

To Our Clients, Family and Friends,

2023 is off to a good start! We have some exciting news to share.

On December 12, 2022, Mike Knuff and his wife, Lili, gave birth to a healthy baby boy, Gabriel Prentis Worthley Knuff.

We have also recently learned that the Prentis Wealth Management Group was named to the *2023 Forbes Best-In-State Wealth Management Teams*<sup>1</sup>, ranking #6 overall in the NYC market. This recognition has arrived shortly after our recent addition to the *Forbes' 2022 Top Wealth Management Teams for High Net-Worth clients*<sup>2</sup> list.

We (literally!) could not have reached these achievements without you. Simply put, our business grows through your referrals. Thank you for continuing to share us with your friends and family!

### **Market Perspective**

These have not been easy markets. Investors experienced a rare “one-two” punch in 2022, getting hit on both the equity and the fixed income sides of their portfolios. Outside of the energy and commodities markets, there were few places to hide. In 2022 the S&P 500 Index was down 18.3% and the NASDAQ Index declined 32.9%. Many of the best performing businesses over the past decade were not spared and experienced declines far worse than these indices. Bonds failed to play their traditional role as safe-haven assets, with the Bloomberg U.S. Aggregate Bond Index finishing the year down 13%, its worst return since inception in 1976.

As we detailed in our September letter, these declines were largely precipitated by a rise in inflation which caused the Federal Reserve (“Fed”) to, rightfully, increase interest rates. These inflationary pressures were primarily created by unprecedented global monetary and fiscal stimulus during the pandemic, COVID-induced lockdowns, supply chain glitches and the war in Ukraine. Our belief is that inflation peaked last year, and that there will be less pressure on the Fed to tighten much further.

For perspective, we would note that after looking at many charts, most markets bottomed in May of last year and have simply gone violently sideways since then. While January has provided a very welcome market advance (S&P 500 Index up about 6% as of February 1st), we continue to expect market volatility.

### **Will we have a recession?**

A key question we receive is whether there will be a recession and whether an upcoming recession means that now is the time get out of the markets and simply wait for better opportunities. We would highlight an excerpt from a recent piece published by the Capital Group, which we believe helps provide an answer:

*“Everyone wants to know when the next recession will start and how long it will last. While each recession is painful in its own way, one potential bright spot is that they don’t historically last very long. Our analysis of 11 U.S. cycles since 1950 shows that recessions have ranged from two to 18 months, with the average lasting about 10 months.*

*What’s more, stock markets usually start to recover before a recession ends. Stocks have already led the economy on the way down in this cycle. And if history is a guide, they could rebound about six months before the economy does.*

*The benefits of capturing a full market recovery can be powerful. In all cycles since 1950, bull markets had an average return of 265%, compared to a loss of 33% for bear markets.*

*The strongest gains have often occurred immediately after a bottom. Therefore, waiting on the sidelines for an economic turnaround is not a recommended strategy.”*

In other words, we think investors trying to time the market do so at their own peril. As we have often stressed, “Now” is always the hardest time to invest.

### **Positioning and Outlook**

- 1) Inflation appears to have peaked. We believe that the Fed is on the right course. We support their efforts to tame inflation, which will benefit everyone longer-term.

- 2) China is committed to a rapid reopening, which should benefit the global economy, supporting demand trends and helping to ease global supply chains.
- 3) “Savers” can now earn decent returns on their cash. For the first time in more than a decade, fixed income is offering more reasonable yields. We are now getting over 4.4% in money market funds and short-term Treasuries. Be sure to check your bank balances and reach out to us to put idle monies to work.
- 4) Markets fluctuate. It is common for markets to overshoot, both to the upside and downside. We believe that short-term focused, machine-based, momentum day-trading combined with a general preoccupation with the latest macro analysis is distracting investors from focusing on the long-term fundamentals of many individual businesses. There are many great companies with fabulous growth prospects whose stock prices move violently simply because they are part of a sector or index. Our focus is on business fundamentals, and we will continue to try to take advantage of these price dislocations.

## **Taxes**

Our **2023 Tax Planning Tables** guide is now posted on our website. It can be found under *Planning Essentials* at this link:

<https://www.prentiswmg.com/commentary.htm>.

Particularly noteworthy is that, for those turning 72 this year and younger, Required Minimum Distributions (RMDs) from retirement plans now must begin in the year one turns 73 rather than 72. In addition, retirement plan contribution limits have increased, as have annual gifting and estate exemptions. We advise taking a quick look through the guide and saving it as a reference.

As always, please reach out whenever you have any questions, concerns, or life updates to share with us. We are here for you!

