

February
2022

IAG Insight

Serving the clients of IAG Wealth Partners, LLC

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Caution: Fed Ahead

2022 has started very differently than 2021.

Instead of optimism all year long, traders are experiencing bouts of realism and pessimism that have created normal market volatility.

Most of traders' uncertainty centers around the Federal Reserve (the Fed) and its pivot from a "lower longer" approach to interest rates to a "higher sooner" approach.

There are two primary tools that the Fed used to keep the economy going that will be changing significantly in the near future:

Tool 1: Interest rates

The Fed's current overnight target interest rate is 0-.25%. This rate impacts short-term debt and savings.

After holding at this target since March 15, 2020, traders are nervous about how quickly the Fed will raise rates and how high they will raise them. This adds a significant level of uncertainty versus the predictable 0% that prevailed previously.

There is always the potential that the Fed will raise rates too quickly or go too far and damage the economy (as they did in 2018).

Tool 2: Buy bonds

The Fed began winding down its bond purchase program in December and plans to end it in March.

Traders' uncertainty centers around when the Fed will start reducing their bond portfolio and how quickly they will do this.

During the last cycle, the Fed waited until after the fifth interest rate increase before starting to gradually reduce its balance sheet. However, some Fed members are proposing an immediate start to this process this time around.

Potential risks include a sudden increase in longer-term interest rates such as mortgages which would cause economic damage.

We expect more Fed-induced market volatility throughout 2022. Caution: Fed ahead.

Power Break: Rate Balancing Act

Please RSVP [by email to iag@lpl.com](mailto:iag@lpl.com).

Our Power Break will be held in-person at our Waukesha office on Tuesday, 3/8, at 7:30 am and 4:00 pm. We will hold a virtual session on Wednesday, 3/9, at 4:00 pm. **You must RSVP by Friday, March 4** to attend and receive an e-mail invitation to join our virtual Power Break.

Wealth Management Symposium

Save the date for our re-annualized Wealth Management Symposium. This year's event will be held on the late afternoon and evening of Tuesday, May 17.

We will be changing locations this year, so look for additional details in your invitation that will be arriving in April.

2021 Tax Forms

Avoid waiting for your tax forms by accessing them through AccountView.

Looking for your 2021 tax forms?

The fastest way to obtain your 2021 tax forms for your LPL Financial-custodied accounts is through LPL's [AccountView](#).

It is very easy to sign up for AccountView and your LPL Financial tax forms will be available for you to view the day they are finalized. You cannot get faster than that!

When your tax documents are finalized de-

pends on how complex your tax reporting is. LPL Financial releases tax forms in weekly waves.

LPL released the simplest 2021 tax forms before the end of January—1099-Rs for retirement plan accounts and the simplest 1099-DIV forms for non-retirement accounts.

Every Friday in February LPL is releasing new waves of completed 1099s if they believe the information they have been provided by other

investment companies is final.

Please note that sometimes LPL is required to amend 1099s if other investment companies make changes to the tax classification of their distributions. While rare, these amended 1099s could be issued as late as March 18.

The U.S. Postal Service's delivery times are not what they used to be.

To avoid the wait, sign up for AccountView.

Inside the Beltway

After failing to pass the President's "Build Back Better" legislation, Congressional leaders are working to find areas of agreement for pieces that could still be signed into law.

However, numerous challenges remain within the Democratic caucus, including the health of Democratic Sen. Ben Ray Lujan who is recovering from a stroke and Sen. Joe Manchin who is concerned about inflation and growing debt.

A renewed sense of bipartisanship has appeared in the Senate with bipartisan working

groups drafting proposals for election reforms and developing a budget solution as the current temporary budget expires on February 18.



It is increasingly unlikely that major tax increases on income, dividends, or capital gains will be signed into law this year.

The U.S. House of Representatives only has 84 days with votes scheduled between March 1 and November 8. However, there is a "lame duck" session scheduled after the election where previously unpassable bills may get votes.

Our national debt now totals \$30,006,559,494,788.12 as of this writing.

The Federal Reserve is now prioritizing its job to maintain stable prices over its job to maximize employment.

Bond traders are currently pricing in a 100%

chance of .25% rate hike at the Fed's March 16 meeting, and they are even pricing in a 25% chance of a .50% rate hike.

Over the next 12 months, bond traders are currently predicting that the Fed will raise its overnight target interest rate seven times — raising it from its current range of 0%-.25% to a range of 1.75%-2%.

Always remember that bond traders change their minds regularly and they may have a different opinion tomorrow.

IAG Grapevine

Events, celebrations, or interesting stories about your IAG team:

Dulce Fisher's mother-in-law, Joanne Fisher, passed away at age 72 on January 28 from COVID complications.

Anne Sapienza's grandmother, Lorraine Biang, passed away on January 19 at the age of 99.

Stephanie Odegard and her mom took a two-week vacation to Florida in January.

Debra Melvin and her husband, Nick, took a

brief childless trip to Miami in January.

The IAG Charitable Foundation made a \$5,000 donation to the Waukesha Community Foundation to assist those impacted by the Waukesha Christmas parade tragedy.

IAG anniversaries:

1 year: **Stephanie Odegard**, **Sean Murphy**

5 years: **Carol Diettrich**

9 years: **Jayme Heineck**

11 years: **Mary Paul**,

Tom Peterson, and **Mike Kutz**

15 years: **Anne Sapienza**

20 years: **Bill Otto**

35 years: **Susan Kuhlenbeck**

Looking for more? Check out our top 5 most-widely read blogs from the last three months:

1. **Gains Lead to Losses***
2. [Expectations](#)
3. **Holidaze***
4. [Magawa](#)
5. [Apprehension](#)

* Available by e-mailing iag@lpl.com

Updated Web Site

We unveiled our updated web site on January 10th. It features updated photos and simpler navigation. Give it a **peek!**



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