



D|A| DAVIDSON

SPRING 2022

**TROST WEALTH
MANAGEMENT**

A service of D.A. Davidson & Co. member SIPC

Economic and Market Update

Although stocks have regained some of their recent losses, it's been a volatile start to the year for financial markets. With the pandemic fading into the background and things just starting to feel more like normal, I think it's safe to say that we all hoped for some relative calm. Unfortunately, Putin had other ideas. Obviously, what the people of Ukraine are suffering through right now is unimaginable, and our hearts go out to them. Several clients have asked if we know of anything they can do to help, so we did some research and picked two from the handful of non-profit organizations on the ground in Ukraine to make our own donations: Doctors without Borders and the International Red Cross.

From an economic and financial market standpoint, we're more concerned about inflation and Federal Reserve policy than we are about impacts from the war in Ukraine for two main reasons. First, we don't have any direct exposure to Russian companies within our client portfolios, and second, history tells us that U.S. companies always find a way to compete and even prosper during wartime. In fact, during each of the past seven major geopolitical conflicts

dating back to WWII, U.S. markets had fully recovered within a couple of years from the onset of hostilities.

The war and inflation are linked with regard to energy and other commodity prices, but the U.S. has the ability to increase production of some of the commodities most impacted, and we expect those prices to stabilize over time. We didn't coin the phrase but have often said, "The cure for high prices is high prices." General inflation across all goods and services will be more difficult to curtail, but we believe the Fed still has enough credibility to rein-in inflation without causing a significant recession.



ECONOMIC AND MARKET UPDATE (CONT.)

The Fed will need some help from improving labor markets and supply chains, and while we hope to see progress relatively soon, it may take time. Here are some investment implications to consider in the meantime: commodity exposure within our recommended portfolios can help as a short term hedge, but in the longer-run, stocks tend to do better against inflation than any other asset class. Growth stocks are generally more sensitive to higher interest rates, so we think focusing more on “value” sectors makes sense right now, and we’ve made two meaningful shifts in that direction over the past several months. As always, clients’ individual circumstances may vary, so let us know if you have specific questions.

With all this uncertainty, additional market volatility is likely, but remember that financial markets are always looking forward, and no virus, or war, or recession has ever been permanent. Market volatility will always go along with investing. It’s the risk premium that allows stock returns to be higher than bonds or cash, and investors who remain calm in the face of uncertainty should continue to earn better returns over the long run.



Dan Trost, CFP[®], CWS[®]
Financial Advisor
Senior Vice President

WHILE IT'S ON YOUR MIND...

What Tax Deductions Are Still Available to Me?

Tax reform measures are enacted frequently, which makes it hard to know which deductions are currently available to help reduce your tax liability. Taxpayers may be able to take deductions for student-loan interest, charitable contributions, health care costs, home mortgage interest, contributions to a traditional IRA or health savings account. Of course, some tax deductions are limited as adjusted gross income increases. In 2021 and 2022, you may only deduct medical and dental expenses that exceed 7.5% of your AGI. Home mortgage interest has several modifications. The deduction for interest paid on home equity loans and lines of credit has been suspended from 2018 until 2026, unless the loans are used to buy, build or substantially improve the taxpayer's home that secures the loan. Interest on a new home mortgage is limited to a maximum loan of \$750,000. Taxpayers with a

mortgage taken out before December 15, 2017 can continue to claim home mortgage interest on up to \$1 million. Personal casualty and theft losses are no longer generally deductible. The only exception is for certain losses in federally declared disaster areas. With a little preparation and some help from a qualified tax professional, you may be able to lower your income taxes by shifting certain deductible expenses from one year to the next, and there are several options to help optimize your charitable giving (discussed in more detail elsewhere in this issue). You just need to take the time to plan ahead!

Disclosure: The Financial Advisor sending this publication may have specifically noted authorship of this publication. All expression of opinion reflect the judgement of the author as of the date of publication. The opinions and comments expressed may not accurately reflect those of D.A. Davidson. Neither the information nor any opinion in this publication constitutes investment or securities advice nor is it a solicitation or offer by D.A. Davidson or its affiliates to buy or sell any securities, options, or other financial instruments or provide any investment advice or service. Financial Advisors are available to discuss the ideas, strategies, products and services described herein, as well as the suitability and risks associated with them. D.A. Davidson & Co. does not provide tax or legal advice. Questions about the legal or tax implications of any of the products or concepts described should be directed to your accountant and/or attorney. D.A. Davidson & Co. is a full-service investment firm, member FINRA/SIPC.

How Can My Gift Benefit Me and the Charity?

Giving Basics

You're free to give almost any type of property to whatever organization you choose. But in order to receive the tax benefits associated with charitable giving, contributions need to be made to qualifying tax-exempt organizations in the United States. In addition to common charitable organizations that operate exclusively for religious, charitable, scientific, or educational purposes, you may give to veterans' posts, certain fraternal orders, volunteer fire departments, and civil defense organizations, but not politically active groups.

