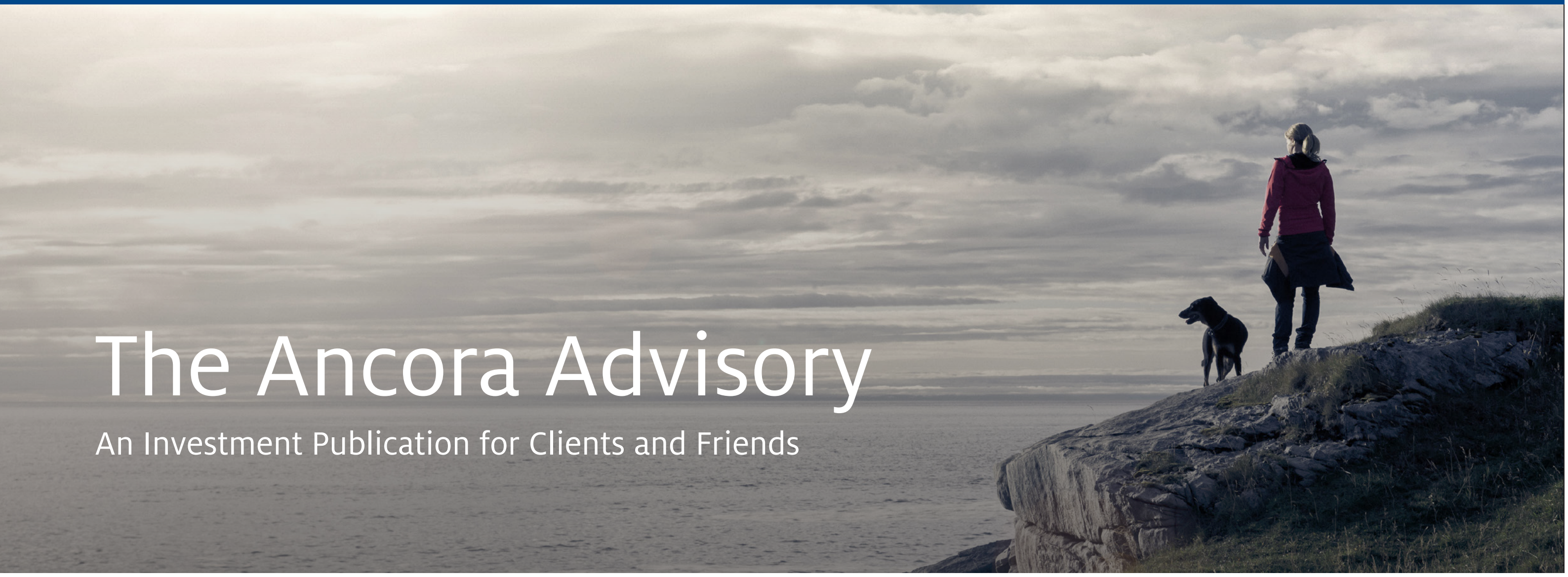
ANCORA® FAMILY WEALTH ASSET MANAGEMENT RETIREMENT PLANS

First Quarter 2022



The Ancora Advisory

An Investment Publication for Clients and Friends

Ancora consists of three primary business units; Family Wealth, Asset Management and Retirement Plans. With experienced portfolio managers, proprietary investment strategies and an entrepreneurial spirit, Ancora delivers tailored solutions so you can achieve more ... on your terms.

Uncertainty Is the Only Certainty

John Micklitsch, CFA, CAIA
Chief Investment Officer

Uncertainty is a persistent part of our daily lives. It takes many shapes and forms but, in general, it is just not knowing precisely how things will play out. As Yogi Berra famously said, which we've paraphrased; *It's tough to make predictions, especially about the future*. Unfortunately, Yogi was right. The good news for investors is that you don't typically have to make grand predictions about the future, you just need the combination of time and productive assets in your portfolio, and things tend to work themselves out.

Today, geopolitics, inflation and interest rate policy are all creating uncertainty for investors. A few years from now, it will be a different set of issues but, rest assured, investors will still be grappling with unknowns while markets will still be resolving them when given enough time. Until then, periodic uncertainty will always be the entry fee when pursuing higher potential returns.

