



SilverOak

WEALTH MANAGEMENT LLC

Quarterly Webinar
January 20, 2023



Introduction

- Shannon King, CPA, CFP[®], PFS, CIMA[®], CPWA[®], MBT
President, Partner and Chief Compliance Officer
- Jonathan Scharlau, CFA, CFP[®], AEP[®], CAIA
Partner and Lead Analyst



Agenda

- Economy and SilverOak Dashboard
- Market performance
- SilverOak's outlook
- “New Year” planning tips and SilverOak updates
- Review of the Secure 2.0 Act
- Questions



Economy and SilverOak Dashboard



SilverOak Dashboard

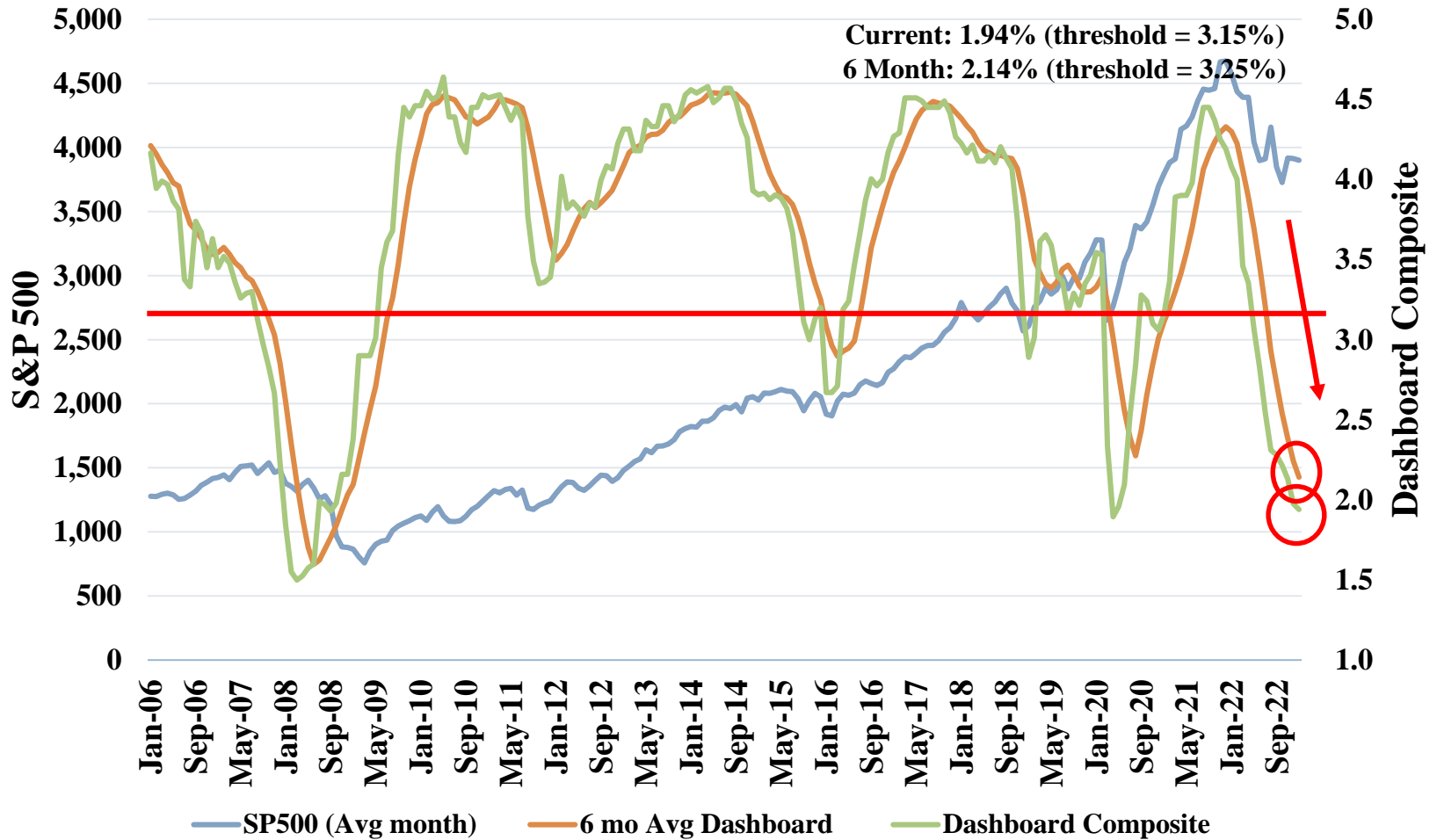
Projected



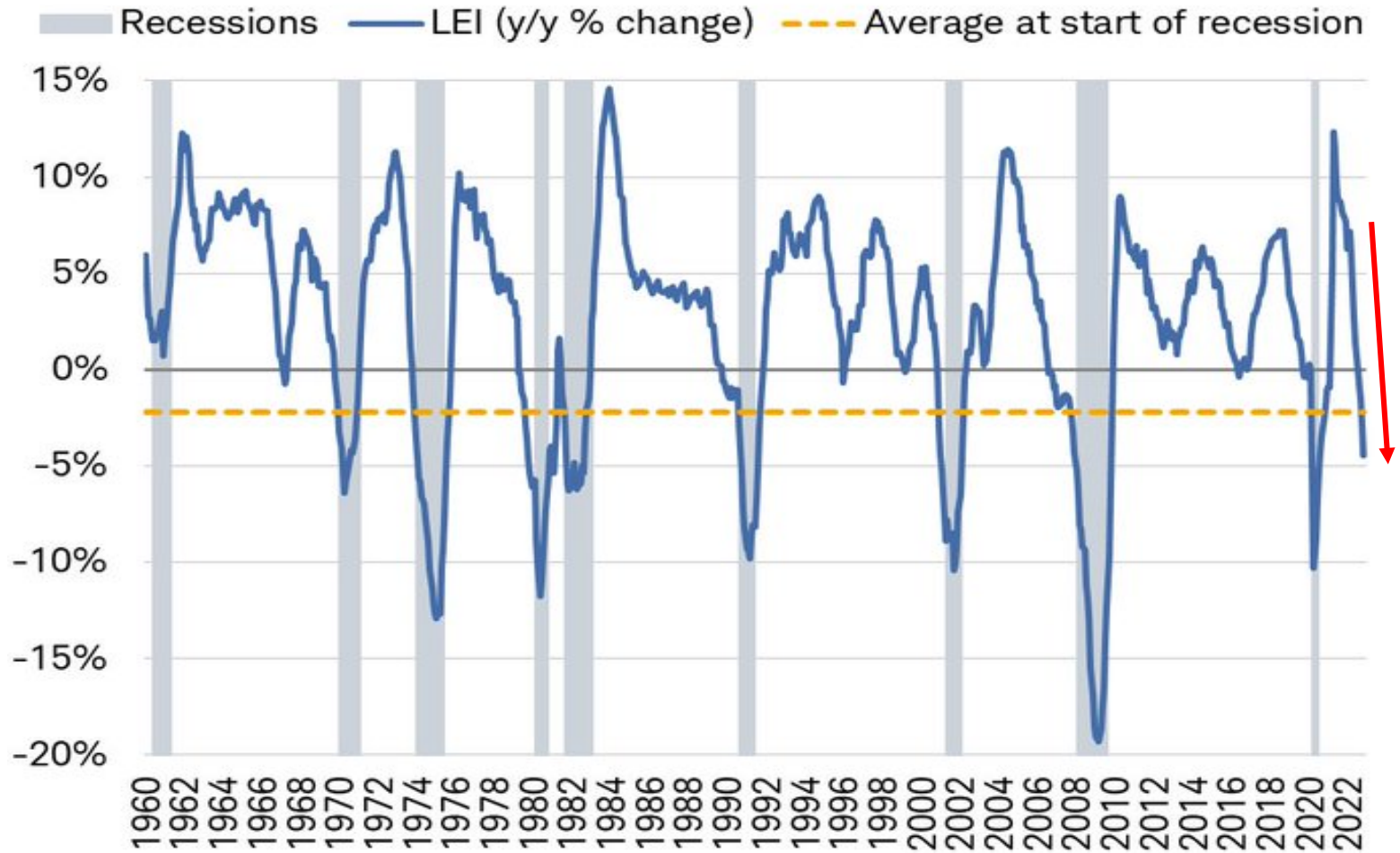
	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023
Economy			Red	Red	Red	Grey	Green	Green	Green	Green	Green	Green	Red	Red	Red	Red
Credit Markets			Red	Red	Grey	Grey	Green	Green	Green	Green	Green	Green	Green	Grey	Grey	Grey
Valuations			Grey	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Grey	Grey
Market Sentiment	Green	Green	Grey	Red	Green	Green	Green	Green	Green	Green	Green	Green	Green	Red	Red	Green
Composite 6mo. Avg.			Red	Red	Red	Red	Grey	Grey	Green	Green	Green	Grey	Red	Red	Red	Red



SilverOak Dashboard



Economy (Leading Economic Indicators)

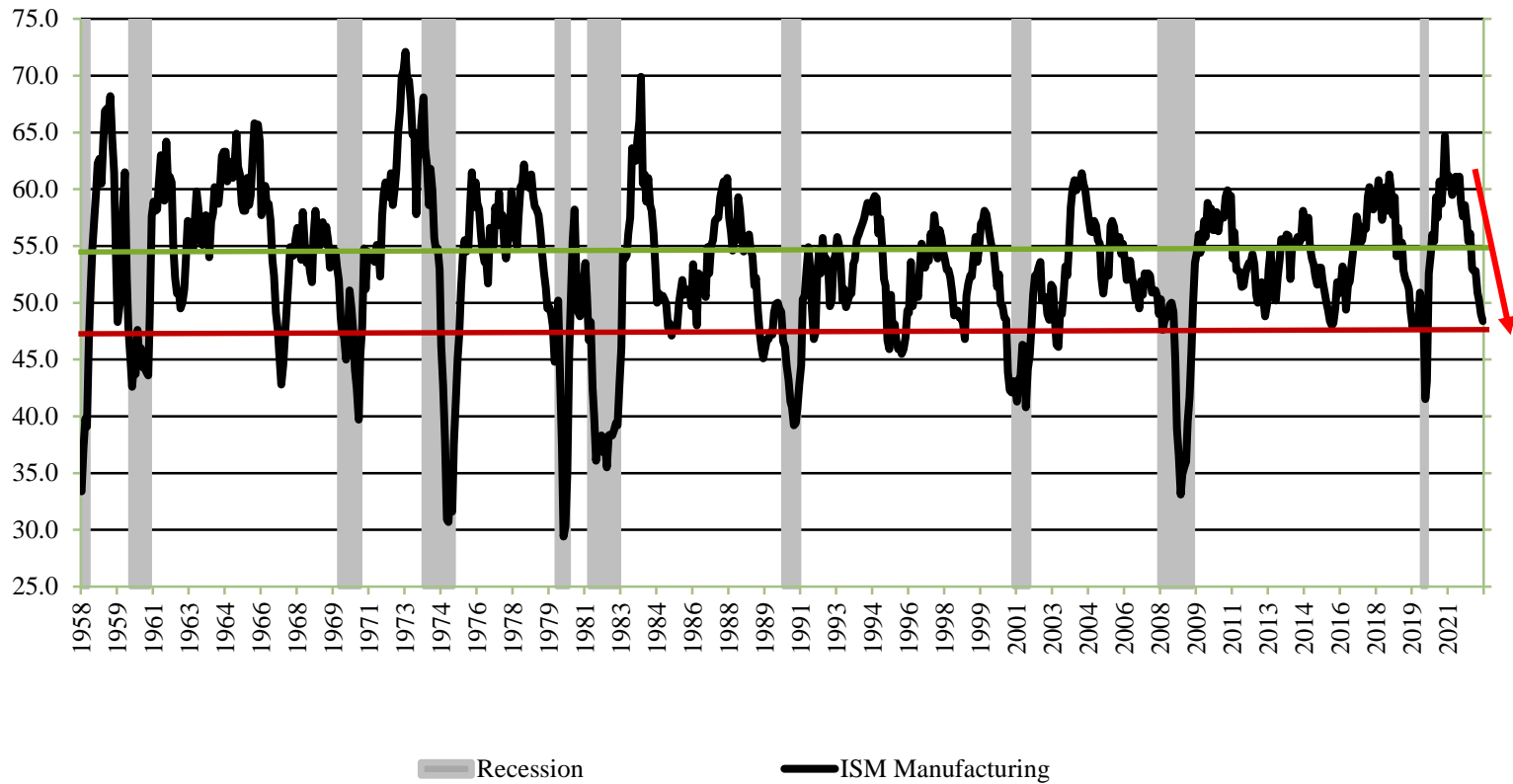


Source: Charles Schwab, Bloomberg, The Conference Board, as of 11/30/2022.



