# Beyond the Basics

Customized Wealth Strategies

**Mark Baniszewski, and Caitlin Falenski**
**Oppenheimer & Co. Inc.**
385 S. Eton
Birmingham, MI 48009
248-593-3727
248-593-3712
mark.baniszewski@opco.com
caitlin.falenski@opco.com

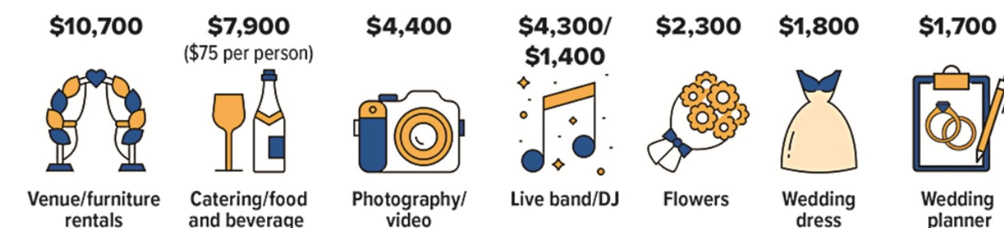
**2.5 million**

Number of weddings projected to take place in the United States in 2022, according to the Wedding Report, an industry trade group. If predictions come to pass, this could be the biggest year for weddings since 1984.

Source: The Wedding Report, 2022

## Wedding Bonanza: How Much Will the Party Cost?

In 2021, the national average cost of a wedding was about $28,000, a figure that includes the rehearsal dinner, ceremony, and a reception with 105 guests — but not the engagement ring (which averaged $6,000) or the honeymoon. Of course, the average price tag varied greatly by location, from $16,000 in Oklahoma to $47,000 in New Jersey. With inflation soaring, many couples are facing significantly higher costs, and greater competition for in-demand vendors, in 2022.




Source: The Knot, 2022

# Retirement Savings in a Volatile Market

If you worry about your retirement investments during market downturns, you're not alone. Unfortunately, emotions are often the enemy of sound investing. Here are some points to help you stay clear-headed during periods of market volatility.

## Markets Rebound

Historically, even the worst bear market has bounced back and eventually gone on to reach new highs. In fact, since 1970, bear markets have lasted an average of 14 months.

## A Chance to Buy Low

If you're investing a set amount of money on a regular basis, such as in a retirement plan account, you're buying fewer shares when prices are high and more shares when prices are low — one of the basic tenets of investing wisely.

Systematic investing involves making continuous investments on a regular basis, regardless of fluctuating share prices. Although this strategy does not ensure a profit or prevent a loss, you must be financially able to continue making purchases through extended periods of high and low price levels.

## Retiree Strategies

The risk of experiencing poor investment returns just before or in the early years of retirement is a significant factor that can affect a nest egg's long-term sustainability. Fortunately, some strategies can help mitigate this risk.

For example, consider a tiered investment strategy, in which you divide your portfolio into tiers representing your short-, medium-, and long-term needs for income and growth.

The short-term tier(s) could contain the amount you need for about two to five years, invested in assets designed to preserve value. The medium-term tier(s) could hold investments that strive to provide income for perhaps three to 10 years, balanced with some growth potential. The longer-term tier(s) could hold higher-risk, higher-growth potential assets that you wouldn't need for at least 10 years. Generally, this tier is intended to feed the shorter-term tiers and fuel the strategy over the course of your retirement.

Another possible strategy is using a portion of your retirement savings to purchase an immediate annuity, which offers a predictable retirement income stream you could pair with Social Security and any other steady income sources to cover your fixed expenses.

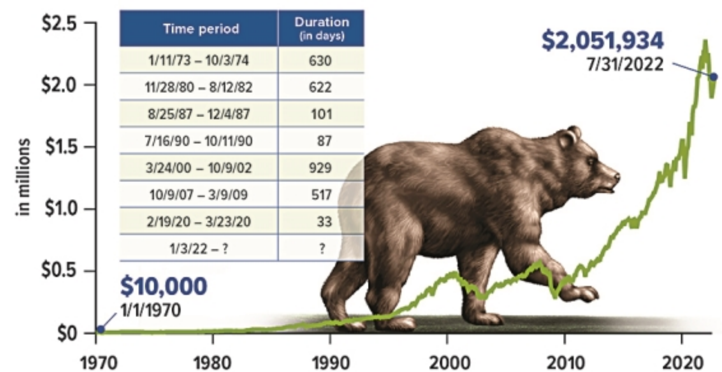
An immediate annuity is an insurance-based contract in which you pay the issuer a single lump sum in exchange for the issuer's guarantee of regular income payments for a fixed period or the rest of your life. With some exceptions, you typically receive fixed payments with little or no variation in the amount or timing. When purchasing an immediate annuity, you relinquish control over the amount you invest.

