



D|A|DAVIDSON

FALL 2022

TROST WEALTH  
MANAGEMENT

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# Autumn in Montana

The Trost Wealth Management team hopes that everyone is having a wonderful fall season! Despite starting off with a few weeks of poor air quality, we're all doing our best to enjoy the lovely weather and pack-in some fun before the snow flies.

Our office remodel is finally complete, and we're so happy to be in our new, more efficient space. Thank you for bearing with us during these past 5 months. We can't wait for you to see our new digs! We also have a couple of team-related changes to report. Mindy has been assigned to another team within the Helena branch. We wish her the best, and are happy that she'll remain nearby. Darbi will now be your primary contact for setting appointments and handling checks, transfers, balance requests, etc. Finally, after a very competitive application process, we recently hired Taylor Eggebrecht to our team as an intern. Taylor is a senior at Carroll College majoring in accounting and finance. She'll be working on various projects and trying to learn as much about investing and financial planning as she can over the next two semesters. Please feel free to stop by and welcome her!



# Market Overview

It's been a really hard year for investors with markets falling into a bear market by June. July saw some positive momentum, but that has since stalled and we're back near the June lows. Wild swings during bear markets aren't unusual, and the bottoming process can take several months. This time around, several significant issues are driving uncertainty, including the war in Ukraine, declining corporate earnings estimates, errant fiscal policies in Great Britain, and Chinese lockdowns. However, the central issue for U.S. stocks remains inflation, and whether the Federal Reserve can reign it in without causing too much collateral damage.

So where do markets go from here? If inflation has peaked and the Federal Reserve is able to slow or pause rate hikes, if corporate earnings remain steady, if the war in Ukraine starts to lean toward a diplomatic end, and if China ends its zero Covid policy, then markets should improve significantly and soon. If all of these things trend negative, we could see another leg downward, perhaps well below recent lows. What's more likely, is that we'll see mixed outcomes with regard to these variables, some favorable and some not so favorable, which makes predicting market direction even more challenging than usual.

Our forecasts show inflation trending lower, but not quickly enough to stop the Fed from raising rates at both of this year's remaining meetings. Higher rates should help to slow the economy, which unfortunately is the best, and maybe only way to overcome inflation. If the Fed overshoots, we still believe any resulting

recession would be relatively mild due to general household strength and tight labor conditions. Keep in mind, markets have historically improved long before recessions end. In fact, markets often turn upward before the Bureau of Economic Statistics even confirms that a recession has even begun. Therefore, we think maintaining a reasonable allocation to equity markets makes sense for long term investors. Of course, market volatility is inevitable, and there are certainly more risks than those outlined above, but investors able to remain calm in the face of uncertainty have been rewarded in the long run.

Americans have continually risen above any challenge, even those that appear insurmountable, with innovative ways to improve their lives and the lives of their families. It's that will to strive for a better life that has helped to make our economy successful through generations. Stock market returns may be sideways or down in the near term, but to paraphrase Warren Buffet... Despite interruptions from time-to-time, America's economic progress has been unrelenting. Our unwavering conclusion is to never bet against America in the long run.



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



## WHAT'S NEW

# Team Happenings



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

Dan, Cassie, and family have spent this fall as usual, with friends, soccer, and having lots of fun on mountain trails. Lucas (12) is racing again this fall with the Helena Cyclones mountain bike team. He's doing well and loving every minute of it. Dan is an assistant coach for the team again this year, and aside from the minor hit to his ego after realizing he can't keep up with the fast group, he's having a ball too. 😊 Aaron (10) is playing soccer again this year and has moved up to the Helena Arsenal team. It's been fun to watch as the game gets more technical and physical, and he's really enjoying it. Isaiah just turned 5 and started his second year of preschool. He wants to be just like his big brothers and can often be found zipping around the trails on his tiny mountain bike, kicking a soccer ball, or shooting a basketball. And he's usually donning some elaborate uniform with goggles, knee pads, and a backpack full of rocks or other treasures. Isaiah looks-up to his dad a bit too. Cassie recently noticed him feverishly scribbling in his note pad and asked what he was up to. He replied that he was "just working on some tax reports for his clients." 😊

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



After a beautiful summer spent mostly outside, the Bass family is enjoying the cooler temps and fall activities. With the girls in ballet, cheer and gymnastics, Erik and Lexie have resumed their second careers as taxi drivers. Vivian (6) started first grade and loves being back at school. Her favorite subject is reading, and she takes every opportunity to dive into a new book. She is even helping Mom read bedtime books to little sister. She started cheer & tumbling this year and loves learning all the new moves. She recently told Lexie she needs to practice her cartwheels and round offs if she wants to make it to the Olympics. Hazel (4) is in her last year of pre-school and can't wait until Kindergarten next year. She has an affinity for math, especially when it involves counting to see who got more candy or treats. Lexie has been training for an upcoming 5k this October and is thankful to be healthy and able to run again. It warms her heart to see her girls share her love of running. Each day on the way home from school, they "run" home from the mailbox, the same thing Lexie did when she was little.







