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FINANCIAL GROUP

2023
State of the Economy

January 25, 2023

State of the Economy Agenda

Today we will discuss:

- **State of the Firm**
- **2022 In Review**
- **What's Driving Investment Sentiment**
- **Challenges & Opportunities**
- **Planning Perspectives**
- **Market & Portfolio Outlook**
- **Q&A**

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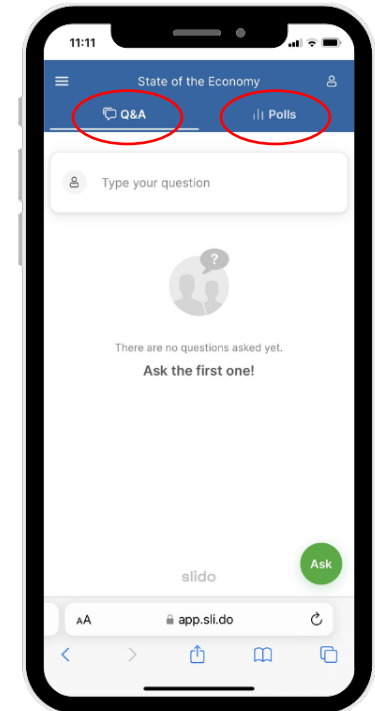
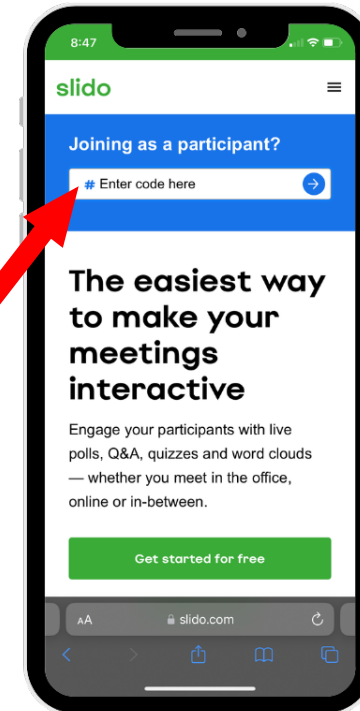
We want to hear from you tonight!

- Participate in Live Polling
- Ask and vote for questions on the Q&A Tab



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and Enter Code **2305502**



State of the Firm

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Our Diverse and Growing Team



19 Professionals

- **Six Certified Financial Planners (CFP®'s)**
- **Four Certified Public Accountants (CPA's)**
- **One Certified Divorce Financial Analyst (CDFA®)**
- **One Accredited Investment Fiduciary (AIF®)**
- **One IRS Enrolled Agent**

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Stability – Seasoned Leadership Team



Steven Bouchey, CFP®
Founder & CEO



John Millet, CPA
Chief Operating Officer
and CFO



Ryan Bouchey,
CPA & CFP®
Chief Strategy Officer



Martin Shields, CFP®
& AIF
Chief Wealth Advisor

Expanding our Expertise

- **Launched Tax Planning Services**
- **Additional New Hires**
 - Catherine Buck
 - Shelley Betor
 - Edward Wilhelm
- **New Designations**
 - Vincenzo Testa & Samantha Masey – CFP®
 - Nicole Gobel – CDFIA®
- **Continued investment in human capital & technology**
- **Named Best Place to Work in 2022**

ALBANY BUSINESS REVIEW



2022 BEST PLACES TO WORK

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Expanded locations to better serve our clients

- **Historic Downtown Troy Office**
- **Saratoga Springs Office**
- **Boston Office – *New in 2022***
- **Florida Office – *New in 2022***



Continuing our Commitment to Community and Giving Back

- Financial commitment to local not-for-profits
- Board leadership and involvement
- Team engagement and group volunteer days



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2022 In Review

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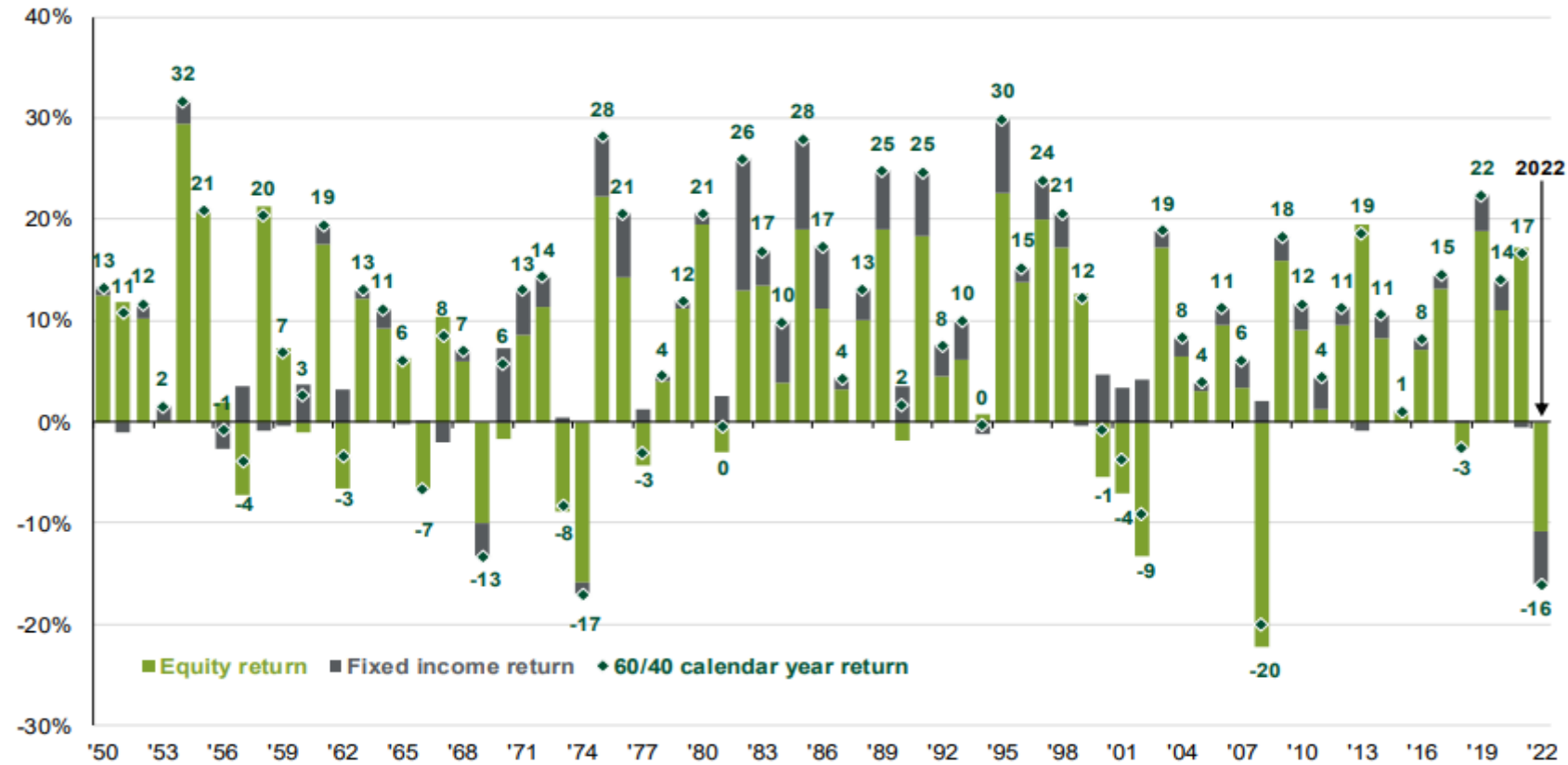
2022 – All About the Fed



Third Worst Year for Diversification

60/40 annual return decomposition

Total returns, 1950 – present



Source: FactSet, Standard & Poor's, Robert Shiller, Yale University, Bloomberg, Ibbotson/Strategas, J.P. Morgan Asset Management. The 60/40 portfolio is 60% invested in S&P 500 Total Return Index and 40% invested in Bloomberg U.S. Aggregate Total Return Index. S&P 500 returns from 1950 – 1970 are estimated using the Shiller S&P Composite. U.S. fixed income total returns from 1950 – 1975 are estimated using data from Strategas/Ibbotson. The portfolio is rebalanced annually. *Guideto the Markets – U.S.* Data are as of December 31, 2022.

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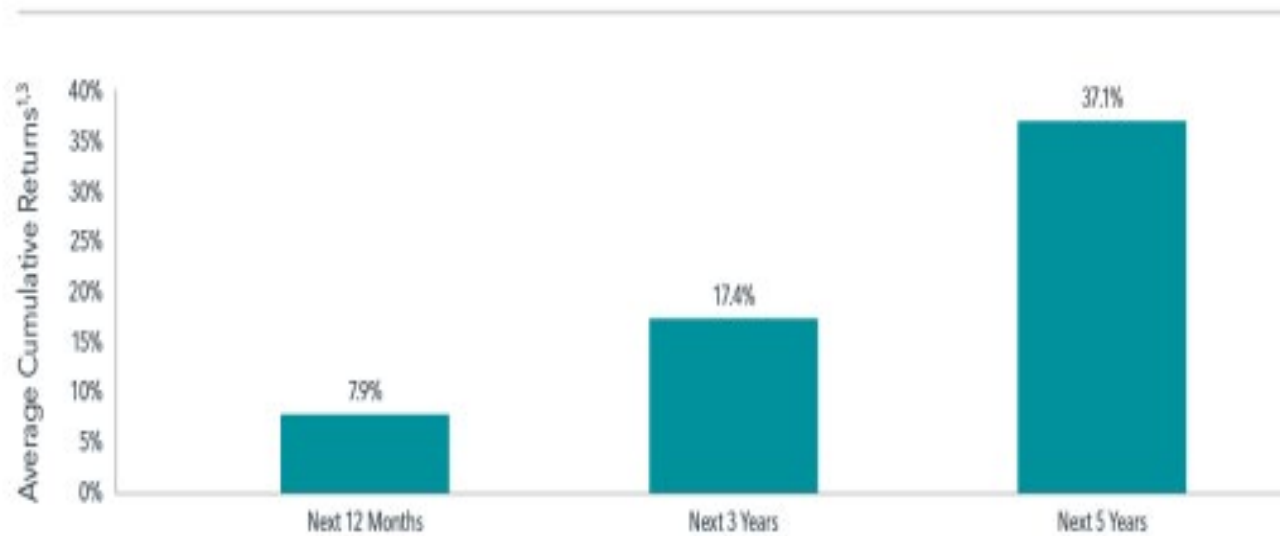
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Bear Markets Typically See Decreasing Rates



Diversification: Down but not out

60/40 Returns following a decline of 10% or more



Source: Dimensional Fund Advisors

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2022 – A Year to Forget

2022 Recap:

- **Market Moves were largely about the Fed, Inflation & Interest Rates**
- **War in Ukraine, China's Zero-Covid Policy & Supply Chain Disruptions**
- **Historically we don't see rising interest rates during a bear market**
- **Bonds lost almost as much as stocks**
- **Diversification has had times of underperformance**
 - **We won't let one unique year change that outlook – brighter times ahead**

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What's Driving Investor Sentiment?