Economy (ISM Manufacturing Index)

ISM Manufacturing Index

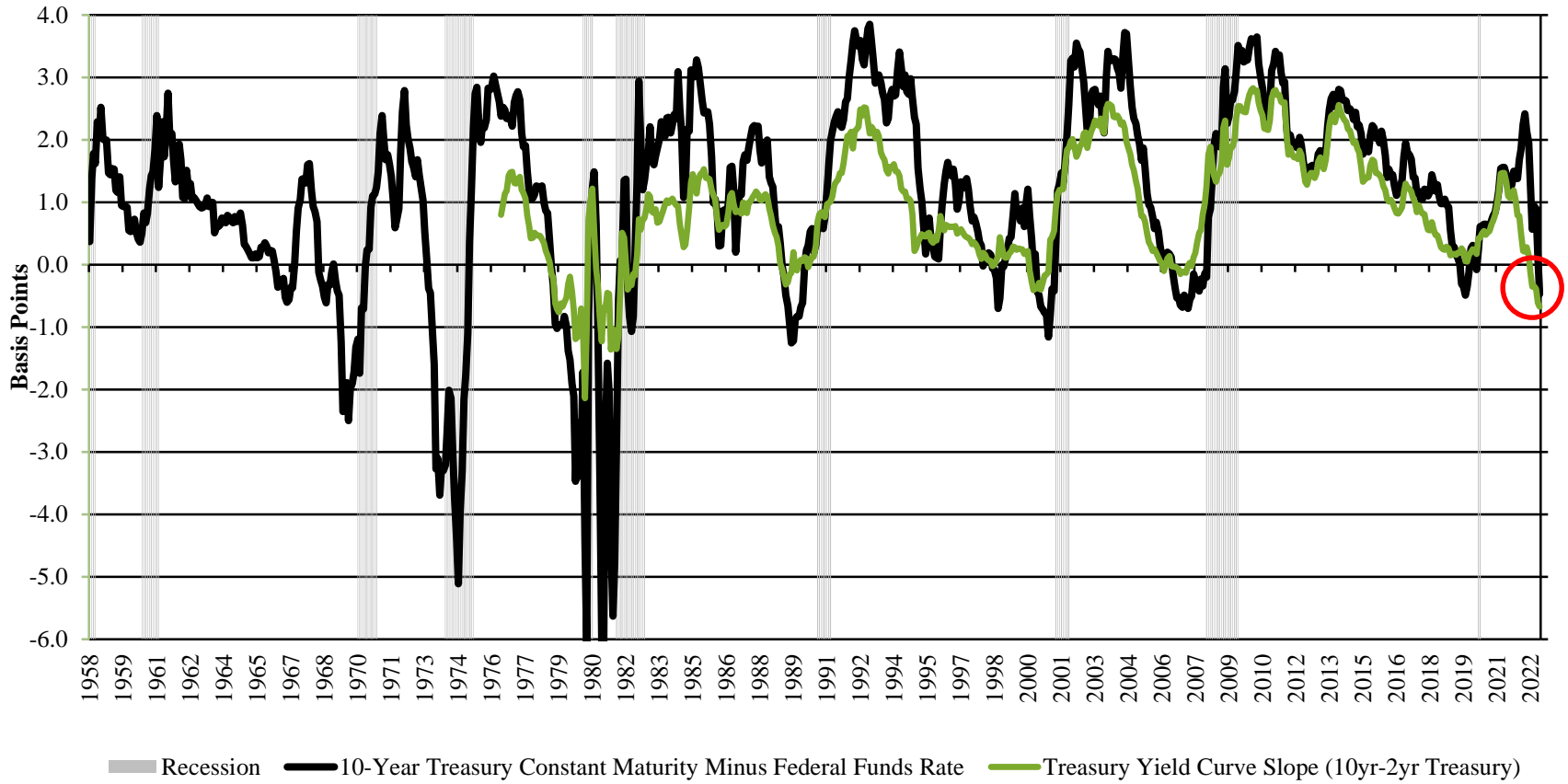


Source: Institute for Supply Management. Data as of 1/5/2023



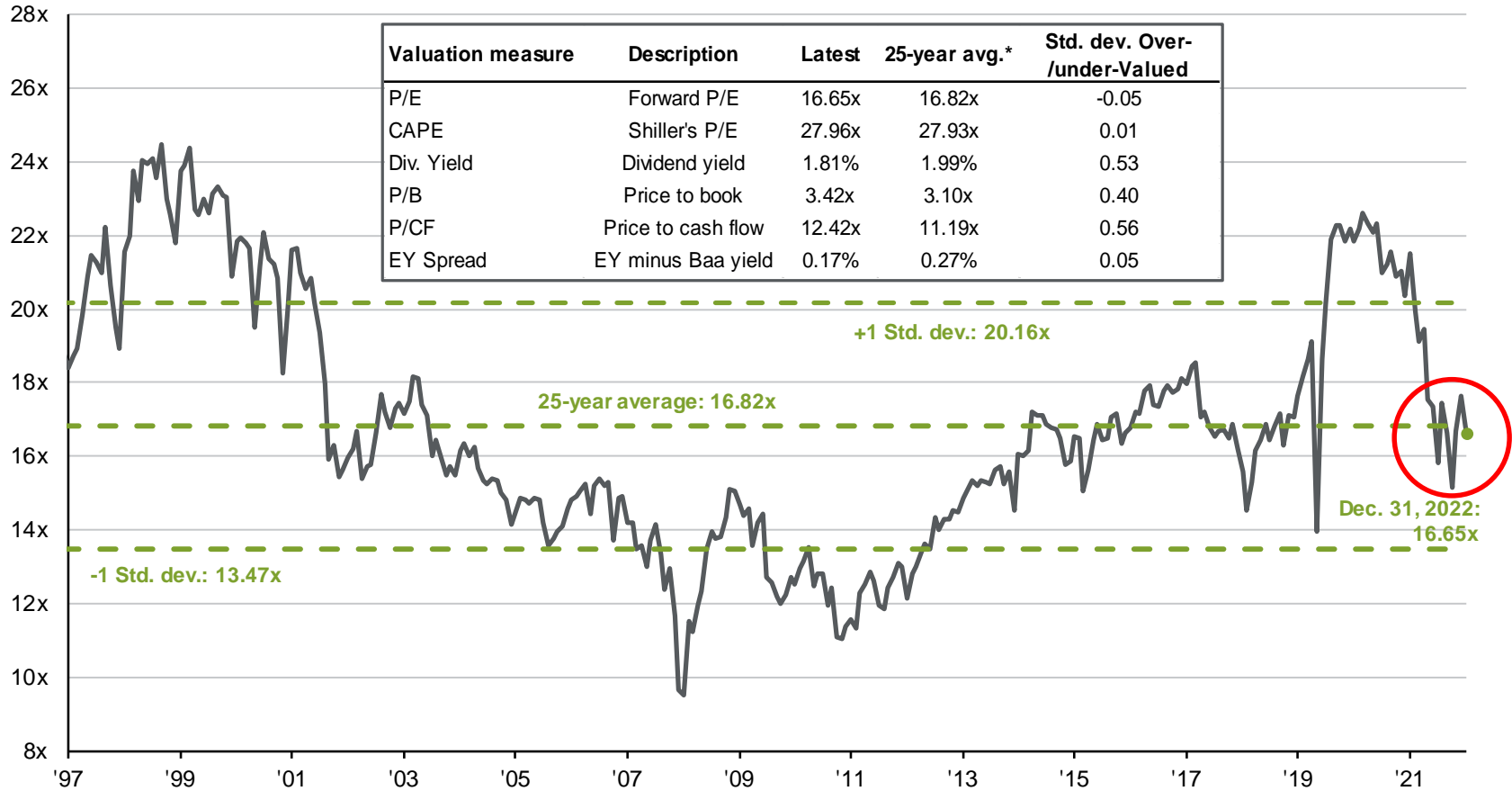
Credit Markets (Yield Curve)

Treasury Yield Curve Spread



Valuations (S&P 500 Forward PE Ratio)

