

Why Yields Matter

We wrote multiple times throughout 2021 about the issues the markets have been facing, ranging from new variants of COVID to supply chain and labor issues. In past newsletters we have detailed these and many more issues and encourage you to go to our website, www.paragoncap.com, and reread our thoughts on all the issues that continue to concern the markets in 2022.

Instead of updating the list, we want to discuss the implications of one of the big changes in the market. While most of the attention in the media is currently on the stock market, we believe the biggest change is related to interest rates and expected changes in Federal Reserve (Fed) policy. With the exception of a few short periods of time and one significant negative month in March of 2020, the stock market has been on an upward trajectory since the bottom of the financial crisis in 2009. Equity investors have benefitted from the long bull market and the Price-to-Earnings ratio (P/E) is at elevated levels compared to history. There are multiple reasons why the stock market could correct and multiple reasons the bull market could continue (give us a call, we would love to discuss this with you!).

Why is an increase in interest rates and the expected changes at the Fed so important? Not many people talk about bonds because they are not exciting and they do not generate media attention like stocks, crypto, and NFTs (non-fungible tokens). When interest rates drop, bond prices rise! Up until recently we have seen the bond market benefit from rising prices, producing good total returns for fixed income investors. Now we have the opposite, Federal Reserve Chairman Jerome Powell has stated multiple times that the Fed will begin raising short term interest rates in 2022. Those increases will most likely be followed by more

increases in 2023 and 2024 as the Fed believes they have been too accommodative. In 2021, most of the major bond indices finished the year with negative returns because as interest rates increase, bond prices fall. If we see multiple rate increases in 2022, as projected, it would be safe to assume we will see negative returns again this year and possibly for a few years.

We can also make a case that a less accommodative Fed could negatively impact the real estate market, the price of gold, and the media's favorite topics of crypto currencies and NFTs. Just like our earlier commentary on the stock market, we can list multiple reasons why each of these markets are due to correct and why each of these markets could continue to go higher.

Identifying risks in the market are important, but more important is what to do about them. Paragon Capital Management has been shifting our clients' fixed income investments to help protect against this inevitable change in the trajectory of interest rates and the resulting devaluation of the bond portfolios. Over the past 18 months, we have researched and implemented a variety of investment solutions we believe will help mitigate this risk and lessen the impact of interest rate increases and inflation on a client's fixed income portfolio. Every client is unique, and every situation is different, please contact any wealth manager at Paragon to discuss how these strategies fit into your overall asset allocation.

Personal Financial Planning Tips

Shifting focus to matters relating to personal financial planning (PFP), our financial planning expert, Gene Pal, has the following tips:

- January represents the perfect time of the year to get a jump on funding IRAs and 529 plans as well as review and update contributions to qualified employee benefit plans for those saving for retirement.
- For those already retired, this is the time to review plans for 2022 required minimum distributions (RMDs) from existing IRA and/or qualified retirement benefit plan accounts.
- It makes sense for clients that receive Social Security or participate in Medicare to review and understand the impact of the meaningful changes to the costs and benefits associated with these programs in 2022.
- Our final PFP tip in this newsletter, January is also a great time of year to review tax withholdings especially in light of the handful of changes tax deductions, tax rate brackets, etc. in 2022.

Gene will continue to keep us updated with tips and reminders throughout the year and is available to answer any financial planning questions.

Meet the newest member of the Paragon Team



Paragon is excited to introduce you to Kelly Clary. Kelly joined us in January and will be instrumental in making sure our clients receive excellent service! Kelly is a member of our operations team and will help schedule client reviews. Kelly was born in Leawood, KS, and graduated from Kansas State University in 2008. Kelly lived in Kona, Hawaii for 8 years before moving back to Kansas in 2020. Kelly has two boys, Aidan (5) and Owen (3), and currently resides in Prairie

Village, KS.

Please give Kelly a warm welcome!

Update to Paragon's Security Policy

We take your security very seriously. We have instituted new security protocols that will require verbal confirmation of all money movements. If you email or message us to move money from your account to your bank, we will be calling to verify. We understand this creates an additional step in the process and may be viewed as an inconvenience, but it is for your security!

How to stay informed

For up-to-date news and thoughts from Paragon, plus interesting articles on topics like saving and investing for children, taking care of elderly parents and their finances and other timely topics, we encourage you to follow us on LinkedIn and/or Facebook. We have company pages for both and appreciate your liking and/or following us.

- Paragon LinkedIn: <https://www.linkedin.com/company/paragon-capitalmanagement-llc/?viewAsMember=true>
- Paragon Facebook <https://www.facebook.com/Paragon-CapitalManagement-llc-352968418169300>
- Craig Novorr LinkedIn <https://www.linkedin.com/in/craig-novorr-1a8a822/www.paragoncap.com>

Also, please share your experiences with friends and family; we love the opportunity to help those you know with their financial success.

Even though Paragon's offices remain temporarily closed due to COVID-19, we are all working from home and staying in contact with each other daily. We are available to meet with clients at our office by appointment only and are also available to schedule account reviews via video or phone conference.

*Paragon Capital Management, LLC
9200 Indian Creek Parkway, STE 600
Overland Park, Kansas 66210*

Phone: 913-451-2254

Toll Free: 1-800-508-4605

Wealth Management with a Unique Focus {you}!