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What has you most worried?

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Inflation shows signs of slowing down

Consumer Price Index, components

m/m % change, seasonally adjusted

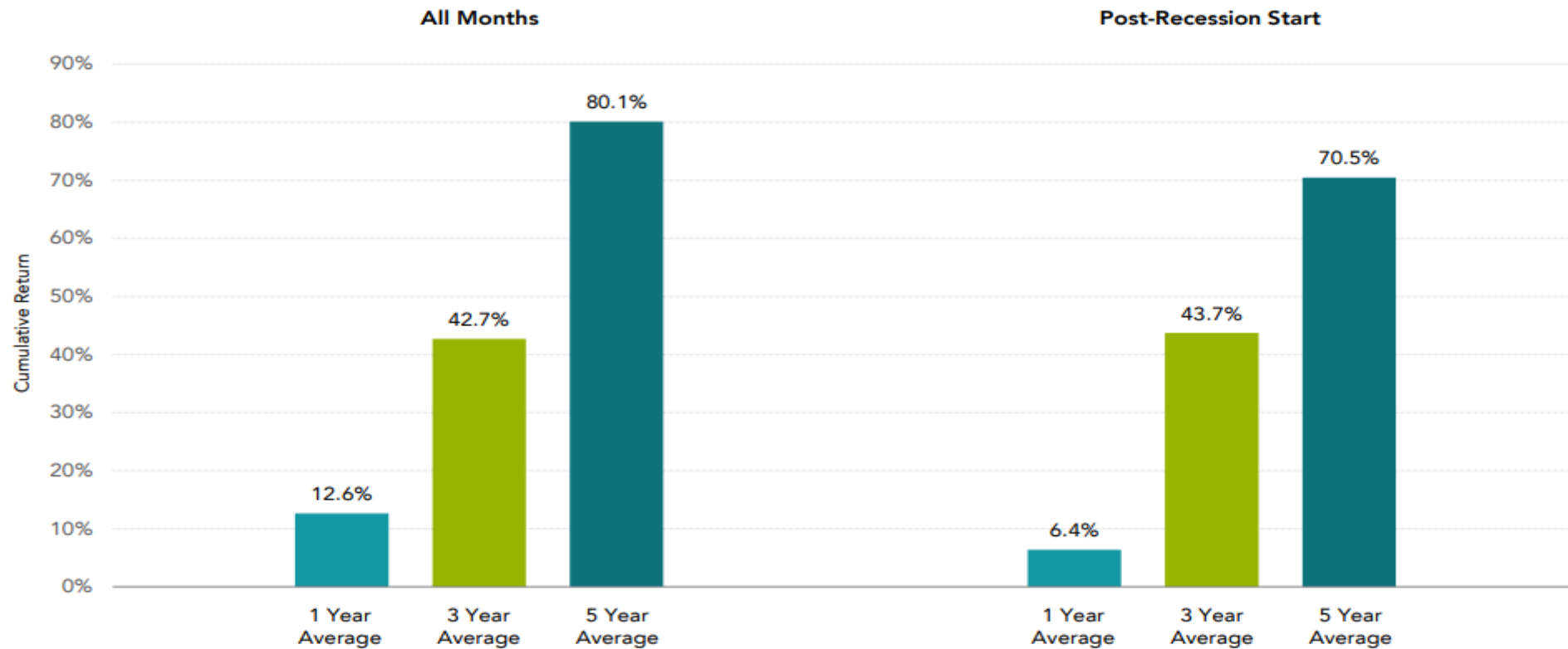
	Weight	2021											2022												
		Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Headline CPI, y/y	100.0	1.3%	1.4%	1.7%	2.7%	4.2%	4.9%	5.3%	5.3%	5.2%	5.4%	6.2%	6.8%	7.1%	7.5%	7.9%	8.6%	8.2%	8.5%	9.0%	8.5%	8.2%	8.2%	7.8%	7.1%
Core CPI, y/y	78.3	1.6%	1.4%	1.3%	1.7%	3.0%	3.8%	4.4%	4.2%	4.0%	4.0%	4.6%	5.0%	5.5%	6.0%	6.4%	6.4%	6.1%	6.0%	5.9%	5.9%	6.3%	6.7%	6.3%	6.0%
Headline CPI, m/m	100.0	0.3%	0.2%	0.4%	0.6%	0.6%	0.7%	0.9%	0.5%	0.3%	0.4%	0.9%	0.7%	0.6%	0.6%	0.8%	1.2%	0.3%	1.0%	1.3%	0.0%	0.1%	0.4%	0.4%	0.1%
Core CPI, m/m	78.3	0.1%	0.0%	0.2%	0.3%	0.9%	0.7%	0.8%	0.3%	0.2%	0.3%	0.6%	0.5%	0.6%	0.6%	0.5%	0.3%	0.6%	0.6%	0.7%	0.3%	0.6%	0.6%	0.3%	0.2%
Energy	8.0	3.7%	2.8%	4.6%	5.6%	-1.2%	0.7%	2.1%	1.6%	1.9%	1.2%	3.7%	2.4%	0.9%	0.9%	3.5%	11.0%	-2.7%	3.9%	7.5%	-4.6%	-5.0%	-2.1%	1.8%	-1.6%
Gasoline	4.0	7.0%	5.8%	8.2%	10.3%	-3.3%	0.6%	3.3%	2.5%	2.5%	1.1%	4.6%	4.5%	1.3%	-0.8%	6.6%	18.3%	-6.1%	4.1%	11.2%	-7.7%	-10.6%	-4.9%	4.0%	-2.0%
Electricity	2.7	0.6%	0.0%	0.5%	0.2%	0.7%	0.5%	0.2%	0.2%	1.0%	0.6%	1.4%	0.2%	0.5%	4.2%	-1.1%	2.2%	0.7%	1.3%	1.7%	1.6%	1.5%	0.4%	0.1%	-0.2%
Utility Gas	1.0	0.5%	-0.4%	1.7%	2.4%	2.2%	1.8%	1.8%	2.2%	1.6%	2.9%	5.9%	0.3%	-0.3%	-0.5%	1.5%	0.6%	3.1%	8.0%	8.2%	-3.6%	3.5%	2.9%	-4.6%	-3.5%
Food	13.7	0.3%	0.2%	0.1%	0.2%	0.4%	0.5%	0.7%	0.7%	0.4%	0.9%	0.9%	0.8%	0.5%	0.9%	1.0%	1.0%	0.9%	1.2%	1.0%	1.1%	0.8%	0.8%	0.6%	0.5%
Food at home	8.5	0.3%	0.1%	0.2%	0.2%	0.4%	0.4%	0.7%	0.6%	0.4%	1.2%	0.9%	0.9%	0.4%	1.0%	1.4%	1.5%	1.0%	1.4%	1.0%	1.3%	0.7%	0.7%	0.4%	0.5%
Food away from home	5.2	0.4%	0.3%	0.1%	0.1%	0.3%	0.6%	0.7%	0.8%	0.4%	0.5%	0.8%	0.6%	0.6%	0.7%	0.4%	0.3%	0.6%	0.7%	0.9%	0.7%	0.9%	0.9%	0.9%	0.5%
Core goods	21.2	0.0%	0.1%	-0.1%	0.2%	2.0%	1.8%	2.1%	0.4%	0.4%	0.3%	1.1%	0.9%	1.2%	1.0%	0.4%	-0.4%	0.2%	0.7%	0.8%	0.2%	0.5%	0.0%	-0.4%	-0.5%
Apparel	2.5	0.5%	1.4%	-0.5%	0.4%	0.6%	1.1%	0.5%	0.1%	0.3%	-0.7%	0.6%	0.7%	1.1%	1.1%	0.7%	0.6%	-0.8%	0.7%	0.8%	-0.1%	0.2%	-0.3%	-0.7%	0.2%
New vehicles	4.1	0.6%	-0.4%	0.1%	0.0%	0.5%	1.5%	1.7%	1.5%	1.2%	1.3%	1.3%	1.2%	1.2%	0.0%	0.3%	0.2%	1.1%	1.0%	0.7%	0.6%	0.8%	0.7%	0.4%	0.0%
Used cars	3.8	-1.1%	-0.9%	-0.7%	0.3%	9.8%	7.7%	10.1%	0.0%	-1.2%	-0.8%	2.5%	2.4%	3.3%	1.5%	-0.2%	-3.8%	-0.4%	1.8%	1.6%	-0.4%	-0.1%	-1.1%	-2.4%	-2.9%
Medical care commod	1.5	-0.2%	-0.1%	-0.7%	0.1%	0.6%	0.0%	-0.4%	0.2%	-0.2%	0.3%	0.6%	0.1%	0.0%	0.9%	0.3%	0.2%	0.1%	0.3%	0.4%	0.6%	0.2%	-0.1%	0.0%	0.2%
Core services	57.1	0.1%	0.1%	0.2%	0.3%	0.5%	0.4%	0.4%	0.3%	0.1%	0.2%	0.4%	0.4%	0.3%	0.4%	0.5%	0.6%	0.7%	0.6%	0.7%	0.4%	0.6%	0.8%	0.5%	0.4%
Shelter	32.6	0.1%	0.1%	0.2%	0.3%	0.4%	0.3%	0.4%	0.4%	0.2%	0.4%	0.5%	0.5%	0.4%	0.3%	0.5%	0.5%	0.5%	0.6%	0.6%	0.5%	0.7%	0.7%	0.8%	0.6%
Rent of primary res.	7.4	0.1%	0.1%	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.3%	0.4%	0.4%	0.4%	0.4%	0.5%	0.6%	0.4%	0.6%	0.6%	0.8%	0.7%	0.7%	0.8%	0.7%	0.8%
OER	24.0	0.2%	0.1%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%	0.6%	0.7%	0.6%	0.7%	0.8%	0.6%	0.7%
Medical care services	6.9	-0.1%	0.5%	0.4%	0.1%	0.0%	-0.1%	0.0%	0.2%	0.2%	0.2%	0.4%	0.3%	0.3%	0.6%	0.1%	0.6%	0.5%	0.4%	0.7%	0.4%	0.8%	1.0%	-0.6%	-0.7%
Transportation services	5.9	-0.2%	-0.3%	0.4%	1.0%	2.2%	1.7%	1.1%	-0.9%	-1.2%	-1.0%	0.2%	0.7%	0.0%	1.0%	1.4%	2.0%	3.1%	1.3%	2.1%	-0.5%	0.5%	1.9%	0.8%	-0.1%

Source: BLS, FactSet, J.P. Morgan Asset Management. Heatmap shading is relative to the two-year period shown. Component weights may not add to 100. OER refers to owner's equivalent rent.
 GuidetotheMarkets – U.S. Data are as of December 31, 2022.