S&P 500 Index: Forward P/E ratio

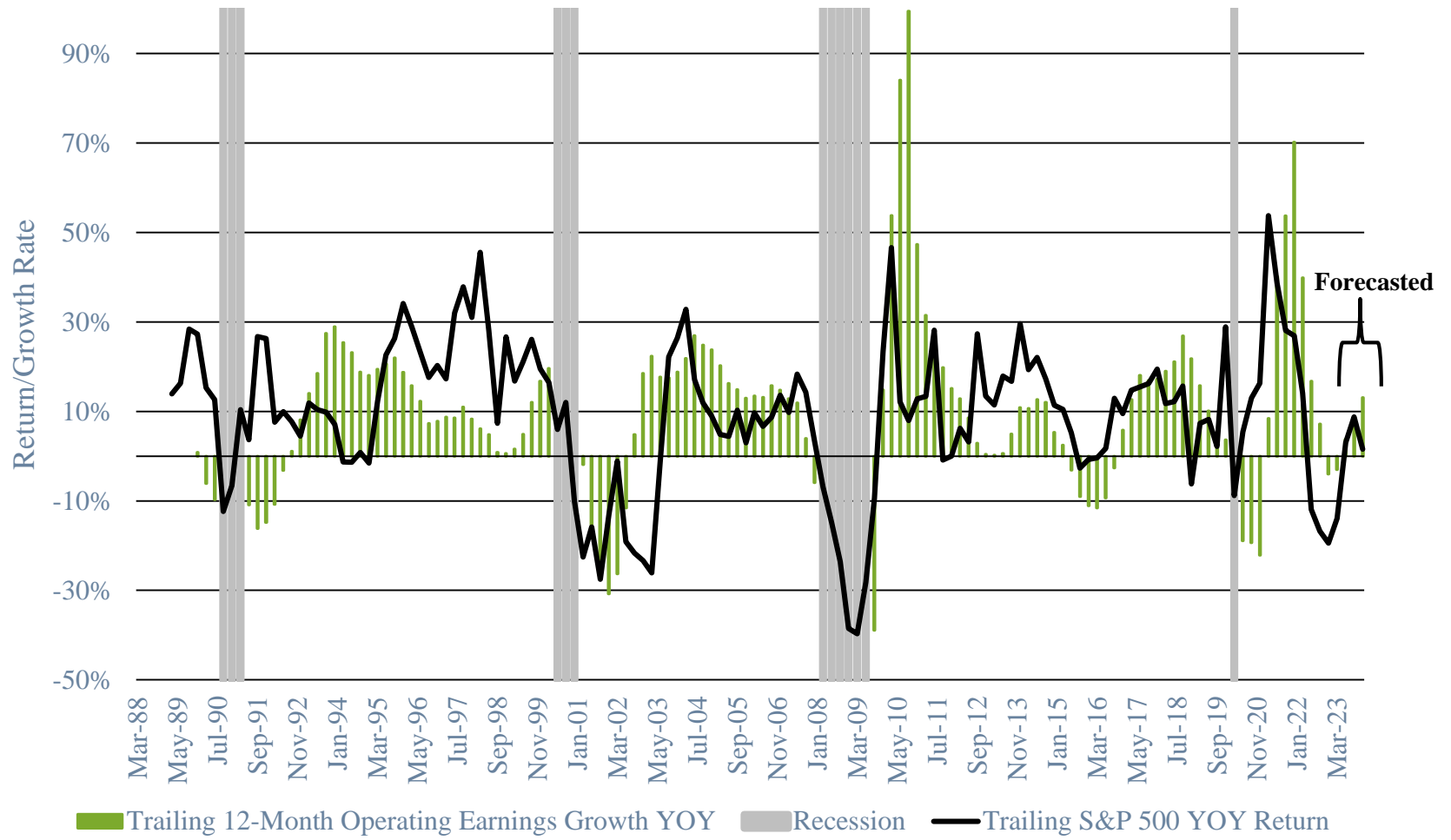


Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.

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 are as of December 31, 2022.



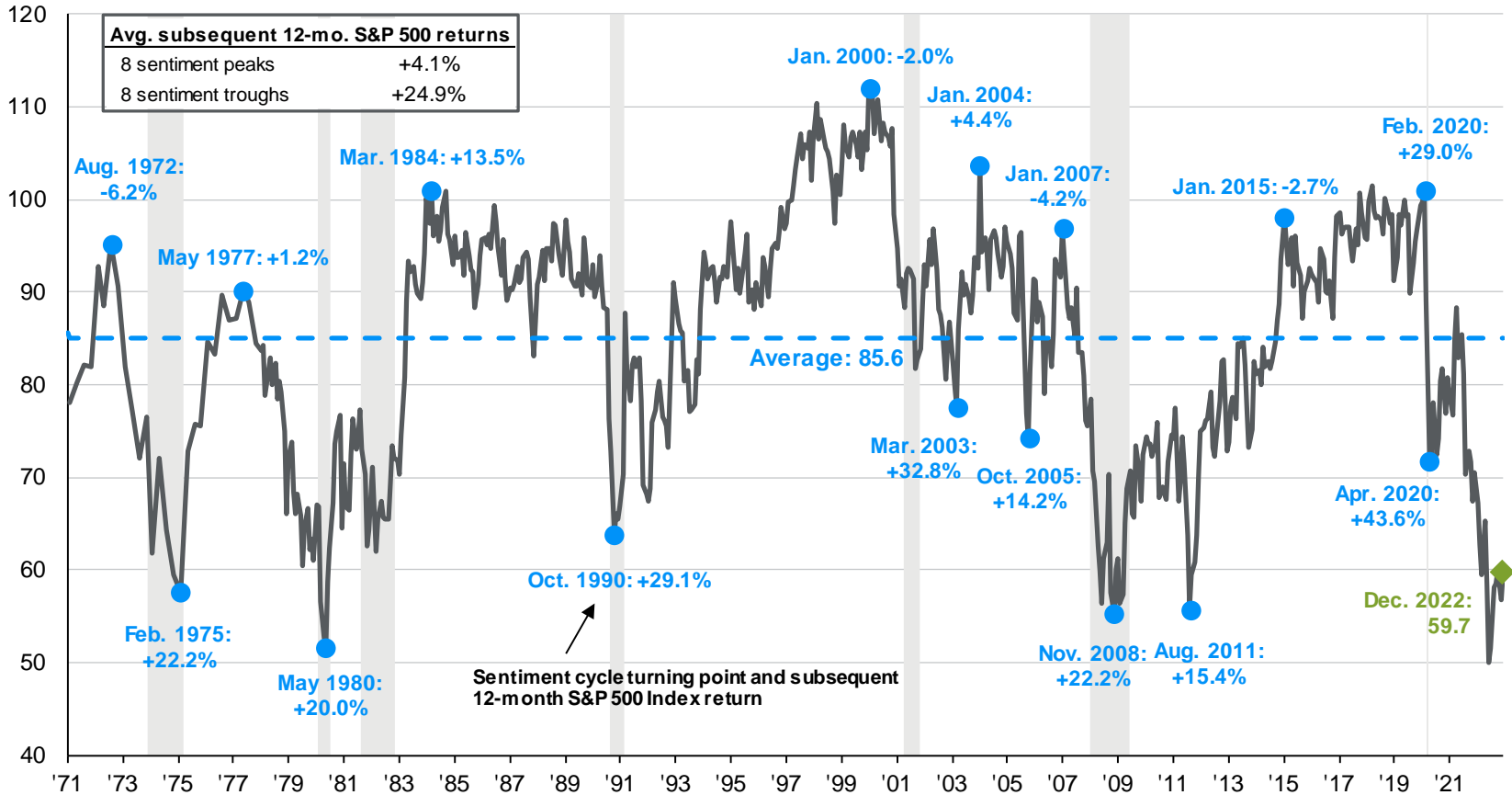
Valuations (Corporate Earnings)



Source: S&P, as of 1/9/22

Sentiment (Consumer Sentiment)

Consumer Sentiment Index and subsequent 12-month S&P 500 returns



Source: FactSet, Standard & Poor's, University of Michigan, J.P. Morgan Asset Management.

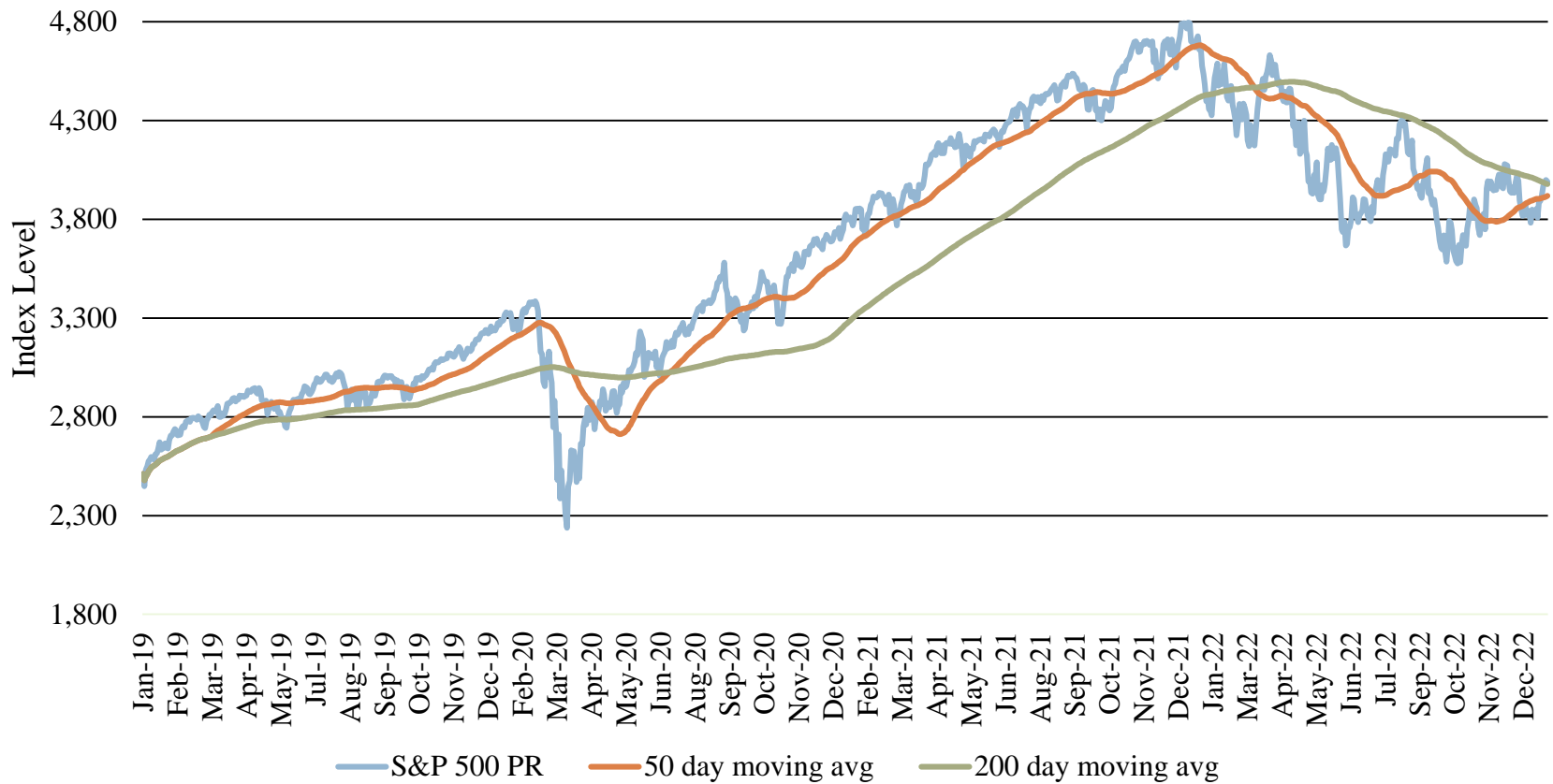
Peak is defined as the highest index value before a series of lower lows, while a trough is defined as the lowest index value before a series of higher highs. Subsequent 12-month S&P 500 returns are price returns only, which excludes dividends. Past performance is not a reliable indicator of current and future results.

Guide to the Markets – U.S. Data are as of December 31, 2022.



