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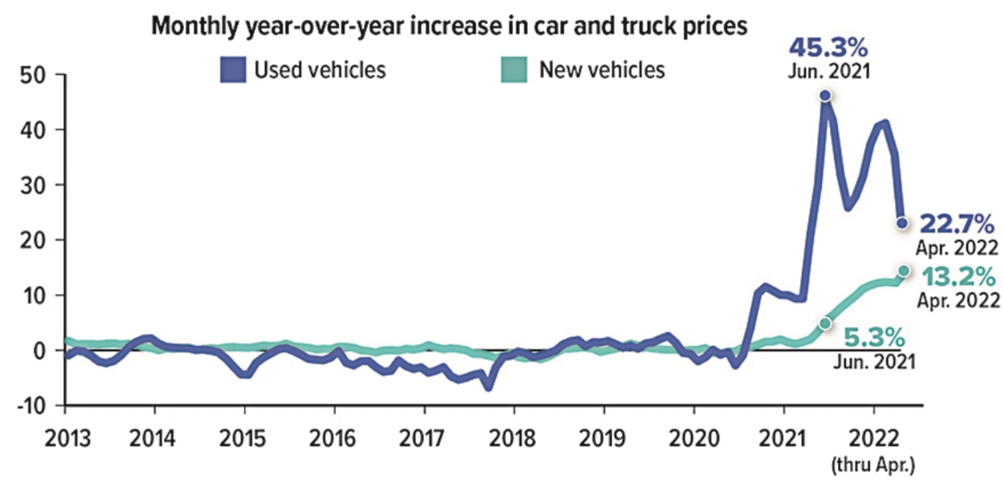
3,337,000

Number of new cars sold in the U.S. in 2021. Sales to consumers accounted for 43.5% of this total, sales to businesses accounted for 54.7%, and sales to the government accounted for 1.8%. The sales total represents a 50% drop from 2016.

Source: U.S. Department of Transportation, 2022

New Vehicle Shortages Drove Up Used Vehicle Prices

Prices for used cars and trucks began to rise at an unprecedented rate in August 2020 after remaining relatively flat since 2013. As new vehicle production was limited by supply-chain issues, demand for used vehicles skyrocketed. By June 2021, prices for used vehicles had grown by 45.3% year over year. After dropping somewhat, they peaked again in March 2022, finally dipping again in April. As new vehicle production accelerates, used car and truck prices could moderate, though the market may not recover quickly.



Source: U.S. Bureau of Labor Statistics, 2022 (Consumer Price Index for All Urban Consumers)

Life Insurance Living Benefits

When thinking about life insurance, you might focus on the death benefit that can be used for income replacement, business continuation, and estate preservation. But life insurance policies may include other provisions that allow you to access some or all of the death benefit while you are living. These features are often referred to as living benefits, which are usually offered as optional add-ons called riders.

Some living benefit riders are added to a life insurance policy at no additional cost. Other riders are optional and come with an added cost to your basic policy premium. Living benefits vary depending on the type of life insurance and the company issuing the policy. Generally, living benefits are available to the policy owner, but using your living benefits will reduce the life insurance death benefit available for policy beneficiaries.

However, most riders let you take a portion of the total amount available — you don't have to take the full amount so you can preserve a portion of the death benefit for your life insurance beneficiaries. Generally, living benefits are received free of income tax. Here are some common living benefits.

Accelerated Death Benefit for Terminal Illness

An accelerated benefit rider for terminal illness allows you to access a portion or all of the death benefit if you are diagnosed with a terminal illness or medical condition with a life expectancy of six to 24 months, depending on specific policy provisions. Most accelerated death benefit riders do not restrict how you use the money from the death benefit — you can use the money to help pay medical bills or other expenses arising from your illness. Or you can use the money to pay for funeral expenses.

Potential Drawbacks to Living Benefits

- **Eligibility:** To qualify, you must meet policy requirements.
- **Rider fees:** Many living benefit riders charge a fee in addition to your premium.
- **Limit on benefit amount:** What you can receive may be limited to a maximum dollar amount or percentage of the death benefit.
- **Reduction in death benefit:** Living benefit amounts received reduce the death benefit.