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What if a recession already started?

S&P 500 Index returns, 1947–2022

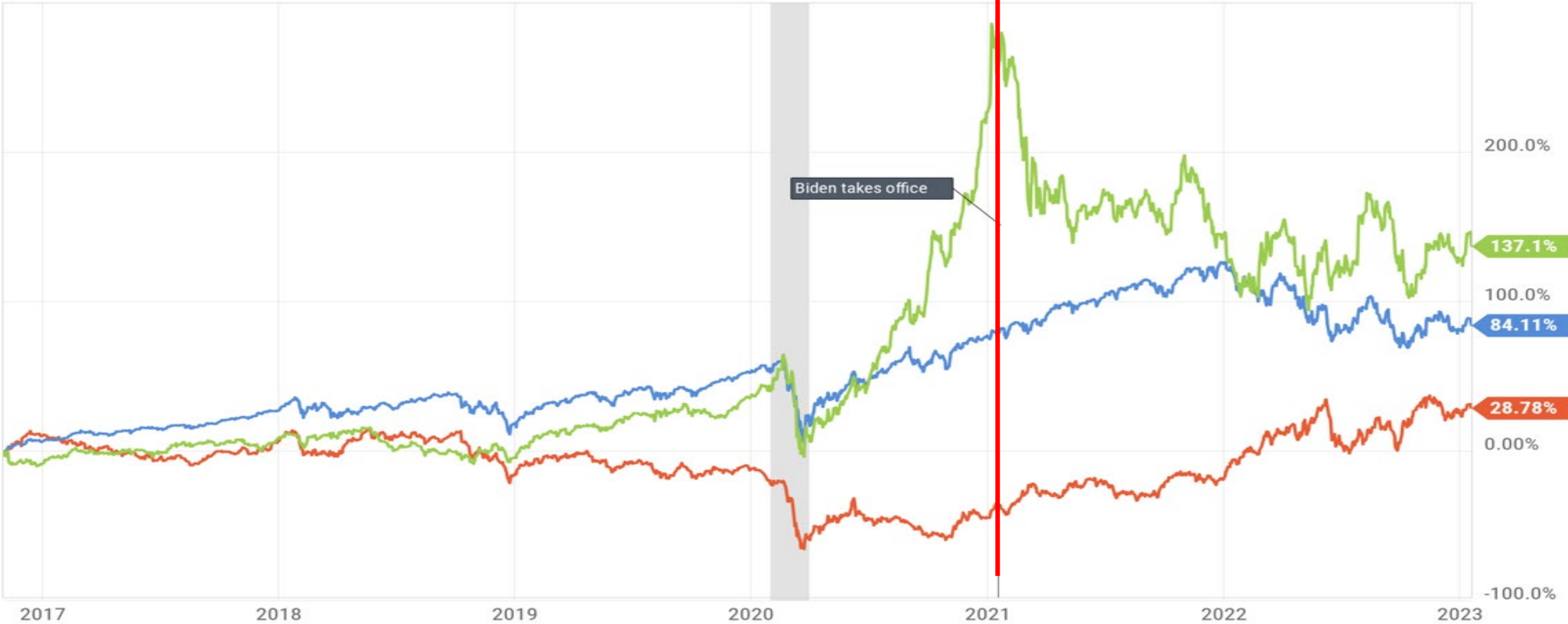


Source: Dimensional Fund Advisors

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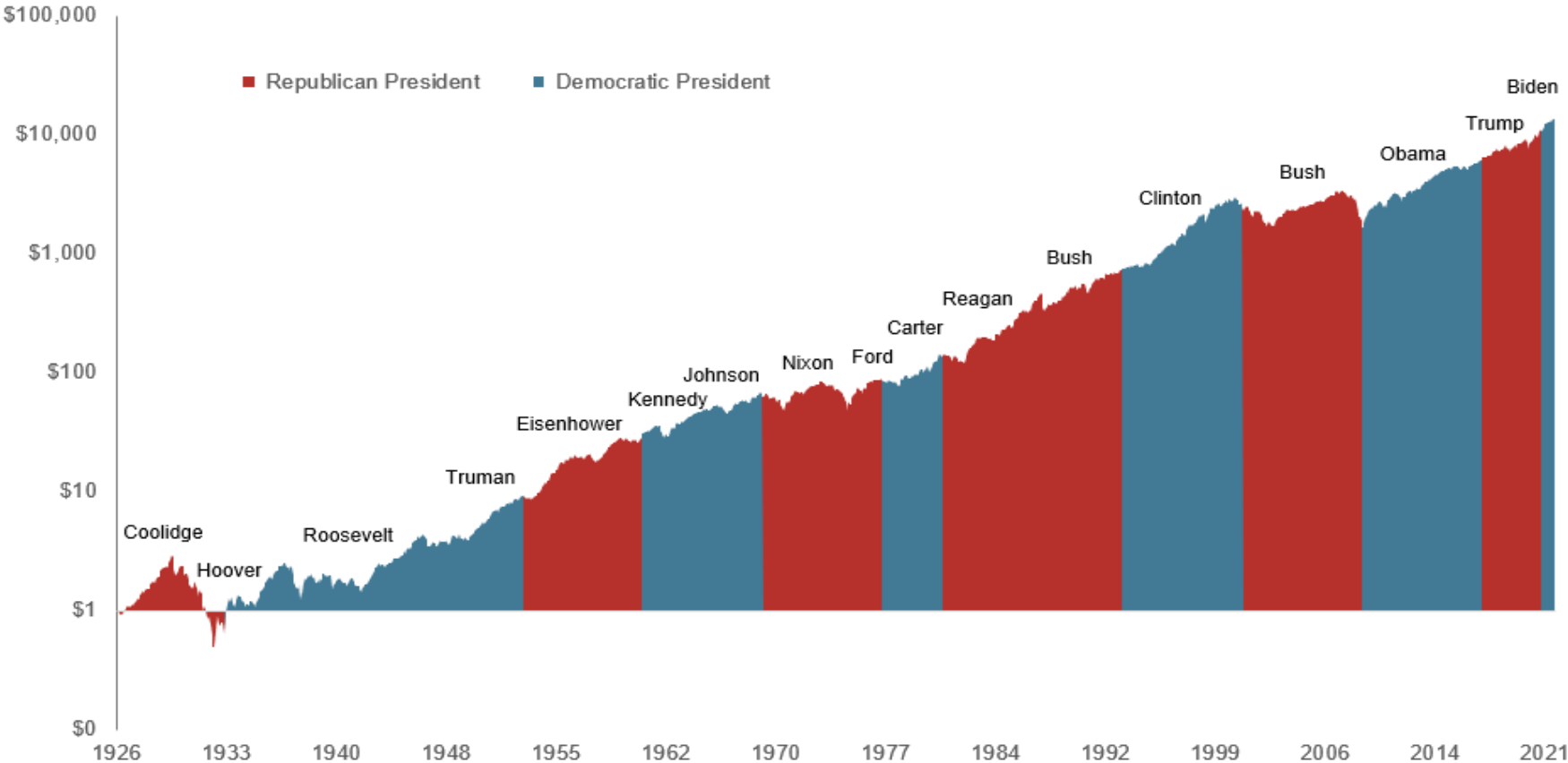
Don't Mix Politics with Investments

- Energy Select Sector SPDR® ETF (XLE) Price % Change
- SPDR® S&P 500 ETF Trust (SPY) Price % Change
- iShares Global Clean Energy ETF (ICLN) Price % Change



Don't Mix Politics with Investments

Growth of a dollar invested in the S&P 500: January 1926–December 2021

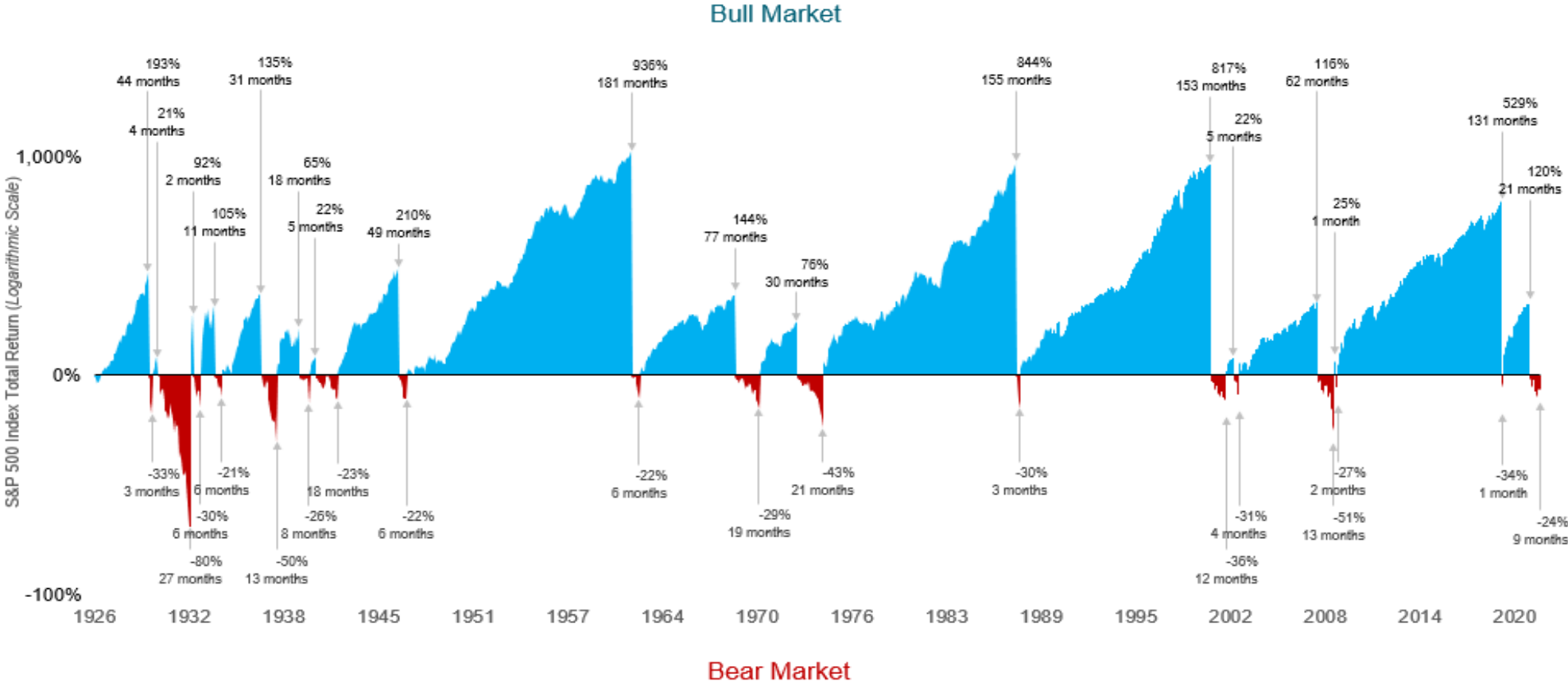


Past performance is not a guarantee of future results. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Source: S&P data © 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

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Historical Bull vs. Bear Markets

S&P 500 Index total returns in USD, January 1926–September 2022
Using a 20% threshold for downturns



Source: Dimensional Fund Advisors

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Should we be concerned?