In the case of the current conflict in Ukraine, the suffering of a duly sovereign, invaded nation is gut wrenching. It shouldn't be this way. The table at the end of this article shows, however, that trying to avoid uncertainties around war and conflict has largely been an unnecessary exercise.

As a result, long-term investors would likely derive more value from developing a deeper understanding of the relationship between uncertainty and future returns than from trying to avoid uncertainty in the first place. The second exhibit at the end of this piece illustrates how the future returns effect has played out following periods of market turmoil over the last several decades. As you can see, market selloffs are frequently followed by periods of sharp recovery. To paraphrase my colleagues at Ancora, rarely is there future value in the absence of some near-term uncertainty. Or, as Warren Buffet says, he was a buyer not because the headlines were good, he was a buyer because the prices were good.

If uncertainty is largely unavoidable when seeking higher returns, does not derail long-term innovation and is frequently followed by a period of strong recovery, how then can investors take even more steps to further mitigate uncertainty risk within their portfolios?

We believe the process starts by thinking of your financial assets as two buckets. The smaller bucket's primary job is securing enough personal liquidity outside of the market that you can withstand the time it takes for markets to recover from periods of uncertainty without having to sell or do anything. If you are working and don't rely entirely on your investments to fund your lifestyle, that liquidity reserve can be small to minimize long-term drag. However, if you rely on your investments for your primary income, you might want to consider having a bit more in your little bucket. With your personal liquidity needs reserved, it becomes a lot easier to shift your focus to a long-term horizon with your remaining investment assets which we'll consider the bigger bucket. The primary role of the big bucket is to replenish the little bucket at opportune times, or as needed, using returns earned from being a patient and disciplined long-term investor.

Second, we encourage investors to build the core of their big bucket investments around enduring, high-quality holdings and strategies. We know from Warren Buffet that if the market was closed for ten years or you had a limited number of lifetime investment choices and you still would choose to own a stock, a particular fund or a strategy under those parameters, then that's probably a good measure of quality.

Lastly, we always encourage investors to avoid trying to time markets. As my colleagues at Ancora like to say, more money has been lost trying to avoid bear markets than from the bear markets themselves. Time remains one of the most underappreciated risk management tools available to investors in this or any market, provided your personal liquidity needs are reserved and your portfolio is built around quality holdings.

In closing, we have three major issues causing uncertainty in today's markets. Inflation, interest rate policy and geopolitics. Stocks have pulled back as a result, but what are the odds we emerge from this bout of uncertainty stronger in ways that we cannot currently understand or anticipate? Personally, I would bet that we do. The western NATO alliance has been re-fortified, supply chains are being re-engineered and rebuilt for the future as we speak, China must be thinking twice about any actions in Taiwan given the world's response to Russia and the pandemic has largely slipped to the back pages of the news. Our best and simplest advice for periods like this remains to reserve some assets for the unknown and then play the higher-probability odds that the world will resolve its conflicts, continue to innovate, create economic pathways for growth and lift living standards around the world. The value of which accrues to those who choose to remain optimistic and stay the course over time.

