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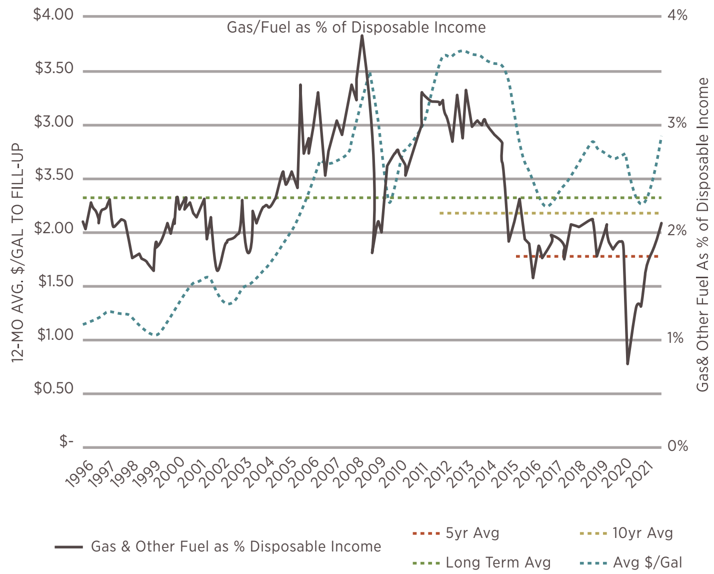
Viewpoint / January

Chart of the Month

It is tough to gain consensus in today's world, but one thing that seems to strike at the heart of all Americans is the distaste for paying higher prices at the gas pump. As inflation continues to steal headlines, we wanted to paint a different perspective on the impact fuel prices have on the consumer's wallet. There is no question that inflation has been hot, and diving into the details shows motor fuel as a key culprit. Even though it averages a relative weight to the index of 3-4%, the volatility presented by the underlying commodity can create large swings and cause gas prices to "punch above their own weight" when it comes to headline numbers. The gyrations in food and energy prices are often cited as the rationale for looking at the more stabilized core inflation measure that excludes those two items.

Despite this, data from the Bureau of Economic Analysis (BEA) shows that the amount consumers are spending at the pump relative to their disposable income remains low relative to the 10-year and 25-year averages (Chart). We have technological ingenuity to thank for this as our vehicles have continually become more efficient over time, even with trucks growing in their share and accounting for the majority of vehicle production. So, despite the increasing miles driven each year, gallons consumed continues to decline and it is resulting in lower expenses at the pump relative to income.

Data Source: US Bureau of Economic Analysis (BEA); US Energy Information Administration (EIA)



New Year Financial To-Do List

Things you can do for your future as the year unfolds

Can you contribute more to your retirement plans this year? In 2022, the contribution limit for a Roth or traditional individual retirement account (IRA) is expected to remain at $6,000 ($7,000 for those making "catch-up" contributions). Your modified adjusted gross income (MAGI) may affect how much you can put into a Roth IRA. With a traditional IRA, you can contribute if you (or your spouse if filing jointly) have taxable compensation, but income limits are one factor in determining whether the contribution is tax-deductible.[1]

Once you reach age 72, you must begin taking required minimum distributions from a traditional Individual Retirement Account in most circumstances. Withdrawals from Traditional IRAs are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty. To qualify for the tax-free and penalty-free withdrawal of earnings, Roth 401(k) distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawal can also be taken under certain other circumstances, such as the owner's death. Employer match is pretax and not distributed tax-free during retirement.

Make a charitable gift. You can claim the deduction on your tax return, provided you follow the Internal Review Service guidelines and itemize your deductions with Schedule A. The paper trail can be important here. If you give cash, you should consider documenting it. Some contributions can be demonstrated by a bank record, payroll deduction record, credit card statement, or written communication from the charity with the date and amount. Incidentally, the IRS does not equate a pledge with a donation. If you pledge $2,000 to a charity this year but only end up gifting $500, you can only deduct $500.[2]

Open an HSA. A Health Savings Account (HSA) works a bit like your workplace retirement account. There are also some HSA rules and limitations to consider. You are limited to a $3,650 contribution for 2022 if you are single; $7,300 if you have a spouse or family. Those limits jump by a $1,000 "catch-up" limit for each person in the household over age 55.[4]

If you spend your HSA funds for non-medical expenses before age 65, you may be required to pay ordinary income tax as well as a 20% penalty. After age 65, you may be required to pay ordinary income taxes on HSA funds used for nonmedical expenses. HSA contributions are exempt from federal income tax; however, they are not exempt from state taxes in certain states. **(For more strategies visit 6meridian.com/category/resources)**

Citations: **1.** thefinancebuff.com, August 11, 2021 **2.** irs.gov, January 22, 2021 **3.** nerdwallet.com, July 31, 2020 **4.** irs.gov, September 8, 2021 **5.** irs.gov, May 3, 2021

	Source: Bloomberg 2021	December	YTD	2020	Benchmark
Stocks	United States	4.5%	28.7%	18.4%	S&P 500
	Intl Developed	5.1%	11.3%	7.8%	MSCI EAFE
	Emerging Markets	1.9%	-2.5%	18.3%	MSCI Emerging Markets
Bonds	US Investment Grade	-0.3%	-1.5%	7.5%	Barclays US Aggregate
	US Municipals	0.2%	1.9%	6.3%	Barclays Municipal Bond 15y
	Intl Investment Grade	-0.1%	-7.0%	10.1%	Barclays Global Aggregate xUSD
	Global High Yield	1.9%	1.0%	7.0%	Barclays Global High Yield
	Emerging Markets $	1.0%	-1.7%	6.5%	Barclays Emerging Markets USD Aggregate
Other	Commodities	3.5%	27.1%	-3.1%	Bloomberg Commodity
	Gold	3.1%	-3.6%	25.1%	Gold New York Spot ($/oz)
	Oil	13.6%	55.0%	-20.5%	Crude Oil WTI/Global Spot NYMEX

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