- Inflation is slowing, but may persist at elevated levels
- Recession could be here, but companies are prepared
- Don't mix politics with investment strategy
- Overseas Concerns – High risk, low probability
- Bear markets tend to be shorter
 - The recovery will start before any good news
- Let's take a closer look at the data

Challenges & Opportunities

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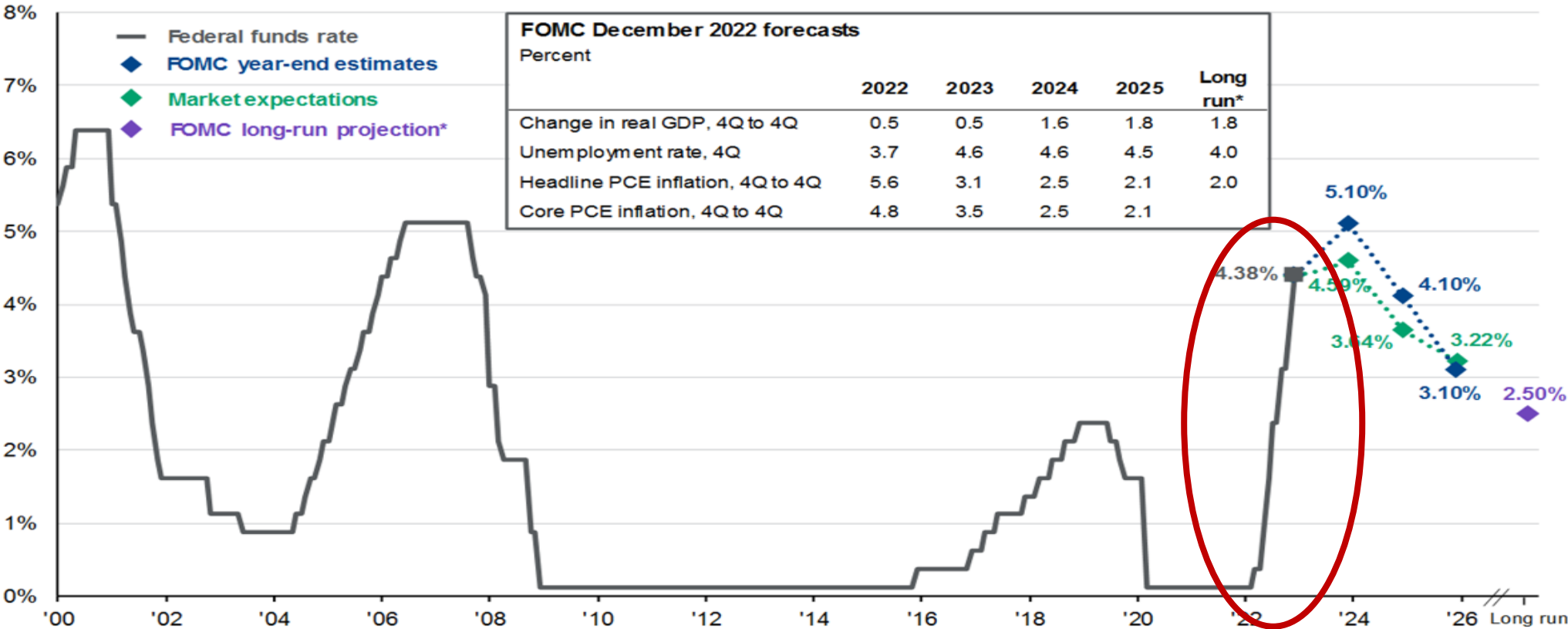
What are you experiencing or hearing with the job market?

ⓘ Start presenting to display the poll results on this slide.

Rate Increases Could be Plateauing

Federal funds rate expectations

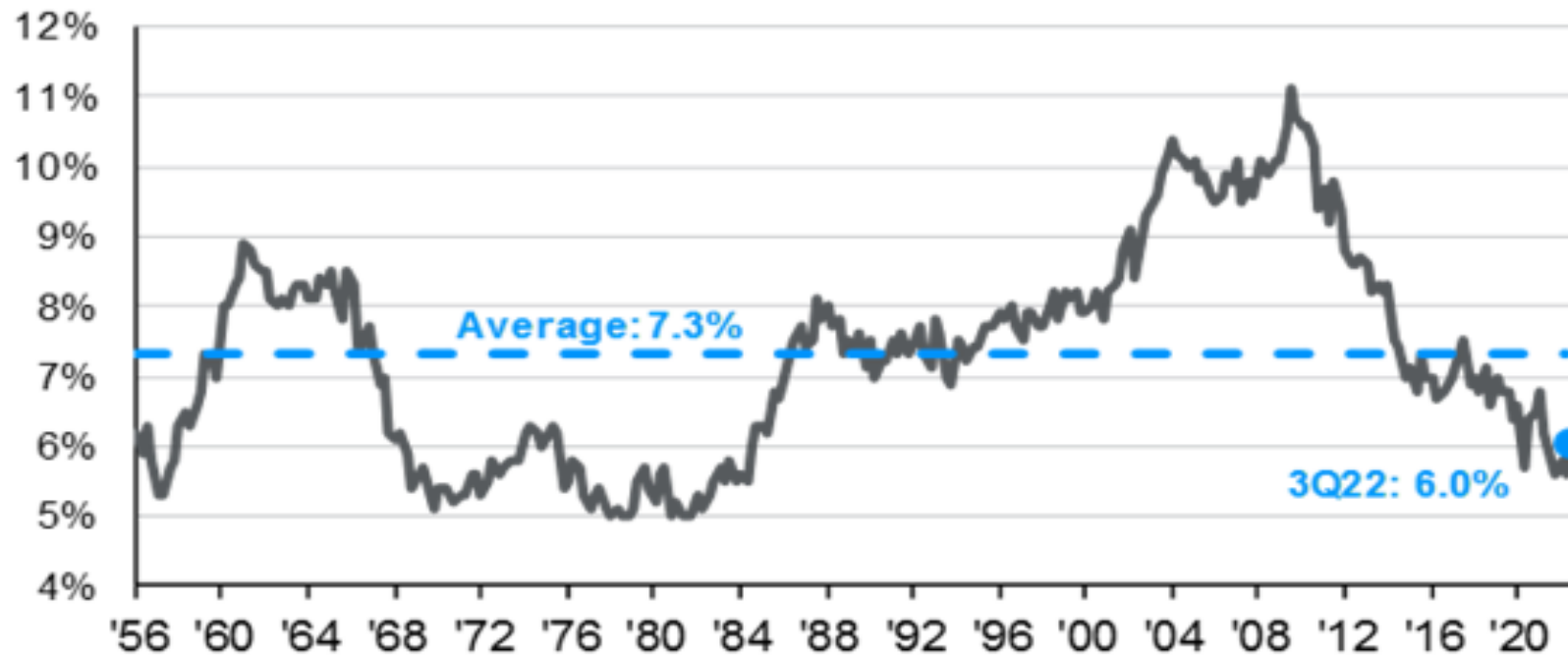
FOMC and market expectations for the federal funds rate



