SEIA

Signature Estate & Investment Advisors, LLC®
Established 1997

Quarterly Newsletter Bringing You Financial Insights From The Leaders | VOL 15 | ISSUE 1

THE SEIA REPORT

THE OUTLOOK FOR INFLATION: EXPLORING UNCERTAINTIES IN THE WORLD

BY **Gene Balas**
CFA®
Investment Strategist

The various federal fiscal and monetary stimulus programs enacted to combat the economic shock of the pandemic unleashed a wave of spending before supply chains were fully restored to handle the onslaught. Not surprisingly, the resulting imbalance of supply and demand fueled inflationary pressures.

What's caught policymakers by surprise, however, is the magnitude, duration, and breadth of those pressures. In addition to choked supply chains, tight labor conditions brought on by greater workforce mobility and exiting/retiring workers has further fanned the inflation flame.

For many consumers, inflation is a substantial hardship. In January, the Consumer Price Index (CPI) rose 7.5% from a year ago—the fastest pace since February 1982.

(See Figure 1)

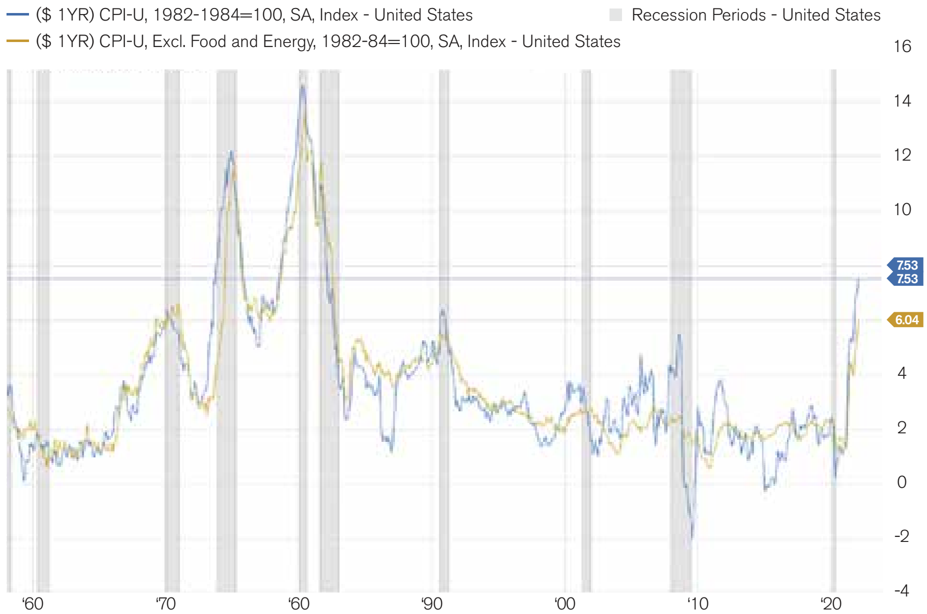
And based on a deeper analysis of the underlying factors, it's clear that rather than being driven by one or two historically volatile areas like food or energy prices—this round of inflation is economically broad-based.

You've already begun feeling the impact of these price increases at the gas pump, the supermarket, and elsewhere. But what will happen in the future—especially with geopolitical tensions threatening to further disrupt commodity supplies and snarl supply chains—is of even greater interest.

Potential economic impact

Where we are now is indeed a time when the whole world is on high alert—and not just for inflation. Certainly, the Russia-Ukraine geopolitical tensions in and of themselves are extraordinarily challenging, but they also threaten to impact the supply of goods ranging from oil and natural gas to grains and metals (including seldom considered but vital elements like palladium—the essential ingredient in catalytic converters for automobiles).

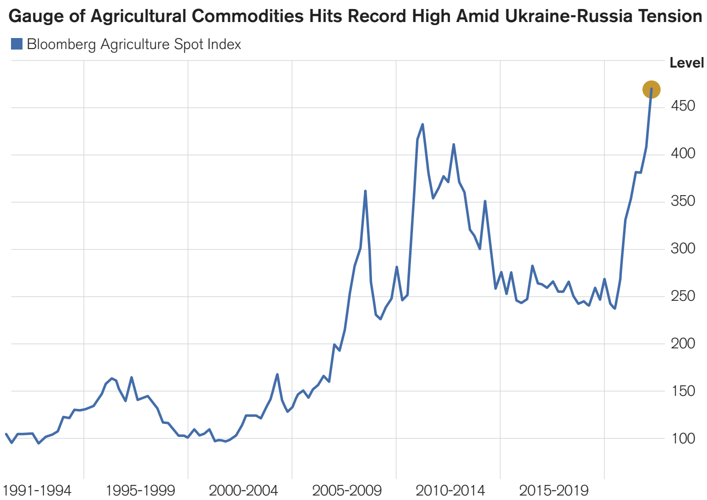
FIGURE 1: US Consumer Price Inflation (% 1YR)



