Donaldson CAPITAL MANAGEMENT

FALL 2022

# RISINGDIVIDEND REPORT

## Highlights from the **Investment Policy Committee**

1. "The Great Inflation" saw inflation increase from around 1% in 1965 to 13.5% in 1980. We're living through "The Great Inflation, Part II."

2. In 1979, Paul Volcker's Federal Reserve showed that aggressive rate hikes can tame inflation. Today's Fed, led by Jerome Powell, is following the same path. They've vowed to do "whatever it takes" to tame inflation, which includes causing a recession in the U.S.

3. We introduced our D-E-E-P investment framework in Spring 2022, which represents Domestic, Energy-immune, Essential, and Pricing Power. Now we are getting D-E-E-P-E-R.

4. We're adding an "E" for "Elite Balance Sheets" to insulate the portfolios against a recession, which we believe will occur at some point between now and year-end 2023.

5. We're adding "R" for "Rate Insensitive" to protect against further interest rate hikes. Like financial gravity, interest rates pull the value of assets lower. The further away earnings are, the more sensitive they are to higher rates; that's why growth stocks are down over 30%.

*Read the IPC Letter on page 3*

## Another Healthy Step Forward

At DCM, we take pride in how we perform for our clients. Over the past twenty-seven years, we have added many bright and talented staff members, all dedicated to personal growth and development so we can continuously improve.

Over time, the needs of our clients keep changing, and so must our organization. We took a big step in that direction recently by making three changes you should know about:

- Ciavon Hartman was promoted to Chief Operating Officer;
- Sarah Moore became our new President; and
- I moved from President and CEO to Executive Chairman.

Because we want our clients to be able to depend upon DCM long after its founding generation is gone, we began plotting DCM's transition to the next generation ten years ago. Handing the firm's day-to-day operation to Sarah and Ciavon is another healthy step in that process. My confidence in these two women leading DCM could not be higher.

Our whole team knows what has been done to earn your trust and is committed to serving you better than ever. These changes will ensure that happens.

Please don't hesitate to let me know if you have any questions.

Mike Hull

**Mike Hull**
Executive Chairman

Financial Advisor 100
CNBC 2022

**Donaldson Capital Management Named by CNBC to 2022 CNBC Financial Advisor 100 List**

On 10/4/2022, CNBC announced the 2022 CNBC FA 100 list, selected from more than 39,800 registered investment advisory firms using a proprietary methodology developed by CNBC in partnership with data provider AccuPoint Solutions. No compensation was provided to CNBC to obtain inclusion on the list, but there is a licensing fee to utilize the CNBC 2022 FA 100 logo in our marketing materials. The rating is based upon criteria that may not directly relate to the quality of investment advice.

# The Inflation Reduction Act – What You Need to Know

*On August 16, President Biden signed the Inflation Reduction Act into law. Initiatives in the bill aim to reduce healthcare costs, energy costs, and the federal deficit. All these factors could help fight long-term inflation; however, there is no immediate expectation of relief from short-term inflationary pressure. The Inflation Reduction Act does include provisions that will impact our healthcare system and energy infrastructure. The following is a summary of key provisions included in the bill.*

### Healthcare and Medicare

**Affordable Care Act (ACA)**

- $64 billion will be used to extend a current premium tax credit through 2025. This premium tax credit is currently available to over 10 million individuals to help cover the cost of health insurance purchased through the Health Insurance Marketplace.

**Medicare Prescription Drug Prices**

- Medicare will now be allowed to negotiate the price of certain prescription drugs. The goal of this change is to bring down medication expenses for beneficiaries.
- Beginning in 2023, insulin will be limited to a $35/month co-pay.
- Starting in 2025, Medicare recipients will have a $2,000 cap on annual out-of-pocket prescription drug costs.

The reduction in prescription drug costs could potentially save the government over $250 billion.

### Incentives for Efficient and Clean Energy

**The bill includes a $369 billion investment in energy security and climate change**

**Consumer Incentives**

- Consumers could be eligible for up to a 30% tax credit for residential clean energy costs, including rooftop solar, heat pumps, and small wind energy systems.
- Electric vehicle tax credits are available for up to $7,500 on new electric vehicles and $4,000 on used vehicles. These credits are available for pure and plug-in electric vehicles.

