



# DECEMBER 2021

## 2021 OUTLOOK Q4

### LOOKING BACK ON 2021, LOOKING AHEAD TO 2022

2021 was an exciting year at SJS. We celebrated our 26th anniversary, welcomed three new Team members, and had the pleasure of meeting with many of you in person more than in 2020.

To offer you an SJS perspective on 2021, we asked four SJS Team members across the country to look back on 2021 to describe what they will remember and discuss what they are excited about for 2022. We hope you enjoy reading their individual takes on the past year, and we look forward to seeing you in 2022!

#### **SCOTT SAVAGE; FOUNDER & CEO; SYLVANIA, OHIO OFFICE; FOUNDED SJS IN JULY 1995**

Thank YOU for another year of partnership! We continue to be grateful and humbled by the faith and trust you place in Team SJS. We will never take your faith and trust for granted.

It is our custom at the end of the year to reflect on the previous 12 months and look forward to a brand-new year. What did we learn? What are we worried about? What opportunities can we seize?

2021 will be known as year two of the coronavirus pandemic. Early in 2020, a friend of mine who understands viruses and

---

### INSIDE THIS ISSUE

Looking Back on 2021, Looking Ahead to 2022	1
How Your Finances May Change in 2022	4
Looking Forward to Q1 2022	5
Invest in My Future	6

pandemics said to me: “COVID is going to be a marathon.” I can only hope that we are in the last painful miles—weary, less heavy, and closing in on the finish line. In my opinion, we have been in this together, whether we realize it or not.

Ironically, many of the world’s equity markets rose during the pandemic, fueled by accommodating central banks like the Federal Reserve.<sup>1</sup> Global bond markets, plagued by low interest rates and eye-popping inflation, generally disappointed investors.<sup>1</sup>

We continue to evaluate the world’s investable markets that we believe will reward you over the long term for the risks being assumed. We remain cautiously optimistic that 2022 will see the supply chain disruptions ease, labor shortages abate, inflation slow, and economic growth persist.

**JENNIFER SMILJANICH, CFP®; MANAGING DIRECTOR & SENIOR ADVISOR; SCOTTSDALE, ARIZONA OFFICE; STARTED AT SJS IN AUGUST 2010**

One of the things I enjoy about coming to work every day is that I get to really know people: who they are, what they want, and what is important to them. I also am fortunate to have an opportunity to make a difference to you when you call on SJS. Finding a solution to a problem, taking away a worry, listening, showing you whether you are progressing toward a goal, and helping you to live a life that is meaningful to you. So as much as SJS manages investments, all of these other responsibilities are just as important.

Living in our current world has helped bring clarity to many people about what is most important to them. It might not be working in a job that historically has comfortably paid the bills. For some, their work has become more stressful with more to do and fewer hands to help. For others, income may not be as compelling given considerations of health, family

dynamics, and fulfillment. This year, I’ve had the opportunity to help several clients review whether they could make a job change, move to part-time work, and even retire early to spend more time with loved ones. Providing guidance to someone who is wrestling with these kinds of decisions is rewarding. We are glad to help co-think the financial and other considerations of these life changes.

There seem to be no lack of pulls on our time. Like you, I find my inbox is always full and the “to do” list is never quite done. I appreciate being able to help you find time in your day to do the things that are important to you. So whether it’s helping you make sure you’ve done everything you need to do before year-end (from charitable giving, to distributions, to contributions), co-thinking options for financing or refinancing a home, figuring out how to get tax documents to your accountant securely, or helping you to consolidate your accounts on MySJS so you can view your financial status in a single place, we are glad to help!

Finally, while many people have been challenged in so many ways in 2021, you have cared. You care about your children and grandchildren. You care about your communities. And you give generously of your time and money to the people and causes you care about. I’ve spent many hours chatting with you about different ways to support the people and causes you care about, whether it’s giving to charities in tax-smart ways, helping support children or grandchildren through 529 plans or gifts, or in Arizona, making use of the state tax credits that support different organizations. As we head into a new calendar year, I am energized to help you potentially accomplish the things that matter to you, so you can focus on living your life to its fullest!

