October 10, 2022

Dear Investor,

Last quarter, we started our letter with the point that we may well be wandering through our own volatile chapter in history, like many other countries, but not fully appreciating it.

This quarter, we bring the view local, covering 'the House Price' tracking calculation since homes are typically the largest asset owned next to retirement accounts and we can relate to home purchases. That analysis is found on the next page. Please look it over carefully.

In the meantime … since 2022 'market' performance just set an unfortunate record where it is the first time in history that **both** stocks and bonds have declined together for 3 straight quarters, let us reiterate that you first saw in Q4 2018 the central bank prove that its money printing hi-jinx cannot be removed from the system without crushing asset prices. 2022 has thus far shown quite clearly that money printing must continue or prices of stocks, bonds and real estate all dive. If you don't like 2022, key in on the two key points:

If a central bank, the Federal Reserve in our case, prints money, asset prices rise.

If the central bank removes money from circulation, asset prices fall.

That is basically it. That is pretty much all there is to it. The unelected group of people at the central bank (confirmed by your 'representatives' in DC) decided that in 2022 your asset values will decline (until they decide to print money once again). Most Americans assume that 1) the Fed will print again, and 2) it will work again.

The Fed has decided not only that Americans will have asset values decline, but many need to lose their jobs too … so they won't spend money … because there will be less of it, you see. They have stated both 'needs' (for the greater good), verbatim: 1) they will force asset prices down, and 2) people will lose jobs. The Fed has been **categorically wrong** about the **many** asset bubbles they have blown, **categorically wrong** about inflation being 'transitory' … and they will potentially be categorically wrong when they choose to print money once more.

We expect 'markets' to be tricky for some time to come. As the Fed withdraws from markets, the 'real' markets adjust. Real participants clearly do not like what the Fed is doing. Caution continues to be warranted, despite the furious 'short-squeeze' market rally that started October. Signs suggest more room to run through October, **but** that is Fed dependent and other signs have us on high-alert for further downside, perhaps substantial. The next pages convey the negative wealth-effect the Fed has on houses and some more color. Call us if we can review allocations and strategy at (614) 734-WLTH (9584)

Best Regards,

Mike Sullivan
President, Certified Financial Planning Professional®

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Detail

2022 is the **second monetary incident** (the first was Q4 2018), in which the Fed has shown asset prices flat out dive without relentless money printing and interest rate suppression. These concepts are not without consequence to your long-term financial well being.

Remember, our money is *backed by debt*. Everything printed that makes us happy today as asset prices climb, is taken from the future. That is how debt works, at least the debt that you and I have to deal with. What you borrow, you must pay back. The Fed pretends there will be no price to pay, ever. History books reveal that claim to be as **categorically wrong** as the many claims the Fed has made. Have you noticed that they have been wrong about most major claims? It is ironic that the jobs that will be lost do not include theirs, sad really.

On to housing, then we'll move on to the Fed's impact on retirement and investment assets.

Assume your child, recently out on their own, is house shopping. Paychecks, being relatively firm across the length of each year of work create your child's financial path. Anything not spent can of course be saved or invested. Your child, like most Americans, will park the majority of their wealth in two key places: 1) a home, and 2) retirement accounts.

Assuming they will pursue the goal of owning a home (and we know many who have recently bought them), the retirement savings will take the 2nd seat … anything left over goes there.

Below is what just happened ***in 9 months*** to the house your child is purchasing. Assume your child can afford roughly $1,900 per month for the house (other associated expenses like property tax, electricity and high speed internet not included):

Payment	Date	30 Yr Mtg Rate	Home Price	% Chg	Added Interest
$1,909	1/1/22	4.0%	$400,000	N/A	N/A
$1,909	4/3/22	5.0%	$355,500	-11%	+$43,542
$1,909	6/3/22	6.0%	$306,000	-24%	+$93,586
$1,909	**9/28/22**	**7.0%**	**$287,000**	**-28%**	**+$113,051**

You are seeing that correctly. In nine months, the Federal Reserve, in an effort to unwind the inflation **they primarily caused**, has moved to drive a simple mathematical equation that will severely punish anyone who has to borrow money from its banking empire, the one that pays you 1.0% (maybe) at your bank and charges you 25% on your credit cards.

Your child, as of September 28th, based on payment affordability will only be able to buy that same $400k house ***if the price drops*** -28%, bringing that house price down to **$287,000**. AND, in buying the house, instead of paying $287k interest, he/she will pay $400k interest, **$113,051** more **to banks**. People react 'that can't happen', but they likely ***just watched*** that same house price rise just that much over roughly six quarters into 2021 year end! The Fed was printing then, with low rates, now it is removing money and raising rates. Very simple.

That is where we are headed. And, yes, the **game** will be to try to buy the house at a lower price, as the Fed drives rates back down, the trick the Fed always uses once it smacks asset prices downwards again, and people lose jobs, and the quality of life lowers for many. The quality of life for those who do not own assets has suffered due to the inflation the Fed