Sentiment (Market Trend)

S&P 500



Source: S&P, as of 1/17/22

*Market Performance:
Tough Year Ended on a
High Note in 4th Quarter*



Market Summary

■ Equity market performance

	<u>Q4 2022</u>	<u>2022</u>	<u>2019-2021 Total Return</u>
– US large cap			
• S&P 500	+7.6%	-18.1%	+100.4%
– US mid cap			
• Russell Midcap	+9.2%	-17.3%	+87.4%
– US small cap			
• Russell 2000	+6.2%	-20.4%	+72.9%
– International equities			
• MSCI ACWI ex US	+14.3%	-16.0%	+45.0%
– Emerging markets			
• MSCI Emerging Markets	+9.7%	-20.1%	+36.6%

Source: Morningstar



Market Summary

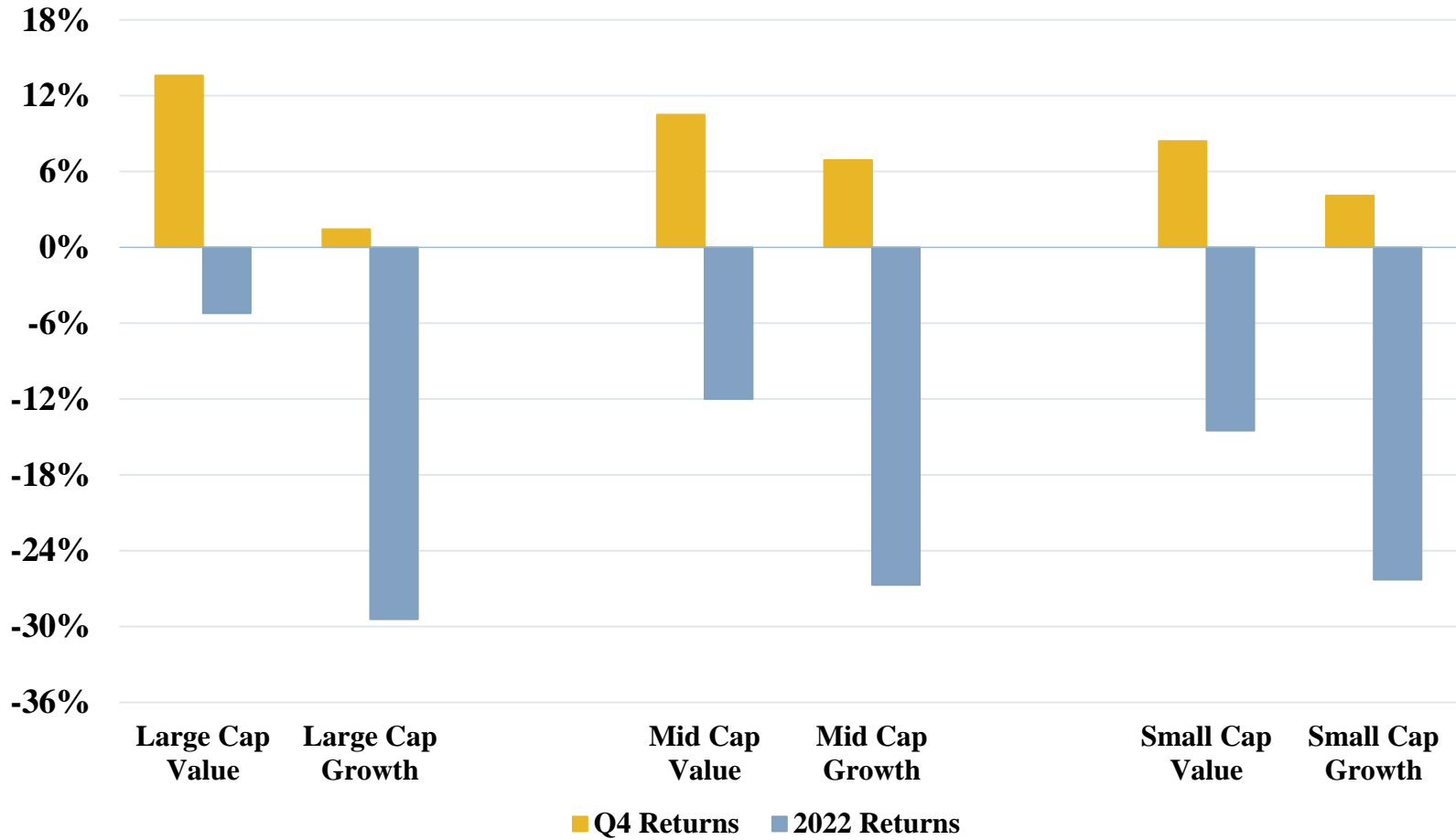
■ Bonds and other asset class performance

	<u>Q4 2022</u>	<u>2022</u>	<u>2019-2021 Total Return</u>
– US fixed income			
• Bloomberg U.S. Aggregate	+1.9%	-13.0%	+15.1%
– Global fixed income			
• Bloomberg Barclay's Global ex US	+6.8%	-17.4%	+7.6%
– Commodities			
• Bloomberg Commodity TR	+2.2%	+16.1%	+32.6%
– REITS			
• MSCI US REIT NR	+4.9%	-25.4%	+60.9%

Source: Morningstar



Value versus Growth

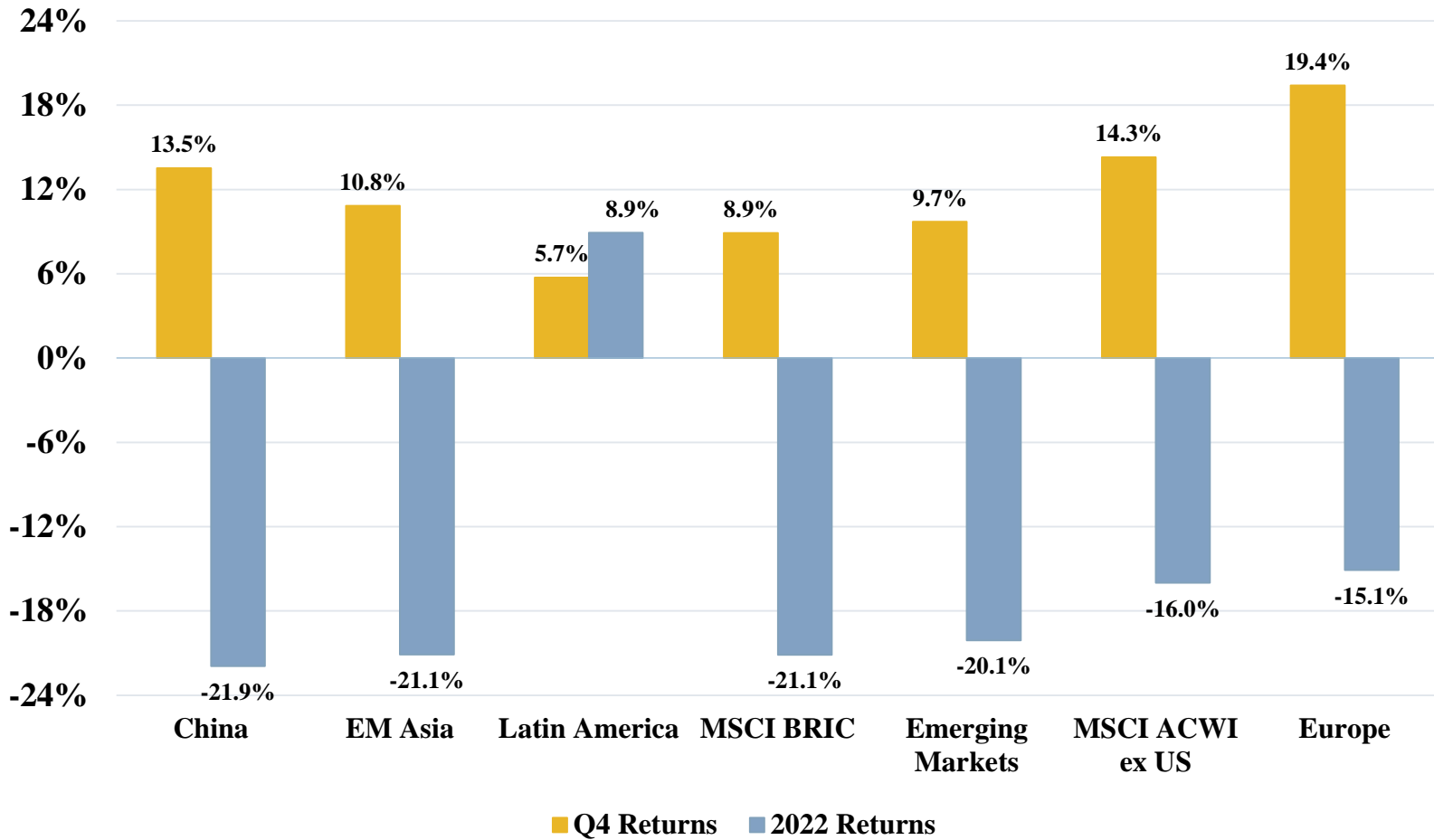


Past performance is no guarantee of future success. As of 12/31/2022

Returns in US dollars.



Strong International Rebound in Q4



Past performance is no guarantee of future success. As of 12/31/2022

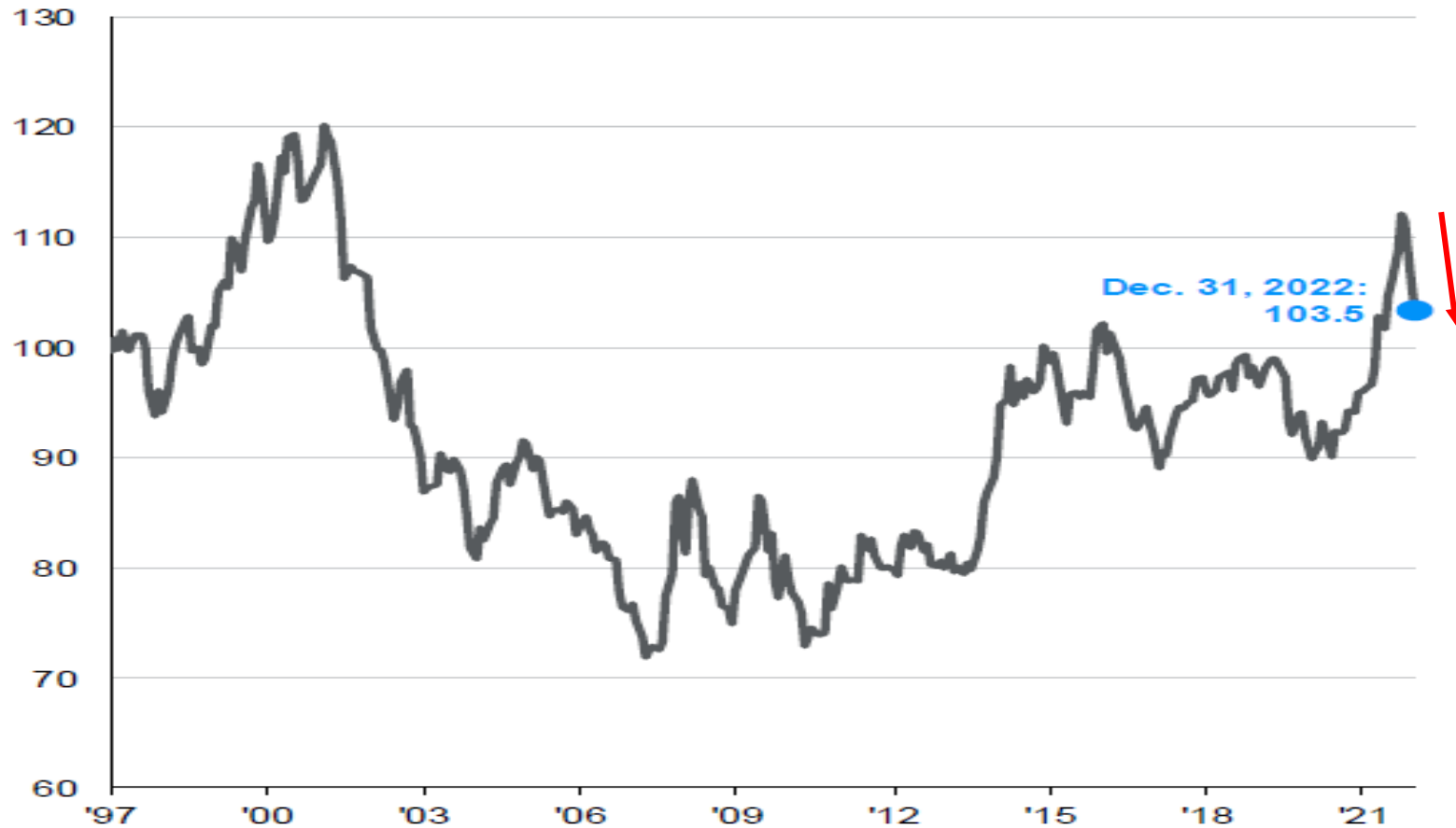
Returns in US dollars.