## A Financial Professional Can Help

If volatile markets prompt you to question your retirement investing strategy, your financial professional can be an objective third party to help ease your worries and evaluate possible portfolio shifts.

### Bear Markets Eventually End

A bear market is generally defined as a loss of at least 20% from a recent high. From 1970 to 2021, there were seven bear markets, the longest lasting less than three years. A new bear market began in January 2022. Despite these down periods, a hypothetical $10,000 investment in the S&P 500 in 1970 would have grown to more than $2 million by 2022.



| Time period | Duration (in days) |
|---|---|
| 1/11/73 – 10/3/74 | 630 |
| 11/28/80 – 8/12/82 | 622 |
| 8/25/87 – 12/4/87 | 101 |
| 7/16/90 – 10/11/90 | 87 |
| 3/24/00 – 10/9/02 | 929 |
| 10/9/07 – 3/9/09 | 517 |
| 2/19/20 – 3/23/20 | 33 |
| 1/3/22 – ? | ? |



Source: S&P Dow Jones Indices and Refinitiv, 2022, for the period 1/1/1970 to 7/31/2022. The S&P 500 is an unmanaged index that is considered to be representative of the U.S. stock market. The performance of an unmanaged index is not indicative of any specific investment. Individuals cannot invest directly in an index. Past performance is not a guarantee of future results. Actual results will vary.

*All investments are subject to market fluctuation, risk, and loss of principal. Shares, when sold, may be worth more or less than their original cost. Investments seeking to achieve higher returns also involve a higher degree of risk. There is no assurance that working with a financial professional will improve investment results.*

*Generally, annuity contracts have fees and expenses, limitations, exclusions, holding periods, termination provisions, and terms for keeping the annuity in force. Most annuities have surrender charges that are assessed if the contract owner surrenders the annuity. Withdrawals of annuity earnings are taxed as ordinary income. Withdrawals prior to age 59½ may be subject to a 10% penalty. Any annuity guarantees are contingent on the financial strength and claimspaying ability of the issuing insurance company.*

# Consider a Bond Ladder for Rising Interest Rates

After dropping the benchmark federal funds rate to a range of 0%–0.25% early in the pandemic, the Federal Open Market Committee of the Federal Reserve has begun raising the rate aggressively in response to high inflation and a stronger economy.

Following 0.25% and 0.50% increases in March and May 2022, the Committee implemented successive 0.75% increases at its June and July meetings — the first 0.75% increases since 1994 — to a target range of 2.25%–2.50%. June projections (most recent available) indicate the rate could rise to a range of 3.25%–3.5% by the end of 2022 with an additional one or two 0.25% increases in 2023.[1]

## Rates and Bond Prices

Raising the federal funds rate places upward pressure on a wide range of interest rates, including the cost of borrowing through bond issues. When interest rates go up, the prices of existing bonds typically fall, because new bonds with higher yields are more attractive. Investors are also less willing to tie up their funds for a long time, so bonds with longer maturity dates are generally more sensitive to rate changes than shorter-dated bonds. Yet shorter-dated bonds usually have lower yields.

Despite the challenges, bonds are a mainstay for conservative investors who may prioritize the preservation of principal over returns, as well as retirees in need of a predictable income stream.

## Step by Step

One way to address rising rates is to create a bond ladder, a portfolio of bonds with maturities that are spaced out at regular intervals over a certain number of years. For example, a five-year ladder might have 20% of the bonds mature each year. This strategy puts an investor's money to work systematically, without trying to predict rate changes.

With rates projected to continue rising, it might make sense to create a shorter bond ladder now and a longer ladder when rates appear to have stabilized. Keep in mind that these are only projections, based on current conditions, and may not come to pass. The actual direction of interest rates might change.

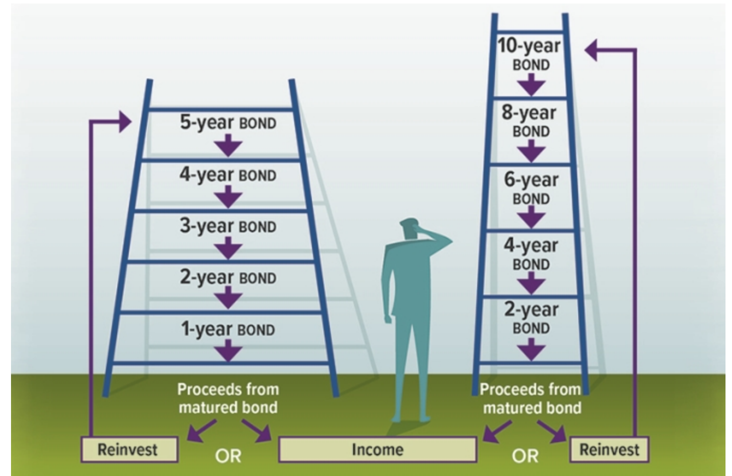
## Reinvesting or Taking Withdrawals

When bonds from the lowest rung of the ladder mature, the funds are often reinvested at the long end of the ladder. When rates are rising, investors who reinvest the funds may be able to increase their cash flow by capturing higher yields on new issues. Or a ladder might be part of a withdrawal strategy in which the returned principal from maturing bonds is dedicated to retirement spending.