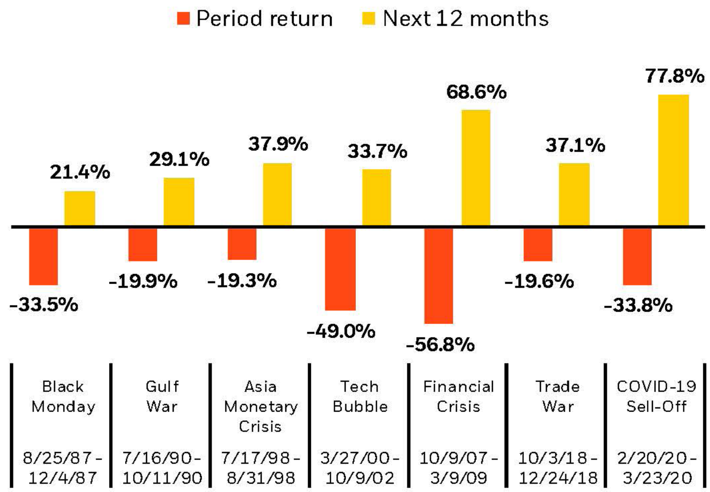
Event*	Date	3 months before	1 month later	3 months later	1 year later	3 years later (Avg. annual)
Germany invades Poland	3/1/1939	-0.2%	-13.5%	-8.7%	-4.3%	-12.2%
Pearl Harbor attack	12/7/1941	-8.7%	-2.9%	-12.6%	0.2%	11.6%
N. Korea invades S. Korea	6/25/1950	9.0%	-8.7%	1.6%	12.6%	8.0%
Cuban missile crisis	10/16/1962	-1.0%	4.7%	13.7%	26.4%	16.9%
Gulf of Tonkin incident	8/2/1964	3.8%	-1.2%	2.0%	2.5%	4.7%
Soviets invade Afghanistan	12/24/1979	-1.5%	2.1%	8.5%	39.6%	15.3%
Iraq invades Kuwait	8/2/1990	8.0%	-8.9%	-12.8%	12.8%	11.5%
September 11th attack	9/11/2001	-13.3%	-0.9%	4.7%	-15.5%	2.7%
Iraq war	3/20/2003	-0.7%	2.4%	14.3%	29.2%	16.4%
Russia annexes Crimea	2/20/2014	2.8%	1.9%	3.6%	17.1%	11.1%
Russia invades Ukraine	2/24/2022	-9.6%	?	?	?	?

Sources: BlackRock; Morningstar as of 2/28/22. *Returns shown for events prior to 1979 are represented by the S&P 500 PR Index , which shows principal returns only (excluding dividends), from 1/1/26 to 12/31/78. Returns for these periods would likely be higher if dividends were included. Returns for events in 1979 or later are represented by the S&P 500 TR Index, which show s total return (including dividends), from 1/1/79 to 2/28/22. Index performance is for illustrative purposes only. It is not possible to invest directly in an index. **Past performance does not guarantee or indicate future results.**

Worst Days*
Since 1950

Calendar Days	S&P 500 Decline*	Return 1 year later*
10/19/87	-20.5%	23.1%
3/16/20	-12.0%	69.0%
3/12/20	-9.5%	61.8%
10/15/08	-9.0%	20.8%
12/01/08	-8.9%	35.9%
9/29/08	-8.8%	-4.1%
10/26/87	-8.3%	23.5%
10/09/08	-7.6%	17.8%
3/9/20	-7.6%	43.6%
10/27/97	-6.9%	21.5%
08/31/98	-6.8%	38.0%
01/08/88	-6.8%	15.3%
11/20/08	-6.7%	45.1%
05/28/62	-6.7%	26.7%
08/08/11	-6.7%	25.2%
Average	***-8.9%***	***30.9%***

Past growth scares and bear markets
Since 1987



Source: BlackRock; Morningstar as of 1/31/22. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 1/31/22 and the IA SBBI U.S. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. Index performance is for illustrative purposes only. I t i s not possible to invest directly in an index. **Past performance does not guarantee or indicate future results.** *Indicates principal return, dividends not included. Returns are principal only not including dividends. U.S. stocks represented by the S&P 500 PR Index.

Author's Note: Please note that here we discuss only the potential economic and market impact of the conflict in Ukraine, acknowledging that the physical and emotional toll is likely far greater and that the situation is still developing. Our thoughts are with those whose lives are affected by these events. ◊

Put Your Portfolio in All Wheel Drive

Michael Santelli, CFA
Director, Portfolio Manager

Some topics are timeless and need to be revisited. Diversification as a tool in risk management is one of those. We wrote about this topic in a late 2018 article (titled *Diversification or Di-WORSE-ification; A Risk Management Tool or a Drag on Returns?*), and will expand on the topic here.

2021 was a great year for the S&P 500, which was up about 28%. So why diversify? After all, U.S. large cap stocks have been the best performer for most of the last ten years, not just 2021. Simply put, it doesn't always work that way. Times change and what worked last year may not work this year. I would liken the S&P 500 to a Formula One race car. When the road is straight and dry, you are in great shape. However, add some curves and some rain and snow, and you would wish for an all-wheel drive vehicle for those conditions. Ensuring that other vehicle is already in your garage before the snowstorm hits is not unlike building diversified portfolios and managing risk because the future is uncertain.

