow plans for clients that are taking distributions from their portfolios and buying Stocks while they are still "on sale" by over 15%.

For more information on investments and the markets you can reference our Quarterly Market Review and Annual Market Update.

*If you found this content helpful, I encourage you listen to my weekly podcast, **Flourish Insights**, available on Apple Podcasts, Alexa, or wherever you get your podcasts.*

Conclusion

As always, we are here to listen to our clients and share our perspective. We hope that our newsletter and articles provide you with inspiration and useful information. We encourage you to share our resources with family and friends who you think would benefit from them. Have a safe, healthy, and happy winter, and we'll be in touch with our weekly newsletter!

Sincerely,

Kathy Longo, CFP®, CAP®, CDFA®

and the Flourish Team