Source: JPMorgan

The Housing Market Impacts The Rental Market

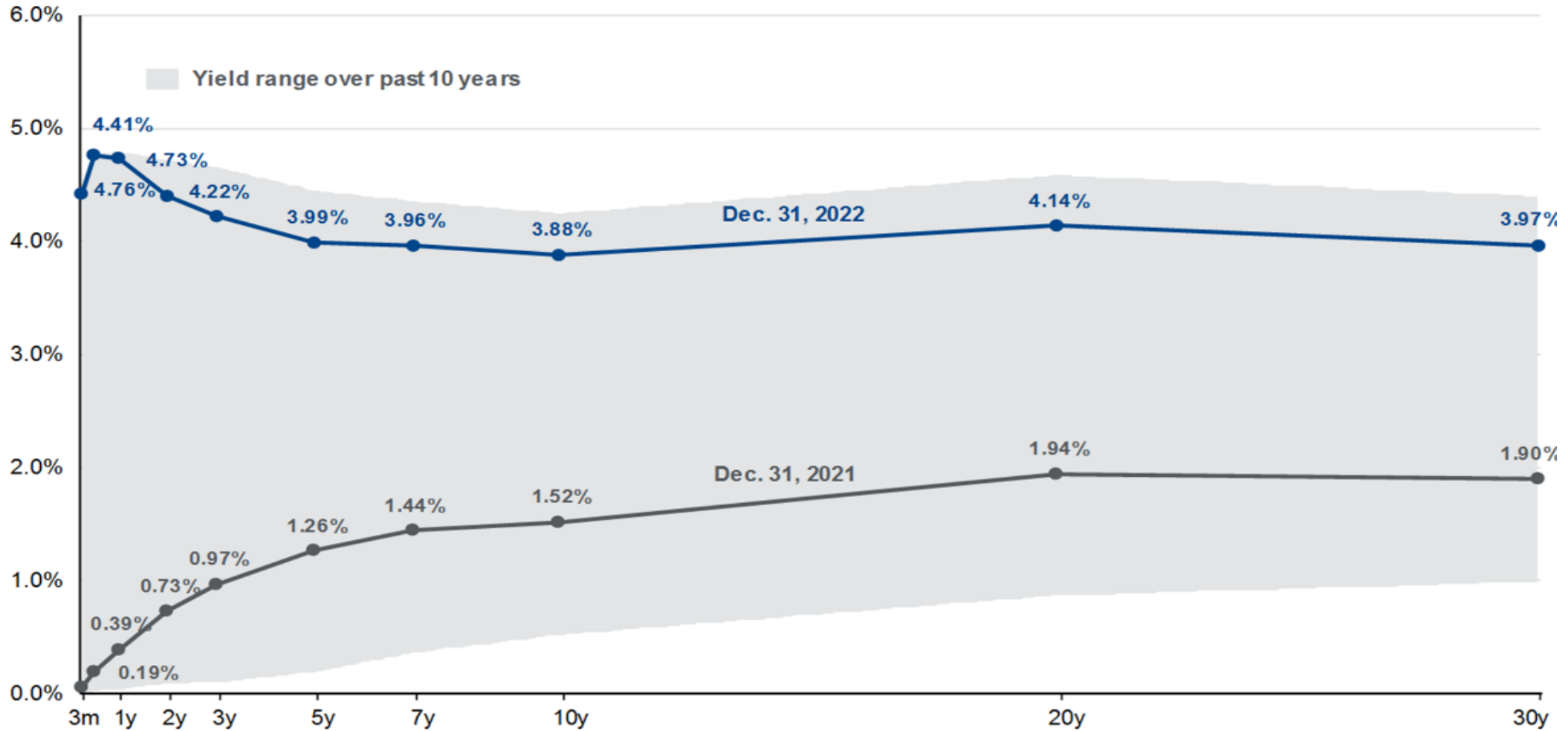
Rental vacancy rate
Percent



Source: JPMorgan

An Inverse Yield Curve

U.S. Treasury yield curve



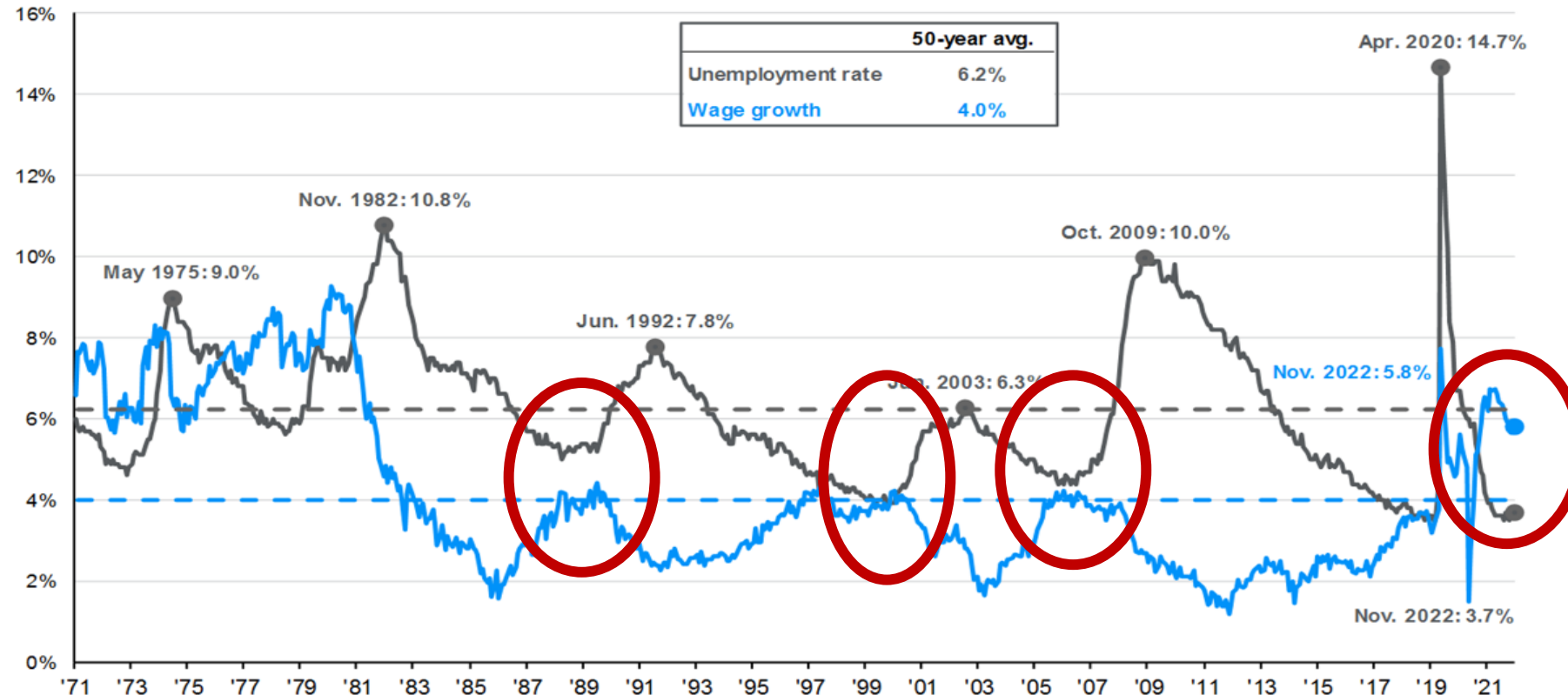
Banks Starting to Tighten



Patterns in Unemployment & Wage Growth

Civilian unemployment rate and year-over-year wage growth

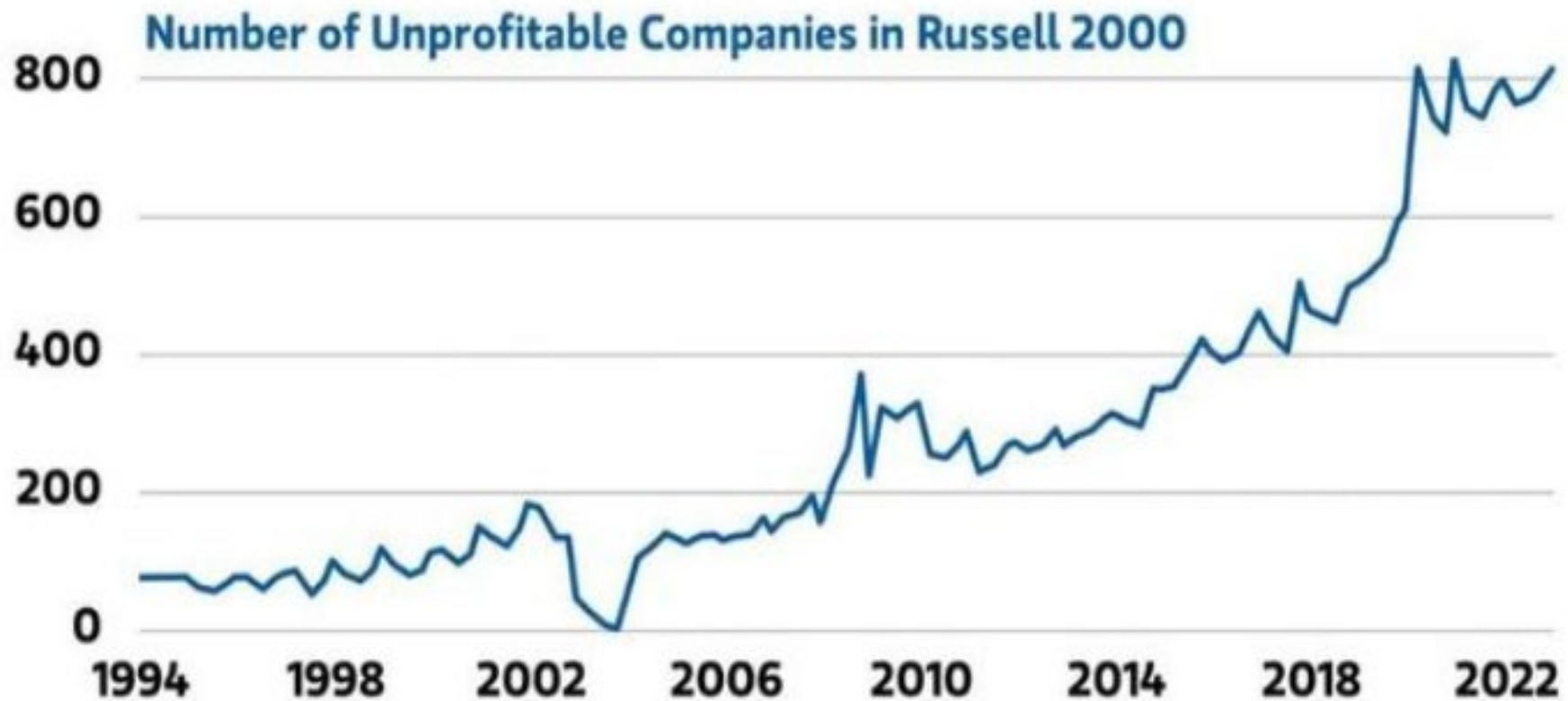
Private production and non-supervisory workers, seasonally adjusted, percent



Source: JPMorgan

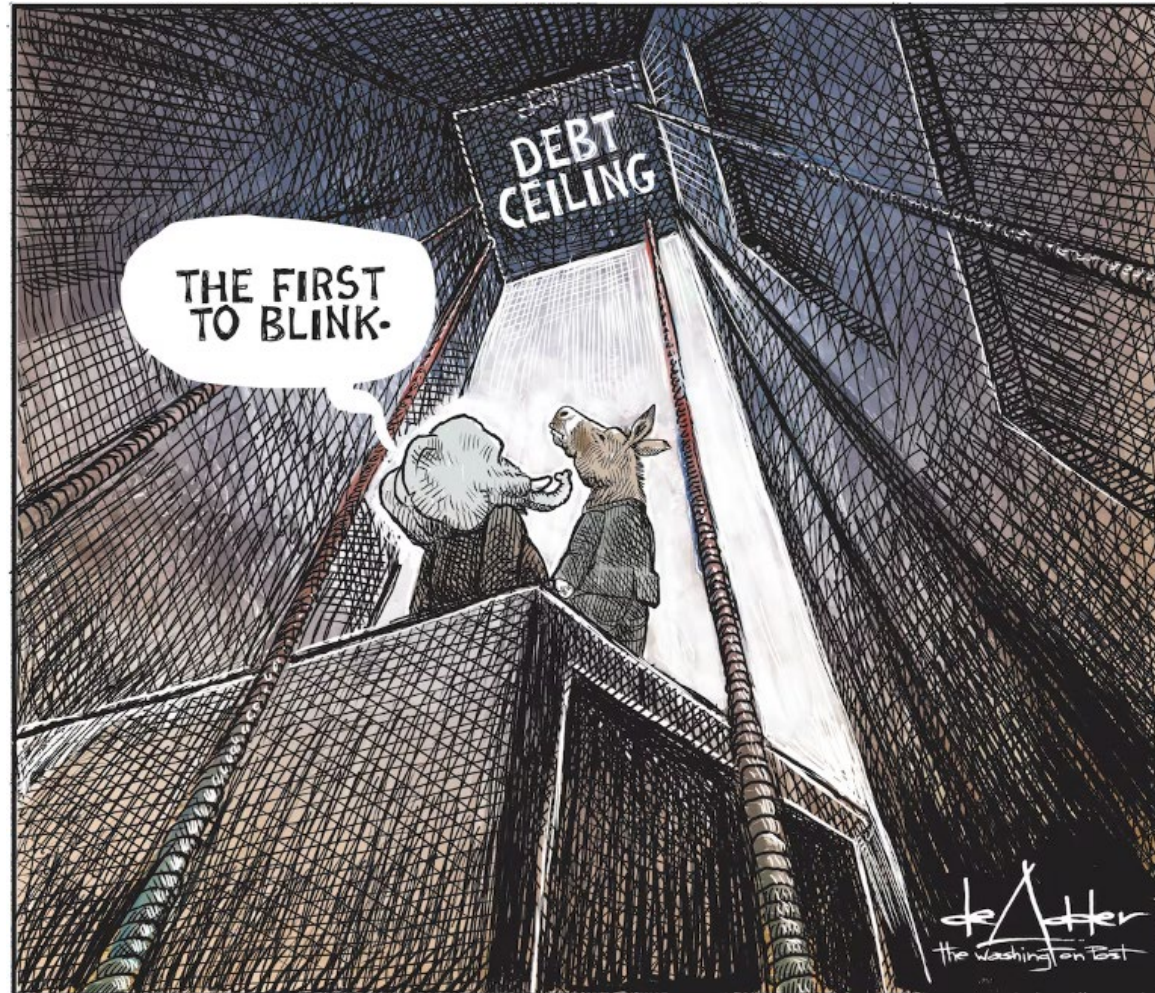
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Positive Cash Flow Will Become Important