While on the topic of diversification, let's take a step back and take a stab at defining risk. Howard Marks of OakTree Capital, one of the leading experts on risk, puts it very succinctly. Rather than defining risk as volatility, he says that "Risk is - first and foremost – the likelihood of losing money." In a world of uncertainty, how do we manage this definition of risk? An important start would be to first identify potential landmines in security selection and aim to limit or avoid them. Here are four to give extra consideration to:

1. Companies with the potential for financial distress due to over-leveraged balance sheets. The financial landscape is littered with examples: Enron, WorldCom, Lehman Brothers, and other large banks in the 2008 Financial Crisis, etc.
2. Buying companies with obsolete business models. These are easy to see in hindsight, though more difficult to identify in the heat of battle.
3. Buying companies that are wildly overvalued. Again, these are much easier to identify with the benefit of hindsight.
4. Forced selling at the wrong time.

The first three of these can be evaluated with a disciplined research effort that focuses on financial durability and reasonable valuations. Number four above can be mitigated with an appropriate asset allocation (again, diversification) and a knowledge of each individual client's ability and willingness to take risk in addition to their overall liquidity needs from the portfolio.

By building diversified portfolios akin to an all-wheel drive vehicle, we are more likely to prudently grow client portfolios so they can meet their long-term goals no matter what the future throws our way. ◊

The Fed Needs Help

Kevin Gale
Managing Director, Head of Fixed Income

Inflation has reached its highest levels since February of 1982, with the year-over-year CPI reading coming in at 7.5% in January 2022. How did inflation get to where it is in such a short time? Just prior to the nationwide shutdown in early 2020, inflation was running in the 2.0% to 2.5% range, right where the Fed would like it to be. The shutdown briefly pushed inflation to near zero, but that did not last long.

Once the nation went into pandemic-induced lockdown, both the Federal government, in the form of fiscal stimulus, and the Federal Reserve, in the form of monetary stimulus, took swift and decisive action. Since January 2020, the Federal Reserve's balance sheet has exploded from $4.1 trillion to $8.9 trillion, as of February 7, 2022. In addition, Congress passed approximately $4.5 trillion in aid packages for American businesses and individuals in many different forms such as monthly checks and loan forgiveness.

In the fourth quarter of 2019, annual domestic GDP was running at a rate of $21.7 trillion. GDP plunged to an annual rate of $19.5 trillion in the second quarter of 2020 because of the nationwide shutdowns. With the significant stimulus and gradual re-opening of the economy, GDP began to recover and reached an annual rate of $24 trillion at the end of 2021, but about $8 trillion in different forms of stimulus had already been thrown at the economy. In hindsight, it appears more and more likely that the amount of stimulus provided was well more than what was needed.

After the global shutdowns in 2020, the "great resignation" ensued, causing labor shortages across just about every industry around the globe. Total employment in the U.S. alone dropped 3.1% from 157.5 million individuals at the end of 2019 to 152.7 million at the end of 2021. Getting workers to come back to the employment force is a difficult task that the Federal Reserve cannot control with interest rates. The lower employment has led to companies being forced to lower production, leading to supply chain bottlenecks around the world.

With Russia invading Ukraine, inflation will likely see further pressure to the upside. Oil and other commodities that come from that region have seen significant volatility since the invasion, as investors try to determine the likely impact on production and availability. Already challenged supply chains could see additional pressures, putting certain products at risk of shortages such as car parts, computer chips, oil, and agricultural commodities.

Raising interest rates may help tame inflation a little, but until the global supply chain is fixed, inflation is likely to remain elevated. By raising rates, the Fed can only hope to weaken demand, not increase supply. Congress initially helped put the Fed in this precarious situation and they need to help get them out of it. There are a few things Congress can do to help the Fed lessen inflation; pursue a balanced energy policy (we can pursue dual objectives of energy abundance and a clean environment), fix the immigration process so that workers that want to come to the U.S. can get here quickly, legally and easily, reduce the Trump-era tariffs (at least temporarily), amend or suspend certain regulations that could lead to increased costs for companies and finally provide incentives for businesses to bring production back onshore to lessen our reliance on (and transportation costs of) importing from other countries.

