The Barrister Quarterly

BARRISTER
PLANNING | INVESTMENTS | INSURANCE

Issue: 2Q2022

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Barrister was founded with the sole mission of offering clients an opportunity to meet their financial objectives through independent, ethical, unbiased and competent professional guidance.

As a Registered Investment Advisor we are legally bound to act in a fiduciary capacity by always putting client interests above our own.

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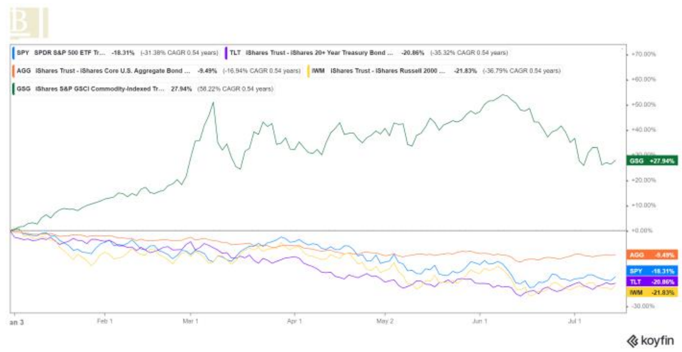
Dear Friends,

It feels a lot worse than it is, at least from a portfolio return perspective.



The reason is that most major assets classes are down this year, and down a lot. The S&P 500 (SPY) is down 18.31%, Investment Grade Bonds (AGG) are down 9.49%, Long-Term US Bonds (TLT) are down 20.86% and Small-Cap Stocks (IWM) are down 21.83%. However, commodities are up 27.94%, this is the only asset class up for the year. This allocation in your portfolio has provided a great hedge against inflation. and has helped dampen negative performance of the other asset classes. The nightly news doesn't talk much about how commodities have performed so without this good news, all does seem bleak.

The other reason investing feels a lot worse these days is because of loss-aversion. This is an important concept developed by behavioral economists Kahneman and Tversky, which found the pain of losing is psychologically about twice as powerful as the pleasure of gaining. This explains why when markets and portfolios are rising, we don't feel the need to do react, we are almost indifferent, yet when the opposite occurs, we start to feel a desperate need to do anything, even if we know it is likely harmful. By being aware of how we feel, and why we behave in certain ways, the higher the likelihood that we can avoid making emotional decisions which will hurt us in the long run.

Best,

PLANNING NOTES

Portability

On July 8th the IRS issued a revenue procedure, (Rev. Proc. 2022-32) which gives surviving spouses the opportunity to elect portability of the deceased spouse's estate for up to five years after the date of death, previously surviving spouses were only given two years to make this election.

Portability allows the surviving spouse to "port" the deceased spouses lifetime exclusion amount so they can utilize it at their death, thus increasing the overall asset amount that can be shielded from federal estate taxation. For example, a husband passes away in 2019, when the lifetime exclusion amount was $11,400,000 but the surviving spouse did not elect portability within two years of the date of death. If the surviving spouse, then passed away in 2026, after the current estate tax exemption sunsets and the lifetime exclusion resets at $5,000,000, with a $7,000,000 estate, there would be federal estate taxes due on $2,000,000 of the estate. However, if the surviving spouse would have filed a timely estate tax return electing portability, they could have used their $5,000,000 lifetime exemption PLUS their deceased spouses "ported" $11,400,000 exemption, thus paying $0 in federal estate taxes. Now with this new revenue procedure this surviving spouse now has until 2024 to elect portability. While these numbers all seem quite large, when you include checking/savings, brokerage accounts, IRAs, life insurance and real estate, with corresponding appreciation over the next 10-20 years, a $5,000,000 estate value will be reachable for many.

The revenue procedure requires the following:

- ✓ The decedent must have been a citizen or resident of the United States on the date of death.
- ✓ The Executor must not have been required to file an estate tax return.
- ✓ The Executor must not have timely filed the estate tax return within nine months after the decedent's date of death.

The process to elect portability includes the executor filing a properly prepared Estate Tax Return, Form 706, on or before the 5th anniversary of the decedent's date of death. The executor must state at the top of the Form 706 that it is "filed pursuant to Rev. Proc. 2022-32 to elect portability under Sec. 2010(c)(5)(A)."

Tax-Loss Harvesting

The only upside to drawdowns in asset values is the opportunity to harvest losses for tax purposes. The IRS allows investors to offset capital gains with capital losses, eliminating any capital gains taxation. If an investor has more losses than gains in any given year, the IRS allows for up to $3,000 of ordinary income to be offset by capital losses. Any further losses beyond that are allowed to be carried forward indefinitely. Barrister has been harvesting losses this year while reinvesting the proceeds in similar asset classes, utilizing these losses while maintaining proper market exposure.

MARKET & ECONOMIC INDICATORS

Indicator	*Note [change vs prior quarter]*
Investor Sentiment AAII	26.9% Bullish [-5%] | 26.6% Neutral [-14%] | 46.5% Bearish [+19%]
Investor Sentiment CNN	27 Fear [-19]
Leisure and Entertainment (PEJ)	Down 24.63% YTD [-24.34%], trailing the S&P 500 by 6.32%
Technology (XLK)	Down 23.52% YTD [-15.1%], trailing the S&P 500 by 5.21%
SemiConductors (SMH)	Down 30.44% YTD [-17.81%], trailing the S&P 500 by 12.13%
Financials (XLF)	Down 17.86% YTD [-16.37%], beating the S&P 500 by .45%
Staples (VDC)	Down 5.20% YTD [-3.59%], beating the S&P 500 by 13.11%
Healthcare (XLV)	Down 6.91% YTD [-4.45%], beating the S&P 500 by 11.4%
Utilities (XLU)	Down 1.11% YTD [-5.83%], beating the S&P 500 by 17.2%
Commodities (GSG)	Up 27.94% YTD [-4.44%], beating the S&P 500 by 46.25%
20yr+ Treasury (TLT)	Down 20.86% YTD [-10.23%], trailing the Barclays Bond Index by 11.37%
2yr/10yr Government Bond Spread	Spread is negative at -.20% [-.24 bps]
High Yield Bonds (HYG)	Down 11.16% YTD [-6.43], trailing the Barclays Bond Index by -1.67%
HYG spread vs 10yr Treasury	+553 bps [+210 bps]
YOY Corporate Earnings	Companies are reporting earnigns that are 2% above estimates
Central Bank Activity	In June the Fed raised 75 bps, the biggest hike since 1994
Average Hourly Earnings	YOY decrease of 3.6% [-1%] for the period ending June 2022
Fund Flows	Outflows of $500 million for Equity Funds and $16.82 Billion for Bond Funds
Advanced/Decline Line S&P 500	S&P 500 and Nasdaq slightly off 2022 lows
Merger & Acquisition Activity	M&A deal activty decreased 7.5% in May, but 9% more was spent on deals

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