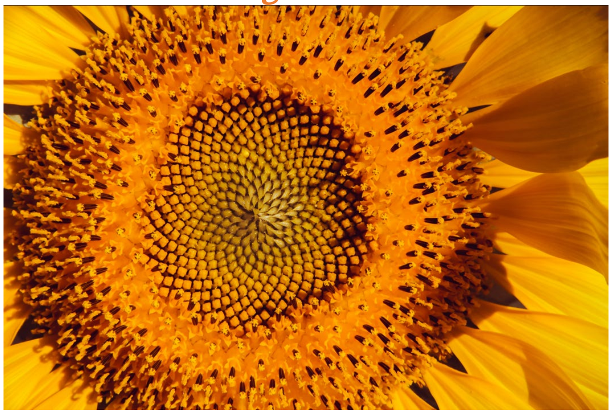
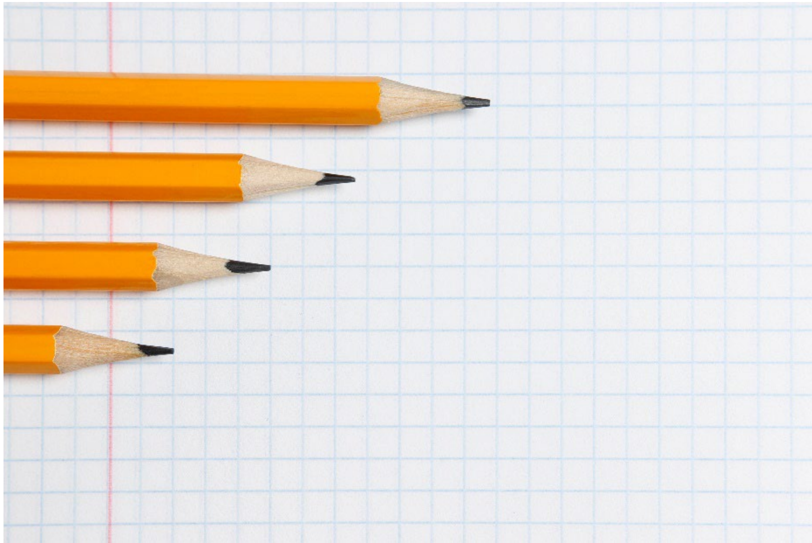
HIGHTOWER
White Pine Wealth Management

August 2022



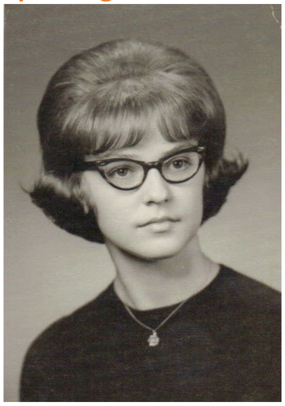
There's a haze over the beaches as the season's heat peaks. Sunflowers, turnips, and squash beckon to us from Maine's many farm stands. The weatherman says summer, but the store sales say "Back to School". Steamer trunks covered in timeworn stickers and laundry bags full of fresh towels will be loaded into cars as college students return to campus before the month is up. It's August in New England, the most bittersweet month of the year.

Back to School



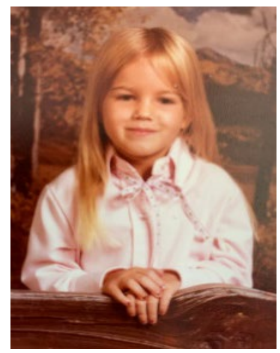
August was the time that our parents would begin to gather the things we'd need to start school in September. Pencil boxes and back packs, new shoes, shiny lunch boxes, erasers, and haircuts, all part of the glorious anticipation (or miserable dread) of returning to the echoing hallways and metal lockers and newly painted hopscotch games on the playground. If you're looking for the school calendar in your town, this data base will allow you to click on your specific state and school system and navigate to the link to the 2022-2023 school calendars.

Speaking of back to school…



Our team thought it would be fun to embarrass ourselves by putting our own school portraits in our newsletter. Can you guess who is who below?