US Dollar Update

The U.S. dollar

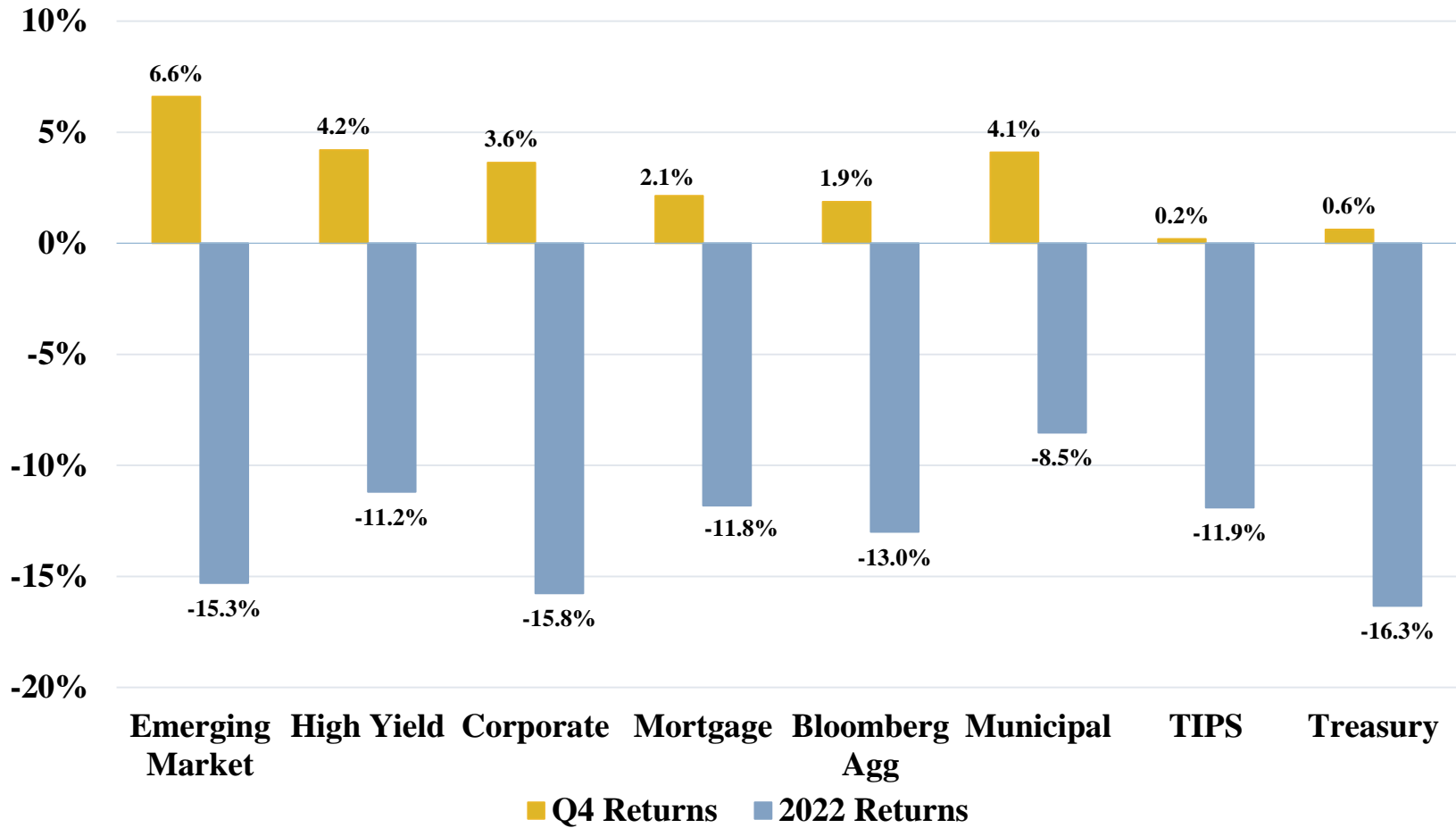
U.S. Dollar Index



Source: Factset, ICE, JP Morgan Asset Management. Data as of 12/31/2022



Rebound in Bonds in Q4 As Yields Fell



Past performance is no guarantee of future success. As of 12/31/2022

Source: Morningstar. Returns in US dollars.

SilverOak's Outlook



SilverOak's Economic Outlook

■ U.S. Economy

- Inflation will likely continue to moderate but remain elevated during 2023
- Fed rate hike cycle closer to the end than the beginning
 - Likely will still hike rates in February and March meeting
- Increasing probability of a mild recession
 - Consumer spending trends weakening
 - Earnings growth and job growth trends likely to weaken

■ International Economy

- Elevated inflation continues to be key risk as growth slows
- Global fiscal and monetary policy likely to continue to be a headwind during 2023
- The lifting of Covid restrictions in China will likely help global growth during the second half of the year

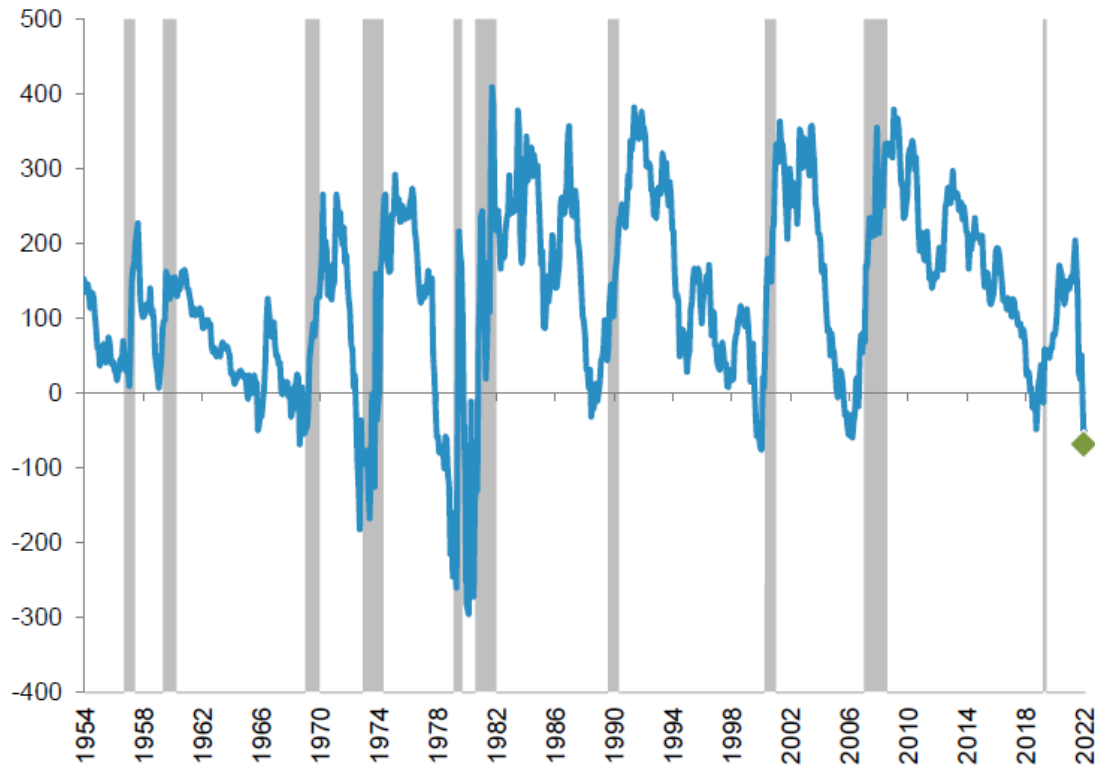


Yield Curve Signaling a Recession

Treasury Yield-Curve Spread

— 10-Year minus 3-Month

Basis Points



Yield-Curve Inversions since 1950 (10-year minus 3-month)

Occurred before the last 8 recessions

Occurred twice without a recession
(1966, 1998)

Peak inversion ranged from
35 to 373 basis points

Recessions started 4 to 21 months
after, averaging ~1 year

-53 bps
as of 12/31/22

Source: US Federal Reserve, Bloomberg, Fidelity Investments. Data as of 12/31/2022



SilverOak's Market Outlook

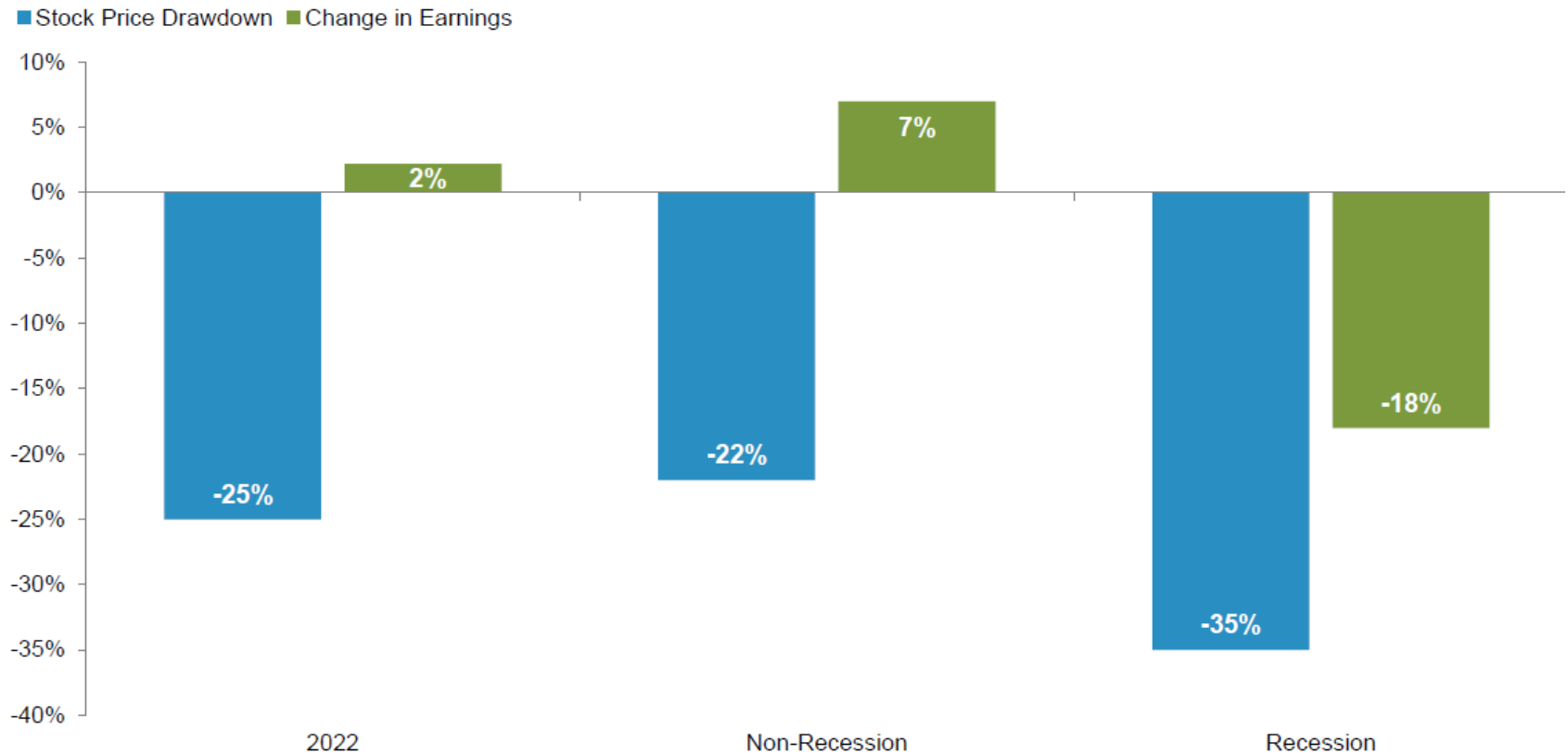
■ Equities

- Volatility likely to continue, especially around key announcements such as Fed meetings and earnings announcements
- Earnings growth could be a swing factor as margins likely to be challenged by slowing growth and persistent inflation
- Valuations more reasonable
- Opportunities likely more widespread
- Markets are forward looking



How Much Bad News Has Been Priced In?

