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# LEGACY WEALTH

January 1<sup>st</sup>, 2023

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CFA®, AIF®

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MSFS, ChFC®, AIF®  
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#### Members of our firm

Beth L. Buse  
Courtney M. Ronsberg  
Emily R. Kaufer  
Jessica R. Eveland  
John P. Horner, CPA

Investment Advisory Services  
Offered Through Legacy Wealth  
Asset Management, LLC dba  
Legacy Wealth, a Registered  
Investment Advisor.

Securities Offered Through M  
Holdings Securities, Inc. A  
Registered Broker/Dealer,  
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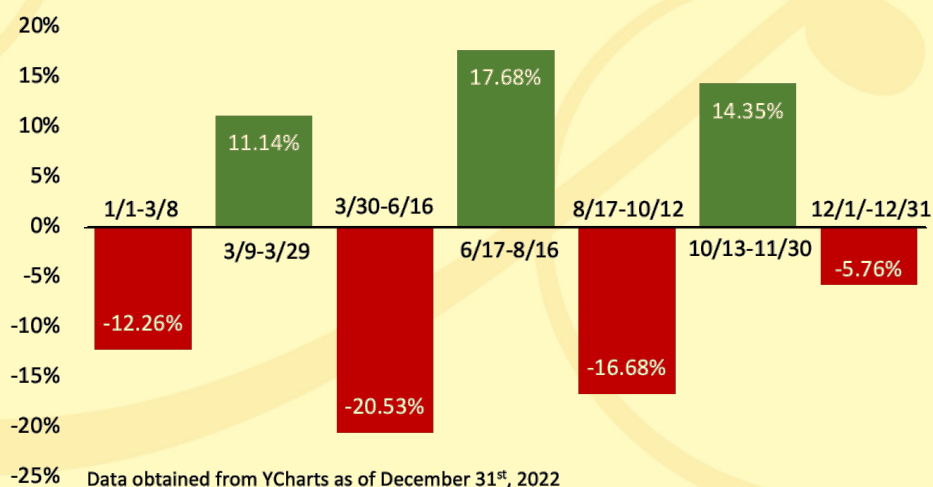
Dear John and Mary,

Happy New Year! Hoping you and your loved ones enjoyed a joyous celebration of Christmas, and that you are having a great start to the New Year.

## THE MARKET

A few updates back, we indicated that we may be in for a bumpy ride with the markets coming out of Covid, which has definitely proved to be the case. Throughout the year market returns have been gyrating back and forth at unprecedented levels as the chart below illustrates.

### SP500 2022 Return Fluctuations



Inflation, the war in Ukraine, precipitous increases in interest rates, recession, and a general slowdown in the economy have left some investors wondering if there may be a better way forward. These bumpy roads may cause some to wonder, "Is it really worth it?" We believe the answer is yes.

Although it is never enjoyable to see portfolio values go back and forth through fluctuating cycles, it is a normal part of how markets move in the short term and an aspect of achieving the best long-term results. Accordingly, we continue to believe that maintaining a properly diversified portfolio with quality holdings and professional management will provide us with the highest likelihood of managing fluctuations and achieving your financial objectives. We have been pleased once again to see that most of our managers within the Legacy portfolios have continued to outperform their representative indexes, helping to minimize downside risk while still remaining fully invested throughout the year.<sup>1</sup>

<sup>1</sup> Data obtained from Investnet as of December 31<sup>st</sup>, 2022

For the year the S&P 500 was off -18.11%, Small Caps lost -20.44%, and both Developed and Developing Intl. markets were off -14.01% and -19.74% respectively.<sup>2</sup> With the Fed's aggressive stance on increasing interest rates, the bond market was off significantly as well, with the Bloomberg Aggregate Bond Index down -13.01% for the year.<sup>3</sup> Moderately allocated 60/40 portfolios provided one of the worst years on record, going all the way back to the Depression.<sup>4</sup>

## THE ECONOMY

While the Federal Reserve's intent to stave off inflation by increasing interest rates is helping a bit, it's also showing signs of slowing down economic growth as well. The chart below on Leading Economic Indicators reveal a high probability of an upcoming recessionary period.



We are starting to see mild increases in unemployment and slowdowns in both the service and manufacturing sectors.<sup>5</sup> We believe this will likely impact corporate profits, providing another quarter or two of flat to negative GDP as we look forward. When compared to longer term data on the leading indicators, it does appear that the economy is still strong enough to withstand a mild pullback and we are hoping to see this resiliency and stronger economic data as the year progresses. As indicated in our last update, a recessionary period does not necessarily indicate that the markets will pull down further than they already have, realizing the market returns have actually averaged positive results over the last 13 recessions going back to 1945.<sup>6</sup>

## NEW WEBSITE

After working on our new site for almost a year, we are pleased to announce its final completion, and look forward to having you visit. We are hoping you will find it to be not only useful for accessing your log in for current and historical account information, but also as a resource for other information you may not typically find on a Wealth Management Website. Based on questions we have received from clients regarding charitable giving, recommended books, devotionals, and even discipleship and evangelism, we developed some resources we hope you will find helpful and edifying on your journey.