Source: Bureau of Labor Statistics, FactSet

continued on page 2

FIGURE 2: Food Inflation Fears



Source: Bloomberg

Russia is one of the world's largest oil and natural gas producers:

- While oil prices had already been rising, after Russia invaded Ukraine on February 24th, both Brent crude (the global benchmark) and West Texas Intermediate (the U.S. benchmark) prices surged even more. Year-to-date, crude oil prices have climbed about 50% or more for both WTI crude oil and Brent crude oil, according to data from FactSet.

- The EU imports nearly half (47%) of its natural gas from Russia—more than double the 21% purchased from Norway, the second largest supplier. Whether through direct conflict interfering with pipelines that pass through Ukraine, or by Russia simply choosing to embargo the sale of natural gas to the EU in response to sanctions, Russian gas flows to Europe could be severely impacted. (Those old enough will recall the economic damage caused by the OPEC oil embargo in the early 1970s).

If Russian flows are cut off, Europe could theoretically import large amounts of liquefied natural gas (LNG) as well as fuel from pipelines linking the continent to Norway, Azerbaijan and Algeria. According to the Wall Street Journal, it also could release gas held in a strategic reserve in Italy. But making up for a total loss of Russian supplies would be all but impossible—and come at huge expense.

The uneven distribution of LNG terminals in Europe further complicates matters—a third of Europe's LNG-import capacity sits in Spain and Portugal (according to analysts at S&P Global Platts); another 24% lie within the post-BREXIT U.K. And as sanctions imposed by the West settle in over time, it may become increasingly difficult for Moscow to facilitate the extraction and transportation of Russian oil and gas.

Russia is a major producer of copper and aluminum, and combined with Ukraine, the two nations account for 29% of the global wheat supply. They're also a leading producer of urea and potash (essential components in fertilizer production). Reductions in the supply of any of these items would likely push food prices higher.

Supply chains are global. We import not only finished goods but also commodities from across Europe (including Russia). But manufacturing any goods in Europe depends on having the resources to be able to produce those products economically—and any increased costs for, say, electricity powered by natural gas, or commodities such as aluminum or palladium, etc. can make those finished goods or components more expensive. This, in turn, would drive inflation higher here as well. Meanwhile, if Europe is forced to import grain from the U.S. to offset Russian supply issues, it creates competition that can drive up food costs here. *(See Figure 2)*

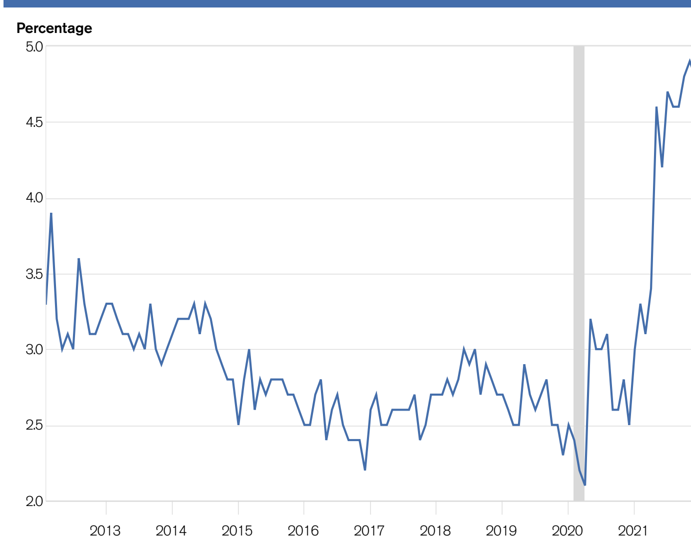
There are also less obvious potential supply chain disruptions. By restricting its sale of palladium to the West, Russia could further impact auto producers that are already struggling to overcome a semiconductor shortage. That can drive up car prices even more – and could further limit the availability of some autos.