**Darbi Linder**  
Client Associate

A wonderful family trip to East Glacier (complete with grizzlies, icebergs, camping, and laughs) capped off a great summer just before everyone moved on to the festivities of fall. Libby, and her 5 roommates have settled into their first rental in Salt Lake City and are loving the proximity to campus and other friends' houses! Things seem to be going well despite being very busy acclimating to her 2nd year in an architecture program that is really demanding. Isabelle's junior year of high school has been great so far – her favorite class has been Unified PE where she and 10 peers participate in gym class with the special needs students. Her Lady Bruin Soccer team has experienced quite a bit of success in the Western Conference which is something we can all get excited about! Brit has enjoyed his move to high school! As a freshman, he finally gets to sit in the student section cheering on his football mentors. His classes are tough and he's been working hard as a running back and linebacker for the freshman football team. Nate was thrilled to enroll in early-season adult hockey league. And Darbi is excited to dive back into fall cooking and baking. She recently got a Bonsai Tree starter kit and can't wait to get started! (If anyone out there is looking to be a Bonsai mentor – give her a call!)



**Taylor Eggebrecht**  
Intern

Taylor is a senior at Carroll College. She is double majoring in Accounting and Financial Planning. Upon graduation, Taylor plans on sitting for the CPA and CFP exams. In her free time, Taylor enjoys hiking with her family and dogs, running, and going on road-trips with her friends.



## ARTICLE

# Help Wanted: Where Have All the Workers Gone?

The headline U.S. unemployment rate fell from 6.7% at the end of December 2020 to 3.9% in December 2021 – the biggest one-year improvement in history. While many workers took advantage of this strong rebound in the job market, companies large and small have been struggling with labor shortages.



Since the pandemic began, wild shifts in demand and a conspicuous lack of workers has ensnared corporate supply chains; resulted in delayed and cancelled product orders; left working parents without access to child care; upended air travel; and forced restaurants, retail stores, and other businesses to shorten hours or close locations. Almost 3 years in, and we're still dealing with a 2:1 ratio of job openings per unemployed worker, which is a record high.

COVID-19 may have kicked off this severe labor shortage, but longer-term demographic trends are partly to blame for this highly unusual job market.

## A Workforce in Flux

At the onset of the pandemic, the labor force participation rate — the percentage of Americans age 16 and older who are working or actively looking for work — plummeted from 63.4% in February 2020 to a record low of 60.2% in April 2020. By December 2021, the rate had recovered only partially to 61.9%. About 2.3 million people have dropped out of the workforce entirely since the pandemic began. Some may have left temporarily, but others are probably gone for good.

**Early retirements.** The baby boom generation (born 1946–1964) is very large, and birthrates have declined in recent



decades. The labor force has been aging and shrinking, and retirees' share of the U.S. population has been growing. Economists have long expected this wave of boomer retirements, some of which may have been accelerated by the pandemic. By one estimate, there were 2.4 million "excess retirements" due to COVID-19 (as of August 2021). Higher retirement account balances and home values made it feasible for some people to retire earlier than they would have otherwise.

**Immigration slowdown.** It's estimated that declining immigration may have removed as many as 2 million potential workers from the current U.S. labor pool. Net migration to the United States has dropped steadily each year, from a peak of 1.05 million people in 2016 to 595,000 in 2019 and 247,000 in 2021. The most recent and drastic annual decline (July 2020 through June 2021) was due in part to travel restrictions associated with the pandemic.

**Pandemic repercussions.** In December 2021, about 1.1 million people reported that the pandemic had prevented them from seeking work. This subset of missing workers includes those who still have child-care challenges or health concerns, including those who are contending with long-COVID symptoms.

**Worker priorities.** Pandemic relief measures allowed many households to strengthen their finances. Trillions of dollars in excess savings were accumulated thanks to stimulus payments, student loan pauses, and reduced spending while most people were stuck at home during 2020. This extra money gave some workers room to rethink their careers, go part time or start a new business, or care for children or elderly parents, instead of working.

## Economic Effects

A smorgasbord of open positions provides job seekers with more choices and more





leverage. U.S. workers quit their jobs at record rates in 2021, in many cases to join new employers offering higher pay, better benefits, or more flexibility — such as the option to work remotely.

Labor shortages ranked as the number-one external factor that U.S. CEOs think will have the greatest impact on their businesses in 2022. Rising inflation followed closely in second place. The U.S. Chamber of Commerce has called on the federal government to reform and expand the legal immigration system so employers can fill jobs in labor-strapped industries, arguing that it could help cool inflation.

In the coming months, some sidelined workers could be more motivated to seek employment

when their savings are depleted or as pandemic-related worries subside. Higher wages might also help draw some early retirees and stay-at-home parents back into the workforce.

However, labor force participation may not return to pre-pandemic levels for many years, which means employers might need to change their hiring practices, reduce experience and education requirements, or provide training programs, opening the door to better-paying jobs for more workers. It's possible that automation technologies will also help fill the gap. Even so, it remains to be seen whether technology investments can boost productivity enough to offset a smaller workforce.

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THROUGH IT ALL

# Our Promise

Our team works hard to help clients meet their financial goals and believes in a thoughtful planning and disciplined investment process. We promise to be there for you during life's key moments and times of uncertainty, 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.







**WE BELIEVE IN**

# Giving Back

Dan was appointed as a board member to the Montana Board of Investments earlier this year. He's enjoying his role helping to manage, protect, and grow the nearly \$15 billion in investments related to Montana's public employee pensions and other funds. Dan also continues to serve on the Teachers' Retirement System Board, another organization he believes in wholeheartedly. Lexie joined the United Way Board and is now leading the fundraising committee where she plans to help spread awareness about the organization. Our branch recently volunteered to help Florence Crittenton with a large fundraising event as part of "D.A. Davidson Day," a corporate-wide initiative to give back. Our team also recently raised funds for Helena Food Share, the Friendship Center, and the Montana Professional Teachers' Foundation. Supporting our local nonprofits is an important way for us to give back to the community that has given us so much.



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