WINTER 2023 VOLUME 13, ISSUE 1

THE LIGHT

A FREE QUARTERLY PUBLICATION OF

LIGHTHOUSE WEALTH MANAGEMENT, INC.

ALSO IN THIS ISSUE:

YEAR END MARKET REVIEW

TIM ROWSEY, CPA, FOUNDER & CEO
INVESTMENT ADVISOR REPRESENTATIVE

One of the best things about 2022, from a market perspective, might be that it is over. Who would have thought when the first trading day of 2022 kicked off with a 1% gain that this would be the peak of the market for the year? From this point on, there were significant declines with the NASDAQ falling over 34% from its peak to the low point of the year in October. Both the Dow Jones Industrials and the S & P 500 also declined over 20% from peak to trough. For equities, this was the worst year since the financial crisis in 2008.

There were two significant drivers of the market decline for 2022. The first of these market drivers was inflation. After many years of very moderate inflation, 2022 saw inflation race to unheard of recent highs. While there was some inflation late in the year last year, the peak was in June of 2022 when the annualized inflation rate hit 9.1%. This was a stark contrast to the average over the last ten years of 1.7% annually.

The second major market driver was rising interest rates. In an attempt to combat inflation, the Federal Reserve raised the interest rate by 0.75% four times during the year and capped off their rate hikes with a 0.5% increase in December. These rate increases were devastating to the bond markets.

Generally in investing, when conditions are such that the stock market declines, the bond market usually rallies and the balance between the two helps offset some of the market declines. This year was one of the first years in a long time where both the bond and stock market suffered significant losses in tandem. For bonds, an unexpected rapid interest rate rise causes declines in the value of the bonds since investors demand market interest rate returns on existing bonds.

As we look ahead to 2023, there is some good news. Inflation is already moderating with gas prices declining from a peak of over $5.00 per gallon to a more reasonable level. The twelve-month rolling average for inflation has dropped from 9.1% in June to just over 7% with more declines likely in 2023. Even the Federal Reserve in its wisdom is predicting inflation to fall back into the 4% range in 2023.

Speaking of the Fed, the best guess for rate increases in 2023 at this point would be three 0.25% increases in 2023. This would be a considerable slowdown from the pace of increases in 2022, and the market is likely to rally when it appears that the Fed is actually done with rate increases. In addition to a potential stock market rally, bond funds should also rally when the interest rate increases stop.

CONTINUED ON PAGE 2

Year End Market Review - Continued

The specter of a recession is still potentially on the horizon; however, this is not a certainty. In addition, the market may actually rally into the recession if an economic slowdown is not too significant.

One other significant positive note is the return of yield in short-term bond holdings. U.S. Treasuries are actually paying a decent return. In finance they are considered to have no risk of default. Currently, three-month treasuries are yielding in the range of 4.3% and six-month treasuries are yielding in the range of 4.7%. This is a significant difference from one year ago when three-month treasuries were yielding under 0.2%. We have incorporated treasuries into the portfolios of many of our clients over the last few months. For more information on yield, and the improved options, see the article in this publication, "The Yield is Back."

As we look to 2023, it is important to remember that just as inflation in 2022 was significantly off compared to the 10-year average, the declines in the market are likely to be an aberration from the norm, and we should once again return to positive growth in the not-too-distant future.

NEW IRS LIMITS	2022	2023
Income subject to Social Security tax	**$147,000**	**$160,200**
Max earned income before Social Security benefits are reduced for those collecting benefits before full retirement	**$19,560**	**$21,240**
Annual Gift Exclusion	**$16,000**	**$17,000**
Standard Mileage Rate	**$0.585/$0.625 per mile (Increased to $0.625 in June. 2022)**	**$0.655**
Social Security Cost of Living Adjustment	**5.9%**	**8.7%**
Medicare Part B Premium (Std)	**$170.10 per month $2,041.20 annually**	**$164.90 per month $1,978.80 annually**
IRA contribution limit IRA catch up contribution (age 50 and over)	**$6,000 $1,000**	**$6,500 $1,000**
401(k) elective deferrals 401(k) catch up deferrals (age 50 and over)	**$20,500 $6,500**	**$22,500 $7,500**
HSA family contribution limit HSA Individual Contribution limit HSA catch up contribution (age 55 and over)	**$7,300 $3,650 $1,000**	**$7,700 $3,850 $1,000**

MARKET RECAP

How the major indices performed in the 4th Qtr. 2022:

DOW JONES INDUSTRIAL AVERAGE
4th QTR. RETURN: 12.4% YTD RETURN: -9.4%

S & P 500 COMPOSITE
4th QTR. RETURN: 4.4% YTD RETURN: -19.9%

RUSSELL 2000
4th QTR. RETURN: 3.1% YTD RETURN: -22.5%

BARCLAYS AGGREGATE BOND
4th QTR. RETURN: 0.1% YTD RETURN: -14.4%

NASDAQ COMPOSITE
4th QTR. RETURN: -3.2% YTD RETURN: -33.9%

**All indices are reported Total Return which includes Dividends*

CLIENT PORTAL

How do I login to my portal?

