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Fasten your seatbelts – 2022 could be volatile

We've experienced more volatility so far in 2022 than we did over the last several years. This is most likely not a surprise to anyone who keeps up with market history. The attached chart published by Capital Group shows a comparison of the average of all years of the S&P 500 index since 1931 and the average of all midterm election years since 1931. The difference between the two tells a tale. The tale is that midterm election years are typically much more volatile than other years, particularly in the summer. However, on average they end the year positive. We don't see any reason to expect anything different this year. Keep in mind that corrections of 10% or more are not uncommon for the S&P 500. But there is no reason to fear volatility assuming you have a well-diversified portfolio that considers your natural risk tolerance and any possible need for withdrawals over the next 1-3 years. Warren Buffett has said, "The market is a mechanism for taking money from the impatient and giving it to the patient." Successful investing requires patience, and this year might require more patience than normal. We keep all the above in mind as we are working to help you achieve a satisfactory risk adjusted return over the long term.

Speaking of volatility, we get lots of questions about cryptocurrencies. Hall Eddins, with Capital Investment Counsel, shared the following in his February issue of The Columns.

"The first touchdown in last weekend's Super Bowl was caught by Odell Beckham Jr. It was a wonderful catch and Beckham has some of the best hands in the business. Unfortunately, when it comes to Bitcoin, his touch isn't so sure. Beckham signed a \$750,000 contract with the Rams last fall and made headlines by his demand to be paid in Bitcoin. Bitcoin traded at \$64,000 at the time and it's currently at \$40,000. The Bitcoin drop takes his pay from \$750,000 to \$468,000. The rub is that he's taxed on the original value of \$750k. State and Federal taxes weigh in at 50% combined so let's call it \$375k to the government. In the end, Beckham pockets \$93,000. Since I've worked on this part of the Columns, I've had to rerun the math 3 times to get it right because the Bitcoin price was so volatile. At the late January Bitcoin price, Beckham only netted \$38k instead of \$93k."

A well-diversified portfolio with some volatility might have been a better option, but unlike many of us, he can afford to speculate. Odell, just don't give up your day job.

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