**Business Incentives and Tax Credits**

- Tax credits are available for:
    - energy production and investments in wind, solar, and geothermal energies
    - investment in battery storage and biogas
    - investments in nuclear energy, hydrogen energy coming from clean sources, biofuels, and technology that captures carbon from fossil fuel power plants
    - energy efficiency in commercial buildings
- Companies are eligible for bonuses based on worker pay and the manufacture of steel, iron, and other components in the US.
- Companies can receive grants and loans with the aim of reducing emissions of gas methane from oil and gas.

### Other Income Tax-Related Items

**Creation of Minimum Corporate Tax Rate**

- Corporations with at least $1 billion in income will have a new minimum income tax rate of 15%.

**Stock Buybacks**

- Stock buybacks by corporations will face a 1% excise tax.

**IRS Tax Enforcement**

- The bill invests $80 billion in the nation's tax agency over the next 10 years.
- Early indications are that these new resources will largely be focused on ensuring tax compliance for households earning over $400,000 annually.

**Small Business Tax Credit**

- The bill doubles the refundable research and development tax credit for small businesses from $250,000 to $500,000. The credit can be applied against payroll taxes and a wide variety of expenses, including product development and technology.

**Limitation on Excess Business Losses**

- Two-year extension of the current law that limits pass-through business owners from using more than $270,000 ($540,000 for married couples) in business losses to offset non-business income.

### Funding of the Bill

- **Government Savings on Prescription Drugs:** $265 billion
- **New Minimum Corporate Tax Rate:** $222 billion
- **Enhanced IRS Tax Enforcement:** $124 billion
- **New Excise Tax on Stock Buybacks:** $74 billion
- **Extension of Business Loss Limits:** $52 billion

If you have questions about the Inflation Reduction Act, please reach out to your DCM Advisor. We are committed to providing you with relevant information as it relates to your investment and financial planning needs.



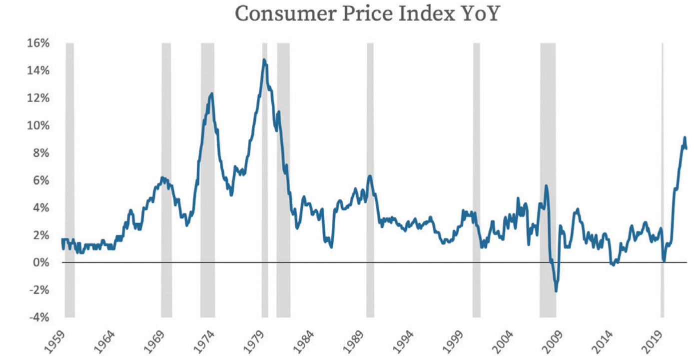
# Going D-E-E-P-E-R

In 1970, the US economy was in the midst of a recession. Richard Nixon fired William McChesney Martin and installed Arthur Burns as the new Fed chairman. Nixon wanted lower interest rates to fuel economic growth, increasing his chances of re-election. In his book *One Man Against the World*, William Greider quotes Nixon as saying, "We'll take inflation if necessary, but we can't take unemployment."

The Fed increased money supply by nearly 13% by the end of 1972. It worked; the economy boomed and Nixon ultimately took 49 out of 50 states in his re-election campaign. However, the consequences of easy money eventually came.

Inflation was around 1% from 1959-1965. Inflation nearly quadrupled from 1972 to 1974. In 1979, new Fed chairman Paul Volcker inherited an economy with over 11% inflation. By 1980, inflation had reached a staggering 13.5%.[1]

Consumer Price Index YoY




The "Great Inflation" finally came to an end when Volcker's Fed raised short-term interest rates to 20%. It was a bold and controversial move, but it worked. The ensuing two recessions between 1980 and 1982 finally broke inflation and inflationary expectations. By 1983, inflation had fallen to 4% and it has largely stayed there ever since.[2]

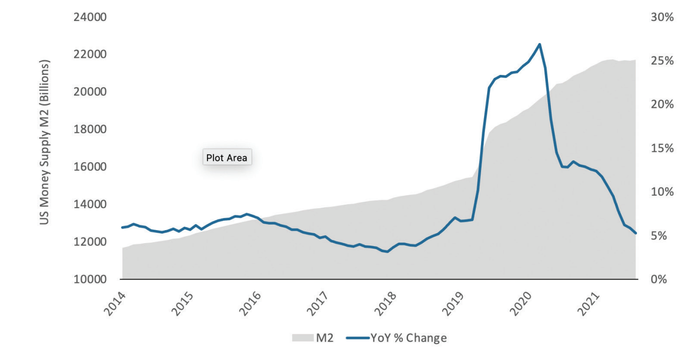
That is, until 2021.