**TOM KELLY, CFA; CHIEF INVESTMENT OFFICER; CHICAGO, ILLINOIS OFFICE; STARTED AT SJS IN JUNE 2018**

Reflecting on 2021, I am most struck by the resiliency of the human condition. Amidst

continued uncertainty, trials, and tribulations, the ups and downs, we are resilient. I was inspired by stories of the resiliency of families, communities, and economies. One in particular (perhaps especially captivating after hearing my wife's stories as a NICU nurse) is Curtis Means, who was born 132 days premature at just 21 weeks and one day.<sup>2</sup> After round-the-clock care for nine months by the UAB medical team, Curtis was discharged and eventually named by the Guinness Book of World Records as the World's Most Premature Infant to Survive.<sup>2</sup> Resiliency of a child to fight, medical professionals to care, and a family to love!

In my life this year, one of the biggest accomplishments was the addition of diversified alternatives to our portfolios. While investment performance is not guaranteed, we believe many of the underlying strategies will provide some resiliency against forces of inflation, low yields, and extended valuations, as well as potentially get stronger during times of market stress. Personally, I would be remiss if I didn't mention the blessing of our new baby, Oliver, at the end of the year—hopefully, I'm developing resiliency to a little less sleep.

2022 will surely bring new challenges and new opportunities, and I am most focused on ensuring our portfolios are staying up to date with new research and strategies that are MarketPlus-worthy. Additionally, I am excited to move into our new office at 55 W. Monroe in downtown Chicago, so next time you are in the Windy City, please stop by and say hi. We can toast to resiliency!

## **KATIE FLOYD; ASSOCIATE ADVISOR; SYLVANIA, OHIO OFFICE; STARTED AT SJS IN SEPTEMBER 2021**

After another year of ups and downs, the rollercoaster of 2021 came and went in the blink of an eye. Never knowing what turn the year might take next, I started to evaluate what was

most important to me and realized that life was too short to wait for the “sign” to change. So, I stopped measuring my successes by the title of my job and more about how I felt each night before bed. I knew that I wanted to give more back to my community and leave the world a little better than how I found it. And then I found SJS Investment Services.

Starting over is always scary, but I felt the reward would far outweigh the risk. Although I've been here for only a few months, I feel like I've known my co-workers for years and have comfort that I made the right choice to change my career. At SJS, I feel empowered to explore the unknowns around me and take a chance at something new, and I encourage you to do the same. During my first few months, I've been able to meet with some of you and help prepare financial analyses and presentations to help you plan for your future. Additionally, I've assisted with marketing efforts and continue to help shape the future of SJS.

Looking to 2022, I'm excited to continue expanding my career with the amazing resources SJS has to offer, as well as getting to know you better, the people who make coming into work worthwhile. There is so much out there for us to discover, and I'm happy that I get to be a part of that journey with you. I hope that this next year brings you nothing but health, wealth, and normalcy, and when you aren't sure what turn the year will take next, just know that we are here for you.

### **Important Disclosure Information & Sources:**

[1] “SJS Weekly Market Update.” SJS Investment Services, 27-Dec-2021, <https://www.sjsinvest.com/blog/sjs-weekly-market-update>.

[2] “Curtis Means, Alabama boy weighing less than a pound at birth, is world's most premature surviving baby.” The Associated Press, 10-Nov-2021, <https://www.al.com/news/2021/11/curtis-means-alabama-boy-weighing-less-than-a-pound-at-birth-is-worlds-most-premature-surviving-baby.html>.

There is no guarantee investment strategies will be successful. Past performance is no guarantee of future results. Diversification neither assures a profit nor guarantees against a loss in a declining market.

Advisory services are provided by SJS Investment Services, a registered investment advisor (RIA) with the SEC. Registration does not imply a certain level of skill or training. SJS Investment Services does not provide legal or tax advice. Please consult your legal or tax professionals for specific advice. This material has been prepared for informational purposes only.