The income tax deduction for your charitable gift will be determined in part by the type of property you give and the type of entity receiving it.

With a cash gift, you might receive an immediate income tax deduction for value of your gift, up to 60% of your adjusted gross income (AGI). Noncash gifts are more restrictive, generally limited to 30% of AGI. You can carry forward any gift amount that exceeds these limits to future tax returns for up to five years.

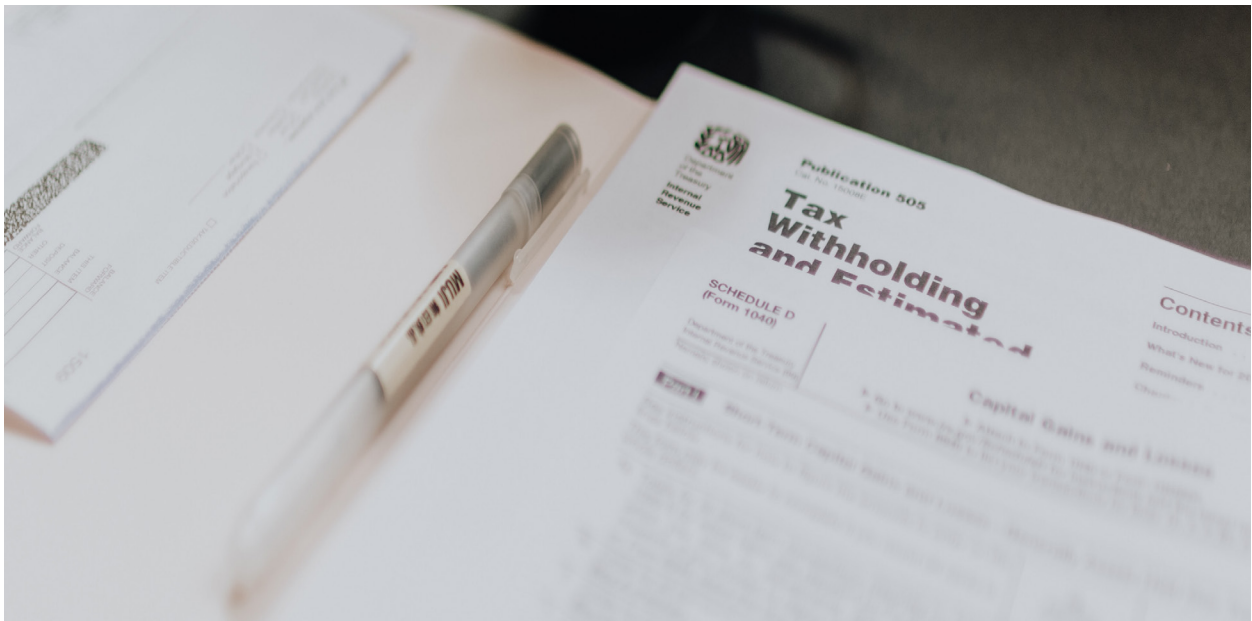
More Complex Gifting Strategies

In addition to outright gifts, planned giving may offer a way to make larger gifts than you might otherwise be able to do. For example, by donating highly appreciated assets (such as stocks) during your lifetime, you may be able to help reduce or avoid paying capital gains taxes, thus potentially enhancing the value of your gift to the charitable organization and increasing your tax savings.

If you're over the age of 72, you might consider a qualified charitable distribution (QCD) from your IRA. These direct IRA donations can reduce your current income taxes because they are deducted from your AGI whether you itemize on your taxes or not.

A gift of life insurance may result in a larger future gift to a charitable organization. If the charity is named as owner and beneficiary of the policy, you can receive an income tax deduction for the premiums you pay, within certain limits.

With a charitable lead trust, you (as grantor) place income-producing assets in the trust. The income



generated from the assets is donated to the charitable organization for the duration of the trust. At the end of the trust period, the remaining assets are paid to you or to your heirs. This can help reduce, or in some cases even eliminate, estate taxes on appreciated assets that are eventually transferred to your heirs.

Using a charitable remainder trust, you (as donor or grantor) donate property to the trust, naming the charitable organization as beneficiary, and you receive regular payments from the trust for a specific number of years or your lifetime. You may qualify for a current income tax deduction on the estimated present value of the remainder interest that will eventually go to charity. Although you cannot take your gift back once it's in the trust, you can change the charity that will eventually receive your gift.

While trusts offer numerous advantages, they incur up-front costs and ongoing administrative fees. The use of trusts involves complex tax rules and regulations. You might consider enlisting the counsel of an experienced estate planning professional and your legal and tax professionals before implementing such strategies.

Giving strategically can benefit both you and the charitable organization you choose, and could potentially benefit your heirs. A properly planned gift might enable you to realign your investment portfolio, help diversify your holdings, increase your cash flow — and help leave a greater legacy by reducing your estate tax liability. Whatever gifting strategy you choose, planned giving can be very rewarding. It's wonderful to see your gift at work and to receive tax benefits as well!

