



TROST WEALTH MANAGEMEN



Q1 2023

Welcome

Happy spring and summer from the Trost Wealth Management Team! This spring started off with cold wind and lots of snow, but the weather has quickly turned beautiful and the wildflowers are in full bloom. This is one of the best times to be in Montana, and we're all excited for sunshine and outdoor fun.





Economic Outlook

After a very rough 2022, financial markets have shown some resilience this year, despite a slew of issues facing the U.S. economy including the ongoing war in Ukraine, continued instability in the banking industry, a looming debt ceiling stand-off, and stubbornly high levels of inflation.

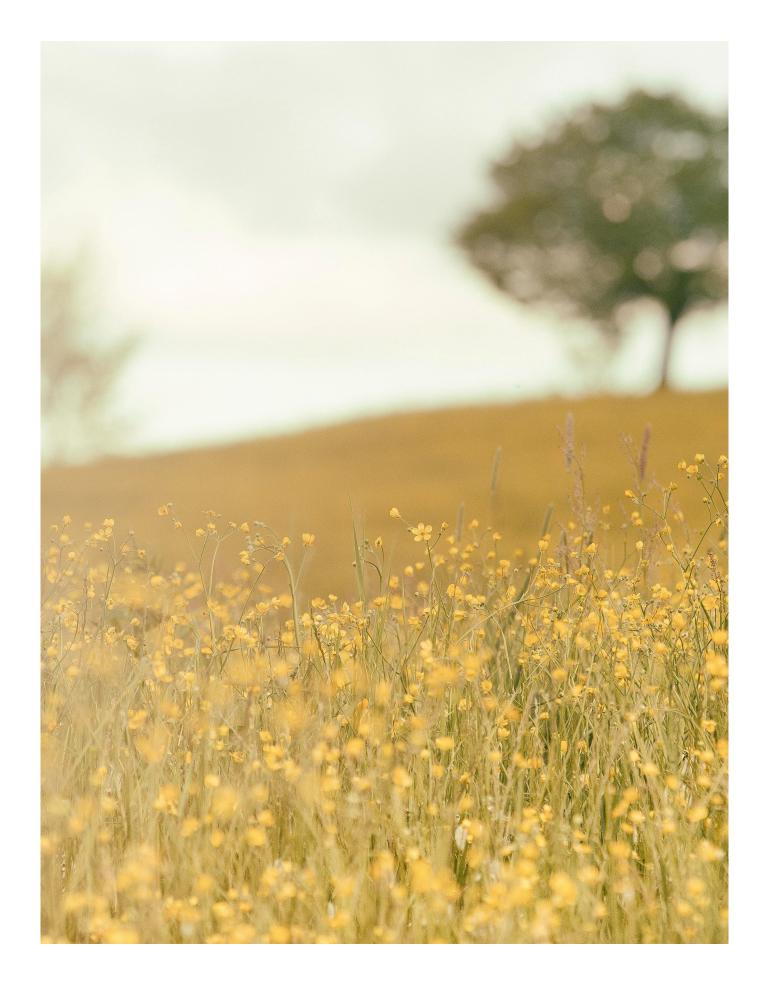
- We continue to watch the war in Ukraine closely and pray for a peaceful end. Any broadening of hostilities further drawing in the U.S. or its allies could impact financial markets, but for now, the war's economic impacts have mostly diminished after several strategic adjustments in international trade, including a significant increase in energy exports from the U.S. to Europe. The effectiveness of these changes is made evident by the decline of natural gas prices back to pre-war levels.
- The banking sector remains under stress with yet another large bank failure in May, First Republic Bank. Recent failures have been related to higher interest rates, which wreaked havoc on poorly diversified bond portfolios, followed by rapid cash withdrawals from jittery, uninsured depositors perhaps spurred on by social media. So far, these failures have been limited to certain types of banks in specific locations, but events like these can snowball into much wider issues impacting the health of the overall financial system and increasing the risk of a recession. To limit potential contagion to the wider economy, the FDIC, Federal Reserve, and U.S. Treasury negotiated the sale of First Republic to JP Morgan Chase and have expanded insurance and lending programs for other banks. These actions have worked to quell any larger, systemic issues so far, but we continue to monitor the situation.