## HOW YOUR FINANCES MAY CHANGE IN 2022

By Senior Advisor Andrew Schaeetzke, CFP®

Last fall when the Build Back Better Act was introduced in Congress, we expected taxes could increase significantly for certain families as well as businesses. However, the proposed tax plan has changed often and significantly during congressional negotiations. While the legislation is not finalized, if passed in 2022, we do not expect that the Build Back Better tax plan will result in as many big changes as we initially anticipated.

Based on the current proposed legislation, the following points summarize the provisions that could impact you and your family:

- **New federal income tax surcharge on higher earners:** Households would have to pay an additional 5% surcharge on modified adjusted gross income (MAGI) above \$10 million, as well as an additional 3% on MAGI above \$25 million. For earners with greater than \$25 million in MAGI, this could result in a top federal tax rate of around 45%, which could not be decreased by taking large itemized deductions or the qualified business income deduction.<sup>1</sup>
  - **Expansion of the 3.8% net investment income tax (NIIT) for S corporations and partnerships:** The 3.8% NIIT on capital gains, taxable interest, dividends, passive rents, annuities, and royalties would be expanded to apply to active business income for pass-through firms.<sup>1</sup>
  - **State and local tax (SALT) deduction for federal income taxes:** The cap on the SALT federal income tax deduction would increase from \$10,000 to \$80,000 starting in 2022 through 2030.<sup>1</sup>
  - **Extension of the enhanced child tax credit (CTC) through 2022:** The enhanced child tax credit—\$3,600 for each child under age 6, as well as \$3,000 for each child ages 6-17—would extend into 2022 for joint filers with MAGI less than \$150,000 (\$112,500 for single filers).<sup>1</sup>
  - **Limitations on individual retirement account (IRA) contributions for wealthier households:** No longer would allow for contributions to IRAs with balances greater than \$10 million. Additionally, IRAs with balances greater than \$10 million may have accelerated required minimum distribution (RMD) requirements.<sup>1</sup>
  - **Increased IRS funding:** The IRS would receive increased funding for hiring and improving operations, which could lead to more audits for wealthier households.<sup>1</sup>
- While the effective date for this legislation is uncertain, we expect the changes could be effective retroactively, as of January 1, 2022.
- There have been some other annual cost-of-living and government-controlled changes that may affect you and your family in 2022:
- **5.9% cost-of-living adjustment for Social Security:** For individuals currently or planning to receive Social Security payments in 2022, your benefits will be 5.9% higher than 2021 due to inflation.<sup>2</sup>
  - **Lower required minimum distributions from traditional IRAs, traditional 401(k)/403(b)/457 plans, and Roth 401(k)/Roth 403(b) plans:** If you are required to take an RMD from one of these accounts, your RMD as a percentage of your portfolio will be slightly lower in 2022 due to an increase in life expectancy.<sup>3</sup>
  - **Federal student loan interest payments frozen until May 1, 2022:** Due to ongoing effects from the pandemic, the Biden administration extended a freeze on federal student loan interest payments from February 1, 2022, to May 1, 2022.<sup>4</sup>



- **Changes to retirement plan contribution limits, estate tax exemption, and gift tax exemption:** Various limits and exemptions have increased for 2022, primarily resulting from inflation. For example, the maximum employee contribution limit to 401(k)/403(b)/457 plans is increasing from \$19,500 to \$20,500. Additionally, the annual gift tax exemption is increasing from \$15,000 to \$16,000. You can find more information here: <https://www.sjsinvest.com/blog/2022-irs-changes-retirement-plans-and-social-security>.

As part of your financial planning process for 2022, there are a few ways that you can implement your plan while potentially lowering your federal income taxes:

- **Contribute to tax-advantaged investment accounts:** Depending on your eligibility, you may be able to contribute to tax-advantaged investment accounts, such as 401(k)/403(b)/457 retirement plans, IRAs, health savings accounts (HSAs), and 529 plans, to save for specific purposes while also potentially lowering your taxes. Additionally, you have until April 15, 2022, to contribute to your IRA and HSA for 2021 if eligible.
- **Charitable contributions and donor-advised funds:** Because of the rise in many investment markets over the past few years, many people hold taxable investments with large unrealized gains. By directly gifting these taxable investments to eligible charitable organizations or creating a donor-advised fund, you can potentially lower federal income taxes for 2022 while giving to the organizations you want to support.
- **Tax loss harvesting:** Particularly during volatile market periods, tax loss harvesting allows you to sell eligible taxable investments with losses and use these losses to offset realized taxable capital gains. With tax rates expected to increase for certain taxpayers in 2022, tax loss harvesting could prove



increasingly valuable.

