

# Quarterly Insights

## Economic and Investment Environment

With a difficult-for-everyone 2022 in the rearview mirror, we look ahead at the investment environment to come. The US Federal Reserve and its counterparts abroad have had the biggest impact in recent months and this is likely to continue during the early portion of 2023.

Depending on the speed that inflation cools as a result of hiking interest rates, they should be taking much less action soon and we believe this will be positive for markets. Remember that markets hate uncertainty typically more than they do 'expected' bad news. Just knowing what we are dealing with will let companies plan and adapt.



This leaves us with an err of caution in the short term when we expect volatility to remain high. Later in the year, however, the optimism about the possibility of a significant market upswing seems to be growing. When it happens, it could be strong – in fact this would be normal. The global economy has proven to be very resilient thus far. And the contrarian part of our thinking notes that when everyone agrees on something relating to markets, it rarely unfolds the way that is anticipated (like the current near-term pessimism). This could mean an acceleration to quicker market gains if there is some meaningful positive news and this is more possible than most people probably think.

Though the path is uncertain, we are clearly more optimistic on the bond market from here and continue to be nimble within our strategies as we watch for opportunities and ways to reduce risk.

### Inside:

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## BFG and the Community

### Girl Scouts

Local Girl Scout Troop 18796 celebrated the holidays this year at BFG. Our President, April Bortscheller is a volunteer leader for her youngest daughter's troop and they held a painting class by Kidzart and gift exchange at our office in December. They were very excited to create their own canvas masterpieces!



### Feed My Starving Children

Back in November BFG employees had the chance to work with other volunteers to pack 40 boxes of meals for Feed My Starving Children. For more information on how you can get involved visit their website: [www.fmssc.org/get-involved/volunteer](http://www.fmssc.org/get-involved/volunteer)



## Staff Updates



**Welcome Jack Waletich** as our newest tax advisor and CPA at BFG, working alongside our advisors to provide clients with tax planning recommendations and prepare tax returns. He is an integral part of the firm's income tax research in addition to management and development of tax strategies. Previous to BFG, Jack worked as a Tax Associate at CAPTRUST with a focus on financial planning, tax compliance and consulting. Jack graduated from MN State University, Mankato earning both a degree in Finance and Accounting and a Master of Accounting (MAcc) certificate.

Outside of the office, Jack is a huge Vikings football fan and enjoys hunting in the fall, ice fishing in the winter and playing baseball for the Westonka Waves in the summer.



**Welcome Rachel Stege** as our new Receptionist for the Minnetonka office, Tondryk Wealth Management. Rachel is responsible for greeting clients, scheduling meetings and preparing client paperwork. In addition to her role at the Minnetonka office, Rachel provides support to advisory teams at BFG locations across the country. Previous to BFG, she worked with the prosecution team at Chesnut Cambronne as a Prosecution Clerk.

Away from the office, she enjoys going to her cabin in Cumberland, Wisconsin, running and walking around the Minneapolis city lakes.



**Welcome back to MN Kristi Sanz!** After a year of onboarding our new Arizona offices, Kristi is back in Minnesota for the foreseeable future. She is looking forward to spending more time with clients in the office. Kristi's role has been continuously evolving over the past few years as she has become more instrumental in the growth of the company.

Kristi will still be going back and forth to Arizona. While in Arizona, Kristi purchased and fixed up an income property that she has started to rent out in the Phoenix/Scottsdale area. Now that the house is complete, Kristi is looking forward to traveling more and getting back into the swing of things.



**Congratulations to Ryan Kompelien** and his wife Melanie as they welcomed baby Adelina this past Thanksgiving. She is a healthy baby and already growing faster than Ryan and his wife would like. Big sister Sophia has been a big help, even offering to change diapers!

Adelina has started smiling when she sees familiar faces, loves spending time on her musical play mat, listening and watching the lights. Congrats Ryan and family!



## Model Portfolio Update

The fourth quarter of 2022 was modestly positive and therefore fewer trades were needed than in previous quarters, though we did still make tweaks. January is the time of our annual rebalance, when we reset and rebalance portfolios and strategies back to their target allocations.

The Dividend Stock Portfolio, with individual equities, accounts for most of the trading, but the portfolio rebalance trades inside of our other models are equally important from a risk & reward portfolio perspective. Beyond January, we do not anticipate any significant trading, but markets can always offer surprises which we are ready for.