- We've seen the debt ceiling used as a bargaining chip before. In the short run, the process has been negative for stocks and for the dollar. In the long run, it's only been a temporary blip for financial markets, because the ensuing shutdowns were limited and short-lived, and there was never a serious doubt about the government meeting its obligations. We're hopeful this time will play out in a similar fashion, because no political party or individual politician wants to be liable for the aftermath of an actual default. If there's the slightest of possible silver linings from this fiasco, it may act as reminder that deficit spending can't continue at these levels indefinitely; revenue must increase and/or spending must decline, although neither option has been easy to come by historically.
- Inflation remains the most important issue of the day. It has moderated but remains above the Fed's stated target of 2%. The Fed has been steadfast, increasing interest rates 10 times by a total of 500 basis points, but a lag in results probably shouldn't come as a huge surprise; interest rate changes generally take several months to work their way through the economic system and cause changes in behavior. Being late to react when inflation erupted in 2021 certainly damaged the Fed's reputation, but we believe they still have enough credibility to reduce inflation without causing a significant recession. Instead, we may continue to see a "rolling recession" where industries and sectors falter and recover intermittently, which would hopefully allow inflation to continue to fall without severely impacting the labor market.

With all this uncertainty, we should be prepared for continued market volatility, but try to remember that financial markets are always looking forward, and no war, inflation, virus, or recession has ever been permanent. Market volatility always goes along with investing; it creates the risk premium that allows higher average returns than bonds or cash. Investors who remain calm in the face of uncertainty should continue to earn those higher long-term returns.



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



Team Happenings

Lexie Bass, FPQP, CWS® Senior Associate Financial Advisor

April Cardoza
Registered Client Associate

Next time you visit our newly remodeled office, you'll see a new face. We're very happy to announce that April Cardoza recently joined the Trost Wealth Management team! She comes to us with more than 10 years of experience in the industry and is already fullyregistered. She's also a very quick learner and is prepared to help clients with just about any request. In her free time, April enjoys volunteering at local community events, attending music festivals, spending time with her two furry children, and exploring all that Montana has to offer. April is currently tutoring with an organization called Chapter One, a non-profit providing 1 on 1 reading support to Kindergarten, first, and second graders. The school year is quickly coming to an end, and April will miss her second grade student! She's also a lover of the arts and has her own parttime "Paint and Sip" business. Next time you're in the area, please stop by and say hello; April looks forward to meeting you!



After a long winter of skiing and building snowmen, the Bass family is excited for the warmth of summer. During spring break this year, they traded Montana snow for Hawaiian sand, and the girls spent every minute in a pool or the ocean. They went whale watching, learned to hula dance, and caught some waves on boogie boards. Vivian lost both her front teeth on the trip, and the tooth fairy had to make a special trip to the island! Her gap-tooth smile makes the pictures that much better.

With school almost over, both girls are excited for summer fun! Hazel (5) will graduate preschool in June and start kindergarten in the fall. She's looking forward to golf and ballet camps this summer, but is most excited to learn to water ski. It's hard to believe, but Vivian (7) will be in the 2nd grade next fall. She plans to spend the summer practicing her golf swing, shooting hoops, and riding her bike. Like her mom, she loves to run and will have her first track meet this summer. It will be a trip down memory lane for Lexie, and she can't wait to watch!

Lexie and Erik are looking forward to taking the girls on their first trip to Glacier in June. They feel so fortunate to live in this beautiful state and love the opportunities to explore it with the girls.





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

Darbi LinderRegistered Client Associate

Bring on the sunshine! Along with everyone else in Montana, the Linders are thankful for the recent warming trends and are ready for summer! Highlights of the past few months have been abundant. In early spring, Darbi passed her final exam to become a fully Registered Client Associate! She is happy that her studies paid off and is excited to help clients with a variety of needs. Libby took full advantage of record snow in the Wasatch – skiing every chance she had. Brit made his debut on the high school Lacrosse team and had a lot of fun getting to know new teammates. Isabelle's track season will end with her competing in both hurdle events at the state track meet in Butte. Nate and Darbi have had highlights of their own – taking in live music with friends, doing a little back country skiing, and finally getting out for evening walks. Summer weekends are booked with more concerts, rafting trips, and a family reunion in Arkansas!