How the Fed might respond

While these are all 'what if' scenarios, it's important to remember that what consumers and businesses expect inflation to be in the coming months and years influences their behavior now. It's why the Fed pays close attention to inflation expectations—and why it may make policy decisions in part to influence those expectations which (as the adjacent chart clearly depicts) are soaring. *(See Figure 3)*

The Fed's go-to response in these situations is tightening

FIGURE 3: Inflation Expectation



Source: University of Michigan. Shaded area indicates U.S. recession.

continued on back cover

“

I believe successful wealth management is the result of an ongoing collaboration between investor and advisor, built upon trust and maintained according to the highest standards of integrity and expertise.

Brian D. Holmes,
MS, CFP®, CMFC, AIF®, *President & CEO*

ABOUT SEIA

Signature Estate & Investment Advisors, LLC® (SEIA) is a Registered Investment Advisor firm offering Investment Supervision and Financial Planning Services tailored to align the unique needs of affluent individuals and corporations. Fundamental experience and professionalism enable the financial advisors, with SEIA's research and support staff, to design a financial plan or investment portfolio to align the client's goals.

Marginal Rates

For tax year 2022, the top tax rate remains 37% for individual single taxpayers with incomes greater than $539,900 ($647,850 for married couples filing jointly).

The other rates are:

35% for incomes over $215,950 ($431,900 for married couples filing jointly)

32% for incomes over $170,050 ($340,100 for married couples filing jointly)

24% for incomes over $89,075 ($178,150 for married couples filing jointly)

22% for incomes over $41,775 ($83,550 for married couples filing jointly)

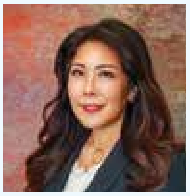
12% for incomes over $10,275 ($20,550 for married couples filing jointly)

The lowest rate is 10% for incomes of single individuals with incomes of $10,275 or less ($20,550 for married couples filing jointly)

Source: Internal Revenue Service

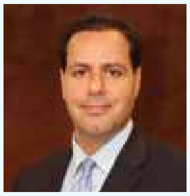
SEIA NEW & NOTEWORTHY

At SEIA, the commitment and compassion of each individual member of our team remains a hallmark of our firm, and the single greatest catalyst for our continued growth. We're thrilled to honor three of these individuals who were recently conferred the title of Managing Senior Partner for their unyielding dedication and commitment to the SEIA firm as well as the many clients they both directly and indirectly serve. We're fortunate to have all three as leaders who will continue to shape our firm far into the future.



Jennifer Kim
MS, CFP®, CMFC®, ChFC®, CLU®
Drawing on more than 20 years of specialty expertise in estate planning, retirement planning, and corporate benefits, Jennifer has become a leading voice in the financial services industry. She's a featured contributor to Worth, Angeleno, and LA Confidential magazines on various financial topics, and a frequent speaker at both financial industry conferences and corporate events.

Jennifer is currently involved with several charities, sits on the Parent Association Board at St. James Episcopal School and also serves as the President of the Harvard Westlake Korean Parent Association. She lives in Los Angeles with her husband and four children.



Theodore E. Saade
CFP®, CMFC®, AIF®
Theodore has become a recognizable face of SEIA, and a highly sought speaker and lecturer. He's been recognized as Top Wealth Manager for "providing exceptional service and overall satisfaction" by Los Angeles Magazine, a Top 40 under 40 advisor by RFP Magazine, and is a featured columnist and designated Leading Wealth Advisor for Worth Magazine. For more than 25 years, he's been helping SEIA clients solve their complex investment planning, retirement planning and estate planning challenges—building a successful practice that encompasses more than 300 clients along the way. Theodore lives in Beverly Hills with his wife and four sons, and is actively involved with numerous local, national, and international charities.

Vince DiLeva
MS, CFP®, AIF®
For more than 20 years, Vince has been managing carefully crafted investment portfolios and providing overall wealth management strategies to SEIA individual, family and corporate clients. His risk management, investment, retirement, tax, and estate planning insights have proven an invaluable resource in helping our clients manage the complexities of their busy financial lives. Vince also plays an active role on SEIA's Investment Committee—helping analyze trends across markets that impact our investment decisions. Vince resides in Redondo Beach with his wife and three children.