## The (Second) Great Inflation

In 2020, the US economy shut down to slow the spread of COVID-19. To prevent a full-blown depression, the US government rained checks on millions of households and bailed out small businesses while the Fed lowered the Fed funds rate to 0% and poured an additional $120 billion *per month* into the economy.

As the chart below shows, money supply in the US increased by 35% from 2020 to 2021.[3]

US Money Supply M2




With such a dramatic surge in money, people were able to keep spending. The Fed, in combination with US politicians, successfully prevented full-scale economic collapse. The economy recovered sharply after the pandemic.

However, like the 1970s, this aggressive fiscal and monetary policy had a longer-term consequence: inflation. The US Consumer Price Index (CPI) increased from sub-2% in 2020 to over 8% so far in 2022.[4]

## Why Do We Have Inflation?

Inflation can happen in one of two ways. First, the supply of something can decrease faster than the demand for it. The price of oil inflated after Russia's invasion of Ukraine. Why? Russia was a major supplier of oil. So take out Russia and you have a reduction in supply; therefore, prices increased.

Inflation can also happen with a quick increase in demand. For example, the pandemic-fueled stimulus led to a surge in demand for everything from lumber to charcoal grills. Meanwhile, disrupted supply chains could not keep up with higher demand; therefore, prices increased.

We've also seen a disruption in the US workforce. The labor force participation rate fell from 63.4% to 60.2% during the 2020 pandemic.[5] We've seen people come back to the workforce since then, but not quickly enough. There are still two open positions for every unemployed person,[6] creating intense competition for labor. Fewer people to fill more jobs means higher wages, which has spilled into the prices of everything.

## The War on Inflation

*Inflation feeds in part on itself, so part of the job of returning to a more stable and more productive economy must be to break the grip of inflationary expectations. –Paul Volcker, 1979 speech to Congress*

Inflation is like toothpaste; once it gets out, it becomes a lot harder to get back in. Once expectations for inflation set in,

*[1] Consumer Price Index, 1913- | Federal Reserve Bank of Minneapolis. Minneapolisfed.org. Published 2012. Accessed September 27, 2022. https://www.minneapolisfed.org/about-us/monetary-policy/inflation-calculator/consumer-price-index-1913- [2] Consumer Price Index, 1913- | Federal Reserve Bank of Minneapolis. Minneapolisfed.org. Published 2012. Accessed September 27, 2022. https://www.minneapolisfed.org/about-us/monetary-policy/inflation-calculator/consumer-price-index-1913- [3] M2 Money Supply. Source: FRED [4] Consumer Price Index, 1913- | Federal Reserve Bank of Minneapolis. Minneapolisfed.org. Published 2012. Accessed September 27, 2022. https://www.minneapolisfed.org/about-us/monetary-policy/inflation-calculator/consumer-price-index-1913-*

people begin to demand higher wages in *anticipation* of future inflation; higher wages force businesses to charge higher prices for the same goods and services. When inflation becomes embedded in peoples' minds, it starts to become a self-fulfilling phenomenon.

That's why Volcker acted so boldly in 1979 and why today's Fed is following that example. Current Fed chairman Jerome Powell has spoken admirably about Paul Volcker, calling him "the greatest economic public servant of the era." Like Volcker before him, Powell and his colleagues at the Fed are trying to break the grip of inflation before expectations set in further.

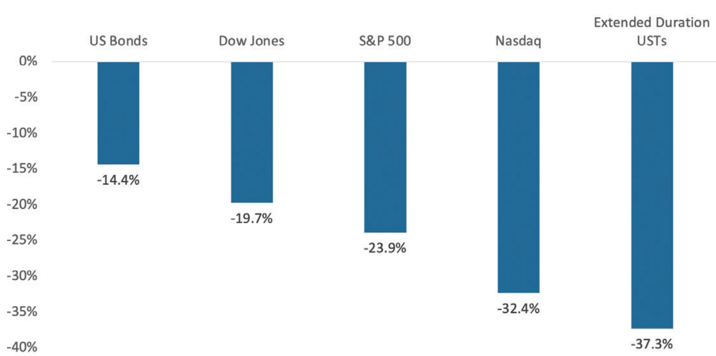
Unless there is a significant increase in the supply of labor or goods coming from overseas, getting inflation back to the Fed's 2% target will likely require a recession or, at minimum, slow economic growth.

