

FARMERS TRUST COMPANY NEWSLETTERS



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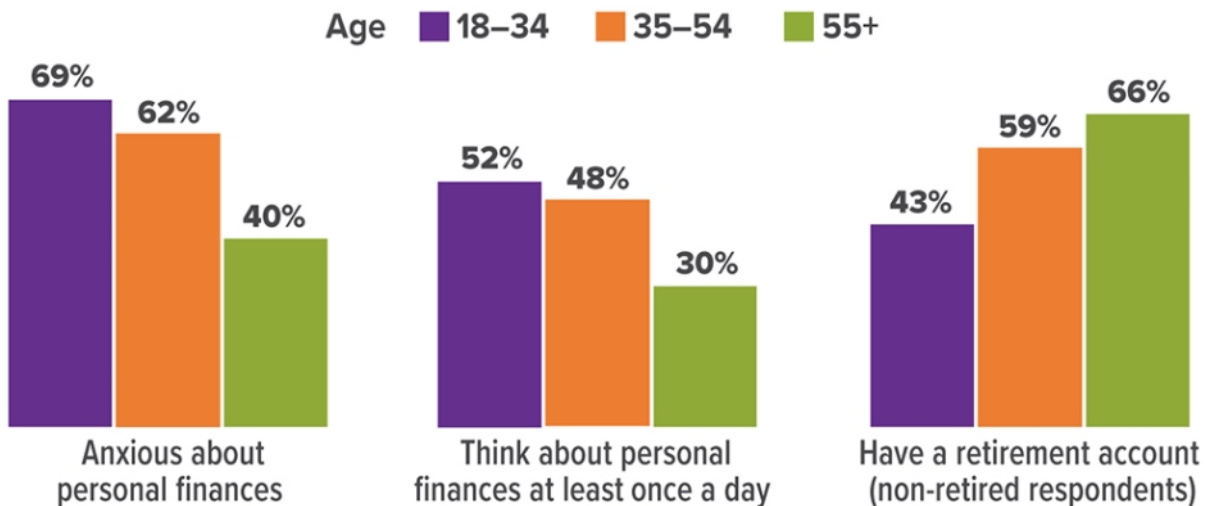


Be sure to check out John Stewart's update, "Fed Pauses Rate Hike Campaign".

Anxious About Your Finances?

A study of financial capability found that older Americans were significantly less anxious about personal finances than younger people. However, about one-third of non-retired people 55 and older had no retirement account.

A comparison of the percentages regarding financial anxiety and retirement accounts suggests that having sufficient resources to contribute to a retirement account is an important aspect of feeling less financial stress for older people. However, many younger people feel stress regardless of whether they have retirement savings. This is especially true of those ages 35 to 54 who may have large mortgages, children in college, and other financial stressors.



Source: FINRA Investor Education Foundation, 2022 (2021 data)

Fed Pauses Rate Hike Campaign

As was widely expected, the Federal Reserve decided not to raise its key interest rate target at its meeting earlier this week after hiking rates at every meeting going back to March of last year. While our central bank allowed for the possibility of further rate increases going forward, it seems likely we may stay on pause for the rest of the year given improving inflation metrics. Since monetary policy takes time to fully work through the financial system, Fed governors want to take some time to see the effects of what has already been done, so as to not risk pushing the economy into a deep recession. At least from the stock market's perspective, it appears that the Fed has successfully threaded the needle almost no one thought they could, tightening monetary policy just enough to cool inflation without causing severe economic pain. Now that the bulls are on parade and valuations are nearing their 2021 peak, the market could be a bit more vulnerable to a downside surprise should anything not go according to plan.

Speaking of bulls on parade, the most recent issue of the popular investment publication Barron's put a picture of a bull on the cover with the headline "This Market Has Legs" and many people took notice. Whether it helped drive the market higher this week or was just a coincidence is hard to say with any degree of certainty, but investors decided to plow money into stocks at a level they haven't done in quite some time. Perhaps they've been worried about the pending recession everyone has been talking about, and now they feel more comfortable putting money to work in stocks since the "experts" are giving their stamp of approval.

In fact, the percentage of bullish investors did jump from 29% to 44% just in the past week according to the American Association of Individual Investors survey. The problem is, once the story is on the cover, the big gains have usually already taken place. You make money buying low and selling high, not buying after we're already up 15% so far this year. If you see a bullish cover story on a non-financial publication like Time or Newsweek, then you'll know to be cautious, as those tend to be very contrarian indicators.

The second quarter of 2023 is fast approaching its end, and soon another earnings season will be upon us. The consensus of Wall Street analysts currently expects earnings to be roughly 11% below last year's second quarter, so that will likely be a rather easy bar to jump over. Third and fourth quarter earnings estimates have also been inching lower; but overall, earnings are expected to be relatively flat in the second half of 2023 versus 2022. It would seem that given the persistent rise in the S&P 500 index in recent weeks, markets are expecting an inflection in earnings revisions going forward – in other words, they are expected to start rising again. We will soon find out if markets have a crystal ball into earnings; otherwise, they will be in for a rude awakening as we move toward the seasonally challenging late summer months.