The Federal Reserve finds itself in an unenviable situation in that it is facing rising inflation, but can only influence the demand-side of the equation. Even so, everyone is looking to the Fed for answers. Until the supply side begins to increase, inflation is likely to remain elevated. The middle class is clearly feeling the impact of inflation as real wages (after inflation) are down 3.1% year-over-year. This puts strain on the consumer as more money goes to necessities such as food, gas, and housing, leaving less money for savings and other ancillary consumption items. It is time that Congress puts political party lines aside and takes action to help reduce inflation. It is all hands-on deck. We need to come together as a nation to meet the moment. ◊

Planning Q&A: Inflation, Forward-Looking Returns and the Planning Process

Michael Santelli, CFA — Director, Portfolio Manager

Vanessa Mavec King, CFP® — Senior Vice President, Financial Planning

With inflation running well above normal and forward-looking returns having moderated, we discuss how this backdrop impacts the wealth planning process and financial readiness levels.

Q: Vanessa, can you please explain the role that inflation, volatility and future expected returns play in the planning process?

When we take clients through the financial planning process, there are many variables that are considered. First and foremost, what are the client's goals and, then, what are the assets in place to support those goals. Once those items are outlined, other variables such as market returns, volatility and inflation play a major role in the health of a financial plan. Inflation affects the buying power of the clients' assets over time and, because of that, can impact their ability to afford their goals. In any environment, but especially in an inflationary one, market returns and asset allocation become increasingly important.

Market returns will need to be at or above inflation to keep pace with purchasing power over the course of the client's plan. However, as we know and are currently seeing, market behavior is not static or always predictable. There will always be volatility in the market and not every year will see a positive return. That is why time is such a powerful component of investing and planning. Our advice and strategy for a plan will depend heavily on where that client is in life, how soon will assets be needed to fund their lifestyle, what kind of volatility they are comfortable with and what kind of volatility they can afford.

Historically, staying invested through the volatile times is the best way to continue to keep pace with and beat inflation over the long term. At the end of the day, all of this culminates with cash flows and stress testing a client's portfolio for the not-so-good times. We do this by using a Monte Carlo analysis that looks at 1,000 different sequences of return opportunities over a given lifetime and analyzes if a portfolio is set up to withstand unforeseen or unfavorable inflation, market returns and volatile periods.

Q: Michael, Ancora just completed its periodic update of capital market return and inflation expectations. In general, can you provide a little color on those expectations?

We analyze forward-looking expected returns by using a framework of building blocks. Returns can be broken down into three basic components: income, growth, and multiple expansion/contraction.

1. With fixed income, the first component, income, will provide basically all the return. With equities, we integrate all the components. The income component is the dividend yield plus a normalized buyback yield to account for stock buybacks.

2. The growth component consists of real earnings growth above inflation plus the inflation component since we believe, in aggregate, that earnings should keep pace with nominal economic growth.

3. The final component, multiple expansion/contraction, explains most of the volatility in year-to-year returns. For our planning purposes and assuming a long-time horizon, current valuation levels represent a small headwind to future returns, so some mean reversion from a multiple standpoint is likely.

For 2021, our long-term return assumptions for planning purposes were generally a bit lower than for 2020, considering the multiple expansion that occurred in 2021 after the stock market posted very high returns.

Q: Vanessa, given the outcomes Michael just outlined, what on the planning side are some steps to consider as investors seek to maximize their financial readiness score?

Market environments like the one we are in right now can be stressful, but reactionary decisions often do not serve a long-term plan well. To maximize both your comfort level and your financial readiness score, it could be helpful to start by simply revisiting your cash flow assumptions. The most critical part of anyone's plan is relative spending. What items are most important, which could wait, are there dollars that can be used in more efficient ways etc. As you review cash out flows, consider ways to be strategic and cut back on spending in areas where inflation is especially high right now. Also, if you have existing loans, perhaps consider refinancing or paying them off while rates are still favorable.