Source: Bloomberg

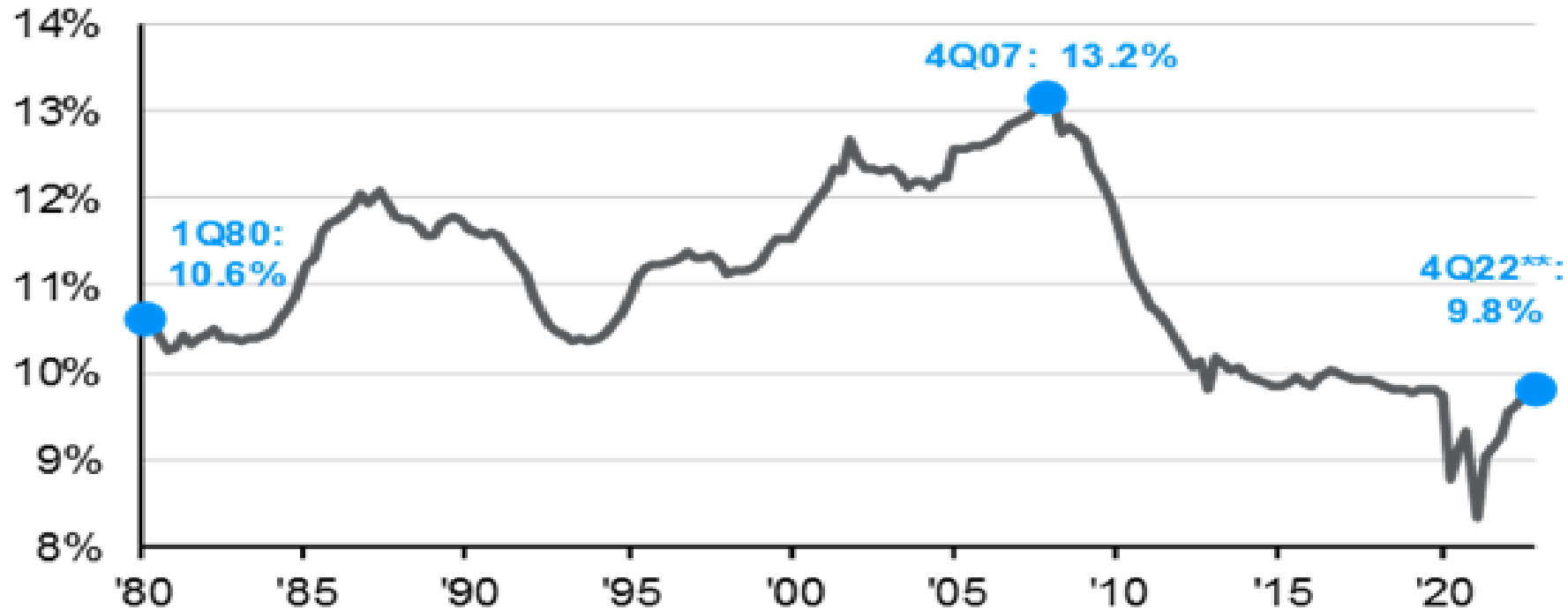
Federal Debt Ceiling – A Repeat of 2011?



Household Debt Levels Still Low

Household debt service ratio

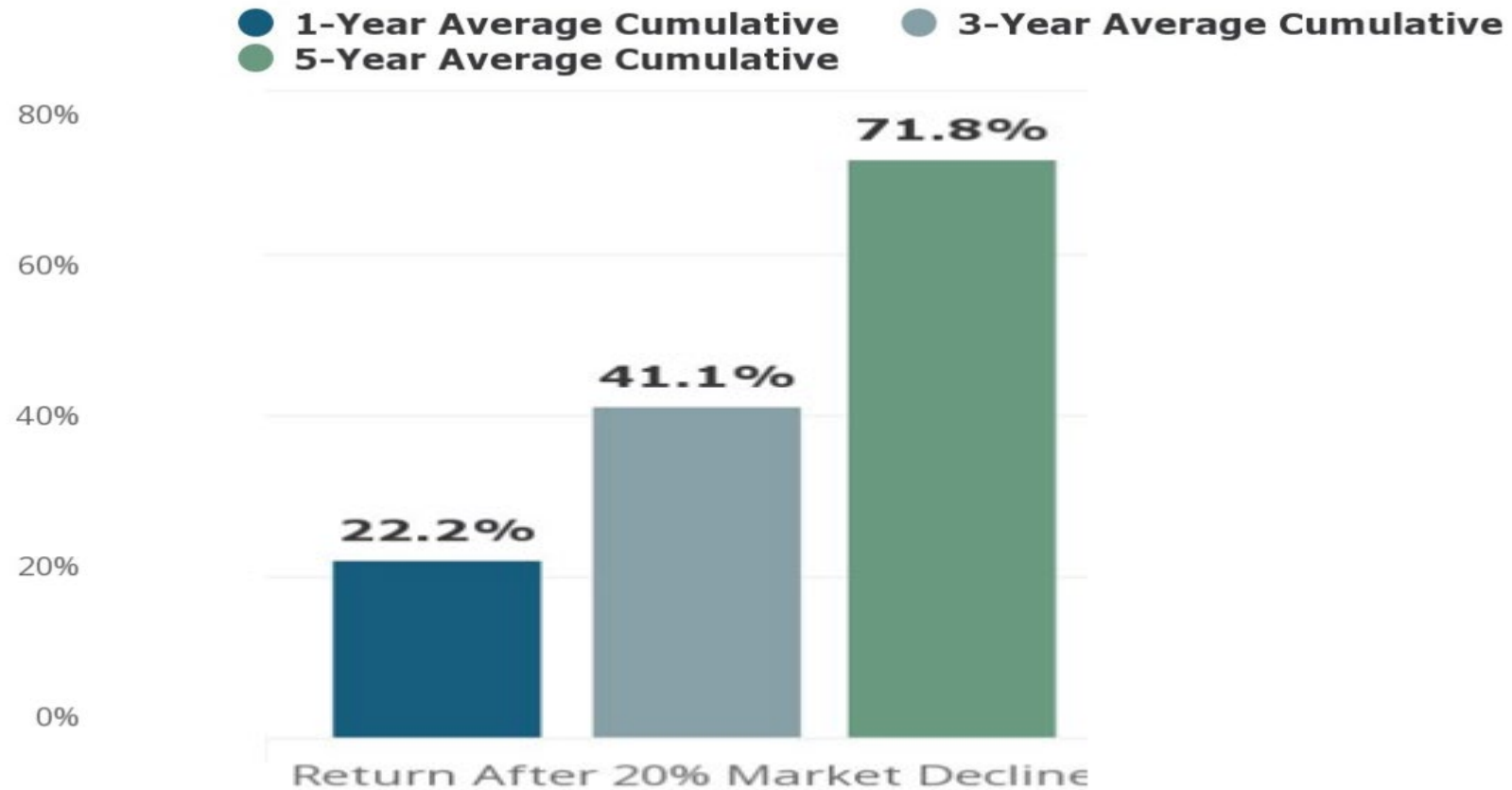
Debt payments as % of disposable personal income, SA



Source: JPMorgan

Time Is on Our Side

July 1, 1926-December 31, 2021



Dimensional

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In Summary

- **There is a narrow runway for a smooth landing for the economy if the Fed can pause raising rates.**
- **Given some of the challenges highlighted, there is a likelihood of additional volatility this year.**
- **There are several factors that will provide good support to keep the secular bull market moving higher.**

Planning Opportunities

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What elements of financial planning are most important to you?

ⓘ Start presenting to display the poll results on this slide.

Top Planning Topics in 2022

- **Social Security & Pension Elections**
- **Distribution Planning**
- **Employer Retirement Plans**
- **Roth Conversions**
- **Equity Compensation**
- **Non-Qualified Deferred Compensation Plans**



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BFG Is Your Personal Family Office

- **Financial Planning** – *Holistic view of your entire financial picture*
- **Tax Planning** – *In-house with our 4 CPAs & 1 Enrolled Agent or coordinating with your tax planner*
- **Estate & Trust Planning** – *Coordinating with an estate attorney, updating beneficiaries, funding a trust*
- **Business Planning** – *Succession planning, Creating retirement plans*
- **Insurance Planning** – *Life, Disability, Long-term Care, Group benefits as well as Property & Casualty Insurance*



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Working With Your Family



- Basic financial concepts for children or grandchildren
- Helping younger generations with savings and debt management
- Assisting young professionals with decisions around employer benefit
- Discussing your overall financial situation and your legacy intentions

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SECURE Act 2.0 Highlights - RMD

- **Required Minimum Distributions Delayed**

- If you were born 1951 through 1959

Your First RMD Must Be Taken At Age 73

- If you were born AFTER 1959

Your First RMD Must Be Taken At Age 75



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Retirement Plans

- **Employer Retirement Plans** – \$22,500 plus \$7,500 Catch-up Over Age 50
- **Traditional or Roth IRA** – \$6,500 or \$7,500 Over Age 50
- ***NEW* Roth SEP or SIMPLE IRAs** beginning in 2023
- Only Roth 401(k) Catch-Up Contributions for Wages Over \$145,000 **Beginning in 2024*
- Matching Contributions for Student Loan Payments **Beginning in 2024*
- Higher 401(k) Catch-up Contributions Age 60-63 **Beginning in 2025*

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529 Plan to Roth IRA

Up to \$35,000 of 529 Plan Assets can be moved to a Roth during the beneficiary's lifetime beginning in 2024