2022 INTERNATIONAL WOMEN'S DAY

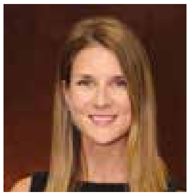
Tuesday, March 8th marked International Women's Day – a global day to celebrate the social, economic, cultural and political achievements of women, and a call to action for greater equality. This year's theme of #BreakTheBias is one that calls every employer to step up and create a workplace that's:

- Free of bias, stereotypes, and discrimination;
- Diverse, equitable, and inclusive; and
- Where difference is valued and celebrated.

At SEIA, we've always held fast to the belief that gender equality isn't just a women's issue—it's a business issue. One that helps us bring a greater diversity of opinions, insights and viewpoints to the challenges associated with managing your wealth. It's just one of the many reasons we're proud and honored to have so many women in key leadership roles throughout our organization including:

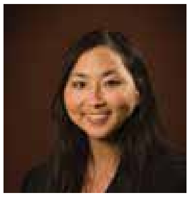
Jennifer Kim
March 1997

Having been with SEIA from the start, Jennifer has built one of the firm's most successful practices and is the recipient of numerous financial industry awards (most recently being named a 2019 Women of Achievement Award honoree by the Century City Chamber of Commerce). She's accomplished all this while remaining heavily involved in her four children's activities as well as serving her community in a variety of capacities. Jennifer inspires us all to maximize both our work AND personal lives.



Hayley Wood Bates
June 2015

After six years of working as a trusted Wealth Planner in Gary Liska's practice, Hayley was recently elevated to the role of Financial Advisor thanks to the invaluable contributions she's made and the tremendous reputation she's established amongst her clients. In addition to her new role, she continues to oversee SEIA's Signature Fund for Giving which supports various children-focused charities. Our entire firm is strengthened when younger leaders like Hayley step up into critical roles and continue building on the legacy of SEIA.



Joyce Mizuhata
March 1999

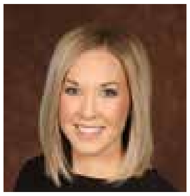
Joyce has also been with SEIA since the firm's inception. Whenever we hire new client service members, we point to Joyce as the one individual they should most strive to emulate. She is our go-to person for any unique and complex service needs; as she has literally seen and done it all. "Ask Joyce" is a very common phrase around our office.

Sabina Pinsky
October 2005

Sabina came to SEIA as a client service representative over 15 years ago. Following her success as a manager of our Redondo Beach Office, Sabina came back to Century City to establish the corporate marketing department. As the Department Head, Sabina oversees all PR and marketing programs, plans and executes client/ company events, and administers all client appreciation efforts.

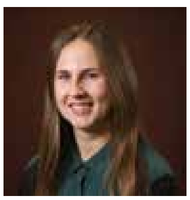
Stephanie Mills
September 2000

For over 20 years, Stephanie has been managing our Pasadena office. And in 2016 she played an integral role in moving that office to a larger, more upscale location. When SEIA is upgrading or enhancing software, Stephanie is always happy to be an early adopter so as to provide us with much needed feedback. Her continuous smiling and enjoyment of life is motivating to us each and every day.



Stephanie Perkins
September 2009

It's been more than a decade since Stephanie joined our Orange County office as an assistant and office manager. She quickly made herself an invaluable team member and was soon promoted to Client Service Manager. Stephanie has assisted every Advisor in our Newport Beach office, continues to manage the day-to-day aspects of the office, and serves as Practice Manager for Founding Partner, Mark Copeland.



Alina Barrass
January 2013

Alina started as an intern at SEIA when she was 18 years old. Working with us all through college, it was an easy decision to hire her as soon as she graduated. Now, all these years later, she is Director of Client Services with a team reporting to her. Every time we bring a new intern on board, we make sure to highlight Alina's inspiring career path.

Kelli French
October 2018

Recently elevated to the role of Client Service Manager, Kelli actively addresses client needs and coordinates operational support for one of the Senior Partners in our Newport Beach office. Having begun her financial services career in 2014, she holds Series 7, 63, and 66 licenses, plays an active role in the Alpha Kappa Alpha sorority, and enjoys taking acting classes and figure skating training.

We're inspired by each of these valuable contributors, and look forward to cultivating future generations of empowered women at SEIA. To learn more about what you can do each and every day to help foster equality, please visit internationalwomensday.com.