On the investment side of the financial planning equation, ensuring you have an asset allocation that suits your current lifestyle will serve you well. Look at what you currently own in your portfolio and determine what drives those different asset classes. In some cases, it might make sense to consider some alternative investment classes that work well against high inflation, like commodities often do. During inflationary periods, one of the most vulnerable places your money can be is in cash because, as inflation ticks up, the value of your cash declines.

Of course, we always suggest keeping some immediate liquidity of cash set aside for short term needs, but if more than that is set aside, consider whether it could be put to better use. It can be tempting to try to time the market but staying invested in your long-term equity holdings historically is one of the best ways to fight inflation, even if it's tempting to get out when there is so much volatility.

Q: Michael, on the investment side, how should investors be thinking about asset allocation in your opinion, considering the potential for lower returns?

The first variable to think about is risk tolerance. We work hard to find an appropriate asset allocation for each client where they are taking enough risk to generate attractive long-term returns, but not too much where they cannot sleep at night if the market hits some turbulence. Staying invested is critical to long term success, so the likelihood of bailing out at the wrong time needs to be minimized. The only person that gets hurt riding the rollercoaster is the one who unbuckles in the middle of the ride. We work to create an appropriate allocation for each client, so they stay "buckled in. "

Q: We all know the importance of thinking long-term, but in times like these it can be more difficult. Any tips or words of advice on how to make staying focused on the long term easier to do?

Vanessa: Obviously I may be biased, but I feel that having a financial plan, or creating one you are comfortable with, is the first and most important step. Once you have a plan, you can always edit and stress test the assumptions. I would then emphasize that you should trust the plan.

It is also helpful to understand your expenses and acknowledge which are truly fixed and which you consider discretionary. Alongside cash needs, discuss and implement a diversified approach to investing, that you understand and are comfortable with, without trying to time the market. Most importantly, recognize your time horizon. Like anything in life, there are uncomfortable periods, but know that your goals and the tools you have in place to achieve them are built on long-term planning.

Michael: I would stress again the importance of building a portfolio with an appropriate amount of risk. As Barry Ritholtz, an industry veteran, says (which we've paraphrased), *The best portfolio is not the one with the highest returns. The best portfolio is the one our client can live with.* I would also agree with Vanessa. The financial plan is the true benchmark for each client. It's not the S&P 500 or any other financial market benchmark. Success should not be defined as "I beat the S&P 500". Success is the ability to meet the goals you set. ◊

Insurance Q&A: Don't Need Your IRA? Consider This Estate Planning Strategy

Richard T. Heffern
Director, Insurance Services

For those who do not need their IRA to support their lifetime spending needs, there is an interesting estate planning strategy utilizing life insurance that may be of interest.

Q: Rick, please briefly outline the concept of utilizing IRA distributions to acquire life insurance. How long has this concept been around and how can it help individuals and their beneficiaries maximize the after-tax value of an IRA in their estate?
A little background is appropriate to frame this. I think it's safe to say many of us are attempting to maximize tax-deferred qualified plan vehicles through our working careers. These are fantastic tools that can transform savings and wealth via tax-advantaged compounding. However, we are finding that many of our clients who have accumulated significant IRA or qualified plan balances may not need all or, for that matter, any of those assets to support their lifestyle in retirement. This would typically be defined as a good problem to have If one is fortunate enough to be in this situation.

However, challenges emerge when thinking through how these assets will ultimately be passed along to family. Inherited traditional IRA and qualified plan balances are subject to income tax and are included in the taxable estate of the owner. Prior to the Secure Act of 2019, one would have had the ability to "stretch" the IRA balances out over the lifetimes of the heirs, and thus defer taxation over many years. Post 2019, these balances now must be paid out over a 10-year period. This not so slight rule change may have the unintended, or intended, consequence of increasing the value of a taxable estate and potentially pushing heirs into a higher tax bracket, which only compounds the problem. As a result, these assets become less than optimal as a tool to pass along dollars to family members.

Basically, life insurance is a tax-favored vehicle designed to provide liquidity at any point in time and, if paid to an irrevocable life insurance trust, the proceeds will be held outside of the taxable estate. Because of this, it is one of the most tax-efficient assets to pass along to family.