At the Fay-uh

Country fairs and festivals are in full swing and we've got all the details here. August 13th and 14th is the Guild Fine Craft Show at Ketcha Outdoors (aka Camp Ketcha) in Scarborough, and this resource gives you a great schedule of other fine craft events coming up. Mainecrafts.org is a bountiful website full of information about Maine crafters, events, and more. Information about upcoming agricultural fairs can be found here, and if you're a pig scramble kind of person, check this out.

Events

This October, we will be hosting a social security seminar with Robert Clark. This is always a popular event for anyone who is nearing retirement or social security age. Robert Clark is the principal in "R.E. Clark Consulting", providing Social Security information and resources to financial professionals. He started the business in June 2014 after concluding a 38-year career with the Social Security Administration (SSA). Robert served as SSA's Public Affairs Specialist for Northern New England from 1999 until his retirement in 2014. He was responsible for enriching the public's understanding of Social Security programs and was a frequent speaker at events and served as liaison to governmental and non-governmental agencies and organizations. You'll hear his presentation first, and afterwards, you will be able to ask questions or schedule time with him for a one-on-one consultation. Be on the lookout for our invitation in September and if you know anyone who would benefit from this, please feel free to bring them along.

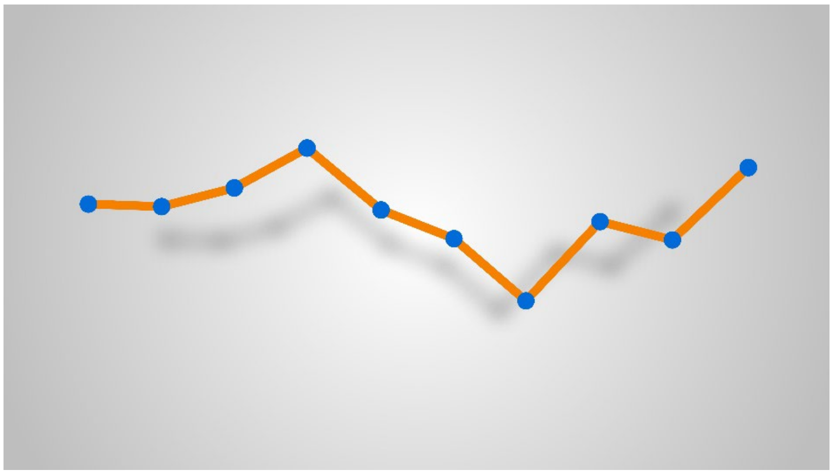
These hallowed halls…

This is the time of year when clients begin calling for tuition payments. There are a number of different ways you can take a disbursement from your 529 plan, including a check payable to the owner, or a check sent directly to the student's educational institution. 529 funds can be used for more than just traditional college tuition and can include vocational training, private education, boarding school, books, computers, and more. The funds can be transferred to other specific beneficiaries if not used by the originally intended beneficiary. Qualified educational expenses are an important thing to understand, so make sure to keep good records and remember to include your 1099-Q in your tax reporting. A question we get from clients is whether college will eventually be free, or less expensive, or obsolete. Short of a crystal ball, we encourage clients to plan for the realities of the present and correct course should that reality change in the future. The same goes for paying off student loans. While it's still up in the air whether substantive student loan forgiveness is going to come to fruition (and if so, how much), we suggest proceeding as though it will not. If you have questions, check here for details of this hotly debated topic.

But I still have checks in my checkbook…

Checkbooks may be like payphones these days, but budgeting is still something that you learn (or fail to learn) in college, even if no one is teaching it. And just because Budgeting 101 is not included in the tuition bill doesn't mean it won't be expensive. Many college freshman are about to learn what happens when you spend all your money on pizza and tapestries. And even if your child isn't attending college, it's a good time to talk to them about the various problems they may encounter and how they should solve them. 18-year-olds are allowed to vote, buy lottery tickets, and take out credit cards. Explain to them that if they don't have the money now, they probably won't later. While having a credit card can help build a credit history, it's only a good idea if the history is positive. If the history involves late payments, defaults, full credit usage, or other problematic factors, it's going to set your student up for challenges they don't need when they come out of college and enter the real world. Bad credit is *not* better than no credit. Landlords and employers may ask for credit histories, student loans may need to be refinanced, cars may need to be purchased… all of these things will become infinitely more difficult with a poor credit history. We recommend talking about this now so that college graduation is a time of opportunity, promise, and possibility.

