2022 Stanley M. Johanson Estate Planning Workshop

Evaluating Estate Planning Techniques in a Rising Interest Rate Environment

Kelly M. Perez, J.P. Morgan Private Bank Friday, December 2, 2022

Please keep in mind

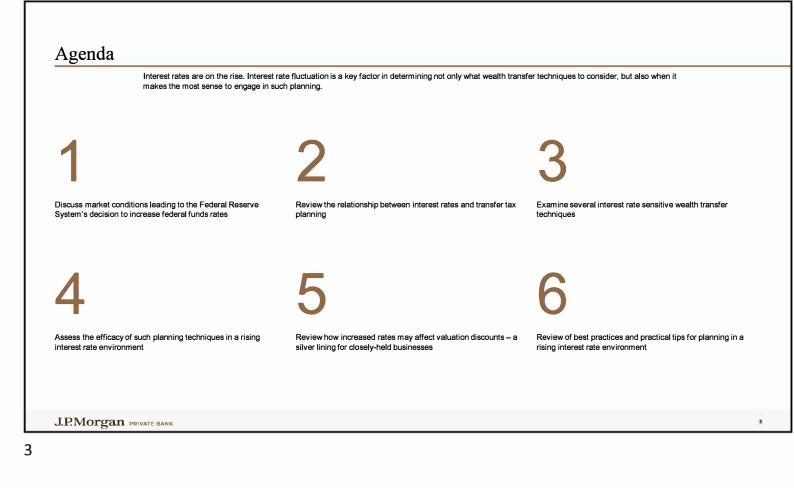
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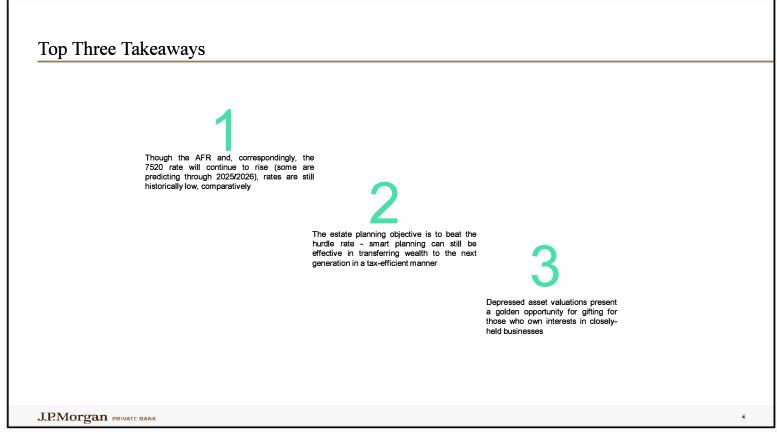
This material is intended to help you understand the financial consequences of the concepts and strategies discussed here in very general terms. However, the strategies found herein often involve complex tax and legal issues. Only your own attorney and other tax advisors can help you consider whether the ideas illustrated here are appropriate for your individual circumstances.

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Market volatility, inflation and increased rates

Market volatility and inflation

Key Dates:

- 1. February 19, 2020 S&P closed at a record high
- 2. February 24, 2020 S&P fell 3.35%, first Covid related decline and its worst day in two years (erased YTD gain)
- 3. March 12, 2020 U.S. quarantine and global stock market crash, Kelly's daughter, Helen, born



Other Key Market Factors:

· Various government stimulus packages signed into law as a result of resulting economic turmoil

- Fed's response to pandemic:
 - The Federal Reserve System (Fed) chaired by Jerome Powell initially cut the federal funds rate ("benchmark rate") by .5% in March 2020, then by another 1% later that month
- · Federal funds rate:
 - · The Fed's primary instrument used to achieve market stability
 - It is the rate that financial institutions borrow and lend their excess reserves to each other overnight
- Also, when this is raised, banks will change the lowest rate at which they can offer consumers (e.g., mortgages)
- When federal funds rate is changed, it creates a domino effect on other rates that rely on it such as the Applicable Federal Rate (AFR)
- · Resulting inflation:
 - Pandemic, resulting consumer behavior from lower rates and increased saving, global supply chain disruptions, geopolitical factors = increased rate of inflation through the pandemic and into early 2022
- Inflation June 2022 = 9.1%; the highest since "Hi Infidelity" by REO Speedwagon was the best-selling album
- Inflation September 2022 = 8.2%; Oct. inflation rate expected Nov. 10, but anticipated that it will go down due to increased unemployment rate

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Also available as part of the eCourse 2022 Stanley M. Johanson Estate Planning eConference

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