So, this idea combines the funding from the qualified plan balance with the tax-favored nature of the life insurance policy to create an interesting planning solution that transforms a tax-inefficient asset into a very tax-efficient asset.

Q: Who would this strategy be most appropriate for in your opinion and why?

This would be appropriate to consider for any individual over the age of 59 ½ that will not need all or a portion of their IRA or qualified plan balance to support their retirement income needs. Also important is the desire not to pay more in the way of taxes than necessary.

Q: For somebody who doesn't need their IRA, why would this strategy potentially be better for after-tax estate maximization than taking and reinvesting the distributions in the more traditional way?
We are, in effect, doing just that. Taking distributions the same way and then just deploying a portion into an estate planning structure and product that can create a tax-free benefit.

Q: What is the main risk or push back you hear about this strategy versus the traditional approach of taking and reinvesting IRA distributions in taxable investments?

The main push back is whether a client might still need these assets to support their lifestyle in retirement. Once that issue is discussed and confirmed with their financial plan, we find little resistance in further evaluation and ultimate implementation.

Q: The current taxable estate exemption of roughly $12 million per individual or $24 million per married couple is set to sunset in 2025 with projections that it would move lower to around $6 million per individual and $12 million per married couple, how does this strategy play into that scenario?

This concept can assist in reducing the overall taxable estate by shifting a portion of the IRA from being a heavily taxable asset to a tax-free asset once the dollars are in the policy and it is held in a trust outside the taxable estate.

Q: If someone's interested in exploring this option, what's their first step?

I would say reach out to your relationship manager or financial planner. We can quickly evaluate the specifics and know whether the concept provides an interesting solution for you and your family. ◊

What You Should Know About Proposed IRA Regulations

Howard Essner, JD
Managing Director, Family Wealth Advisor

The SECURE Act of 2019 included a major change to how inherited IRAs are treated. This law required many heirs of traditional and Roth IRAs whose owners died after 2019 to empty the accounts within 10 years of the owner's death. Prior law had allowed the heir to take distributions over the heir's life expectancy, potentially many decades. Thus, the SECURE Act greatly reduced how long the heir could enjoy tax-deferred or tax-free (for Roth IRAs) build-up and accelerated the payment of income taxes on inherited traditional IRAs.

Although there was some ambiguity in the language of the law, most advisors, including us, interpreted the law to mean that the heir could empty the IRA at any time over the 10-year period and that annual minimum distributions were not required. However, the IRS recently released proposed regulations that upends that thinking. Under the proposed rules, if an heir inherits a traditional IRA from an owner who died after their "required beginning date" (April 1 after the year that owner turned age 72), the heir must take annual distributions based off life expectancy under the old rules for each of the first nine years, and then empty the account in year 10. For example, say that an heir aged 45 inherited a traditional IRA from her father, who died at age 75. Under these new rules, the heir must take annual distributions based on her life expectancy in each of the nine years after her father's death, and then withdraw the remainder in year 10, when she's 55.

Some important items to note:

> An heir who inherits an account from an owner who died before his or her required beginning date is not subject to annual distribution requirements and can still take distributions any time over 10 years.

> It appears that Roth IRAs are not subject to the annual distribution requirements, even if the owner died after age 72. Roth IRAs have no required distributions, so the owner has no required beginning date.

> Not all heirs are subject to the SECURE Act changes. Spouses, an heir who is less than 10 years younger than the owner (e.g., a sibling) and disabled individuals can still use the old "stretch" rules.

> For minor children (but not grandchildren), the 10-year period begins when the child turns 21, although some small annual distributions are required before then. At that point, the child would be subject to further annual distributions only if the parent died after the required beginning date (not likely).

What does this mean for an heir subject to this rule who inherited an IRA in 2020? A distribution could have been required in 2021 and been missed. The IRS is accepting comments on the proposal through May 25th and will issue the final regulations later this year. If the new rule is adopted, we anticipate that the final regulations will address retroactivity. We recommend that no action be taken at this time until we receive clarification. ◊

As always, don't hesitate to contact your Ancora advisor or relationship team if you have any questions or would like to learn more about these topics. Visit our website at www.ancora.net to read past newsletters and find other news and insights from the investment professionals at Ancora.