You can get directly to our website using the QR Code on the bottom of our letterhead, or by going to [www.legacywealthwisdom.com](http://www.legacywealthwisdom.com). We value your input tremendously, so please let us know any thoughts you have regarding the site, or other info you feel may improve your experience in working with our firm.

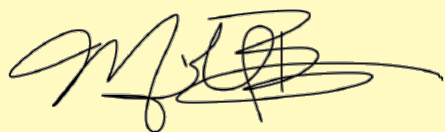
<sup>2,3,5</sup> Data obtained from YCharts as December 31<sup>st</sup>, 2022

<sup>4</sup> 60/40 Portfolio: S&P 500/US 10-Year Treasury (Total Returns, 1928-2022) by Charlie Bilello


<sup>6</sup> Data obtained from Hartford Funds 'Ten Things You Should Know About Recessions'

Please take some time to review the enclosed information in your year-end update, and should you have any questions or concerns, of course feel free to call. If we have not heard from you, we will keep in touch and look forward to connecting with you again very soon. As always, we consider it an honor and privilege to be helping you with your planning and we look forward to doing so for many years to come.

Sincerely,

A stylized, cursive handwritten signature in black ink, likely belonging to Michael Brocker.

Michael Brocker  
MSFS, CLU, ChFC, AEP®, AIF®  
Chartered Financial Consultant  
Masters of Science in Financial Services

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Matthew Brocker  
MSFS, AEP®, RICP®, CAP®, AIF®  
Masters of Science in Financial Services

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Josh Brocker  
CFP®, AIF®

## Economic Data Trends

Data Point	15-year Average	1 year ago	6 mo. ago	Current	Recent Trending Status
Unemployment Rate	6.3%	4.2%	3.6%	3.7%	Improving
Jobs Added last 3 months (thousands)	258	1748	1152	816	Slowing
Participation Rate	63.4%	61.9%	62.3%	62.1%	Improving
Job Openings (mils)	5.451	11.094	11.681	10.334	Slowing
Consumer Sentiment Level	80.2	70.6	50.0	59.7	Declining
Retail Sales last 3 months (bils)	1,213.84	1,683.65	1,769.60	1,799.26	Improving
Home Prices (Case-Shiller Reading)	184.96	273.40	301.18	298.68	Improving
Existing Home Sales Annualized (mils)	5.02	6.33	5.41	4.09	Declining
Housing Starts Annualized (mils)	1.061	1.706	1.562	1.427	Declining
US Corporate Profits After Tax (last 12 months) (bils)	7,230	10,530	11,246	11,528	Improving
Real GDP Growth Yr./Yr.	1.9%	2.7%	-1.6%	3.2%	Improving
Manufacturing (ISM PMI)	53.5	61.1	56.1	49.0	Slowing
Services (ISM PMI)	55.1	69.1	55.9	56.5	Slowing

Data obtained from YCharts as of December 31, 2022

## Market Performance

Morningstar Target Risk Indices	4 <sup>th</sup> Quarter	2022	3 Year Avg. Return	5 Year Avg. Return
Conservative	4.27	-13.15	-0.85	1.38
Moderately Conservative	5.76	-13.85	0.83	2.79
Moderate	7.76	-14.77	1.95	3.73
Moderately Aggressive	9.51	-15.48	3.04	4.64
Aggressive	10.85	-15.93	3.75	5.25
Index	4 <sup>th</sup> Quarter	2022	3 Year Avg. Return	5 Year Avg. Return
S&P 500 (US Large Cap)	7.56	-18.11	7.66	9.42
Russell 2000 (US Small Cap)	6.23	-20.44	3.10	4.13
MSCI EAFE (International)	17.40	-14.01	1.34	2.03
MSCI Emerging Markets Index	9.79	-19.74	-2.34	-1.03
Barclays US Aggregate Bond Index	1.87	-13.01	-2.71	0.02
Barclays US Treasury Bills 1-3 Month	0.89	1.52	0.70	1.22
Bloomberg Barclays US Corp. High Yield Index	4.17	-11.19	0.05	2.31
Bloomberg Commodity Index	2.22	16.09	12.65	6.44
Dow Jones US Real Estate Index	4.44	-25.17	-0.50	4.04

Data obtained from YCharts and Morningstar as of December 31, 2022

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