Why Buy Life Insurance During Unsettled Economic Times?

To say the economy has been uneven over the past few years is an understatement. Amid these bumpy economic times, why buy life insurance? Here are a few reasons.

Protection for Loved Ones

Savings that were intended to provide support for you and your family may have taken a hit over the past few years due to stock market volatility. If you die, life insurance can be used to replace some of the savings you may have lost during these turbulent economic times. The tax-free death benefit could be used to provide income to your spouse and family, pay off mortgages and loans, meet tax liabilities, or pay for college expenses.

May Help Diversify Your Portfolio

Certain types of permanent life insurance have a cash value option that can be beneficial during times of economic uncertainty. Some policies offer minimum interest rate guarantees (subject to the financial strength and claims-paying ability of the issuer), that may offer an alternative to the unpredictability of the stock market.

Offers an Additional Way to Accumulate Wealth

Cash value life insurance allows all interest and earnings on the policy's accumulations to grow tax deferred. You may be able to take withdrawals from the cash accumulation of the life insurance policy. Any withdrawal you make will typically be tax-free up to your basis (i.e., premiums paid) in the policy. Because any earnings grow tax deferred while inside the policy, they will be subject to income tax when you withdraw them. Withdrawals coming out of your policy are generally treated as basis first. Be aware that surrender charges may also apply when you withdraw from your policy, even if you withdraw only up to your basis. One way to avoid this and still access your money is to take a policy loan from the insurance company, using the cash value in the policy as collateral. The amount you borrow is generally not treated as taxable income as long as you repay the loan, and there are no surrender charges because you're not actually withdrawing your money. But you'll have to pay interest on the loan, which is not tax deductible.

Provides Protection in the Form of Living Benefits

Life insurance may help replace lost funds should you become disabled, need long-term care, or face a terminal illness. For example, if you are terminally ill,

you may be able to receive a portion of the death proceeds from your life insurance before you die in order to pay necessary expenses. Some life insurance policies include a special rider that allows you to accelerate your life insurance death benefit if you need long-term care during your life. Certain riders can be added to a life insurance policy and may help in the event you become disabled and unable to work.

Comparison of Types of Cash Value Life Insurance



	Whole Life	Variable Life	Universal Life	Variable Universal Life
Earnings grow tax deferred	Yes	Yes	Yes	Yes
Cash value may be withdrawn tax-free	Within limits	No	Within limits	Within limits
Policy loans allowed	Yes	Yes	Yes	Yes
Policy loan proceeds received tax-free (Note: Special tax rules apply if policy is later cancelled)	Yes	Yes	Yes	Yes
Cash value growth guaranteed by insurance company	Yes	No	Yes	No

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. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Any guarantees are subject to the financial strength and claims-paying ability of the insurance issuer. The investment return and principal value of the variable investment options will fluctuate and are not guaranteed. Loans and withdrawals from a permanent life insurance policy will reduce the policy's cash value and death benefit, could increase the chance that the policy will lapse, and might result in a tax liability if the policy terminates before the death of the insured. Additional out-of-pocket payments may be needed if actual dividends or investment returns decrease, if you withdraw policy cash values, or if current charges increase.

As Your Parents Age, Help Them Protect Their Finances

It's heartbreaking to hear stories of people losing money (even their life savings) as a result of fraud or financial exploitation, especially if they are older and financially vulnerable. In fact, it's quite common. People age 70 and older reported losses of \$567 million in 2022.¹ You know your parents could be at risk, and you want to protect them, but how?

One place to start is by looking for warning signs that your parents have been victimized, or are at risk of being influenced, manipulated, or coerced by a stranger or someone they know.

- Unusual bank account activity, including large or unexplained withdrawals, and nonsufficient fund notices
- Missing checks, credit cards, or financial statements
- Unpaid bills
- Lost money or valuables that can't be located after a thorough search
- Relationships with people who seem to have undue influence
- Unexplained changes to legal documents
- Declining memory and decision-making skills

Regularly checking in with your parents may help you spot issues that need to be addressed. If your parents have fallen victim to a financial scam or are being pressured for money from someone they know, they may be embarrassed or reluctant to tell you, even if

you ask. Do your best to remain objective and nonjudgmental, and patiently listen to their views while expressing your own concern for their well-being.

Laying some groundwork to help prevent future incidents is also important. For example, talk to your parents about how they might handle common scams. Let them know it's a good idea to get a second opinion from you before acting on any request for information or money, even if it seems to come from their financial institution, a well-known company, law enforcement, a government agency such as the IRS or Social Security Administration, or even a grandchild in trouble.

Encourage them to set up appointments with their elder law attorney or financial professional to talk about concerns and legal and financial safeguards. They might also want to add layers of protection to their financial accounts, such as naming a trusted contact or setting up account alerts.

People are often reluctant to report financial fraud or exploitation, either out of embarrassment or fear of being wrong. But if you suspect your parents have been victimized, you can get help from many sources, including the National Elder Fraud Hotline, sponsored by the U.S. Department of Justice. You can call (833) 372-8311 to be connected with case managers who will assist you and direct you to additional resources.

1) Federal Trade Commission, 2022

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