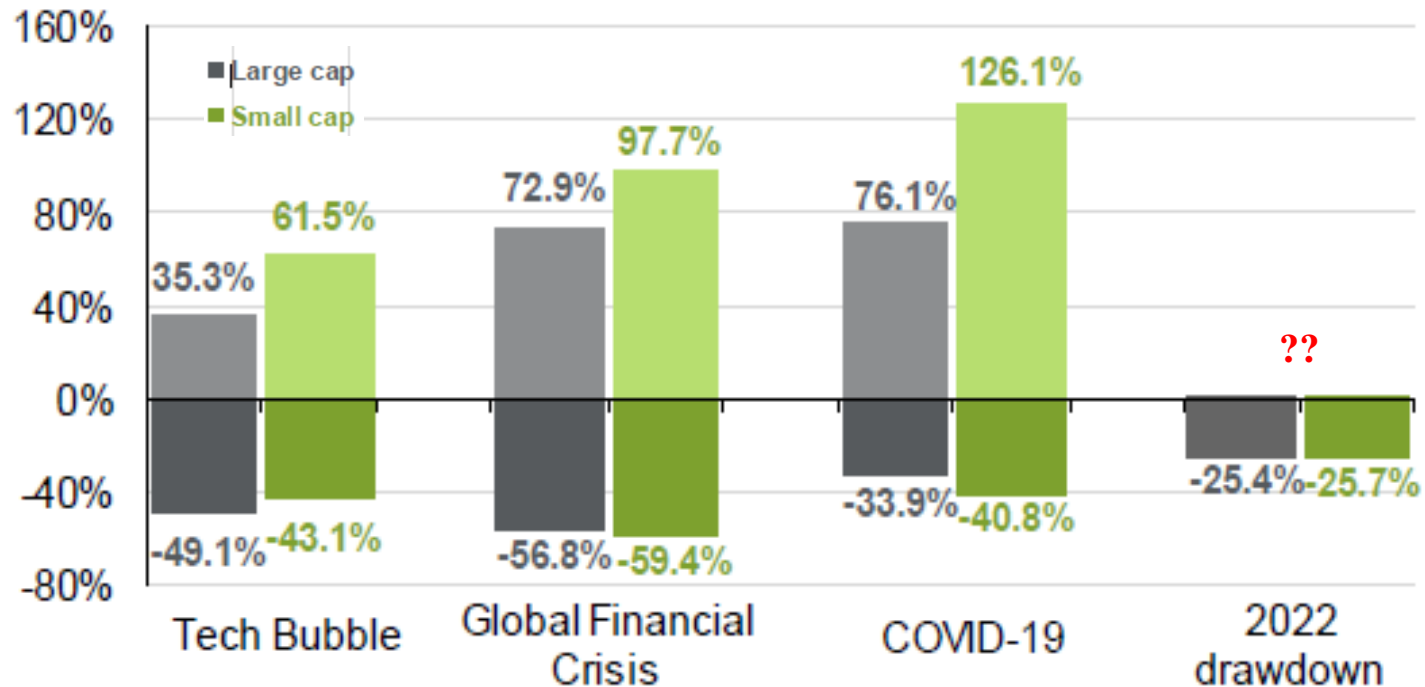
Median Stock-Price Drawdowns and Earnings Changes during Bear Markets (1872–2022)



Strong Rebounds Tend to Follow Drawdowns

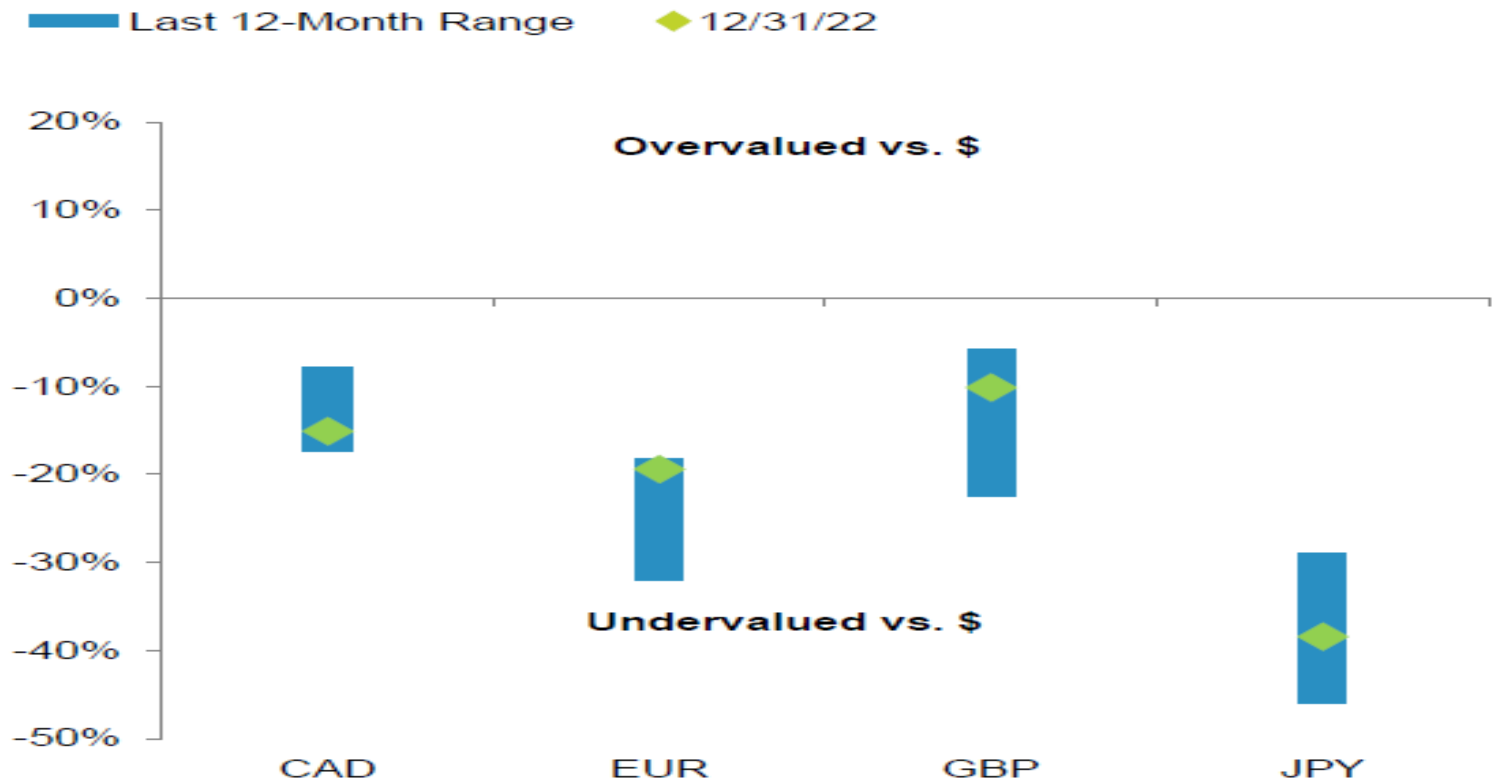
Historical markets drawdown and next 12-month rebound

Price return



The US Dollar Is Overvalued

FX Valuation: Purchasing Power Parity (PPP)



Source: Haver Analytics and Fidelity Investments. Data as of 12/31/2022

Broadening Performance Helps International

Old economy companies play a larger role in markets outside the U.S.

Regional sector exposure within the MSCI All Country World Index (%)



SilverOak's Market Outlook

■ Bonds

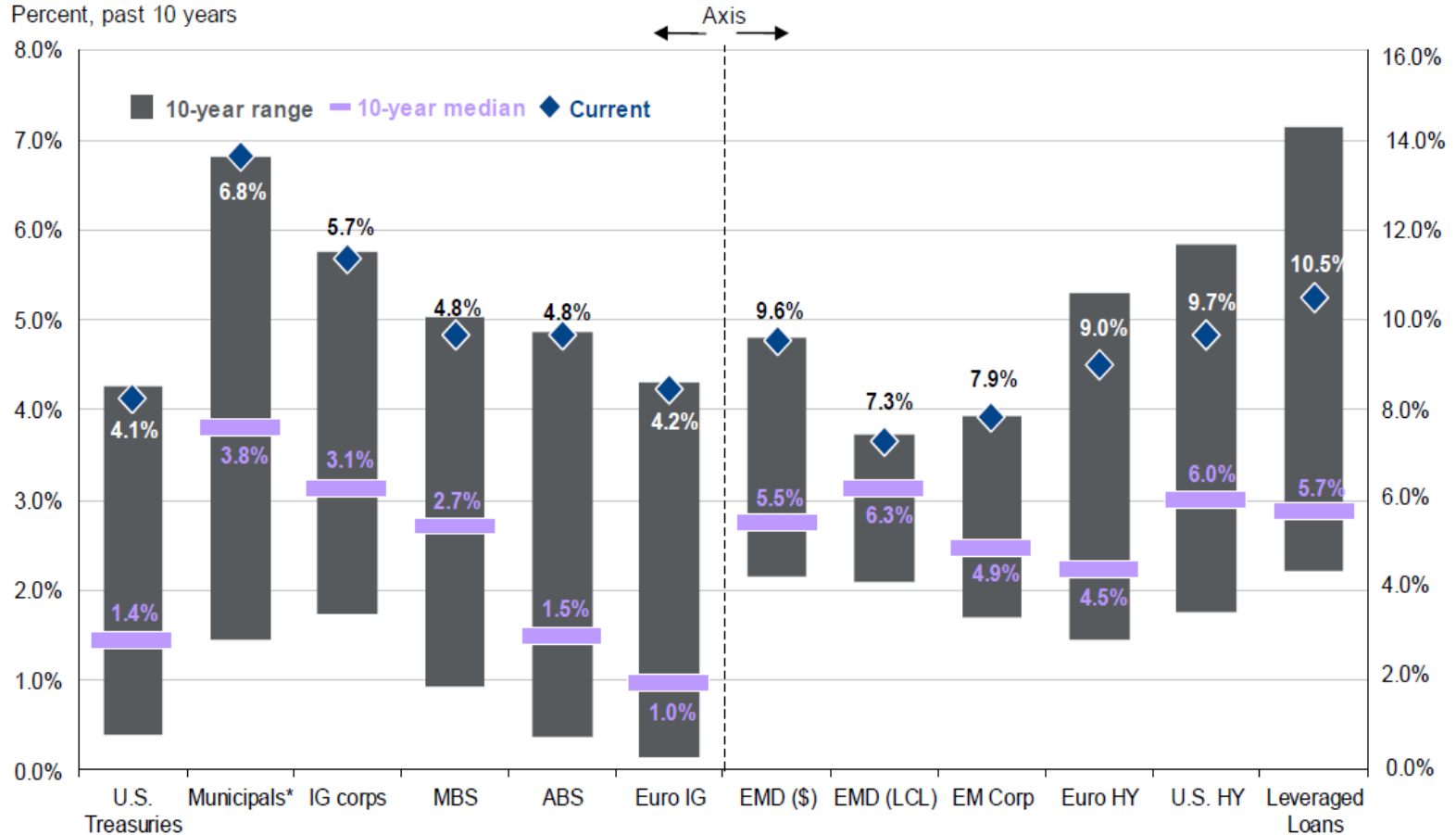
- Yields have become much more attractive
- Bond valuations provide favorable risk-reward and future returns are expected to improve
- Biggest risk is that the Fed may not ease policy as quickly as reflected in fixed-income markets
- If recession occurs, be cognizant of credit risk