Requirements:

- Account open at least 15 years
- No assets added in last 5 years can be moved
- Amount transferred subject to annual Roth IRA limits and requires the beneficiary have earned income
- Unclear whether beneficiary change resets the 15-year rule

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Market Outlook & Portfolio Perspectives

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A Shift in Market Perspective



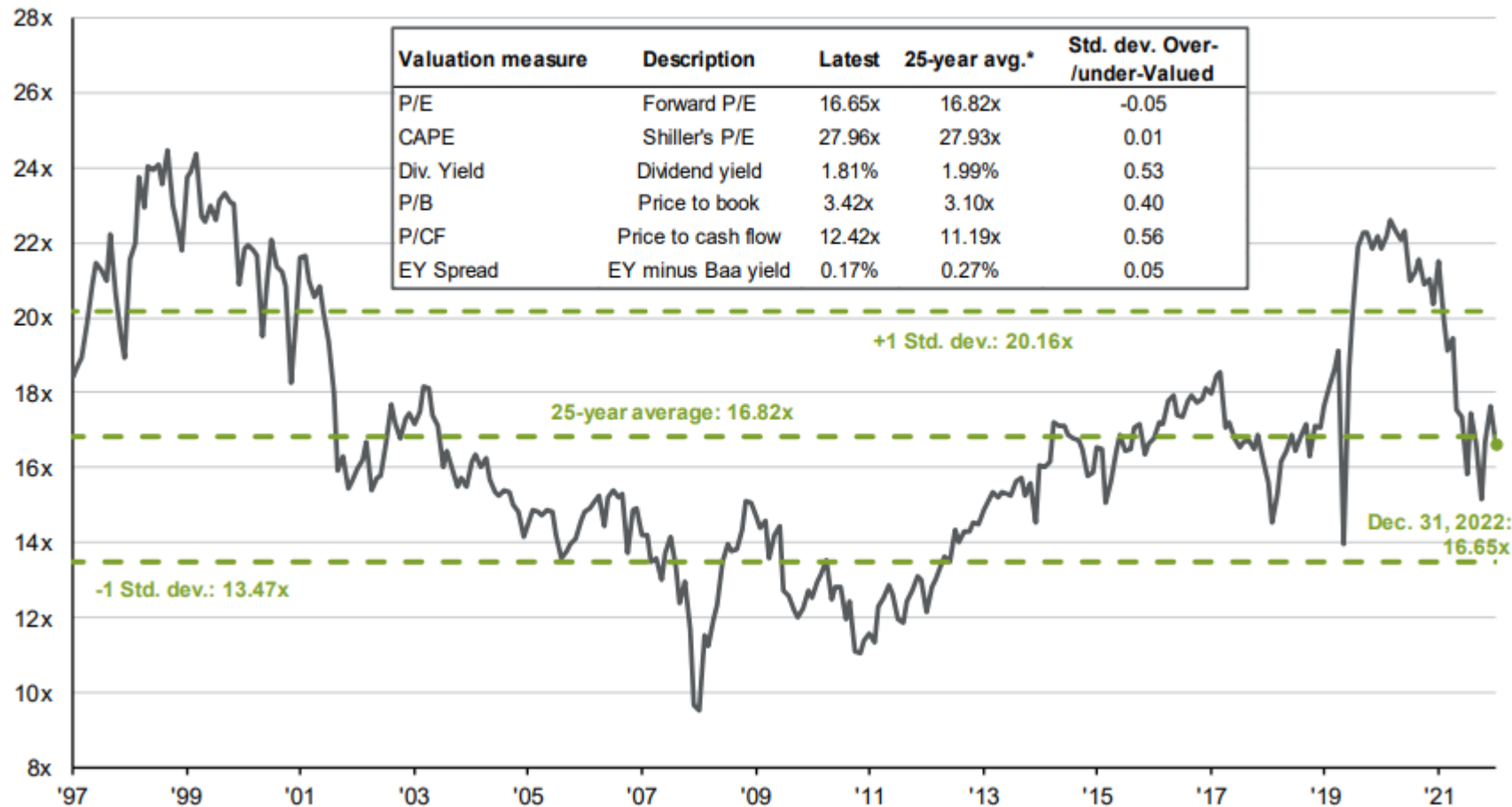
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Fundamentals are Attractive

S&P 500 Index: Forward P/E ratio



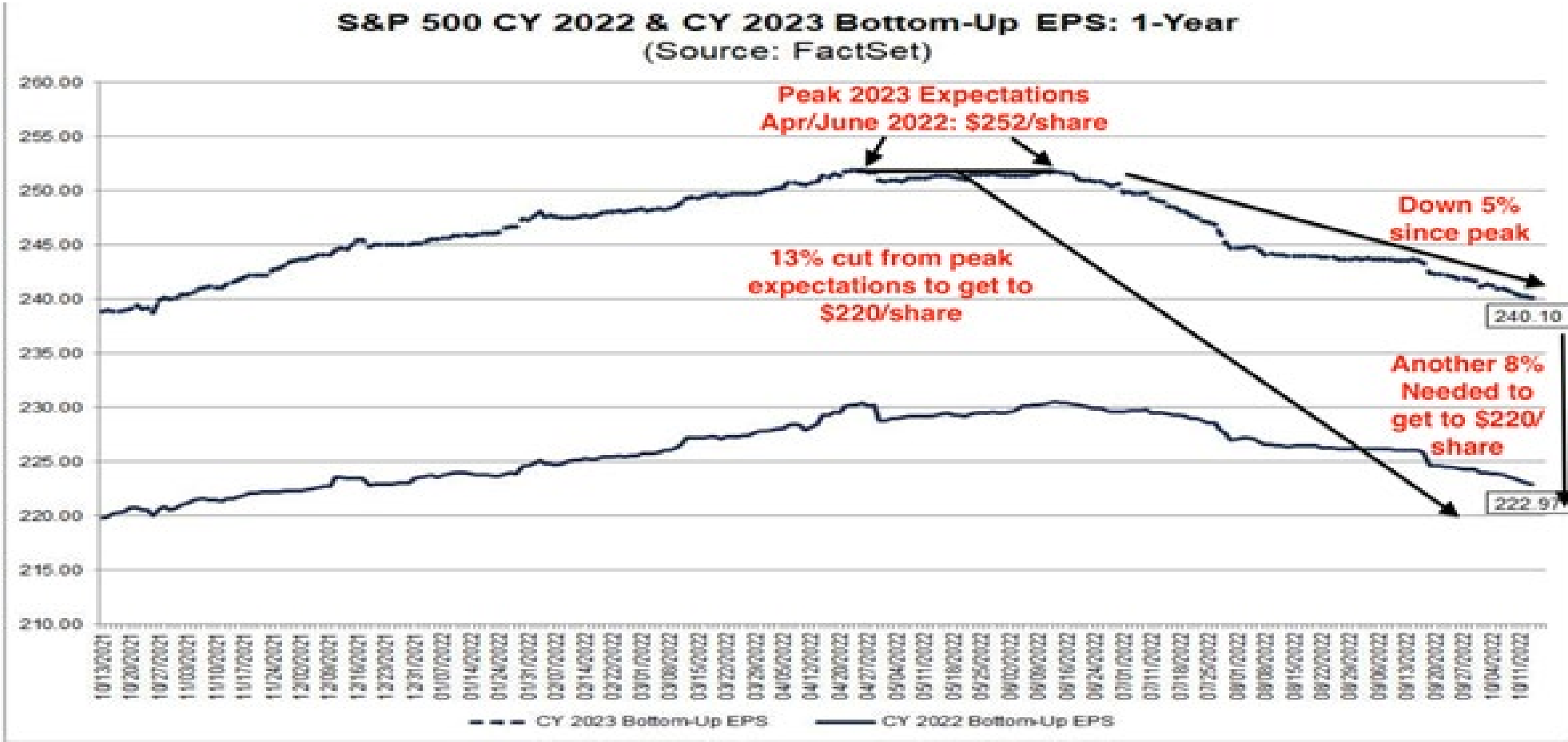
Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management. Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since December 1997 and by FactSet since January 2022. Current next 12-months consensus earnings estimates are \$231. Average P/E and standard deviations are calculated using 25 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure. *P/CF is a 20-year average due to cash flow availability. Guide to the Markets - U.S. Data as of December 31, 2022.

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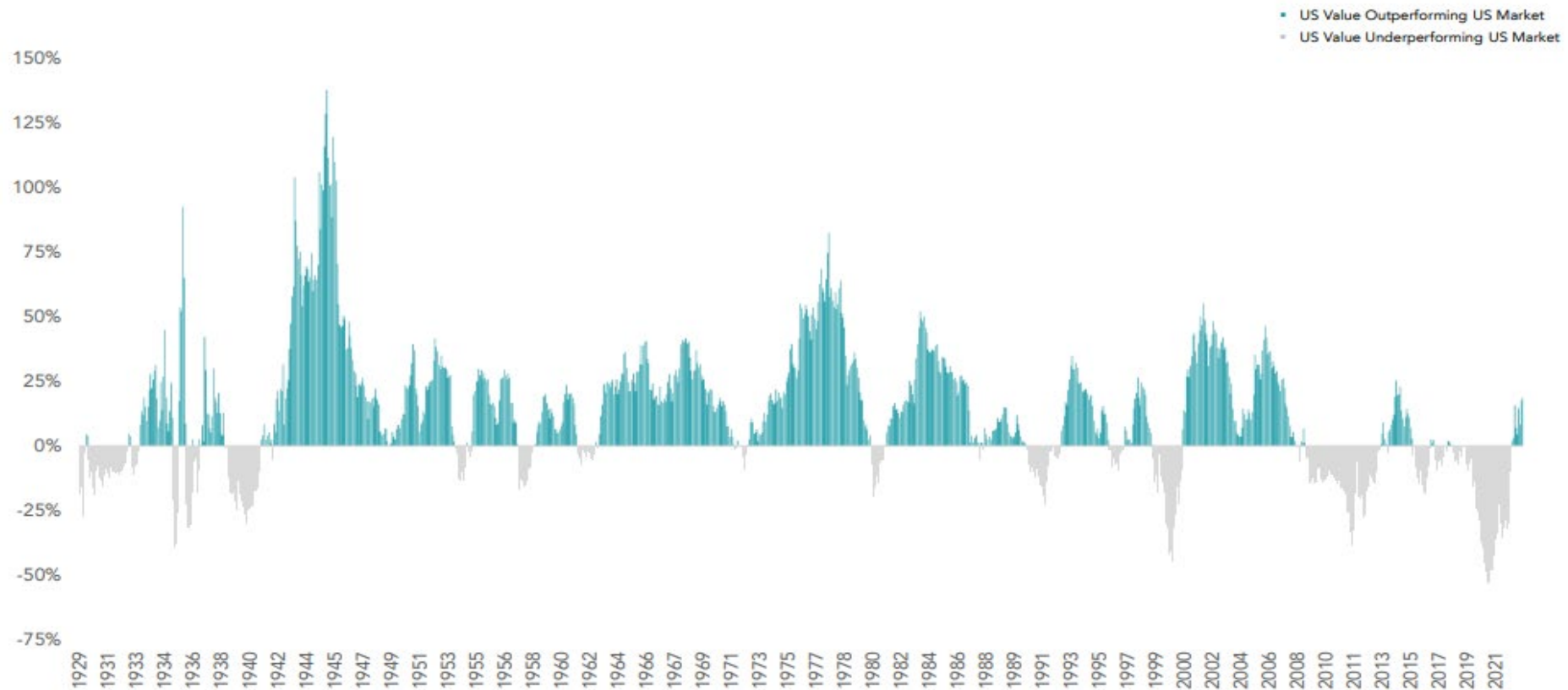
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The Market Reflects Expectations



Why now may be a good time for “Value”

Rolling three-year cumulative return for US value minus the US market, June 1926–November 2022



In USD.