The Trost Family is a bit overscheduled through June with track, soccer, baseball, and a mountain bike race or two. The boys love these activities, and Dan & Cassie love watching them play and have fun with their friends. Lucas (13) enjoyed his 7th grade classes, especially math, and he continues to participate in many after-school activities. Aaron (11) is moving on from the 5th grade to middle school and can't wait to be back in the same building with Lucas. He loves soccer and is excited to finally be old enough to race on the NICA mountain bike team. Isaiah is 5, going on 11, as he tries to keep up with his brothers. He's pretty good at biking and most ball sports and has become fluent in the preteen vernacular; let's just say it wasn't Cassie's favorite the first time Isaiah called her "bruh" or told her the broccoli at dinner looked a little "sus."

Despite their busy schedule, the whole family has been able to sneak in some running, hiking, and biking on Helena's wonderful trails. The boys recently participated in a bike race in the Scratch Gravel hills near Helena and nabbed some hardware: Aaron finished second in his division, Dan got third, and Lucas was 4th. Cassie is planning to run a marathon in Washington at the end of June, but come July, the whole family hopes to relax and enjoy some quality time at the lake!



What Key Estate Planning Tools Should I Know About?



By taking steps in advance, you have a greater say in how these questions are answered. And isn't that how it should be?

Wills and trusts are two of the most popular estate planning tools. Both allow you to spell out how you would like your property to be distributed, but they also go far beyond that.

Just about everyone needs a will. Besides enabling you to determine the distribution of your property, a will gives you the opportunity to nominate your executor and guardians for your minor children. If you fail to make such designations through your will, the decisions will probably be left to the courts. Bear in mind that property distributed through your will is subject to probate, which can be a time-consuming and costly process.

Trusts differ from wills in that they are actual legal entities. Like a will, trusts spell out how you want your property distributed. Trusts let you customize the distribution of your estate with the added advantages of property management and probate avoidance. While trusts offer numerous advantages, they incur upfront costs and ongoing administrative fees. The use of trusts involves a complex web of tax rules and regulations. You should consider the counsel of an experienced estate planning professional and your legal and tax advisers before implementing such strategies.

Wills and trusts are not mutually exclusive. While not everyone with a will needs a trust, all those with trusts should have a will as well. Incapacity poses almost as much of a threat to your financial well-being as death does. Fortunately, there are tools that can help you cope with this threat.

A durable power of attorney is a legal agreement that avoids the need for a conservatorship and enables you to designate who will make your legal and financial decisions if you become incapacitated. Unlike the standard power of attorney, durable powers remain valid if you become incapacitated.

Similar to the durable power of attorney, a health care proxy is a document in which you designate someone to make your health care decisions for you if you are incapacitated. The person you designate can generally make decisions regarding medical facilities, medical treatments, surgery, and a variety of other health care issues. Much like the durable power of attorney, the health care proxy involves some important decisions. Take the utmost care when choosing who will make them.

A related document, the living will, also known as a directive to physicians or a health care directive, spells out the kinds of life-sustaining treatment you will permit in the event of your incapacity. The directive creates an agreement between you and the attending physician. The decision for or against life support is one that only you can make. That makes the living will a valuable estate planning tool. And you may use a living will in conjunction with a durable health care power of attorney. Bear in mind that laws governing the recognition and treatment of living wills may vary from state to state.





Giving Back

In an effort to give back to the community that means so much to us, we continue to support many local non-profits. Most recently we sponsored and attended a fund raising event for the Helena Friendship Center. Dan remains a director for the Montana Board of Investments, where he's enjoying his role in helping to manage, protect, and grow the more than \$24 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 currently serves as a board member for the United Way of Lewis & Clark County Board where she leads their fundraising committee.





