

PROSPERITY  
WEALTH STRATEGIES

JANUARY 2022 NEWSLETTER



**Let's Make a  
Resolution  
NOT to Make  
a New Year's  
Resolution!**

At the beginning of each year, Americans decide that the new year is an opportunity to pursue their passions and desires by making a resolution to do something new or differently in the year ahead. Me included. For the past two decades, I've made a New Year's resolution to lose weight and focus on my health.

Here's how the general pattern unfolds in my resolution: in the first two weeks of January, my commitment is intense and involves daily trips to the gym and kale - lots of kale. By the third week of January, I've abandoned the gym altogether and affirmed my intense dislike for kale. I'm not unique, at least not in this regard. The fact is that about 80% of all New Year's resolutions fail.

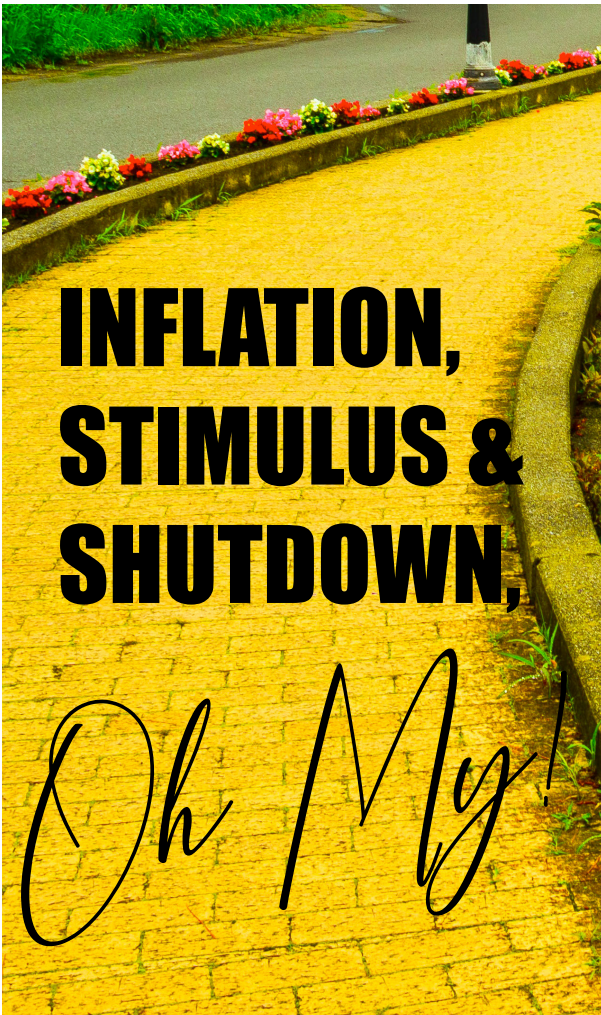
After the desire to lose weight, the second most common resolution made by Americans is spending less/getting finances in order. The unfortunate reality is that most Americans are unsuccessful in this attempt as well. In many regards, personal finances and health/wellness are similar. You make decisions today for a better future, delaying the instant gratification that fuels a billion dollar advertising industry. Just like I know I need to eat better and exercise more, most Americans know they need to spend less than they earn and make prudent saving, investment, and financial planning decisions. The problem lies in implementation.

This year I'm taking my own advice and hiring a health and lifestyle coach who can help me stay committed and hold me accountable to my goals. So instead of making finance-related resolutions for the new year, let's make a plan, identify and assign ownership of next steps, and commit to following up to build accountability.

I look forward to hearing your goals for 2022 and working together to make them a reality!







# INFLATION, STIMULUS & SHUTDOWN,

*Oh My!*



It's impossible to turn on the TV and not hear about inflation, stimulus, or supply chain breakdowns, unless of course you're watching Netflix! The quest to separate the noise from the facts can feel like a trip down the yellow brick road.

I recently had the pleasure of hearing one of my favorite economists, Brian Wesbury, address these very issues in a clear and understandable fashion, which I'm now delighted to share with you. It wouldn't be a "Note from Nicole" if I didn't add my own unique spin. Since I'm now gluten-free per doctor's orders (see "Let's Make a Resolution" article), let's create a simplified hypothetical economy that has \$10 and ten loaves of gluten-free bread.

In this scenario, each loaf of bread costs \$1. Now let's say the government adds \$4 to the economy through stimulus money for a total of \$14 for the same ten loaves of bread. Each loaf now costs \$1.40. In the second scenario, there are more dollars chasing the same amount of goods, therefore increasing the price of the goods. The result is inflation.

Now let's say that the bakery closes at noon and only produces 5 loaves of gluten-free bread instead of ten due to labor shortages, mandated shutdown, and the inability to receive regular shipments of rice flour. Each loaf of bread now costs \$2.80. Inflation is compounded by the supply chain/shutdown, reducing the amount of goods available.

## **IS INFLATION TRANSITORY OR PERMANENT? THE LIKELY ANSWER IS PROBABLY BOTH.**

The inflation caused by shutdowns and supply chain interruptions is likely transitory and will resolve itself as the bakery referenced above is able to receive regular shipments of rice flour and appropriately staff the bakery. It will return to producing ten loaves of bread per day. The cost of each loaf will go back to \$1.40. However, the inflation associated with the stimulus is more likely to be permanent. That's because the government doesn't remove the stimulus money from the system. The \$14 will continue to chase the same 10 loaves of bread and they are likely to continue costing \$1.40 each.