Focus forward, stay calm, and carry on.

Peter, Mike, Stuart, Andrew, Joe and Edita

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- 1) 2023 Forbes Best-in-State Wealth Management Teams: Awarded January 2023; Data compiled by SHOOK Research LLC based on the time period from 3/31/21 - 3/31/22 (Source: Forbes.com). Fee paid for use of marketing materials. The Forbes Best-in-State Wealth Management Teams rating algorithm is based on the previous year's industry experience, interviews, compliance records, assets under management, revenue and other criteria by SHOOK Research, LLC. Investment performance is not a criterion. Self-completed survey was used for rating. This rating is not related to the quality of the investment advice and based solely on the disclosed criteria.
- 2) 2022 Forbes Top Wealth Management Teams: Awarded November 2022; Data compiled by SHOOK Research LLC based on the time period from 3/31/21 - 3/31/22 (Source: Forbes.com). Fee paid for use of marketing materials. The Forbes Top Wealth Management Teams rating algorithm is based on the previous year's industry experience, interviews, compliance records, assets under management, revenue and other criteria by SHOOK Research, LLC. Investment performance is not a criterion. Self-completed survey was used for rating. This rating is not related to the quality of the investment advice and based solely on the

disclosed criteria. High Net Worth designates advisors whose account sizes are typically under \$10mm, though may have accounts with higher amounts.

- 3) 2022 Forbes Best-In-State Wealth Advisors: Awarded April 2022; Data compiled by SHOOK Research LLC based on the time period from 6/30/20 - 6/30/21 (Source: Forbes.com). 2021 Forbes Best-In-State Wealth Advisors: Awarded February 2021; Data compiled by SHOOK Research LLC based on the time period from 6/30/19 - 6/30/20 (Source: Forbes.com). 2020 Forbes Best-In-State Wealth Advisors: Awarded January 2020; Data compiled by SHOOK Research LLC based on the time period from 6/30/18 - 6/30/19 (Source: Forbes.com). 2019 Forbes Best-In-State Wealth Advisors: Awarded February 2019; Data compiled by SHOOK Research LLC based on the time period from 6/30/17 - 6/30/18 (Source: Forbes.com). 2018 Forbes Best-In-State Wealth Advisors: (Awarded February 2018; Data compiled by SHOOK Research LLC based on the time period from 6/30/16 - 6/30/17 (Source: Forbes.com). The Forbes Best-in-State Wealth Advisors rating algorithm is based on the previous year's industry experience, interviews, compliance records, assets under management, revenue and other criteria by SHOOK Research, LLC. Investment performance is not a criterion. Self-completed survey was used for rating. This rating is not related to the quality of the investment advice and based solely on the disclosed criteria. Fee paid for use of marketing materials.
- 4) 2022 Forbes Best-In-State Wealth Advisors: Awarded April 2022; Data compiled by SHOOK Research LLC based on the time period from 6/30/20 - 6/30/21 (Source: Forbes.com). 2021 Forbes Best-In-State Wealth Advisors: Awarded February 2021; Data compiled by SHOOK Research LLC based on the time period from 6/30/19 - 6/30/20 (Source: Forbes.com). The Forbes Best-in-State Wealth Advisors rating algorithm is based on the previous year's industry experience, interviews, compliance records, assets under management, revenue and other criteria by SHOOK Research, LLC. Investment performance is not a criterion. Self-completed survey was used for rating. This rating is not related to the quality of the investment advice and based solely on the disclosed criteria. Fee paid for use of marketing materials.
- 5) 2020 Forbes Top Next-Gen Wealth Advisors: Awarded July 2020; Data compiled by SHOOK Research LLC based on the time period from 3/31/19 - 3/31/20 (Source: Forbes.com). 2019 Forbes Top Next-Gen Wealth Advisors: Awarded June 2019; Data compiled by SHOOK Research LLC based on the time period from 3/31/18 - 3/31/19 (Source: Forbes.com). 2018 Forbes Top Next-Gen Wealth Advisors: Awarded July 2018; Data compiled by SHOOK Research LLC based on the time period from 3/31/17 - 3/31/18 (Source: Forbes.com). The Forbes Top Next-Gen Wealth Advisors rating algorithm is based on the previous year's industry experience, interviews, compliance records, assets under management, revenue and other criteria by SHOOK Research, LLC. Investment performance is not a criterion. Self-completed survey was used for rating. This rating is not related to the quality of the investment advice and based solely on the disclosed criteria. Fee paid for use of marketing materials.

PM#: -12242025-6731369.1.1

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