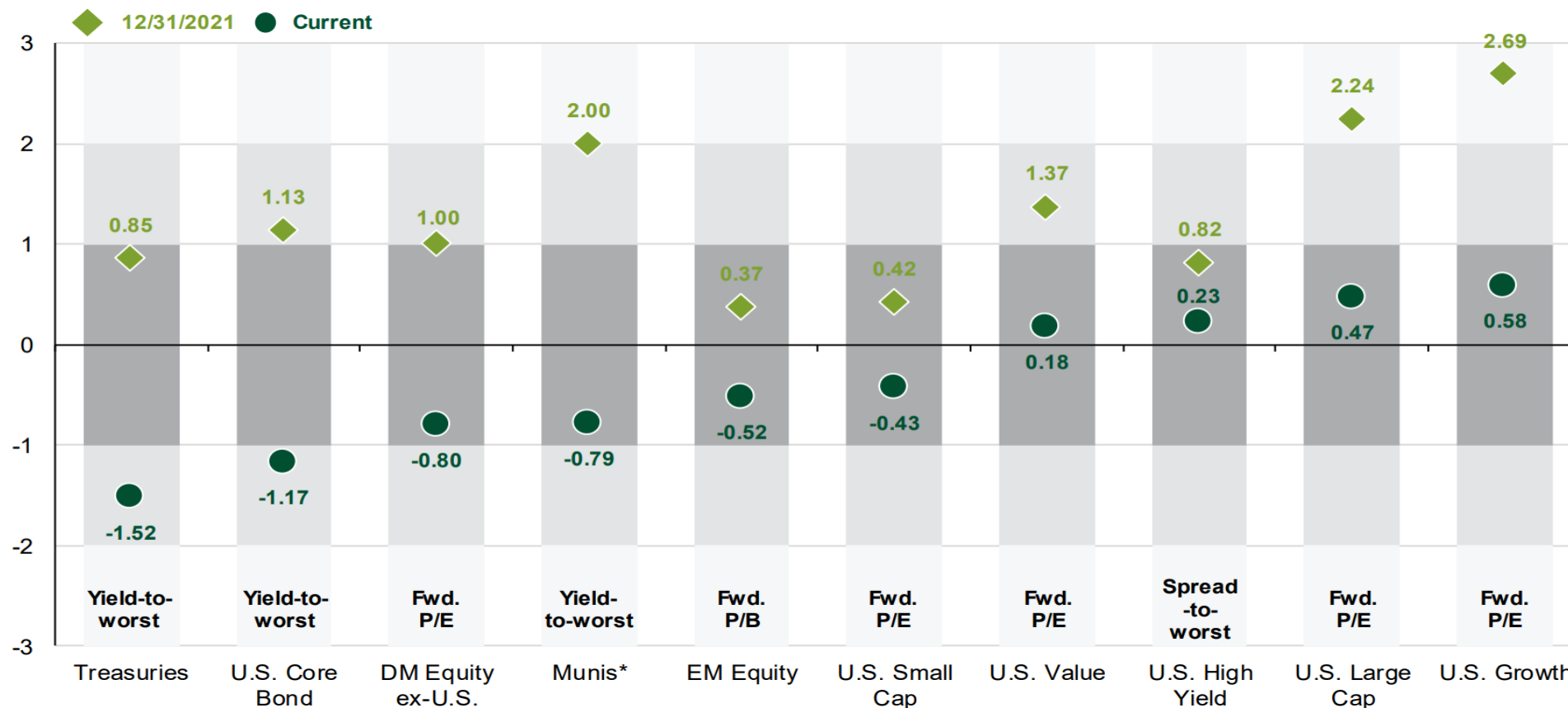
Past performance is no guarantee of future results. Actual returns may be lower. The Fama/French Indices represent academic concepts that may be used in portfolio construction and are not available for direct investment or for use as a benchmark. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Source: CRSP and Compustat data calculated by Dimensional. Fama/French data provided by Fama/French. Value stocks represented by the Fama/French US Value Research Index. US market represented by the Fama/French Total US Market Research Index. See “Index Descriptions” in the appendix for descriptions of the Dimensional and Fama/French index data. Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP.

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Where Do We See Opportunities

Asset class valuations

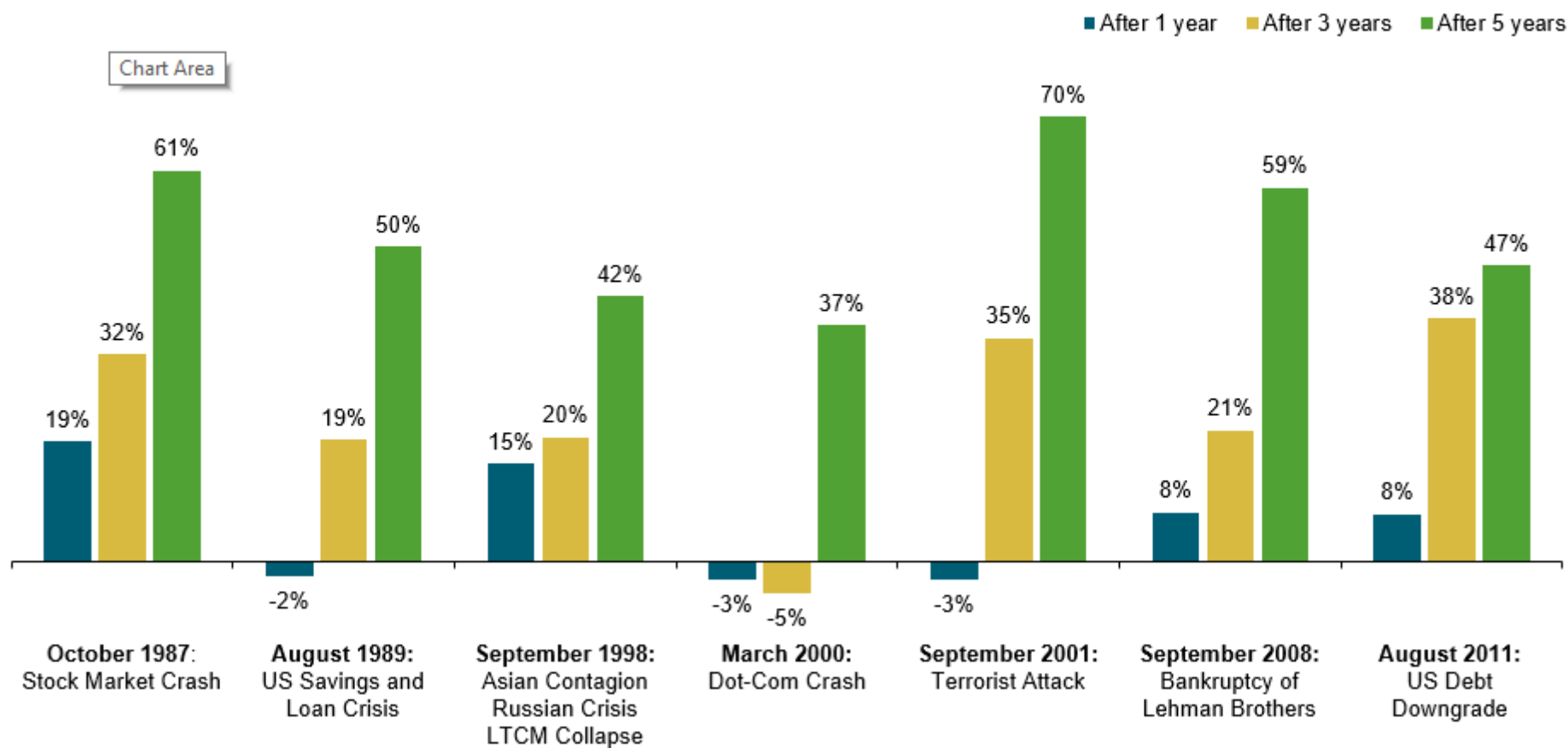
Z-scores based on 20-year average valuation measures



Source: Bloomberg, BLS, CME, FactSet, MSCI, Russell, Standard & Poor's, J.P. Morgan Asset Management.
 U.S. Large Cap: S&P 500, U.S. Small Cap: Russell 2000, U.S. Mid Cap: Russell Midcap; EM Equity: MSCI EME, DM Equity: MSCI EAFE, U.S. Value: Russell 1000 Value, U.S. Growth: Russell 1000 Growth, U.S. High Yield: J.P. Morgan Domestic High Yield Index, U.S. Core Bond: Bloomberg US Aggregate, Treasuries: Bloomberg U.S. Aggregate Government – Treasury, Munis: Bloomberg Municipal Bond. *Munis yield-to-worst is based on the tax-equivalent yield-to-worst assuming a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8%.
 Guide to the Markets – U.S. Data are as of December 31, 2022.

Market's Response to Crisis

Performance of a balanced strategy: 60% stocks, 40% bonds
Cumulative total return



Future Market Outlook

Market Perspective for 2023:

- **Paradigm shift**
 - **Earnings Matter Again – will be key driver vs. 2022**
 - **Current profitability vs. future potential**
- **No time to give up on diversification**
- **Optimism for Stocks**
 - **Don't expect a “sharp” recovery**
 - **Patience will be rewarded**
- **What if there's no recession “catalyst”?**

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How It May Impact Our Portfolios

Portfolio Perspective for 2023:

- **Defensive shifts in 2022 – Health care, staples & dividend stocks**
- **Continue to invest in “quality” & “profitability” factors**
- **60/40 Portfolio is back – With some added help**
 - **Alternatives will continue to be part of the allocation**
 - **Hedged Equity**
 - **JPMorgan Equity Premium Income**
 - **Fixed Income opportunities**

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