Chronic Illness Rider

A chronic illness rider allows you to use a portion of your death benefit if you become chronically ill and cannot perform at least two of six activities of daily living (ADLs). These ADLs include bathing, continence, dressing, toileting, eating, and transferring. You may file a claim using this rider to receive a portion or possibly all of the death benefit. Usually, the insurance company will want to evaluate your claim and may require that you be examined by a medical professional chosen by the insurer. Often there are no restrictions on how you use the proceeds.

Critical Illness Rider

Similar to the chronic illness rider, the critical illness rider allows you to receive some or all of the death benefit if you are diagnosed with an illness or medical condition specified in the policy. Common critical illnesses include heart attack, stroke, cancer, end-stage renal failure, ALS, major organ transplant, blindness, or paralysis. With some critical illness riders, the percentage of death benefit available to you is based on the type of illness you have.

Long-Term Care Rider

A long-term care rider can be added to a life insurance policy, generally for an additional cost, to help cover qualifying long-term care expenses. Like the chronic illness rider, you must be unable to perform at least two of six ADLs to claim a benefit. Unlike the chronic illness rider, the long-term care rider usually pays a portion of the death benefit on a periodic basis, commonly monthly. Some riders have a waiting period during which you must incur long-term care expenses before you can receive any proceeds. Other riders may only require that you cannot perform at least two of six ADLs, after which you receive periodic payments to use any way you wish.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insurable. An individual should have a need for life insurance and evaluate the policy on its merits as life insurance. Optional benefit riders are available for an additional fee and are subject to contractual terms, conditions, and limitations as outlined in the policy and may not benefit all investors. Any payments used for covered long-term care expenses would reduce (and are limited to) the death benefit or annuity value and can be much less than those of a typical long-term care policy. Policy guarantees are contingent on the financial strength and claims-paying ability of the insurance provider.

Inflation Protection for Investment Dollars

For the 12-month period ending in May 2022, the Consumer Price Index for All Urban Consumers (CPI-U) — the most widely used measure of inflation — increased 8.6%, the fastest pace in 40 years.[1] The rate may trend downward as the Federal Reserve raises interest rates and supply-chain issues improve. But inflation is likely to be relatively high for some time.

High inflation not only hits consumers in the pocketbook for current spending, it also has a negative impact on the future purchasing power of fixed-income investments. For example, a hypothetical investment earning 5% annually would have a *real return* of –2.5% during a period of 7.5% annual inflation. This rate of return might be further reduced by taxes.

One way to help hedge your bond portfolio against inflation is by investing in Treasury Inflation-Protected Securities (TIPS).

How TIPS Fight Inflation

The principal value of TIPS is automatically adjusted twice a year to match any increases or decreases in the Consumer Price Index. If the CPI-U moves up or down, the Treasury recalculates your principal to reflect the change. A fixed rate of interest is paid twice a year based on the current principal, so the amount of interest may also fluctuate. Thus, you are trading the certainty of knowing exactly how much interest you'll receive for the assurance that your investment will maintain its purchasing power over time.

Like all Treasury securities, TIPS are guaranteed by the federal government as to the timely payment of principal and interest. If you hold TIPS to maturity, you will receive the greater of the inflation-adjusted principal or the amount of your original investment.

Pricing-In Protection

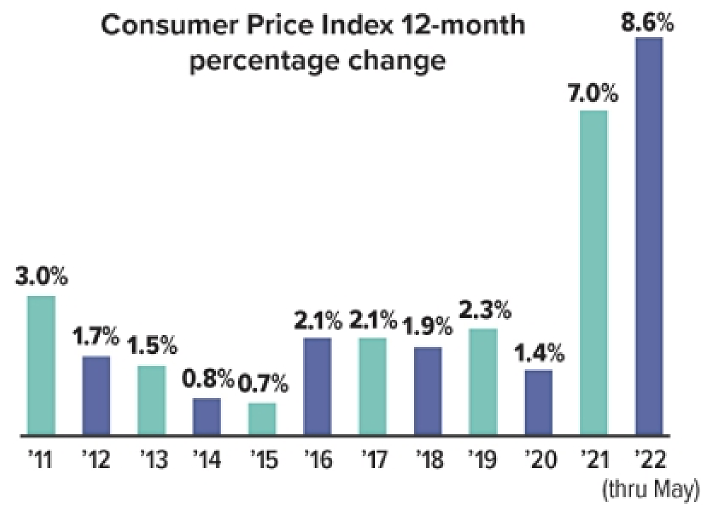
TIPS pay lower interest rates than equivalent Treasury securities that don't adjust for inflation. The *breakeven inflation rate* is the difference between the yield of TIPS and nominal (non-inflation-protected) Treasury securities with similar maturities. It is the premium the investor pays for inflation protection, as well as a market-based measure of expected inflation.

