VOLUME 28, ISSUE 4, 4TH QUARTER 2022

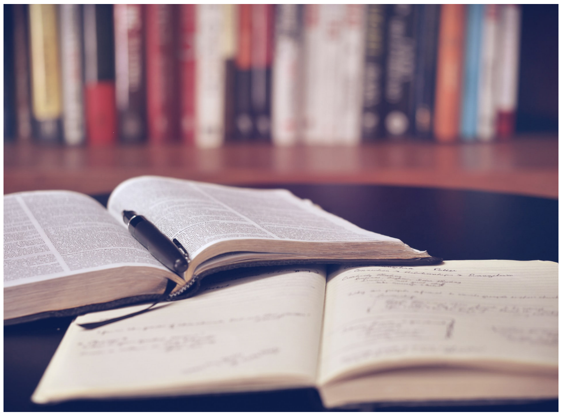
Commerce Concepts

Market Updates, Asset Allocation, and Investment Education for Plan Participants and Individuals

The Inflation Reduction Act: What You Should Know

The Inflation Reduction Act (IRA), signed into law on August 16, 2022, contains provisions aimed at both individuals and corporations. These include healthcare and energy related provisions, changes to how large corporations are taxed, and increased funding for the Internal Revenue Service. Some of the significant components that primarily affect individuals and families, rather than businesses, are discussed below.

Medicare



Starting in 2023, deductibles will not apply to covered insulin products under Medicare Part D or under Part B for insulin furnished through durable medical equipment. Also, the applicable copayment amount for covered insulin products will be capped at $35 for a one month supply.

Starting in 2025, a $2,000 annual cap (adjusted for inflation) will apply to out-of-pocket costs for Medicare Part D prescription drugs.

The legislation authorizes the Department of Health and Human Services to negotiate Medicare prices for certain high-priced, single-source drugs. These are drugs for which there is no generic or bioequivalent alternative, and which have been FDA approved for a minimum of nine years. Only 10 of the most expensive drugs will be chosen for negotiation initially, and the negotiated prices will not take effect until 2026. For each of the following years, more negotiated drugs will be added.

Other Health Insurance Plans

High-deductible healthcare plans, which currently require that their deductible applies to all prescription drugs, will be able to waive the deductible for some insulin products starting in 2023.

Affordable Care Act subsidies, which reduced health insurance premiums for plans on the individual marketplace, were previously scheduled to expire at the end of 2022 but have now been extended through 2025. Indexing of percentage contribution rates used in determining a taxpayer's required share of premiums is delayed until after 2025, preventing more significant premium increases. Additionally, those with household incomes higher than four times the federal poverty line remain eligible for the premium tax credit through 2025, keeping healthcare marketplace premiums affordable to more people.

Energy Related Tax Credits

Many current energy related tax credits have been modified and extended, and a few new credits have been added. Starting in 2023, a tax credit is available for the purchase of clean electric vehicles. Qualifying new vehicle purchases are eligible for a credit of up to $7,500, and qualifying used vehicle purchase may receive a credit of up to $4,000.

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WIN A $25 GIFT CARD

to your choice of REI or Powell's!
(See page 2 for details)

Congratulations to our most recent winner:

Lisa A. of West Hills Christian School

Visit ***thecommco.com/commerce-concepts*** *for the answer to last issue's question.*

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Retirement & Investment Services

Indexes are unmanaged and cannot be invested in directly. Past results are not predictive of future results. Individual results will vary. The trailing returns shown include dividends. See page four for index definitions.

Source:
Raymond James Financial Services

To be entered into a drawing to win a

$25 GIFT CARD,

email free@thecommco.com with the answer to this question:

Under the IRA, what is the potential tax credit for purchasing a qualifying used clean electric vehicle?

Market Update

Through September 30, 2022

		Trailing Returns			
		3 mos	12 mos	5 yrs	10 yrs
Blue Chip US Stocks	Dow Jones Industrial Average	-6.17%	-13.40%	7.42%	10.45%
Large Company US Stocks	S&P 500	-4.88%	-15.47%	9.24%	11.70%
Small Company US Stocks	Russell 2000	-2.19%	-23.50%	3.55%	8.55%
Non-US Stocks	MSCI EAFE (Gross Div)	-9.29%	-24.75%	-0.36%	4.15%
US Bonds	Bloomberg US Aggregate	-4.75%	-14.60%	-0.27%	0.89%
Cash Alternatives	ICE B of A 3 Month US Tsy Bill	0.46%	0.62%	1.15%	0.68%

Economic Snapshot

Gross Domestic Product (GDP)
GDP growth is expected to continue to moderate.

Inflation
Elevated inflation remains the biggest risk for the economic outlook. The shift toward service consumption should help reduce price pressures on goods. However, oil prices remain the biggest inflation threat.

Monetary Policy
The Fed has become more aggressive with rate increases as expectations of longer-term inflation have started to move. This raises the risk of overdoing it, leading to a possible recession in 2023.

Housing and Construction
There are signs of slowing demand due to the increase in mortgage rates. We should continue to see lower home prices in the coming months.

Manufacturing
Although manufacturing output has slowed down, export growth continues to be supportive of further expansion.

Employment
Nonfarm payrolls are still very strong. Expectations are for nonfarm payrolls to start to weaken while the unemployment rate increases.

Investment Strategy Quarterly: Published by Raymond James and Associates, October 2022. For a complete PDF copy of the current issue of Investment Strategy Quarterly, click here or email newsletter@thecommco.com.

