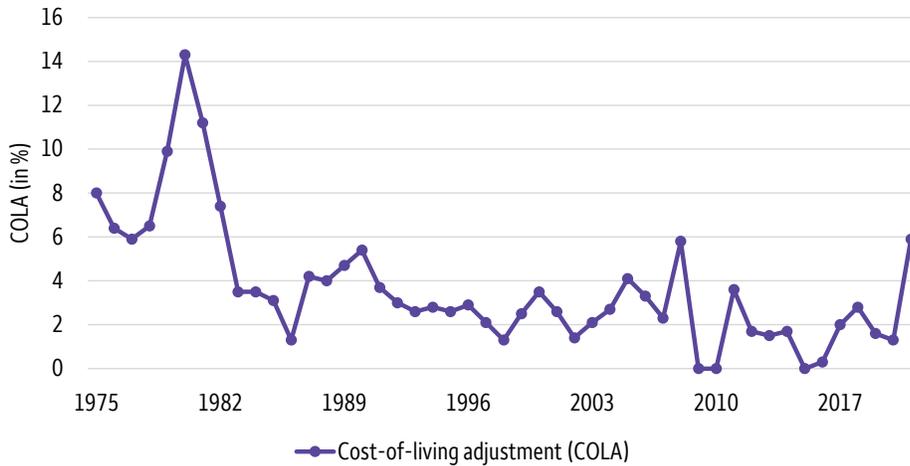


Social Security checks get a boost — Is it enough?



Sources: Wells Fargo Investment Institute, Bloomberg as of June 21, 2022.

Social Security cost-of-living adjustment (COLA) from 1975 to 2021

Social Security and Supplemental Security Income benefits for roughly 70 million Americans increased 5.9% in 2022, the largest annual increase since 1982. Yet, rising inflation is eroding consumers' spending power, particularly for those living on a fixed income. A 5.9% increase may sound large, but with inflation rising at a faster clip, can it realistically offset price hikes for items that affect most U.S. consumers — food, gasoline, housing, and health care?

The May consumer price index (CPI) data showed that prices rose 8.6% year over year. Yet, goods that generally matter most for consumers have seen even greater price increases. Since May 2021, gas prices have risen 50.3% and food prices have soared 11.9%, a rate not seen since the 1970s.¹ Further, the cost of the standard Medicare Part B premium increased 14.5% for 2022.

What it may mean for investors

Investors looking to supplement Social Security checks might consider adjusting portfolios. We currently favor U.S. Short Term Taxable Fixed Income and U.S. Intermediate Term Taxable Fixed Income, as well as municipal bonds. For income-seeking investors, we also suggest higher-quality large-cap stocks that pay dividends. Additionally, we favor using alternative investments as a way to generate non-correlated returns — in other words, returns not correlated to the broad equity markets — with stable yields.

Michael Taylor, CFA, Investment Strategy Analyst

This chart was excerpted from the *Policy, Politics & Portfolios* report (June 28, 2022)

Investment and Insurance Products: ➤ NOT FDIC Insured ➤ NO Bank Guarantee ➤ MAY Lose Value

1. U.S. Bureau of Labor Statistics, June 10, 2022

Risk Considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. There is no guarantee that **dividend-paying stocks** will return more than the overall stock market. Dividends are not guaranteed and are subject to change or elimination. **Bonds** are subject to market, interest rate, price, credit/default, liquidity, inflation and other risks. Prices tend to be inversely affected by changes in interest rates. **Municipal bonds** offer interest payments exempt from federal taxes, and potentially state and local income taxes. Municipal bonds are subject to credit risk and potentially the Alternative Minimum Tax (AMT). Quality varies widely depending on the specific issuer. Municipal securities are also subject to legislative and regulatory risk which is the risk that a change in the tax code could affect the value of taxable or tax-exempt interest income.

Alternative investments are speculative and involve a high degree of risk that is appropriate only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program. They entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds. Hedge fund, private equity, private debt and private real estate fund investing involves other material risks including capital loss and the loss of the entire amount invested. A fund's offering documents should be carefully reviewed prior to investing.

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