THE PRINCIPLE NEWSLETTER

PRINCIPLE WEALTH PARTNERS

JULY 2022

Dear Friends,

We hope you are having a wonderful start to your summer and that you are getting back to your pre-pandemic activities. The first half of 2022 has seen its share of market ups and downs and economic uncertainty. As we expected, interest rates have risen, driven by Fed action, while in the interim, volatility provides opportunities for investors.

In this issue, we delve into the good and the bad regarding volatility, including why having a game plan in place is so important. We also talk about the importance of saving for education and the benefits a 529 plan can offer. And, we bring you up to date on employee news, welcoming new faces who are here to support you.

Best regards,

Robert S. Paolucci, CFP®
Founder & CEO

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The Good and Bad News About Volatility

By Julina Ogilvie and Theresa Donatelli

Mention the words market volatility to most individuals, and you're sure to witness a shudder or a grimace. The first half of 2022 has not helped matters. Fortunately, if we examine the reasons for the current market swings, and the role that volatility plays in the market, we can see that the reality is not so scary.

Why so much volatility?

As the saying goes in real estate, the most important factor in determining value is "location, location, location." In the case of 2022 market volatility, the saying should be "the Fed, the Fed, the Fed." In January, the Federal Reserve (the Fed) changed its tone in discussing potential interest rate action to help combat inflation. The Fed's more aggressive language and a few rate hikes that were larger than expected created a sell-off in bonds and stocks, with the narrative quickly changing to a possible Fed-induced recession.

When looking more deeply at the inflation readings, we need to look at what exactly is being reported in the figures. "Headline" Consumer Price Index (CPI) is the raw figure reported by the Bureau of Labor Statistics (BLS). By comparing the year-over-year change in prices for a basket of goods, the BLS arrives at the percentage change that is reported in the news. Most recently, this figure increased to 9.1% in June (from 8.6% in May). It is important to note though that the Fed pays more attention to the "Core" CPI reading. The difference between the two readings is that the

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"Core" reading removes the components that are the most volatile (namely Food & Energy prices). If we instead look at the "Core" reading, it has dropped for three months in a row (from 6.5% in March to 5.9% in June). This tells us that although inflation has continued to increase, this increase is driven primarily by Energy & Food, while other reported items have started to moderate over time. Keep in mind, these readings are backward looking and don't take into account today's changes.

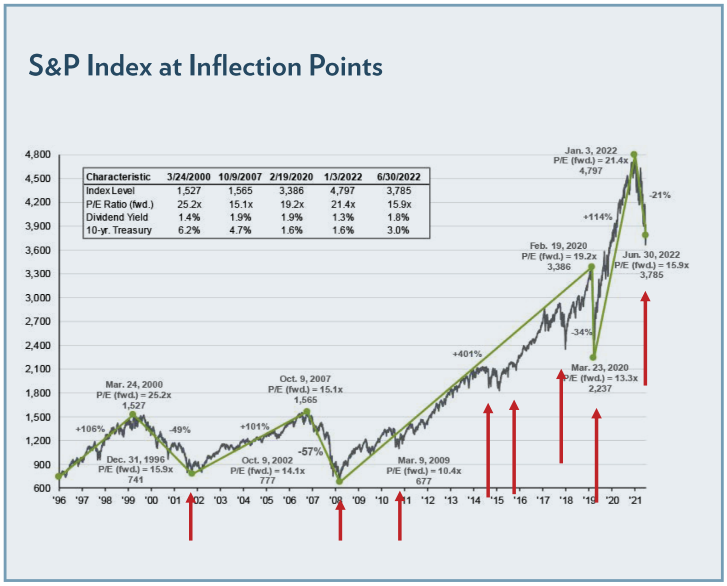
Volatility is uncomfortable, but has its benefits

We are witnessing a rare occurrence, where, from the start of the year, stocks and bonds are simultaneously down double digits. Although this can be concerning, we believe there is no cause for alarm because it is a necessary part of this market cycle. Equity markets periodically experience periods of "rollercoaster" behavior. Since the tech bubble of 2000, we have seen eight notable periods of volatility, indicated by the red arrows in Chart 1. Historically, market drops have been followed by market highs, though we cannot predict the time frame in which that could happen.