As federal legislation evolves, we will continue to update you on any changes that may impact you. Additionally, you can find well-written summaries of the proposed financial changes on the Tax Foundation ([taxfoundation.org](https://taxfoundation.org)) website. As always, please feel free to reach out to us if you have any questions or want clarity on how the proposed changes may affect you.

#### Important Disclosure Information & Sources:

[1] "House Build Back Better Act: Details & Analysis of Tax Provisions in the Budget Reconciliation Bill." Tax Foundation, 02-Dec-2021, <https://taxfoundation.org/build-back-better-plan-reconciliation-bill-tax/>.

[2] "Cost-of-Living Adjustment (COLA) Information for 2022." Social Security, <https://www.ssa.gov/cola/>.

[3] "Required Minimum Distribution Calculator." U.S. Securities and Exchange Commission, <https://www.investor.gov/financial-tools-calculators/calculators/required-minimum-distribution-calculator>.

[4] "The White House Will Freeze Federal Student Loan Repayments Until May 1." Katie Rogers and Tara Siegel Bernard, 22-Dec-2021, <https://www.nytimes.com/2021/12/22/your-money/student-loan-pause.html>.

There is no guarantee investment strategies will be successful. Past performance is no guarantee of future results. Diversification neither assures a profit nor guarantees against a loss in a declining market.

Advisory services are provided by SJS Investment Services, a registered investment advisor (RIA) with the SEC. Registration does not imply a certain level of skill or training. SJS Investment Services does not provide legal or tax advice. Please consult your legal or tax professionals for specific advice. This material has been prepared for informational purposes only.

Hyperlinks to third-party information are provided as a convenience and we disclaim any responsibility for information, services or products found on websites or other information linked hereto.

## LOOKING FORWARD TO Q1 2022

As we enter the first quarter of 2022, we want to highlight a few dates and events to keep in mind:

- **Early January:** Look for your 2021 Investment Performance Report posted at MySJS, personalized for you!

- **Mid-January:** Expect to receive a Form 1099-R from your custodian if you took a distribution from your IRA in 2021.
- **Monday, January 17:** SJS offices closed in observance of Martin Luther King Jr. Day.
- **Monday, February 21:** SJS offices closed in observance of Presidents' Day.
- **Mid- to Late February:** Your custodian will begin to send your Form 1099 for taxable accounts.
- **March:** The weather forecast is “in like a lion, out like a lamb.” How about the market? Stay tuned!

## INVEST IN MY FUTURE



Congratulations to parents Tom and Emily Kelly (as well as grandfather Kevin Kelly (“Big K”)) on their healthy newborn baby, Oliver Kelly! Oliver is sporting an SJS Investment Services “Invest in my Future” onesie—Tom said that this photo is the biggest smile Oliver has had. If you would like an “Invest in my Future” onesie for any babies in your life, please let us know.

## ABOUT SJS INVESTMENT SERVICES

SJS Investment Services has been serving as investment advisor and co-fiduciary for individuals, foundations, public entities, retirement plans, financial institutions and corporations since 1995 through our proprietary process called MarketPlus Investing.

With more than \$2.6 billion\* in assets under management, we bring you major money center investment experience and a team of people whose small-town values put you first, all the time, every time.

\*As of 12/31/2021

You come first.  
All the time. Every time.™

SJS Investment Services | [sjsinvest.com](https://sjsinvest.com) | 419.885.2626

This material is for informational purposes only and does not constitute a complete description of our investment services or performance. SJS offers investment advisory services only in states where we are registered, have completed a notice filing or where an exemption or exclusion from such notice filing exists. SJS Investment Services does not provide legal or tax advice. Please contact your legal or tax professionals for specific advice.

Hyperlinks to third-party information are provided as a convenience and we disclaim any responsibility for information, services or products found on websites or other information linked hereto.