The Fed has said they will do "whatever it takes" to tame inflation. That includes bringing "some pain to households and businesses." Powell and his colleagues believe that stable prices lay an important foundation for a functioning economy. In their view, the short-term pain it causes will be worth it in the long run.

## Feeling the Pain

Investors have certainly been feeling the pain. So far in 2022, all major US stock indices are in bear market territory with the more growth-oriented Nasdaq down over 30%. And bonds, usually considered a safe haven in down markets, aren't helping. The US aggregate bond index is on pace for its worst year since 1928.[7]

YTD Total Return




Most asset prices get hurt when interest rates rise, but some are better suited for this environment than others. In our Spring 2022 letter, we introduced our "D-E-E-P" framework for investing in an inflationary, rising rate environment.

As the odds of recession continue to increase, we've added two more letters to our framework.

## Going D-E-E-P-E-R

First, let's revisit the first four components of "D-E-E-P" with a few excerpts from our Spring 2022 letter:

**"D" for Domestic**

*Russia and Ukraine are in a recession already; many countries in Europe are likely to join them. Investors will continue to prize US-centric businesses because our economy continues to be stronger than most. So, we stay focused on businesses with mostly US sales. –DCM's Spring 2022 letter*

Companies that do business in other nations face both slowing demand and a weakening currency. The US dollar index is up over 21% in the last 12 months.[8] Large multinational companies will certainly see reduced earnings when they convert overseas income back into US dollars.

**"E" for Essential**

*Whether gas prices are $2 per gallon or $20 per gallon, there are still 8 billion people on Earth that need food, shelter, and clothing. That isn't possible without the companies making those things or the technology supplied. Procter & Gamble (PG) is an example of a business that sells essential items from diapers (Pampers, Luvs) to laundry (Tide) to deodorant (Old Spice). Don't forget that your stocks represent companies; those companies make things we have to have. –DCM's Spring 2022 letter*

High inflation is forcing consumers to make choices on what to cut from their family budgets. Discretionary purchases go first, so our focus remains on essential goods and services.

**"E" for Energy-Immune**

*Higher energy prices are bad news for most businesses. They increase the cost of transporting items and put pressure on profit margins. Not only that, but less demand from consumers leads to less sales growth opportunities. –DCM's Spring 2022 letter*

A recent add to our Capital Builder portfolio exemplifies what we're looking for here. Landfill owner Waste Management (WM) benefits from higher oil prices in two ways: (1) it makes driving to a competing landfill more expensive and, therefore, benefits those with the most landfill exposure (Waste Management has more landfills than anyone in the US) and (2) they convert gasses produced by waste into energy, which they can sell and generate profits.

NextEra Energy (NEE), a long-time Cornerstone holding, also benefits when energy prices rise. Higher oil prices mean greater demand for alternative energy; NextEra has the largest share of North American wind capacity, and their regulated utility business can pass higher costs directly on to consumers.

**"P" for Pricing Power**

*The single most important decision in evaluating a business is pricing power. If you've got the power to raise prices without losing business to a competitor, you've got a very good business. And if you have to have a prayer session before raising the price by a tenth of a cent, then you've got a terrible business. –Warren Buffett*

Businesses that dominate their particular niche are less susceptible to rising prices than their competitors. For example, Apple (AAPL) certainly dominates the smartphone market and it shows in its margins. If you have an iPhone, you are in Apple's ecosystem with your photos, files, messages, etc. That makes it likely that your next phone will be another iPhone. If Apple bumps the price up by 10% next year, you'll probably pay it instead of switching to a competitor.

Now that we've recapped D-E-E-P, let's get into the two components we've added to our current investment framework.

**"E" for Elite Balance Sheets**

We typically recommend that people keep cash set aside for an emergency. Job loss, bad markets, and unexpected expenses come up sometimes; when they do, having an extra cushion helps mitigate the chances that you need to sell stocks in a bear market or take out debt to cover expenses.