The importance of a plan

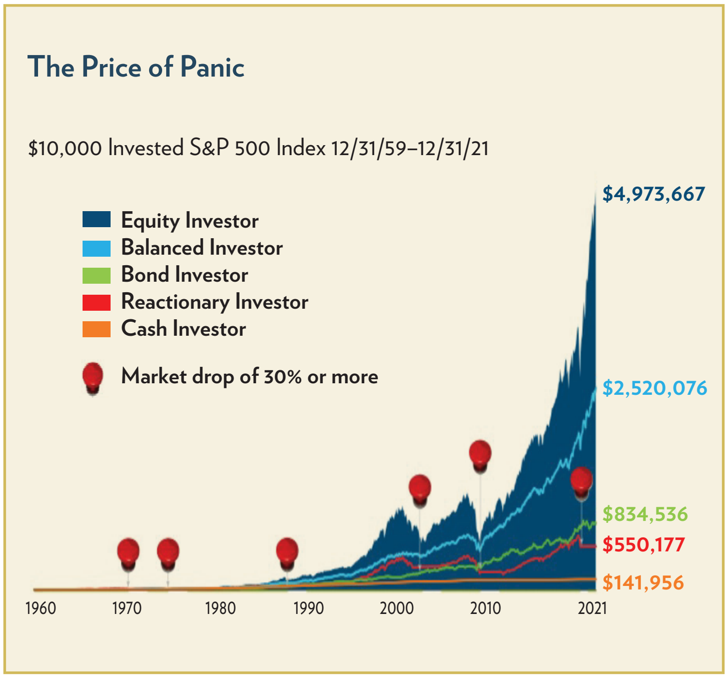
During volatile times, fear can lead to a desire to sell. Having a detailed financial plan that is custom tailored to the goals and needs of each client, and factors in the historical ups and downs of the markets, creates peace of mind in times of elevated volatility. Those who stay invested have much better outcomes than the "reactionary investor," as Chart 2 illustrates. The longer the time horizon and the greater one's risk tolerance, the more likely you are to benefit from long-term appreciation and the power of compounding. In Chart 2, $10,000 invested in the S&P 500 Index since 1960 will yield exponentially more than if the investor stayed in cash during this time period.

Chart 1



Source: Compustat, FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.

Chart 2



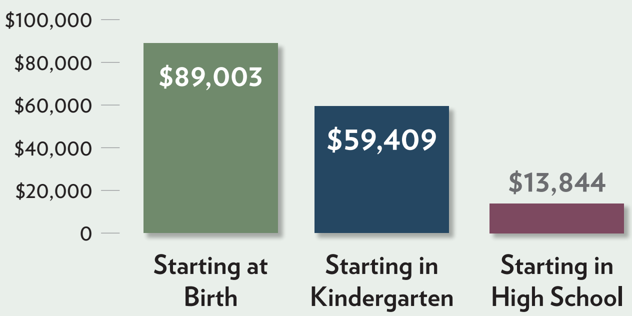
Data Source: Ned Davis Research, 12/21. For illustrative purposes only. Indices are unmanaged and not available for direct investment.

Saving Now for Your Children's Education

By Colin Dugan and Megan O'Marra Maruzo

Saving for your children's education may be one of your top priorities. A key initial decision in educational planning is whether you intend to fund 100% of your children's education or use a combination of savings and federal and private student loans. While this major milestone may seem far away when your children are young, the earlier you start to save, the more you can benefit from the power of compounding, and the greater the potential to reach your education savings goals. In the example below, if you save $6,000 a year ($500 a month), and your savings appreciate 5% annually, you will save significantly more by starting to save at birth versus when your children are in high school.

The Benefit of Saving Early



Starting early is critical because the cost of a college education has been steadily rising for many years. According to the U.S. News & World Report, average tuition and fees at private national universities have jumped 144% over the past 20 years, while out-of-state tuition and fees at public universities have increased by 171%[1].