Bond ladders may vary in size and structure, and could include different types of bonds depending on an investor's time horizon, risk tolerance, goals, and personal preference. Owning a diversified mix of bond investments might also help cushion the effects of interest rate and credit risk in a portfolio. Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.

## Rung by Rung

Here are two sample structures for a bond ladder. When bonds mature, the proceeds can be used for income or reinvested in bonds to fill the longest maturity rung.




## Individual Bonds vs. ETFs

Buying individual bonds provides certainty, because investors know exactly how much they will earn if they hold a bond to maturity, unless the issuer defaults. However, individual bonds are typically sold in minimum denominations of $1,000 to $5,000, so creating a bond ladder with a sufficient level of diversification might require a sizable investment.

A similar approach involves laddering bond exchange-traded funds (ETFs) that have defined maturity dates. These funds, typically called target maturity ETFs, generally hold many bonds that mature in the same year the ETF will liquidate and return assets to shareholders. Target maturity ETFs may enhance diversification and provide liquidity, but unlike individual bonds, the income payments and final distribution rate are not fully predictable. Bond ETFs are subject to the same inflation, interest rate, and credit risks associated with their underlying bonds.

*Exchange-traded funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.*

1) Federal Reserve, 2022

# Small Businesses Are Short-Staffed and Overwhelmed

COVID-19 kicked off a severe labor shortage — and the most challenging hiring conditions for businesses in many years. In August 2022, 49% of small businesses reported having job openings they could not fill.[1] Many owners have had to turn away orders (and revenue), disappoint customers, or work 80-hour weeks to help fill the labor gap, none of which is likely to be sustainable.

Workers sidelined by the pandemic may seek work again at some point, but longer-term factors such as declining birth rates, less immigration, and a wave of baby boomer retirements mean the pool of available workers is shrinking and aging. As a result, labor market conditions could remain tight for some time.

What can small-business owners do if they are struggling to meet staffing needs?

**Look closely at compensation.** It can be hard for a small business to compete with larger companies when it comes to pay and benefit packages. However, offering competitive wages may be necessary to attract job applicants for open positions and keep reliable employees from seeking better opportunities. In fact, an August 2022 survey found that 46% of small businesses had recently raised wages, and 26% were planning to do so in the next three months.[2]

**Be willing to bend.** It's ideal if you can find employees with skills and experience that match your immediate needs, but those applicants may be few and far between. You might consider lowering the minimum qualifications for hard-to-fill positions, offering on-the-job training for less-experienced workers who seem capable and motivated to improve their skills, or cross-training current employees to fill different roles. It may be easier to find and retain good employees if you accommodate the scheduling needs of students, parents with young children, and older workers who are semi-retired.

**Explore stop-gap solutions.** To cover seasonal surges or hiring gaps, ask your most productive employees if they are willing to work overtime at higher wages. Otherwise, you might rely on a staffing service to provide temporary or on-call workers. An app-based service, designed to help fill open shifts with "on-demand" workers, may be useful in certain areas and industries (retail and hospitality, for example). Staffing services may insure, screen, and check the backgrounds of provided workers, but they also charge more per hour to cover their costs.

Although it may take time, hand-picking your own permanent employees — and doing what you can to keep them — generally enhances stability and customer service. It's also likely to be more cost-effective in the long run.

1-2) National Federation of Independent Business, 2022

This newsletter should not be construed as an offer to sell or the solicitation of an offer to buy any security. The information enclosed herewith has been obtained from outside sources and is not the product of Oppenheimer & Co. Inc. ("Oppenheimer") or its affiliates. Oppenheimer has not verified the information and does not guarantee its accuracy or completeness. Additional information is available upon request. Oppenheimer, nor any of its employees or affiliates, does not provide legal or tax advice. However, your Oppenheimer Financial Advisor will work with clients, their attorneys and their tax professionals to help ensure all of their needs are met and properly executed. Oppenheimer & Co. Inc. transacts business on all principal exchanges and SIPC.



Prepared by Broadridge Investor Communication Solutions, Inc. Copyright 2022