Companies are the same way. Bad economies happen. When they do, the businesses that have cash on their balance sheets and not an overly high amount of debt will have flexibility to continue paying dividends, invest in the future, and take market share from weaker competitors.

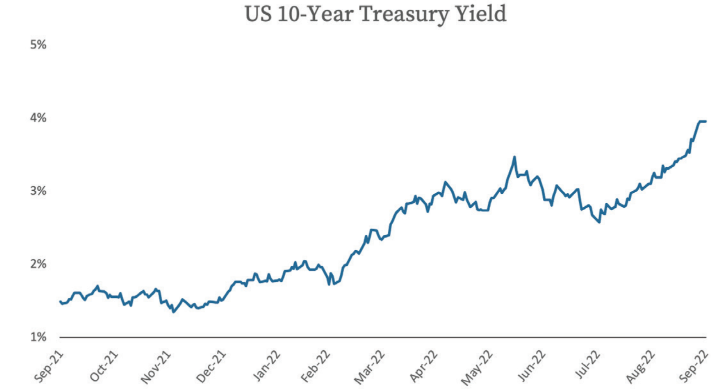
Long-time research firm ValueLine ranks thousands of stocks on Safety from a scale of 1 (safest) to 5 (riskiest). Only 11.9% of the companies in their universe get a top ranking of 1 or 2. Our Cornerstone portfolio currently has an average Safety rating of 1.5, which suggests it is collectively among the top 90% of stocks in financial strength and price stability.[9]

**"R" for Rate Insensitive**

*The most important item over time in valuation is obviously interest rates. –Warren Buffett*

If you want to understand why stocks and bonds have acted the way they have in 2022, look no further than the 10-year US Treasury yield. The Fed's actions have shocked the markets, more than doubling the 10-year yield from 1.5% to nearly 4% and climbing.

US 10-Year Treasury Yield




The chart above is the 10-year US Treasury yield during the last year; the sharp increase explains most of the bond and stock markets' 2022 performance.

**Interest rates are like economic gravity; they pull the value of nearly all financial assets lower.** Houses are an easy example. When mortgage rates are under 3%, people can afford more home with the same mortgage payment; therefore, home prices tend to go up. When mortgage rates are 6%, those same monthly payments don't go as far, which hurts demand for homes and reduces their value.

While gravity is a constant force, some items respond differently to it than others. In the same way, financial assets respond differently to the same change in interest rates.

A 2022 study of 13 different asset classes found that the best-performing asset class in rising interest rate environments were "High-quality value" stocks—those with highly profitable businesses today, strong balance sheets, and, in general, higher-than-average dividends.[10]

The chart below shows how each asset class performed in different rising interest rate environments:

| | | Feb. 1, 1975–June 30, 1976 | July 1, 1980–Aug. 31, 1981 | Jan. 1, 1983–Sept. 30, 1984 | Oct. 1, 1992–Dec. 31, 1994 | Sept. 1, 2002–July 31, 2007 | Aug. 1, 2014–April 30, 2019 |
|---|---|---|---|---|---|---|---|
| Above-median relative returns on average | High-quality value | 1 | 1 | 1 | 1 | 1 | 4 |
| | International equities | — | — | 2 | 1 | 1 | 1 |
| | Emerging markets | — | — | — | 4 | 1 | 2 |
| | Value stocks | 1 | 3 | 1 | 2 | 2 | 3 |
| | U.S. equities | 2 | 2 | 2 | 2 | M | 1 |
| | Small-cap stocks | — | 1 | 3 | 1 | 2 | 2 |
| | High-quality growth | 2 | 2 | M | 4 | 3 | 1 |
| Below-median relative returns on average | Growth stocks | 3 | 3 | 3 | 3 | 3 | 4 |
| | High-yield bonds | — | — | 4 | 2 | 4 | M |
| | Home prices | 4 | M | 3 | 3 | 4 | 2 |
| | Commodities | M | 4 | 4 | M | 3 | 3 |
| | Low-quality growth | 3 | 4 | 4 | 4 | 2 | 3 |
| | U.S. aggregate bonds | 4 | 4 | 2 | 3 | 4 | 4 |

Key: Top quartile = 1 | Second quartile = 2 | Median = M | Third quartile = 3 | Fourth quartile = 4

That has certainly been the case in 2022. So far this year, the market has had a clear preference for more value-oriented strategies and a clear aversion towards growth-oriented strategies. Value stocks are down "just" 16%; that is less than half of growth stocks, which are down over 32.5%.[11]

Why have we seen growth stocks perform so poorly in 2022? It has to do with the timing of the payments you expect to receive. The further out your payments are, the more sensitive they are to higher rates.