Comparison of Bond Yields

Yield-to-worst across fixed income sectors

Percent, past 10 years



Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management. Indices used are Bloomberg except for emerging market debt and leveraged loans: EMD (\$): J.P. Morgan EMIGLOBAL Diversified Index; EMD (LCL): J.P. Morgan GBI-EM Global Diversified Index; EM Corp.: J.P. Morgan CEMBI Broad Diversified; Leveraged loans: JPM Leveraged Loan Index; Euro IG: Bloomberg Euro Aggregate Corporate Index; Euro HY: Bloomberg Pan-European High Yield Index. Yield-to-worst is the lowest possible yield that can be received on a bond apart from the company defaulting. All sectors shown are yield-to-worst except for Municipals, which 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%.



SilverOak's Market Outlook

■ Portfolios

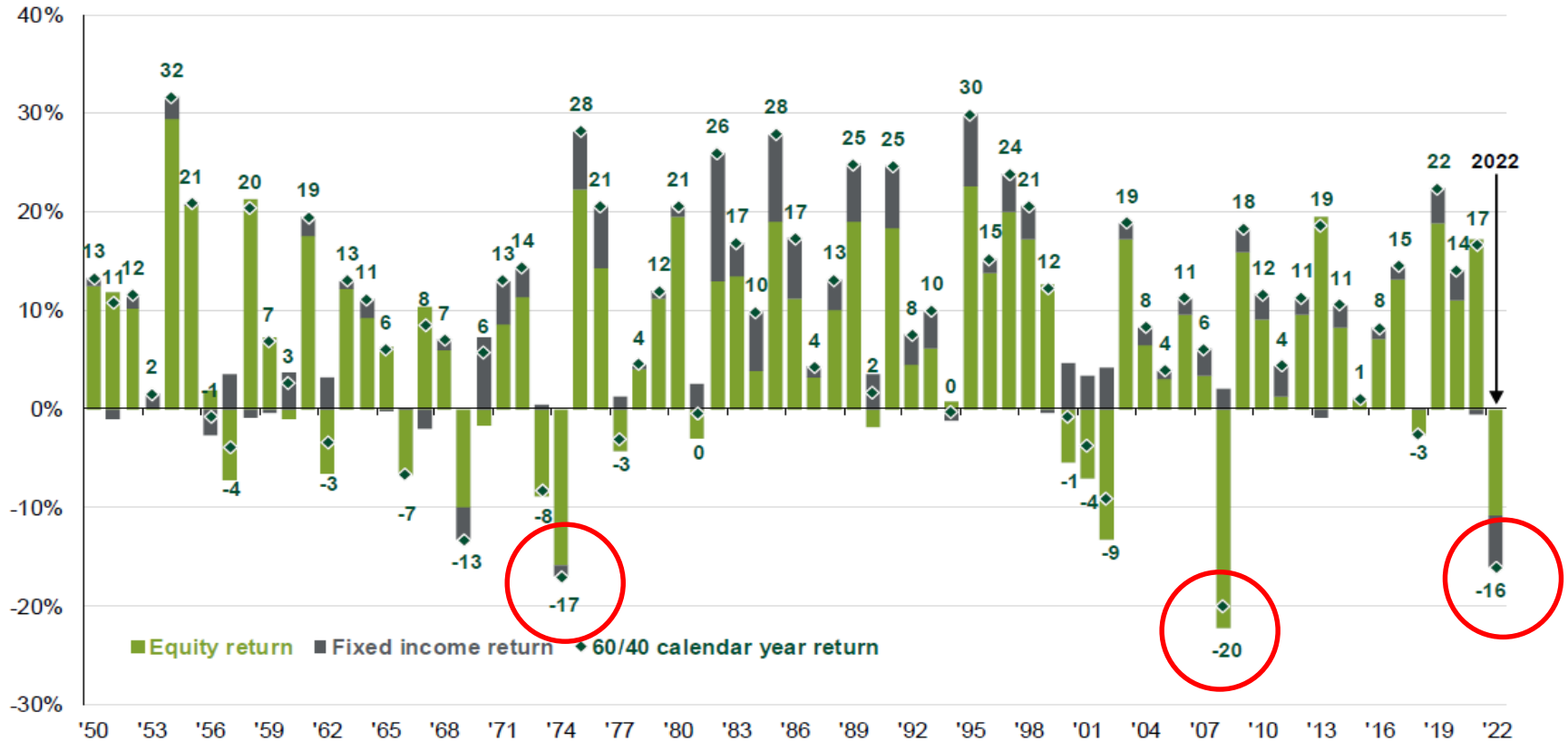
- 60/40 portfolio returns in 2022 were the third worst since 1952
- Cash is not a long-term solution for continued volatility
- Recovery in bond returns and equity returns at some point during 2023
- Diversification continues to be important



Return History of Diversified Portfolios

60/40 annual return decomposition

Total returns, 1950 – present



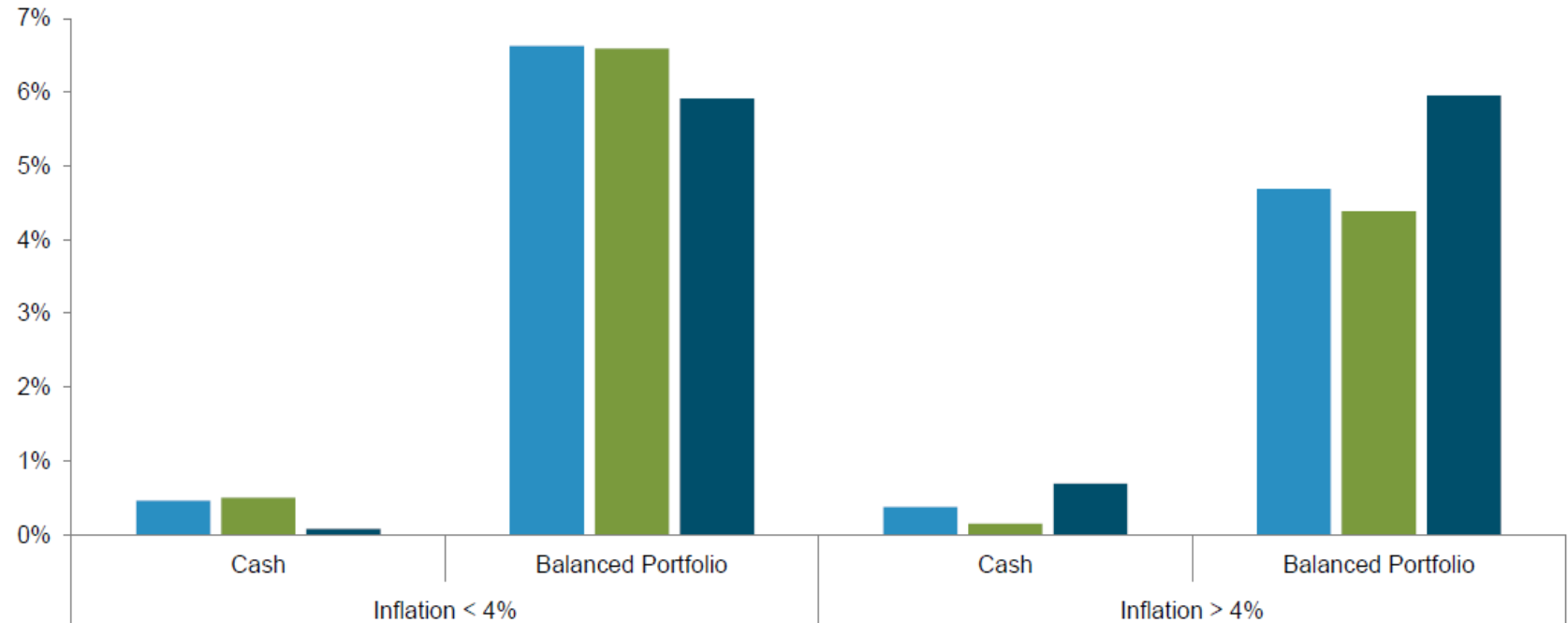
Source: FactSet, Standard & Poor's, Robert Shiller, Yale University, Bloomberg, Ibbotson/Strategas, J.P. Morgan Asset Management. The 60/40 portfolio is 60% invested in S&P 500 Total Return Index and 40% invested in Bloomberg U.S. Aggregate Total Return Index. S&P 500 returns from 1950 – 1970 are estimated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

Cash is Not the Answer

Real Returns to Diversified Portfolio vs. Cash Starting in Different Inflation Periods (1926–2022)