## Investment Committee (IC)



Nick Asmus

Ryan Kompelien,  
CFP®

Mark Berger,  
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Blaine Conklin,  
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Kristi Sanz,  
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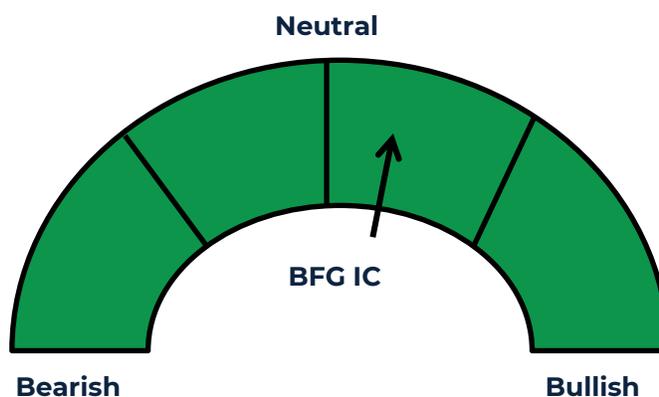
Bob Smrekar,  
CFP®, AIF®

Tyson Pettitt

Kim Lillehaug,  
CPA/PFS, CFP®

Benchmark Returns as of 12/31/2022		
	4th Qtr	YTD
<b>Bond Markets</b>		
Barclay's US Aggregate Bond Index	1.87%	-13.01%
Barclay's Global Aggregate Index	4.55%	-16.25%
<b>Stock Markets</b>		
S&P 500	7.56%	-18.11%
All Country World Index Ex-US (ACWX)	14.28%	-16.00%
Russell 2000	6.23%	-20.43%
<b>Blended Indexes</b>		
25% Equity	3.29%	-14.29%
50% Equity	4.72%	-15.56%
50% Equity w/ Foreign	6.06%	-8.74%
<b>Commodity</b>		
Goldman Sachs Commodity Index (GSCI)	3.44%	25.99%

## BFG Investment Committee Q1 Market Outlook



Indices mentioned are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results. These are the opinions of BFG Investment Committee and are for informational purposes only, and should not be construed or acted upon as individualized investment advice. The market view information is based on a collective view of the current economy. This information cannot be guaranteed and should not be used as the basis for making an investment decision. Please consult your financial professional prior to making investment decisions.

# Income Tax Update

## 2022 Tax Return Season Reminders

With another tax season just around the corner, the BFG Tax Department wanted to share a few reminders with our tax clients to make the season go smoothly for everyone involved. Tax organizers have recently been mailed out to all tax clients and you should be receiving yours shortly if you have not already. While the organizer can be daunting, it is important that you complete it as best you can as it plays a significant role in an accurately filed tax return. Please review the following list:

- [Complete the Questionnaire](#) and if you are unsure of any of the items, make note in the margins and your tax advisor will follow up with you on any questions you may have.
- [Sign the engagement letter and include with the organizer](#). We will not be able to finalize your return without a signature and for any married filing joint tax returns, both spouses must sign.
- [Include all applicable tax source documents](#) that support the income and deduction items you list in the organizer. If you are unsure of what to include, please contact your tax advisor. Please note that you do not need to send in tax documents for any investments held at Schwab and managed by BFG as we have direct access to them.
- [This tax season we are piloting a new tax software](#) called Tax Caddy that will enable you to both deliver tax documents and complete your tax organizer electronically through an app on your smartphone. If this is of interest to you, please let your tax advisor know.
- Tax returns are completed in a first in first out manner so the sooner you can send in your completed tax organizer and source documents, the sooner you will have your tax return filed.
- Please keep in mind that our busiest few weeks begin around mid-March so the turn-around time will be longer the later into the season we get. Any tax information received after March 14 may require us to file an extension for you. If this becomes necessary, your tax advisor will notify you and request any additional information needed to file the extension.

## 2022 Tax Highlights

**SECURE 2.0 ACT.** On December 29, 2022, the Consolidated Appropriations Act, 2023 was enacted that included the Secure 2.0 Act which contained several changes to retirement provisions related to income tax. The act expanded automatic enrollment in 401(k) and 403(b) plans and increased the beginning age of RMDs from 72 to 73 for taxpayers who turn 72 years old after December 31, 2022. The \$1,000 catch-up contribution is now indexed for inflation beginning after 2023.

**Things to do in 2023 that can affect 2022 taxes.** There is little that you can do to impact your 2022 taxes after December 31, 2022. However, two things that can be done, if you qualify:

- [IRA Deduction](#): For 2022, you may be able to contribute up to \$6,000 (\$7,000 if you are at least 50 years old) to an IRA. Contributions for 2022 can be made on or before April 18, 2023. If the contribution is made to a traditional IRA, you may qualify for a deduction on your 2022 return.
- [HSA Deduction](#): Like the IRA, you can make 2022 contributions to your HSA on or before April 18, 2023. The total amount that can be contributed by you and your employer ranges from \$3,650 to \$9,300 based on your age and whether you have self-only or family high deductible plan.

*At BFG, we provide comprehensive, ethical and personal service to help our clients navigate the complex world of personal finance. With experienced financial planners and dedicated CPAs, our unique tax-focused, team approach to planning sets us apart. As a result, we are able to seamlessly collaborate, plan for and implement multi-year financial and tax strategies few others are capable of.*

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