Let's say you have the choice between two assets: one will pay you $1,000 today. The other will pay you $2,000 in ten years. Which would you prefer?

The correct answer depends on the level of interest rates at the time.

If interest rates are low, the long-term growth asset becomes more attractive. Let's say interest rates are 1%. If you opted for the $1,000 and invested it at 1%, it would be worth $1,105 in a decade. So, of course, you'd prefer the $2,000.

However, if current interest rates were 10%, the correct answer changes. Your $1,000 invested at 10% would grow to $2,594. So getting $1,000 today and investing it at 10% would be preferable to getting $2,000 in a decade.

It's the same way with stocks. A no-growth, high dividend-yielding stock that earns $1,000 today becomes more attractive than a no-dividend, high-growth stock that will earn $2,000 in ten years. Higher interest rates erode future cash flows more than they do current ones.

Until the Fed gets a clear handle on inflation, we're likely to see continued upward pressure on rates and, therefore, continued downward pressure on more interest rate-sensitive assets like long-term bonds and growth stocks.

As challenging as this environment is, we are confident that it will eventually pass. Volcker showed the Fed how to tame inflation; we believe they will get the job done and set the stage for another bull market to begin. In the meantime, we remain focused on finding attractive, long-term opportunities to deliver Security, Income, and Growth to your portfolios.

If you have questions about your portfolio or anything else in your financial situation, give us a call. As a reminder, financial planning is available to all DCM clients. Our team of Certified Financial Planners are available to do a deeper dive with you into your entire financial picture, from taxes to insurance. We're all on your team and are here to help you however we can.

*[5] Labor Force Participation Rate. Stlouisfed.org. Published 2022. Accessed September 27, 2022. https://fred.stlouisfed.org/series/CIVPART [6] Number of unemployed persons per job opening, seasonally adjusted. Bls.gov. Published 2012. Accessed September 27, 2022. https://www.bls.gov/charts/job-openings-and-labor-turnover/unemp-per-job-opening.htm [7] Source: Robert Shiller. Data from 1928-2021. [8] U.S. Dollar Index (DXY). MarketWatch. Published September 27, 2022. Accessed September 27, 2022. https://www.marketwatch.com/investing/index/dxy*

*[9] Source: ValueLine [10] "Sub-Asset Class Performance in a Rising Real Rate Environment." Vanguard, 2022, advisors.vanguard.com/insights/article/subassetclassperformanceinarisingrealrateenvironment. [10] Sub-Asset Class Performance in a Rising Real Rate Environment." Vanguard, 2022, advisors.vanguard.com/insights/article/subassetclassperformanceinarisingrealrateenvironment. [11] Vanguard's Value Index ETF (VTV) and Vanguard's Growth Index (VUG). Data from 1/1/2022 through 9/27/2022. Source: Vanguard.com.*

# DCM Welcomes New Advisors

Growth happens at DCM because our clients continue to refer us to the people they care about. To maintain the quality of service that makes DCM who we are, we are dedicated to putting the right people in the right places. When we hire, we know that skills can be learned. Values and attitude cannot.

Below are the new DCM advisors we are excited for you to meet. Each of them has a **"good head and great heart,"** as DCM Founder Greg Donaldson puts it.

**Braden Herendeen**
Associate Investment Advisor

**Marty Coursey**
Associate Investment Advisor

**Jordan Whitledge**
Lead Investment Advisor

**Leeanne Lollar, CFP®**
Lead Investment Advisor



# The Biden-Harris Administration's Student Debt Relief Plan

On August 24, President Biden announced a plan to provide relief to some of the over 40 million Americans carrying student loan debt. Like any plan, there are pros and cons. Undoubtedly, the new plan will relieve financial pressure for many families. However, the plan does little to address the core issue of the escalating costs of higher education. While we will have to wait and see if or how the plan affects the overall economy, here is a summary of what we do know:

- The U.S. Department of Education will provide up to $20,000 in debt cancellation to Pell Grant recipients with loans held by the Department of Education, and up to $10,000 in debt cancellation to non-Pell Grant recipients.
  - Borrowers are eligible for this relief if their adjusted gross income in 2020 or 2021 was less than $125,000 for individuals, or $250,000 for households.
  - The amount eligible for forgiveness is per borrower and is not transferrable between spouses.
  - Further guidance on how and when to apply will be provided in the coming weeks.
- The pause on current student loan repayments has been given a final extension through 12/31/2022.
  - Borrowers can request a refund of repayments made during this deferment period which began on 3/13/2020.
- Will the loan forgiveness be taxable?
  - While it seems clear this loan forgiveness will not be taxable on the federal level, the following 13 states could potentially consider the forgiveness a taxable event:
  - Arkansas, Hawaii, Idaho, Kentucky, Massachusetts, Minnesota, Mississippi, New York, Pennsylvania, South Carolina, Virginia, West Virginia, and Wisconsin.
- Additional items currently under consideration:
  - A reduced cap on the monthly payments on undergraduate loans from 10% to 5% of discretionary income
  - Increasing the amount of income that is considered non-discretionary
  - Forgiving loan balances of up to $12,000 after 10 years of payments for income-driven repayment plans
  - Covering unpaid monthly interest for income-driven repayment plans to ensure loan balances don't increase while the required monthly payments are being met.

If you have questions about the student debt relief plan, please reach out to your DCM Advisor. We are always available to help our clients and their loved ones make sense of the current headlines.

# Fixed Income in Today's Market

With the Federal Reserve raising interest rates, many investors are wondering how to assess opportunities and risk in the fixed income market. When Warren Buffett advised to "be fearful when others are greedy, and greedy when others are fearful," he was talking about stocks. But we think this same logic also applies to the bond market today. Over the past decade, ultra-low interest rates have allowed issuers to redeem and refinance bonds at much lower rates. During this time, fixed income securities provided price stability for investors, but generous income became very difficult to generate. For reference, at the time of our Fall 2021 DCM Newsletter, investing in a 2-year US Treasury yielded a mere 0.40%. And even extending out the treasury curve to 30 years only yielded 2.0%.

Today's environment for bond investors is different. With the Federal Reserve raising rates and investors becoming more fearful of the economic challenges that lie ahead, bond yields have risen. This has created challenges for the price of bonds, but income opportunities are stronger. The 10-year US Treasury rate has rapidly risen to over 3.50%, its highest level in the last 11 years.

Credit spreads, the amount investors demand in yield in excess of US Treasury rates to compensate for credit risk, have also increased. In the fall of 2021, a corporate bond that yielded +89 bps higher than a UST now yields +129 bps more. We're now seeing corporate bonds in the 10-year part of the curve yielding close to 5%.

With these opportunities arising, DCM has been more active in bond buying for clients who invest in fixed income. We have maintained our high quality standards and have been able to find good value in both the municipal and corporate bond markets.

Activity in portfolios may continue as we take advantage of a volatile market, but rest assured, our objectives of Security, Income, and Growth remain.