September Market Review

- Inflation remains persistent. To fight it, the Federal Reserve (the Fed) indicated it would need to raise rates both higher and for a longer term than originally expected. This sent shocks through the market and drove the market's major currents in September, as investors concluded that a deeper recession in 2023 may be the necessary antidote to inflation. As a result, the S&P 500 recorded a 9.34% loss for the month, in line with the other major indices.
- The Fed raised its baseline interest rate by 0.75%, and the expectation is that it will follow up with an additional 1.0% increase by the end of the year. While the impact of this could be seen throughout the economy, the real estate sector showed its particular vulnerability to higher interest rates, as residential housing investments took a large step back. Interest rates on 30-year mortgages now exceed 6.5% for the first time since 2008.
- Recession is a word that evokes a lot of dread, especially if one uses 2020 or 2008 as their recessional archetype, and not 2001 or 1990. But while we believe that we can expect more months of volatility, we think a 2023 recession should be relatively mild, historically speaking, as the labor market remains strong and consumer confidence edges up with slowly abating prices.

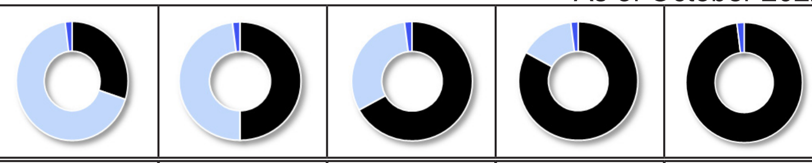
For additional asset allocation and disclosure information, please [click here] or visit the Resources section of our website at

thecommco.com

Strategic Asset Allocation Models

As of October 2022

Equities
Fixed Income
Cash Alternatives



	Conservative	Moderate	Balanced	Growth	Aggressive
Equity	**30%**	**50%**	**67%**	**83%**	**98%**
Equity allocation comprises:					
U.S. Large Cap Blend	20%	24%	31%	38%	45%
U.S. Large Cap Growth	0%	3%	5%	7%	8%
U.S. Large Cap Value	0%	3%	5%	7%	8%
U.S. Mid Cap Equity	4%	7%	9%	11%	13%
U.S. Small Cap Equity	1%	3%	5%	7%	8%
Non-U.S. Developed Market Equity	5%	10%	8%	9%	11%
Non-U.S. Emerging Market Equity	0%	0%	4%	4%	5%
Fixed Income	**68%**	**48%**	**31%**	**15%**	**0%**
Fixed income allocation comprises:					
Investment Grade Intermediate Maturity	58%	39%	27%	15%	0%
Investment Grade Short Maturity	0%	0%	0%	0%	0%
Non-Investment Grade (High Yield)	7%	6%	4%	0%	0%
Non-U.S. Fixed Income	3%	3%	0%	0%	0%
Multi-Sector Fixed Income	0%	0%	0%	0%	0%
Alternative Investments	**0%**	**0%**	**0%**	**0%**	**0%**
Cash & Cash Alternatives	**2%**	**2%**	**2%**	**2%**	**2%**
Totals	**100%**	**100%**	**100%**	**100%**	**100%**

These asset allocation targets are based on our changing views of the risk and return in the various asset classes, looking out over three or more years. The models assume fully allocated portfolios and do not take into account outside assets, additional cash reserves held independent of these models, or any actual investor's unique circumstances. Investors should consult their financial advisor to decide how these models might assist in the development of their individual portfolios. Material is provided for informational purposes only and does not constitute a recommendation.

The investment profile is hypothetical, and the asset allocations are presented only as examples and are not intended as investment advice. Asset allocation and diversification do not assure a profit or protect against loss. Investing involves risk and investors may incur a profit or a loss, including the loss of all principal. International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility. Investing in small- and mid-cap stocks generally involves greater risks, and therefore may not be appropriate for every investor. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. High-yield bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio. Commodities and currencies are generally considered speculative because of the significant potential for investment loss. They are volatile investments and should only form a small part of a diversified portfolio. Real estate investments can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.

Index definitions: The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations. The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The ICE BofAML 3-Month US Treasury Bill index consists of a single issue that is purchased at the beginning of the month and held for a full month. At month's end, that issue is sold and rolled into a newly selected issue, which is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. The selected issue must have settled on or before the month-end rebalancing date. Past performance may not be indicative of future results. An investment cannot be made in these indexes. The performance mentioned does not include fees and charges, which would reduce an investor's returns.

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For new vehicles, the credit is only available for SUVs and pickups with a manufacturer's suggested retail price (MSRP) of $80,000 or less, and other vehicles with an MSRP of $55,000 or less. The purchaser must have a modified adjusted gross income (MAGI) of no more than $150,000 for single filers, $300,000 for joint filers and surviving spouses, or $225,000 for heads of household.

For a used vehicle, the maximum purchase price is $25,000 and the income limits are $75,000 for single filers, $150,000 for joint filers and surviving spouses, and $112,500 for heads of household.

Starting in 2024, the credit can be issued through dealerships, to apply toward the purchase price at the point of sale. One caution: new vehicles are only eligible for the credit if their final assembly took place in North America, so some brands currently assembling vehicles overseas may not be able to offer the credit until they have North American plants operating.

The Act also includes tax credit rebates for installing energy efficient windows, heat pumps, solar panels, and new energy efficient appliances, as well as for adding insulation and sealing energy leaks. These rebates are intended to defray the upfront costs of making upgrades that will save families energy and money in the long run. Funding for them is prioritized to low and moderate income families. However, some advocates worry that the credits do not go far enough to make the upgrades accessible for all households.

Increased Funding for the IRS

The Inflation Reduction Act provides the Internal Revenue Service (IRS) with an additional $80 billion. This is intended to help fund operations and business systems modernization and to improve enforcement of tax laws. This will likely result in increased audit activity for businesses and for households with a MAGI over $400,000. However, any stepped up enforcement activities are not expected to target families below that annual income threshold.