## **WHAT COULD HAPPEN: NO ONE KNOWS, BUT. . .**

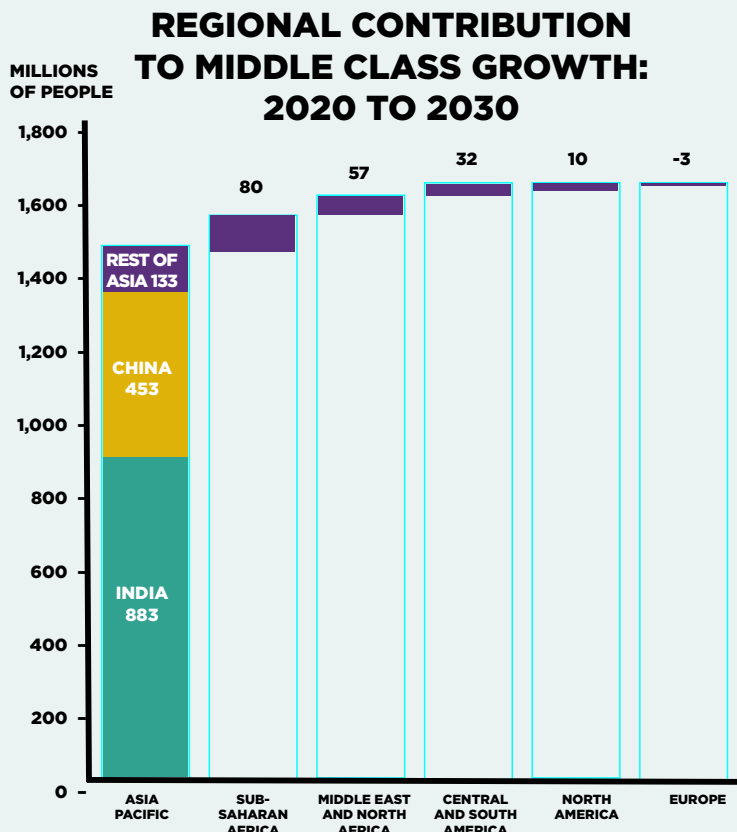
Maybe the bakery will become more efficient and invest in better technology to produce more gluten-free bread. If the growth outpaces inflation, then the economy will continue to be strong. I'm of the personal belief that people solve problems and the United States is truly the leader in technological innovation. In this scenario, stocks may continue to thrive.

However, some believe that domestic growth is no longer possible or has been maximized. Or perhaps inflation will outpace growth. This could be detrimental to the economy because the cost of living and cost of doing business would increase.



## SO NO ONE REALLY KNOWS, BUT ...

A recent JP Morgan Asset Management's "Guide to the Markets" cites a study from the Brookings Institution identifying a doubling of the middle class in the next decade. Their research indicates that from 2020 to 2030, about 1.6 billion (YES, BILLION) people will enter the middle class, primarily in India, China and other Asian countries.



Source: Brookings Institution, J.P.Morgan Asset Management. Estimates for regional contribution are from Kharas, Homi. *The Unprecedented Expansion of the Global Middle Class. An Update*. Brookings Institution 2017. Middle class is defined as households with per capita incomes between \$11 and \$110 per person per day in 2011 PPP terms. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. This slide comes from our *Guide to China, Guide to the Markets – U.S.* Data as of September 30, 2021.

These people are going to want access to healthy food, clean water and technology. Just imagine the growth opportunity for a strategically focused company that is poised for the long-term and ready to serve this newly emerging marketplace!

Over time, I remain optimistic that people solve problems, but we all know that markets don't go straight up. And yes, inflation is a concern in the short term. That's why I've positioned your portfolio in a fashion that attempts to mitigate this risk while still maintaining a globally-diversified, multi-asset class approach to investing, focused on the long term and aligned with your goals.

### AS A REMINDER, HERE ARE SOME OF THE CHANGES WE MADE THIS YEAR:

- Reduced duration in fixed income
- Added global fixed income
- Shifted from US stocks to international stocks
- Increased emerging markets exposure
- Within the US stock allocation, shifted from growth to value



**MarketWatch** • Latest Watchlist Markets

**3 ways practicing gratitude can help your financial well-being this holiday season**

Last Updated: Nov. 27, 2021 at 5:08 p.m. ET  
First Published: Nov. 25, 2021 at 12:02 a.m. ET  
By Andrew Keshner

*News-worthy!*

FEATURED IN MARKET WATCH

“

Financial independence is more than just having enough money to meet your needs — it's about aligning your values with your financial plan: the peace of mind to focus on the things that matter most, the peace of knowing you can live a life of your choosing, and the peace of planning to care for those you love.”

– Nicole Gopoian Wirick  
founder of Prosperity Wealth Strategies  
in Birmingham, Michigan

## WHAT WILL THE NEW YEAR BRING FOR THE MARKETS?

### A REMINDER OF OUR “RULES TO LIVE BY”



There are no gurus – No one knows which assets will outperform from year to year



Identify short- and mid-term cash needs and plan accordingly



Remain focused on your goals – Maintain the discipline to follow your plan, regardless of short-term market movement



Diversification is key – Spread your risk over several asset classes, countries, regions and sectors



No one has a crystal ball – Don't prognosticate the unknowable events of the future



Human nature makes us bad investors – We can't help but get in our own way



Plan first, invest second – Your financial plan should drive all investment decisions, not the opposite



And remember, if investing was easy then everyone would be rich!



#### Tip of the Quarter: Use the 48 hour “TRUNK RULE” after shopping

After a shopping trip, keep the item you purchased in the trunk for two full days and set a reminder on your calendar. After the two days elapse, ask yourself how often you thought about that item. If you forgot about it or had fleeting thoughts of it, consider returning it. If you still want it after forty-eight hours, then bring it in the house!



**As always,  
it's my pleasure to  
help you achieve  
peace & prosperity!**

*Nicole*

*New Address!*

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