Unique login usernames and passwords were e-mailed to our clients. You can find a link to the portal login screen on our website, www.lightwealth.com Click on the red "Client Login" button.

Or, scan this code with your smartphone camera to be directed to the client login screen.

If you did not receive a welcome email, or you were unable to login to your portal, then please contact our office.

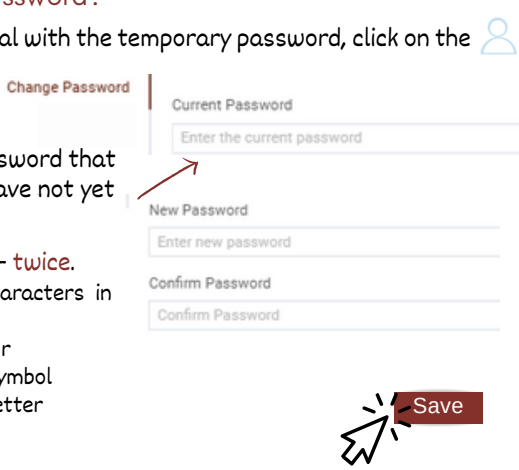
I use a smartphone, how do I login to my portal?

Visit the app store from your smartphone and download the My Advisor Link app. Save your login credentials for quick sign in.

How do I change my password?

After signing into your portal with the temporary password, click on the icon and select "Security."

1. Click on Change Password
2. Enter the temporary password that was emailed to you if you have not yet changed it.
3. Type your new password - twice.
   Password must be 8-20 Characters in length - no spaces
   Contain at least 1 capital letter
   Contain at least 1 number or symbol
   Contain at least 1 lowercase letter
4. Click Save.



THE YIELD IS BACK

GREG EMMONS, CFP®
INVESTMENT ADVISOR REPRESENTATIVE

I'm sure by now many of you are well aware that the Federal Reserve has been lifting interest rates. A big part of the Fed's job is to keep inflation around the 2% range. Because current inflation is at 7.5%, it still has some work to do. So far, it appears to have been able to make some progress because it looks as though inflation peaked a couple months ago. While this is an encouraging trend for price stability, it hasn't come without a cost. The stock market doesn't exactly love the idea of higher interest rates, especially companies in the tech sector that are typically more levered. Higher debt costs eat away at their profit margin, which almost always has a negative effect on their stock price. The housing sector has also been impacted. How many people are chomping at the bit to sell their current house purchased a few years ago with a 30-year mortgage at 2.8% and now buy something new with a rate north of 7%? It makes sense that when the Fed tightens up, the short-term effects can be uncomfortable.

While there's a lot to be said about the negative ramifications of rising rates, there are some positives. Investors can finally get some risk-free return on their cash. Right now, Schwab's Money Market is yielding 4.18%. A six-month US Treasury is yielding 4.7%. Not too shabby, especially given the fact that some of the biggest banks in the U.S. are only paying an average of 0.42% on their customers' deposits. This serves as a good reminder to make sure your cash is earning a decent return. It was only about 8 months ago that money markets were hovering around 0.10% to 0.20%. Investors haven't really had any options for risk-free return until now. One thing to remember is that we're not recommending you make changes to your long-term portfolio allocation. This year has been incredibly challenging, but we do believe that it won't be long before the market starts to march toward all-time highs. Being aware of this new higher-rate environment is really about cash management and making sure you're capitalizing on getting the best risk-free return on your cash. And with inflation, it is even more important to try to keep pace with it since we all are watching our purchasing power diminish.

If you have any questions on this, please call your advisor and we'd be happy to talk through it with you.

Lighthouse Wealth Management
1078 Commerce Parkway
Ashland, Ohio 44805

Tim Rowsey, CPA, Founder
Investment Advisor Representative
Cell: 567-215-3015
trowsey@lightwealth.com

Aaron Rowsey, Vice President
Investment Advisor Representative
Cell: 419-606-5239
arowsey@lightwealth.com

Greg Emmons, CFP®, President
Investment Advisor Representative
Cell: 419-651-1507
gemmons@lightwealth.com

Chris Bevington, CPA, MTAX, CFP®
Investment Advisor Representative
Cell: 419-569-2139
cbevington@lightwealth.com

Katie Brown, Office Manager
kbrown@lightwealth.com

SCAN TO LEARN MORE ABOUT US!

Lighthouse Wealth Management is an independent, fee-only, investment advisory firm. We partner with you to help you navigate all the financial challenges of life. To learn more about the benefits of working with an independent advisor, visit **www.findyourindependentadvisor.com**

LET US GUIDE YOU WITH YOUR

- INVESTMENTS
- RETIREMENT PLANNING
- 401(k) ROLLOVERS
- TAX PLANNING & PREPARATION
- FINANCIAL QUESTIONS

CONTACT US TODAY FOR A FREE INVESTMENT REVIEW!