[1] https://www.usnews.com/education/best-colleges/paying-for-college/articles/2017-09-20/see-20-years-of-tuition-growth-at-national-universities

Consider a 529 Plan

Most 529 plans are state-sponsored and offer state income tax deductions and/or tax credits if you live in the state that sponsors the plan. While you are typically able to invest in the 529 plan of a state other than the one in which you live, you lose out on the tax benefits; therefore, many people choose to invest in their state plan if they provide tax benefits. Connecticut, as an example, does offer a state deduction, and their state-sponsored plan is the Connecticut Higher Education Trust (CHET) plan.

Key features of the CHET plan are:

FOR THE CONTRIBUTOR

- Can be opened by any individual, including a parent, grandparent, family friend, or neighbor
- Contributor maintains control of account and can change beneficiaries to another family member, if desired
- Contributions can be made until account reaches a market value of $300,000*
- Contributions are state tax deductible up to $5,000 per individual ($10,000 for a couple filing jointly) annually*
- Can be used to reduce taxable estate, with ability to contribute $16,000 for 2022 (or $32,000 for a couple)
- The ability to make a lump sum contribution of up to five times the annual gift tax exclusion ($80,000 per individual or $160,000 for a couple) in one year
- Managed by Fidelity Investments*
- Thirty seven professionally managed portfolios offered*

Varies by state

FOR THE RECIPIENT

- Withdrawals for qualified higher education expenses are tax-free
- Qualified expenses can include accredited schools both in the U.S. and overseas
- Up to $10,000 annually can be used for private K-12 tuition*
- Up to $10,000 can be used for student loan repayment*
- Systematic withdrawals can be as low as $15 per month*

Varies by plan

Welcome to our newest members

Welcome Grace Pascale!

Grace Pascale joined Principle Wealth Partners as a Client Service Manager with a decade of financial services experience working with clients. Grace serves as an integral part of our service team, focusing on deepening client relationships. She graduated Southern Connecticut State University, and enjoys giving back to her community. She supports many local organizations with her time, including the CT WaveRunner running group. Grace lives in Madison, CT, with her family and dogs, Turkey and Dooly.

Welcome Kyle Farrell!

Kyle joined Principle Wealth Partners as an Analyst, focusing on investment and portfolio analysis, and portfolio reporting. He has worked in the financial service industry for three years. Kyle graduated from Siena College and is a CFA Level III candidate. He enjoys spending time with his family, travelling, and running. Kyle also coaches baseball at the Middletown Post 75 American Legion. He lives in New Haven, CT with his fiancé Alla and cat Xander.

Welcome Lou Nistico!

Lou joins the firm as a Wealth Advisor, with over 16 years of financial services experience in the industry, and will be working with high-net-worth individuals and families. His responsibilities include managing client relationships and providing comprehensive financial services through financial planning and portfolio construction. Lou graduated from Sacred Heart University and is a Certified Financial Planner®. He resides in Seymour, CT, with his wife Stephanie and son Blake.

Community Outreach

Pi Day Run, CT WaveRunners (3/14/22)

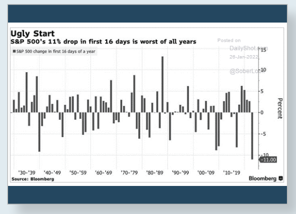
The first quarter of 2022 has been busy for the runners on our team! In February, a few of our team members participated in the Mid-Winter Blues Relay, a relay race hosted by the CT WaveRunners. On March 14th, we also participated in a Pi Day run organized by the CT WaveRunners. We ran a 5k, followed by pizza at Grand Apizza Madison, who graciously donated 10% of the proceeds to the CT WaveRunners.

The CT WaveRunners is a local 501c3 that works to raise funds and awareness for various local charities and initiatives. This year the CT WaveRunners are raising funds and awareness for domestic abuse prevention. Some of the charities the CT WaveRunners support include the Women and Family Life Center, Safe Futures, New Horizons, and the #LetHerRun Campaign.

