INVESTMENT UPDATE

ROMANO
WEALTH MANAGEMENT
CELEBRATING 60 YEARS
1962 - 2022

April 2022

DEAR FRIENDS & FELLOW INVESTORS,

Welcome to our 60th anniversary year! It was in 1962 that Dick and his brother Bob put their dreams in motion and founded Romano Associates. After some ups and downs in those early years like any young business, we are proud to have grown to over $1.5 billion of assets under administration and developed strong relationships with you and your family.

This gives us an opportunity to look back and never forget our humble beginnings, and remember the values and philosophy upon which our firm's foundation was built. While our core values are the same, the way in which we do business (think technology) is vastly different. And while we have grown and adapted as any ongoing business must, we constantly strive to do even better not just for ourselves but for you as our client.

It is in this vein that we hope to celebrate this momentous year. We have planned a series of communications throughout the year allowing us to look back on our journey together and to relay how we are prepared for the next 60 years. Just as many of you or your family members have been with us for all or some part of that period, we take comfort in knowing that many of you and your families will be alongside us on our mutual journey into the future.

With that said, through the last 60 years we've invested in and navigated through bull and bear markets, typically resulting from geopolitical conflicts and economic shocks. In that regard, what a year this is started off to be, with the Ukrainian conflict being dauntingly referenced not only as a struggle for independence but as a precursor to WWIII, combined with inflationary pressures often compared to the 1970s (so much for the Fed's original "transitory" stance, as we opined in prior newsletters).

As of April 4th, the Dow Jones and S&P 500 have declined just over 4% while the NASDAQ is off more than 7%. While in our opinion well telegraphed by the Federal Reserve in December, the real culprit behind these lackluster returns is a delayed reaction to what everybody seemed to know would happen— the first rate hike this month of 0.25%. Year to date the 10-year treasury stands at 2.50%, up nearly 1% since the turn of the year and the highest level since May of 2019. More staggering is that over half of that 1% rise or 54 basis points has come in March!

Clearly, the market is facing a reality that the days of super-easy monetary policy are over in light of inflationary pressures, with consumer prices up 7.9% in the latest 12 months to a four-decade high. Based on futures markets, the federal funds rate is expected to end the year in the 2.25% to 2.50% range, meaning a pricing in of two 50 basis point hikes in the May and June meetings rather than the customary quarter point raises in recent years.

Not only has this has had a dramatic effect on bond returns with the U.S. Aggregate Bond ETF down nearly 6% since the start of the year, but this has also flattened the yield curve with the two-year treasury only yielding slightly less (20 basis points or 0.20%) than the 10-year treasury. Moreover, the curve has actually inverted slightly with the yield on the five-year treasury temporarily higher than the 10-year note. An inverted curve is a harrowing sign as it has been a fairly reliable predictor of a looming recession.

Investors are clearly questioning the Fed's ability to navigate a so called "soft landing", that is raising rates without dipping the economy into recession. We share those concerns and our investment posture at this time is generally defensive in the event of expected market volatility. While rising rates can be a double-edged sword, on the positive side this has begun to present at least some viable defensive position from the equity markets in shorter-term bonds, which are less sensitive than their longer-term counterparts and currently yielding a high percentage (90% to 95%) of longer-term returns given the flat yield curve.

Of course, we will continue to monitor and act on your behalf through these challenges. One thing is for sure: with 60 years of investing history under our belt we can confidently say that while the circumstances are never exactly the same, this type of uncertainty is not something we haven't seen before.

Thank you for investing alongside us.

Joe Romano, President

WHY INSURANCE BELONGS IN YOUR FINANCIAL PLAN

We have always been somewhat skeptical of insurance. My experience in the financial services industry has shown that insurance is too often sold – that is, a sales person of some kind convinces an individual that X or Y product is a great investment, supporting their pitch with sales literature showing rosy projections and focusing on the positives while glossing over the negatives. Those sales people in many cases work directly for the insurance company whose product they are pitching, creating a conflict of interest where a policy may not be the most appropriate solution for an individual.

But that skepticism does not mean that insurance has no place in clients' financial plans. The "rule of insurance" says you should insure only against those losses you truly cannot afford. Almost everyone maintains coverage for their home, their car, and their health. When it comes to life insurance and similar policies like long-term care insurance, the insurance need is more varied from person to person, and thus requires a more personalized and nuanced evaluation in the context of their overall financial situation.

In engaging with clients in the financial planning process, we have received a number of requests as to how they should go about obtaining the insurance coverage they need. In order to enhance our value as your personal CFO, we felt that we needed a solution to more-directly address those needs. As a result, we are excited to announce that we have partnered with an independent insurance agency that works exclusively with advisors to directly offer insurance to our clients for whom it is appropriate. Independent agents are not beholden to a specific insurer, meaning they are able to shop the market and contract with whichever company offers the best solution, and also allowing your trusted advisor to be involved every step of the way. Some examples of insurance needs we can address are:

- Term life insurance for young parents to cover the potential loss of income if something were to happen (For example, me! I recently purchased term insurance for myself and my wife when our son was born).
- Traditional long-term care insurance to supplement available money in the event of requiring skilled care.
- Hybrid life and long-term care insurance to provide a client accelerated benefits in the event of requiring long-term care, and a death benefit if it is never used.
- Permanent life insurance to fund specific legacy goals for a client's children.

Despite what insurance reps may tell you, not everyone needs life insurance or long-term care insurance. It has a place for individual clients with specific goals or concerns, and it makes sense as a piece of a well-rounded financial plan. If you believe you have a need, or you would just like to find out more information about insurance, contact your advisor and we can help steer you to the best solution.