If inflation runs higher than expected, TIPS will earn a better return than nominal Treasury securities. If inflation runs below the breakeven rate, then TIPS have no clear advantage. However, the increased principal due to any level of inflation can still add to the value of your portfolio.

In some situations, TIPS can have negative interest rates that might produce a positive return after the principal is increased for inflation. For example, if a five-year TIPS offers a return of –0.5% while a five-year Treasury note offers a return of 2.5%, the 3% difference between these rates is the breakeven inflation rate. If inflation were to run at 4% over the five-year period, the TIPS would return 3.5% (4% – 0.5%) after adjustments for inflation, 1% higher than the return on the Treasury note.[2]

Eroding Purchasing Power

After an extended period of low inflation, consumer prices spiked in 2021 and 2022 due to supply and demand imbalances as the U.S. economy reopened.



Source: U.S. Bureau of Labor Statistics, 2022

TIPS are sold in $100 increments and are available in maturities of 5, 10, and 30 years. As with all bonds, the return and principal value of TIPS on the secondary market will vary with market conditions, are sensitive to movements in interest rates, and may be worth more or less than their original cost. When interest rates rise, the value of existing TIPS will typically fall on the secondary market. Changing rates and secondary-market values should not affect the principal of TIPS held to maturity.

You must pay federal income tax each year on the interest income from TIPS plus any increase in principal, even though you won't receive the principal and interest until the bonds mature. For this reason, investors might consider holding TIPS in a tax-deferred account such as an IRA.

1) U.S. Bureau of Labor Statistics, 2022

2) This hypothetical example of mathematical principles is used for illustrative purposes only. Rates of return will vary over time, particularly for long-term investments. Actual results will vary.

Six Steps to Starting a New Business

An extraordinary number of new business applications — nearly 5.4 million — were filed in 2021, far surpassing the previous record of 4.4 million set in 2020.[1] Although some of these start-ups will replace businesses that closed earlier in the pandemic, it appears that many Americans reassessed their careers and were inspired to launch brand-new ventures of their own. Some people took the leap into self-employment after losing their former jobs, while others gave up stable paychecks to take a chance on their dreams.

Do you have an idea for a product or service that could turn into a profitable business? Here's an overview of some important first steps in the entrepreneurial process.

Research the market. Find out all you can about your industry. Does your business proposition fill a gap or improve on competitors' existing offerings? Be sure to check for patents or trademarks on products that may already be in the works.

Focus on funding. It could be months or even years until a new company is profitable enough to provide a stable income. In the meantime, where will the capital come from to get off the ground and pay your own living expenses? Bootstrappers may depend on their own savings — recently bolstered by federal stimulus funds — and early company revenues alone. Others may try to raise seed money from outside investors, tap into their home equity, or take out business loans.

Make a test run. Running your idea by several potential customers, before you invest too much time or money, may help you refine your product marketing and sales strategy.

Select a structure. What kind of business structure are you going to establish? Some of the most common operating structures are sole proprietorship, partnership, corporation, S corporation, and limited liability company. Each type uses a different federal tax form, and the one you choose also determines which business taxes you will pay: income tax, self-employment tax, employment tax, and excise tax.

Consider tax and legal responsibilities. The IRS requires businesses to use a consistent accounting method for the reporting of income and expenses, so choose a method carefully when you file for the first time. Keep good records to help support figures listed on your tax return. If you plan to hire workers, you may need a federal Employer Identification Number for tax purposes.

Write a business plan. Creating a document that outlines details of your new business venture — including the business model, costs, and the other aspects listed earlier — may help you anticipate and prepare for some of the potential challenges.

1) U.S. Census Bureau, 2022