A Look Back at Past Perspectives and Insights

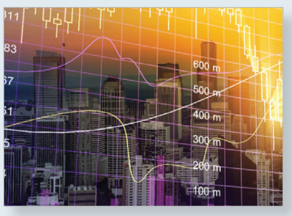
Q4 2021 Quarterly Review

Our fourth quarter 2021 market review looks at capital markets performance and events for the end of 2021, and shows the implications of a globally diversified portfolio. It also discusses how to deal with market anxiety in up and down markets.



January Movements

Andrew Cialek, CFP®, discusses stock market volatility, the inflation and interest rate outlook, and the impact of Federal Reserve policy on economy and the markets.

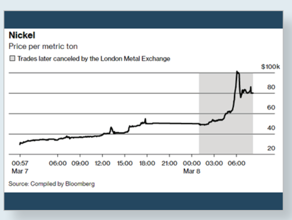


January Capital Update

Julina Olgivie, CIMA®, CPWA®, provides an overview of the economy and the markets, including 2022 market volatility and the reasons behind it, the consequences of the Federal Reserve rate changes, and the impact of the 2022 midterm election.

February Movements

Andrew Cialek, CFP®, reviews the impact of the Russia-Ukraine conflict, increasing mortgage rates, and the forecast for the U.S. housing supply.



March Movements

Andrew Cialek, CFP®, takes us through the wild ride in the nickel market and the pinch consumers are feeling from rising food prices.

Q1 2022 Quarterly Review

Our first quarter 2022 market review looks at the capital markets performance and events for the beginning of 2022, and shows the implications of a globally diversified portfolio. It also explains the potential ramifications of trying to time the equity markets.

Click to watch a Market Update video

- January Market Update
- February Market Update
- March Market Update
- April Market Update
- May Market Update
- June Market Update

Mid-Year Market Review and Outlook

Bob Paolucci, CFP®, Founder & CEO, and Julina Ogilvie, CIMA®, CPWA®, Partner, and Wealth Advisor, discuss the state of the markets.

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Forbes:
The 2022 Forbes Best-In-State Wealth Advisors rankings was developed in coordination with SHOOK research. This award is based on an algorithm of qualitative criterion for advisors who have a minimum of seven years of experience. This algorithm is qualitatively based, through due diligence reviews and quantitative data, factoring revenue trends, assets under management, compliance records, industry experience, and the encompassment of standards of preferred best practices. Portfolio performance is not considered as a part of the criteria. Over 34,500 advisors were nominated and more than 6,000 were recognized for the award. The Advisor does not pay Forbes or Shook in exchange for either the nomination or recognition. However, the Advisor does pay a fee for any marketing materials used that include the award's ribbon. Principle Wealth Partners is not affiliated with Forbes or Shook Research, LLC. This ranking is not indicative of advisor's future performance, is not an endorsement, and may not be representative of individual clients' experience. The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee that it is accurate or complete, it is not a statement of all available data necessary for making an investment decision, and it does not constitute a recommendation.

Barrons:
Source: Barron's "Top 1,200 Financial Advisors," March, 2022. Barron's "Top 1,200 Financial Advisors" bases its ratings on qualitative criteria: professionals with a minimum of seven years of financial services experience, acceptable compliance records, formal succession plans, high client retention, and more. Financial Advisors are quantitatively rated based on varying types of revenues and assets advised by the financial professional, regulatory records, quality of practice and philanthropic work with weightings associated for each. Because individual client portfolio performance varies and is typically unaudited, this rating focuses on customer satisfaction and quality of advice. The rating may not be representative of any one client's experience because it reflects a sample of all of the experiences of the Financial Advisor's clients. The rating is not indicative of the Financial Advisor's past or future performance. Neither Principle Wealth Partners nor its Financial Advisors pay a fee to Barron's in exchange for the rating, however Principle Wealth Partners does pay to use the award ribbon for marketing materials. Principle Wealth Partners is not affiliated with Barron's or Dow Jones & Company, L.P. All of the information provided has been obtained from sources considered to be reliable, but we do not guarantee its accuracy or completeness, and does not constitute a recommendation. Barron's is a registered trademark of Dow Jones & Company, L.P. All rights reserved..