Market Commentary by Matthew Emery



"No two stock market corrections are alike, and we are not advocating market timing. To the contrary, we believe investing discipline is at its most important during uncertain times…"

2022 will likely go down as one of the most memorable years in stock market history and could serve as a popular case-study for freshmen business and economics students for decades to come. At first blush, the current investing landscape may seem like a confusing tangle of forces exerting their influence on stocks and the economy in varying degrees and directions. News headlines are brimming with terms like "Inflation", "War", "Rising Rates," "Gas prices," "Recession," and "…Record-Low unemployment?" Certainly, the negative terms are outweighing the positives here. Worse, the traditional safe havens of high-quality bonds and cash have been significantly impaired. Bond prices have been falling all year due to rising rates, and inflation has been rapidly eroding the real value of cash. What is an investor to do? We believe it is important to look past the mayhem and focus on both the larger picture, and the things we can control in order to take advantage of any opportunities the investing world can serve up. When viewed holistically, the progression of events that we have seen over the last two and a half years start to paint a more logical picture—one that is increasingly resembling a textbook lesson in macroeconomics.

To recap, most would agree that the economy in 2019 was a fairly healthy one, with very low unemployment, low interest rates, and news headlines that were quite benign by today's standards. Then an unexpected worldwide pandemic hit. Many of us began working from home for extended periods of time, which tended to have a positive effect on household budgets, due to reductions in fuel consumption and other commuting expenses, and less dining-out, to name a couple. This unfortunately forced many workers in the food and hospitality sectors of our economy into unemployment, but luckily for them, the government soon stepped in with an historic and massive fiscal stimulus to help offset job-loss, childcare disruptions, and more. The stimulus was also received by many Americans who had not actually lost their jobs, which simply amounted to a bonus. All the above created a huge increase in the public's demand for goods—especially goods that can be enjoyed in and around the house. Meanwhile, the pandemic significantly hindered the global supply chain, due to sporadic lockdowns and work stoppages from factories to ports.

To state the obvious, when demand rises and supply falls, prices rise. We are therefore currently experiencing the highest levels of inflation in over a generation, necessitating a second Government response: Raising interest rates and quantitative tightening. When the Federal Reserve starts raising interest rates, recessions frequently follow. Afterall, the goal of boosting interest rates is to slow the economy down by decreasing consumer spending and their enthusiasm to borrow. When consumers spend less, companies earn less and can be forced to lay-off workers, a textbook domino effect. Let's not forget that the Fed's mission is to ensure price stability, not to prevent recessions. As such, Jason Trennert, Chief Investment Strategist at Strategas, reminds us that "generally speaking, Fed tightening cycles don't end until the Fed Funds rate is above CPI." With last week's CPI print of +9.1%, it appears that the Fed has a long way to go.

While a recession, if we get one, will certainly be bad news for businesses and workers, a prudent investor can be a little more sanguine. To paraphrase John Templeton, "Bull markets are born amidst fear and pessimism." While the pain of this year's performance in both the stock and bond markets has been significant, the stock market has a well-documented tendency to "turn the corner" before the economy does, often when public sentiment towards investing and the economy are at their worst. No two stock market corrections are alike, and we are not advocating market timing. To the contrary, we believe investing discipline is at its most important during uncertain times. Investors who not only remain invested, but also maintain their intended asset mix and cash needs through regular rebalancing are likely to be better positioned to benefit whenever the next bull market begins.

Matt Emery is our Director of Research and Portfolio Management.

Until Next Month

August always brings change. Here at White Pine Wealth Management, the last weeks of summer vacation remind us to spend a little more time in the sunshine, let the kids sleep in as late as they want, and to soak up the slower pace that these fleeting months afford us. Whether you're about to become an empty-nester, or you're headed to the bus stop for the first time, White Pine Wealth Management is honored to help you get there.

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