Returns in the Subsequent Holding Periods: ■ 3-Years ■ 5-Years ■ 10-Years

Annualized Real Return



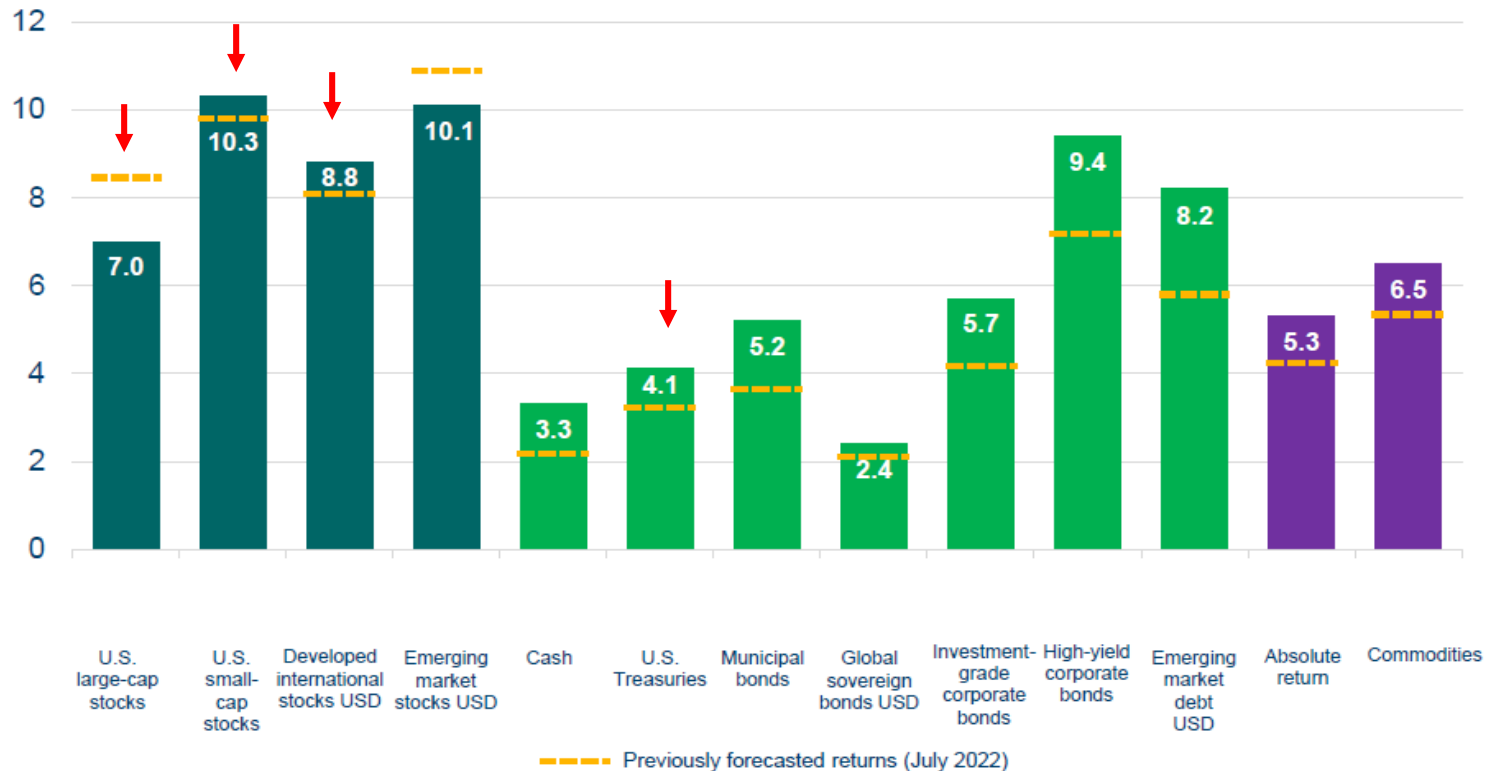
Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against a loss. It is not possible to invest directly in an index. Balanced Portfolio: 42% Domestic Equity—Dow Jones U.S. Total Stock Market Index; 18% Foreign Equity—MSCI ACWI ex USA Index; 35% Investment-Grade (IG) Bonds—Bloomberg U.S. Aggregate Bond Index, 5% Cash—Bloomberg 1-3 Month T-Bills. Inflation: 12-Month rolling CPI-Urban Index. Returns are calculated starting in inflation period but include all subsequent periods for their holding horizon. Source: Bureau of Labor Statistics, Haver Analytics, and Fidelity Investments (AART). Asset class total returns are represented by indexes from the following sources: Fidelity Investments, Bloomberg, ICE BofA, and a Fidelity Investments proprietary analysis of historical asset class performance, which is not indicative of future performance, as of 4/30/22.



Expected Returns

► Five-year forecasted returns

(updated twice a year, latest data as of December 2022, annualized %)



Source: Columbia Threadneedle Investments. forecast as of 12/31/2022



Diversification Protects Against Performance Rotations

Periodic Table of Returns

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Legend
56%	32%	35%	35%	40%	5%	79%	28%	8%	20%	39%	28%	5%	21%	38%	0%	36%	38%	43%	16%	Commodities
47%	26%	21%	33%	16%	-20%	58%	27%	8%	19%	34%	14%	3%	18%	30%	-2%	31%	20%	29%	-8%	Value Stocks
39%	21%	14%	27%	12%	-26%	37%	19%	4%	18%	33%	13%	1%	18%	26%	-2%	26%	18%	27%	-11%	High-Yield Bonds
37%	18%	12%	22%	11%	-34%	32%	18%	4%	18%	32%	12%	1%	12%	22%	-3%	26%	18%	26%	-13%	Investment-Grade Bonds
31%	17%	7%	18%	7%	-36%	28%	17%	2%	16%	23%	11%	1%	12%	15%	-4%	26%	14%	25%	-14%	Foreign-Developed Country Stocks
31%	11%	5%	16%	6%	-36%	27%	16%	2%	16%	19%	6%	0%	11%	15%	-4%	22%	8%	17%	-16%	60% Large Cap 40% IG Bonds
29%	11%	5%	12%	5%	-37%	26%	15%	0%	16%	7%	5%	-4%	9%	13%	-9%	22%	8%	15%	-18%	Large Cap Stocks
28%	9%	5%	11%	2%	-38%	20%	15%	-4%	15%	3%	3%	-4%	8%	9%	-11%	18%	6%	11%	-20%	Emerging-Market Stocks
24%	8%	4%	9%	-1%	-38%	19%	12%	-12%	11%	-2%	-2%	-5%	7%	8%	-11%	14%	3%	5%	-20%	Small Cap Stocks
19%	7%	3%	4%	-2%	-43%	18%	8%	-13%	4%	-2%	-4%	-15%	3%	4%	-11%	9%	-3%	-2%	-24%	REITs
4%	4%	2%	2%	-16%	-53%	6%	7%	-18%	-1%	-10%	-17%	-25%	2%	1%	-14%	8%	-8%	-3%	-29%	Growth Stocks

Past performance is no guarantee of future results. Diversification/asset allocation does not ensure a profit or guarantee against a loss. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Asset classes represented by: Commodities—Bloomberg Commodity Index; Emerging-Market Stocks—MSCI Emerging Markets Index; Non-U.S. Developed-Country Stocks—MSCI EAFE Index; Growth Stocks—Russell 3000 Growth Index; High-Yield Bonds—ICE BofA U.S. High Yield Index; Investment-Grade Bonds—Bloomberg U.S. Aggregate Bond Index; Large Cap Stocks—S&P 500 index; Real Estate/REITs—FTSE NAREIT All Equity Total Return Index; Small Cap Stocks—Russell 2000 Index; Value Stocks—Russell 3000 Value Index. Source: Morningstar, Standard & Poor's, Haver Analytics, Fidelity Investments (AART), as of 12/31/22.



“New Year”

Planning Tips and

SilverOak Updates



“New Year” Planning Tips

- **Don’t adjust risk tolerance due to recent market performance**
- **Remember April 18th tax filing deadline**
 - Make sure you have your tax information compiled
 - Get this information to your tax preparer
- **Foreign bank account reporting**
 - Two reporting requirements
 - Form 8938 (due with income tax return)
 - FBAR (due with income tax return – no longer due 6/30)
- **Now is a great time to start tax planning for 2023**
 - Adjust withholding and/or estimated tax payments
 - Create a good filing system for the year
 - Keep receipts for charitable donations above \$250



“New Year” Planning Tips

- **Review 2022 spending**
- **Utilize HSAs for long-term investments**
 - \$3,850 annual limit for individuals, \$7,750 for family
 - \$1,000 “catch-up” contribution for age 55 and over
- **Confirm that you are maxing out your 401(k) contributions**
 - \$22,5000 annual contribution limit
 - \$7,000 “catch-up” contribution for age 50 and over
- **If you qualify, max out your IRA contribution**
 - \$6,500 annual contribution limit
 - \$1,000 “catch-up” contribution for age 50 and over

Review Social Security statement online

- <https://www.ssa.gov/myaccount/>



“New Year” Planning Tips

- **Review your estate documents**
- **Confirm beneficiary designations**
- **Rebalance other investment accounts**
- **Ensure you have proper insurance coverage**
 - Life, disability, auto, property and umbrella
- **If it’s been awhile, get a copy of your credit report**
 - www.annualcreditreport.com or 877-322-8228
- **Consider freezing your credit with all three credit bureaus**
 - https://www.freeze.equifax.com/Freeze/jsp/SFF_PersonalIDInfo.jsp
 - <https://www.experian.com/freeze/center.html>
 - <https://freeze.transunion.com/sf/securityFreeze/landingPage.jsp>
 - Retain your PINs!



SilverOak Updates

- 2022 tax season is starting
 - Tax organizers have been mailed
- IQSS[™] (Investment Quality Scoring System[™])
 - Performance update
- SilverOak personnel update
 - Looking to fill an executive assistant and administrative assist role
 - Two promotions have occurred in January



Secure 2.0 Act



Secure 2.0 Act – 2023 Provisions

- **The starting age for RMDs increases**
 - Age increases to 73 starting 1/1/2023
 - Age increases to 75 starting 1/1/ 2033
- **Employer matching contributions can be made as Roth contributions**
 - All employer matching contributions can be made on an after-tax basis into the plan's Roth account
 - Matching contributions must be fully vested



Secure 2.0 Act – 2023 Provisions

- **Qualified Charitable Distribution limit will be indexed for inflation**
 - QCD limit of \$100,000 will now be indexed for inflation
- **Simple and SEP Roth IRAs**
 - Plan participants can now make Roth contributions to both Simple and SEP plans
- **Penalties reduced on missed RMDs**
 - The excise penalty falls from 50% to 25%
 - If oversight is fixed quickly, penalty is reduced to 10%



Secure 2.0 Act – 2024 Provisions

- **Catch-up contributions will be indexed for inflation**
 - All catch-up contributions will be indexed
- **Permits certain rollovers from 529 accounts to Roth IRAs**
 - Beneficiaries of 529 plans that have been open for 15 years can roll balances into Roth IRAs tax and penalty free
 - Can't exceed the lessor of \$35,000 or the cumulative amount contributed more than five years before rollover
- **Exempts in-plan Roth accounts from RMDs**
 - Will no longer have to roll into a Roth IRA to avoid RMDs



Secure 2.0 Act – 2024 Provisions

- **Catch-up contributions for some will have to be made on an after-tax basis**
 - Catch-up contributions will have to be made on an after-tax basis for those with income above \$145,000 (indexed)
 - For plans without Roth feature, employees will not be able to fund catch-up contributions
- **Permits matching contributions on behalf of employees who are repaying student loans**
- Employers can make matching contributions on behalf of employees who are repaying student loans and not currently contributing to the



Secure 2.0 Act – 2025 & Beyond

- **Increases the catch-up contribution amount for individuals ages 60-63**
 - Beginning in 2025, the catch up limit increases to 50% more than the regular catch-up rate for those over age 50 and is indexed for inflation beginning in 2026
- **Retirement savings lost and found database**
 - The Department of Labor must establish a national database to help retirees locate lost retirement plan assets in 2025
- **Long-term care contracts can be purchased with retirement plan distributions**
 - Can distribute up to \$2,500 per year on high quality contracts without triggering 10% early withdrawal penalty



*Additional
Questions
and/or Topics?*



End of Quarterly Webinar

Please contact your SilverOak Advisor
to discuss any questions and/or concerns.

If you are not currently working with SilverOak, feel free
to contact us at 952-896-5701 to learn more about our services.

www.silveroakwealth.com