# Open Enrollment Season for Healthcare and Medicare Plans Is Here

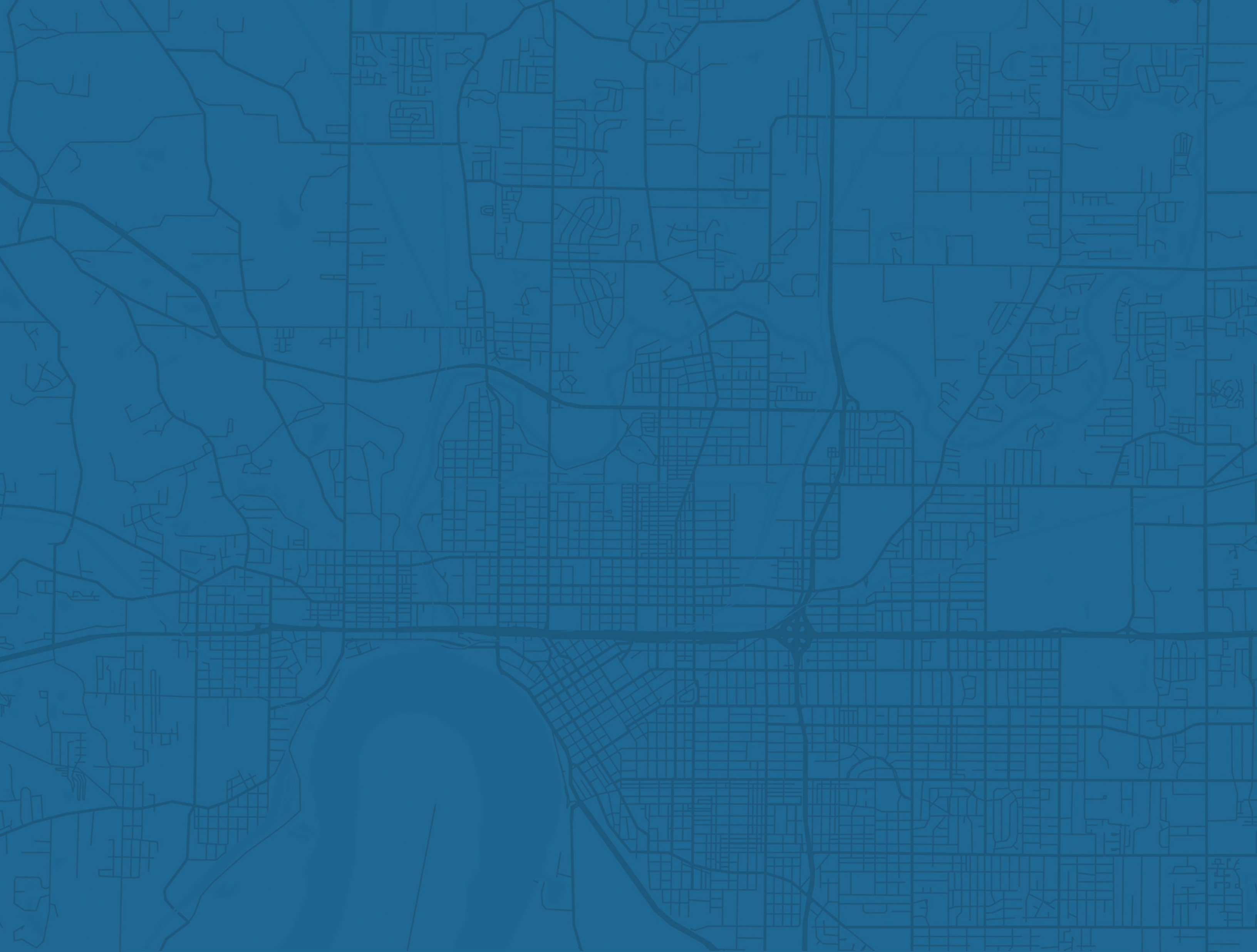
Annual open enrollment periods are approaching for both individual health insurance through the Affordable Care Act (ACA) and Medicare. This is the time of year when Americans can sign up for or switch healthcare plans. Open enrollment for the Health Insurance Marketplace created by the ACA runs from November 1 through January 15. This is particularly important for Americans with no access to employer-sponsored health plans and not yet eligible for Medicare. Recent legislation has expanded the availability of premium tax credits to millions of Americans who would have been ineligible under the initial version of the law. The premium tax credits are typically paid directly to insurance companies to help offset the costs of monthly premiums. In 2021, the average monthly premium tax credit received by enrollees was almost $500.

The annual open enrollment period for Medicare runs from October 15 through December 7. During this time, Americans currently enrolled in Medicare can review and make changes to their existing plans. For example, enrollees could elect to switch from Medicare Advantage to Original Medicare and/or elect a Medicare Part D prescription drug plan.

There is a lot of confusion surrounding the Affordable Care Act and Medicare, and navigating these markets can be difficult. Government-provided resources can be found at https://www.healthcare.gov/ and https://www.medicare.gov/.

Did you know this is something DCM can help you navigate? If you would like additional assistance exploring individual healthcare or Medicare options, DCM has established a relationship with an independent health insurance agency to assist clients in navigating the ACA and Medicare marketplaces, find the optimal level of coverage, and utilize any available premium tax credits with no additional cost to the client.

If you have questions about the open enrollment periods, the Affordable Care Act, or Medicare, please reach out to your DCM Advisor. Maintaining appropriate health insurance is a vital part of every financial plan, and we are committed to helping our clients find the right solution.



Donaldson
CAPITAL MANAGEMENT

20 NW First Street, Fifth Floor ▪ Evansville, IN 47708
800-321-7442 ▪ www.dcmol.com