Peter Hemwall, CFP®

APPROACHING MARKET VOLATILITY AT ANY AGE

While much has changed over the last 60 years, the primary goal of many Romano clientele has remained the same – retire successfully, and aid future generations when possible. Over the past six months, we have seen increased market volatility which can lead to uncertainty…. regardless of how long you have been saving and investing.

There are steps to take that can mitigate the effect of market swings on your portfolio and lead to a better night's sleep. Often, my first piece of advice to clients is to concentrate on what you can control. We certainly cannot handicap Putin's state of mind or sit on the board of every company we invest in, but we all can take stock of what we save versus what we spend. Depending on where you fall on your road to retirement, your Romano advisor will be able to tailor a personalized strategy to increase peace of mind.

As you close in on retirement, keep an eye on monthly and yearly spending.

Having a good gauge on your spending outflows can help your advisor create a financial plan, which can be empowering. Often, your nest egg is highest in the years prior to and immediately following retirement. Monitoring your spending as you trend towards retirement allows for the most possible growth. I also advise clients to look across account types prior to retirement – having a good mix of taxable (cash) and tax-deferred (retirement) accounts allows flexibility when it comes to filing those pesky April documents in the future.

If you are already retired, you may move into a more risk-averse strategy.

Once you stop contributing to your portfolio and begin drawing on the returns, you have less leeway when it comes to putting new money to work. Partner with your adviser to find income producing investments and delay large capital-intensive purchases like a renovation or new car until your account has recovered.

As Joe mentioned, the Fed beginning to raise rates has offered a bright spot for retirees this spring. For the first time in recent years, we are seeing medium term investment grade corporate yields at 3% and higher, thereby providing a viable avenue toward profitable and predictable fixed income returns.

Those with a decade or more of employment remaining should view market pullbacks as opportunity.

My personal favorite thing regarding market volatility is finding opportunities to put money to work at lower prices, namely for clients with excess cash and those still actively funding accounts. In the last half of 2021, market valuations were viewed by many as unsustainable and expensive. Conversely, as price to earnings ratios for the broader market returned to earth in February, attractively valued equity investing opportunities began to present themselves.

When you are young the return on your investment matters, but perhaps not nearly as much as the amount of money you are able to squirrel away. With the power of compounding interest and time on your side, increased focus on saving and buying market pullbacks can feel a bit like capturing opportunity in a bottle.

Nicole Kustok, Portofio Manager

THE IMPORTANCE OF TIME-IN THE MARKET VS TIMING THE MARKET

Timing the market is risky. It requires investors not only to pick the right moment to get out but also the right moment to get back in, which is extremely difficult to gauge properly. In addition, you could wind up with significant capital gains if your assets are sold in a taxable brokerage account.

Historically, the market's worst days tend to be followed by its best days, which is why you will hear most financial advisors recommending that clients remain invested, i.e. "holding steady" and "staying the course". A recent study from Wells Fargo Investment research found that over the past 30 years, missing out on the best 30 days took an investor's average annual return from 8.5% per year down to just an average rate of 2.2%.

If you remain invested, if you "stay the course", you have a much higher probability of not missing the market's best days.

Another factor to consider is market volatility. What is the best way to protect against market volatility? Asset allocation.

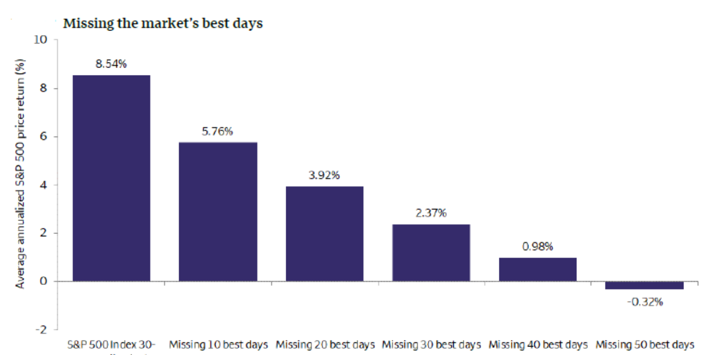
Using an appropriate asset allocation for your personal investment goals and risk tolerance is very important in helping maximize your returns. Asset allocations will and should change over time as your life and goals change over time.

So what should you do? How do you properly allocate? Introducing more conservative investments such as bonds and cash to your portfolio is a great way to help reduce your exposure.

Increasing your allocation of cash savings during retirement is a great way to reduce anxiety during volatile markets, helping you avoid the need to liquidate investments during inopportune times. One size does not fit all, meaning an asset allocation can be customized to fit your unique financial situation.

The market is just about impossible to time, but if you weather the bad days, history shows you may be rewarded by better days to follow.

Scott Milller, CFP®



Sources: Bloomberg and Wells Fargo Investment Institute. Daily data: September 16, 1991 through September 15, 2021 for the S&P 500 Index. Best days are calculated using daily returns. For illustrative purposes only. An index is unmanaged and not available for direct investment. A price index is not a total return index and does not include the reinvestment of dividends. **Past performance is no guarantee of future results.**

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PROTECTING YOUR PROSPERITY. SECURING YOUR FUTURE. SINCE 1962.

ROMANO TO CELEBRATE 60 YEARS

Six Decades of Purchasing Power				
	1962	1987	2012	today
dozen eggs	$0.55	$0.78	$1.85	1.83*
gallon of whole milk	$0.35	$1.15	$3.25	$4.02
gallon of gas	$0.30	$0.95	$3.70	$4.24
Cubs bleacher seats	$0.50	$10.00	$67.00	$79.00
new car	$3,500	$10,000	$28,000	$47,000
new home	$20,000	$125,000	$175,000	$265,000

Sourced from the Farmers' Almanac, the Chicago Tribune and the US Bureau of Labor Statistics
*All is not lost, Illinois has the lowest average price of eggs in the nation at 44 cents per carton

Dick and Bob Circa 1962