WHAT'S NEW

Team Happenings



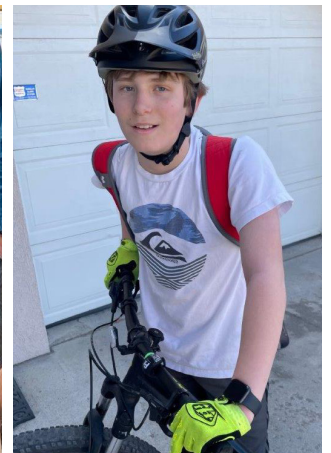
Dan Trost,
CFP®, CWS®
Financial Advisor,
Senior Vice President

After a busy winter filled with skiing and basketball, the Trost Family plans to ramp-up even more this spring with track, soccer, and baseball. This was Lucas' (11) first year of middle school, and it's been great. He's enjoyed his classes and has tried just about every sport or activity they've offered. Aaron (10) misses having Lucas at school, but he's doing well and making his own way. He was recently asked as part of a group to give presentations at Carroll College about their future careers. His was about mechanical engineering and the history of bicycle design. He said it was the most terrifying experience of his life, but he did great nonetheless. ☺ Isaiah (4) remains a joyful little ball-of-energy and excitement. Every morning he tells each member of the family how much he loves them before putting on his swim goggles, headband, and helmet and heading outside to ride his bike. With the big boys playing soccer and baseball this spring, there may not be a day off for the Trost family taxi, but it's all worth it to see them having so much fun with their friends again!

Lexie Bass, FPQP™
Associate Financial Advisor
Supervisory Branch Ops Manager



The Bass family is excited for the warmer weather! Spring brings bike rides, soccer, ballet recitals and most importantly (in her mind) Vivian's Birthday. She'll be turning six this May and has been planning her party for the past six months. With themes ranging from Unicorn Mermaids to Harry Potter, Lexie has her work cut out for her. Viv is loving her first year of school, with reading and math being her favorite subjects. She's a girl after her mom's heart, always carrying around a book to read! Hazel (4) is their little social butterfly. She loves to chat up new people and always manages to make a new friend wherever they go. She recently went by herself to meet some new neighbors, and five minutes later walked away with an arm full of treats! Lexie has been busy rehabbing her knee after a ski accident earlier this year. She found out the hard way, she is not cut out for the X-Games. ☺ She has a great PT and support at home and hopes to be able to run with her girls in the Governor's Cup this June.





Darbi Linder
Client Associate

For the Linders, the change in seasons brings a change in uniforms. They're swapping out high-tops, ski boots, and indoor soccer shoes for lacrosse cleats, track spikes, and hiking shoes. So far, Libby has thrived in her first year at college as a Ute! She's been participating in everything possible, including skiing the Wasatch, rock climbing, cheering the Utes all the way to the Rose Bowl, and she managed to stay on the Dean's List with a 4.0. Isabelle is gearing up for her sophomore track season at Capital High. She recently booked a leadership trip to Thailand to care for elephants and lead classes at an elementary school. She's been saving money for this since she was 10 and is very excited to see it come to fruition. Brit, 8th grade, is happy to be moving on to lacrosse season. Although he was busy playing basketball all winter, he managed to get almost 20 days of skiing in this year. Meanwhile, Nate and Darbi just try to keep up. They love to be part of the fun but also enjoy just watching the kids participate in life.



Mindy Diggins
Registered Client Associate

The Diggins' family is ready for spring! They are spending their weekends exploring local trails and evenings dusting off the BBQ. Se'amus (15) and Deklyn (10) have recently started their track season; this will be Deklyn's first year. Both Mindy and Nick have to contain their excitement, but they absolutely love watching the boys compete in their events. Se'amus attended his first Prom this year, and his parents are somewhat dismayed at how quickly he's growing up. He had a lot of fun! Deklyn is super proud to have conquered his fear of heights this spring by mastering a mid-air obstacle course. He was terrified but did it anyway!



THROUGH IT ALL

Our Promise

Our team believes in a thoughtful planning and disciplined investment process, and we work hard to help clients meet their financial goals. We promise to be there for you and your family during times of uncertainty and other key life moments, and we'll do our level-best to provide the exceptional service that you deserve. Please don't hesitate to contact us with any questions related to investment management, retirement cash flow planning, tax planning, insurance analysis, estate and wealth transfer planning, family and elder care, banking and liability management, or charitable giving options.



Mission

As advisors focused on comprehensive wealth management, our primary goal is to help our clients define and meet their own financial goals. We work toward positive outcomes and try to build trust through attentive service, thoughtful planning, and a disciplined investment process. Please don't hesitate to contact us with any questions related to investment management, retirement cash flow planning, tax planning, insurance analysis, estate and wealth transfer planning, banking and liability management, or charitable giving.

40 W. 14TH ST .
HELENA, MT 59601

[406] 442 - 9600
[800] 443 - 3086

DTROST@DADCO.COM