THANK YOU!

CENTURY CITY, CA

Liselotte Richards
August 2014

Rachel Otto
May 2015

Jessica Cherness
November 2015

Dana Aude
May 2018

Michaela Hurtienne
June 2018

Ellen Baldecchi
July 2018

Christine Sol
August 2019

Andrea Mitchell
January 2021

Misha Yim
February 2021

Rebecca Stoner
July 2021

Paige Wang
November 2021

Elizabeth Carberry
January 2022

Donna Chanthakone
April 2022

HOUSTON, TX

Annette Gibson
May 2019

NEWPORT BEACH, CA

Natalie Rodgers
May 2016

Paula Hart
July 2017

Ghazal Zamani
February 2020

Joyce Monaco
February 2022

REDONDO BEACH, CA

Sara Hendrix
August 2018

Tamara Patterson
September 2018

Chelsea Traub
November 2021

Stephanie Chow
January 2022

TYSONS, VA

Gabriella Cajina
July 2016

Vidya White
October 2016

Arvette Reid
June 2017

Vannara Murphy
August 2018

Kathleen Persak
March 2019

Levene LeBlanc
March 2020

Jennifer Late
August 2020

Jill Eisemann
November 2021

Ashley Utterback
February 2022

Cynthia Shannon
March 2022

Jill Fletcher
March 2022

Faye Lawrence
March 2022

monetary policy—usually by lifting the short-term rates it controls directly, as well as by allowing maturing securities to roll off its balance sheet, both of which, in turn, may drive up longer-term bond yields. The resulting higher interest rates may reduce demand and slow the economy, to help better match demand with the available supply. Higher rates cannot, however, repair supply chains, bring more people back into the labor force, or solve geopolitical dilemmas.

But what if this geopolitical dilemma is enough to damage confidence all by itself and slow the economy on its own—without any restraint from the Fed's monetary policy actions? Remember what happened when Iraq invaded Kuwait in 1990? Energy prices surged, and consumer confidence tanked from the subsequent war. The result? A recession and a bear market. The Fed needs to guard against tightening too much if the economy already slows on its own due to higher oil prices or a shock to business and consumer confidence. Otherwise, it creates the risk of a policy error.

Geopolitical concerns, rising energy prices, and a falling stock market can all conspire to slow the economy by subconsciously prompting consumers to spend less. And these recent factors may add a wrinkle to the Fed's plans to simply increase interest rates to control inflation.

Yes, the world has become more complicated of late. But there are still actions you can take today to help offset the potential impacts of inflation and geopolitical uncertainty—setting up your portfolio for future success. Your SEIA advisor can work with you to prepare for a variety of potential outcomes and help keep you on track to your financial goals, whatever they may be.

SIGNATURE FUND *for* GIVING

All Eyes on Eastern Europe

We'd be remiss to not acknowledge the devastating events taking place in Eastern Europe. While the economic and financial impact of this crisis is a topic under constant review by our Advisors at SEIA, we feel a moral obligation to extend our support for those whose lives have been thrown into turmoil. Considering the ongoing humanitarian crisis resulting from this conflict, our Signature Fund for Giving committed to a range of children's focused charities, has donated $10,000 to the "Save the Children Crisis in Ukraine Fund" in our effort to do a small part in providing relief to those impacted while we pray the conflict will speedily be resolved.

If you have any questions regarding our fund or how to participate, we invite you to contact Hayley Wood Bates at 310-712-2323 or hwood@seia.com.

SEIA

SIGNATURE ESTATE & INVESTMENT ADVISORS, LLC®

SEIA.COM

HEADQUARTERS

Century City, CA
T 310 712 2323
F 310 712 2345

Newport Beach, CA
T 949 705 5188
F 949 691 3065

Pasadena, CA
T 626 795 2944
F 626 795 2994

Redondo Beach, CA
T 310 712 2322
F 310 712 2377

San Mateo, CA
T 800 723 5115
F 310 712 2345

Tysons, VA
T 703 940 3000
F 703 738 2259

Houston, TX
T 832 378 6110
F 832 378 6109

Beaverton, OR
T 703 940 3484
F 571 444 6249

Denver, CO
T 310 712 2323
F 310 712 2345

New York, NY
T 332 208 7465
F 703 738 2259