

THE ROUND TABLE

Home Prices Have Risen at Record Pace

U.S. home prices rose 20% during the 12 months ending in August 2021 as buyer demand far exceeded the supply of dwellings for sale. This was the largest annual price increase in the history of the monthly S&P/Case-Shiller U.S. National Home Price Index going back to 1988. The index continued strong growth at a slightly slower pace in the fall, typically a time when the market takes a breather.

Home prices fell during most past recessions, but the housing market has been anything but normal since the pandemic began in 2020. In many cities, builders struggle to build enough homes to meet the demand driven by low interest rates, a desire for more space while working and schooling at home, and the aging of millennials into homeownership. This trend was amplified by labor shortages and spiking material costs in 2021.



Sources: S&P Dow Jones Indices, 2021 (data for the period January 1988 to October 2021); *The Wall Street Journal*, July 27, 2021; National Association of Realtors, November 17, 2021

Thank you!

As we celebrate a milestone anniversary in February, we at King Wealth Management Group would like to thank our clients, colleagues, friends, and family who have supported us over the past ten years. We strive to serve you all well and we appreciate your support and confidence in our team.

Smoothing Market Ups and Downs

After the wild ride of 2020, the U.S. stock market was relatively calm in 2021, but there was still plenty of volatility. There were 55 days when the S&P 500 index — generally considered representative of U.S. stocks — closed with a rise or fall of 1% or more from the previous day's closing price. And there were seven days with a change of more than 2%.¹

The good news for investors is that the trend was generally upward, and the S&P 500 ended the year up almost 27%.² But no matter which way the market is moving, trying to choose the "right" time to buy or sell can be stressful and counterproductive.

An investor who waits to buy may be frustrated as prices rise and then decide to stop waiting and purchase securities just before prices drop. On the other hand, an investor who sells when prices are dropping may lock in losses and miss out on gains when the market turns upward again. That's why one of the most fundamental maxims of investing is "you can't time the market." One approach that might help steady your blood pressure and build your portfolio over time is dollar-cost averaging.

A Consistent Strategy

Dollar-cost averaging involves investing a fixed amount on a regular basis, regardless of share prices and market conditions. Theoretically, when the share price falls, you would purchase more shares for the same fixed investment. This may provide a greater opportunity to benefit when share prices rise and could result in a lower average cost per share over time.

If you are investing in a workplace retirement plan through regular payroll deductions, you are already practicing dollar-cost averaging. If you want to follow this strategy outside of the workplace, you may be able to set up automatic contributions to an IRA or other investment account. Or you could make manual investments on a regular basis, perhaps choosing a specific day of the month.

You might also use a similar approach when shifting funds among investments. For example, let's say you want to shift a certain percentage of your stock investments to more conservative fixed-income investments as you approach retirement. You could execute this in a series of regular transactions over a period of months or years, regardless of market movements.

Steady Investments

If Tina invested \$6,000 in a security with a \$50 share price in month one, she could purchase 120 shares. If instead she invested \$1,000 each month over a six-month period, she might be able to accumulate more shares for the same dollar investment, which could result in a lower average cost per share.

Month	Amount invested	Share price	Shares acquired
1	\$1,000	\$50	20.00
2	\$1,000	\$55	18.18
3	\$1,000	\$45	22.22
4	\$1,000	\$40	25.00
5	\$1,000	\$50	20.00
6	\$1,000	\$55	18.18
TOTAL	\$6,000	[\$295 ÷ 6]	123.58

Average price per share: \$49.16 ($\$295 \div 6$)

Average cost per share: \$48.55 ($\$6,000 \div 123.58$)

This hypothetical example is based on mathematical principles and used for illustrative purposes only; it does not represent the performance of any specific investment. Actual results will vary.

Dollar-cost averaging does not ensure a profit or prevent a loss, and it involves continuous investments in securities regardless of fluctuating prices. You should consider your financial ability to continue making purchases during periods of low and high price levels. However, dollar-cost averaging can be an effective way to accumulate shares to help meet long-term goals.

Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. All investments are subject to market fluctuation, risk, and loss of principal. When sold, they may be worth more or less than their original cost.

1–2) S&P Dow Jones Indices, S&P 500 index for the period 12/31/2020 to 12/31/2021. Retrieved from FRED, Federal Reserve Bank of St. Louis. The S&P 500 is an unmanaged group of securities that is considered to be representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is not a guarantee of future results. Actual results will vary.

Going Public: How Are Direct Listings Different from IPOs?

An initial public offering (IPO) is the first public sale of stock shares by a private company. IPOs are important to the financial markets because they help fuel the growth of innovative young companies and add new stocks to the pool of potential investment opportunities.

When a company files for an IPO, new shares are created, underwritten by a bank, and sold to the public. But that's not the only way for a company's stock to become publicly traded. When a company uses a direct listing, typically only existing shares are sold to the public on a stock exchange — no new shares are issued, and no underwriters are involved.

There were more U.S. IPOs in the first half of 2021 than there were in all of 2020, which was also a record year.¹ The number of direct listings has ticked up, too, but there were just three in 2020 and six in 2021.²

Going public is a fraught process that few companies dare to navigate on their own. Even so, several well-known companies have sparked media coverage and investor curiosity when they chose to bypass the traditional IPO process.

Two Roads, One Less Traveled

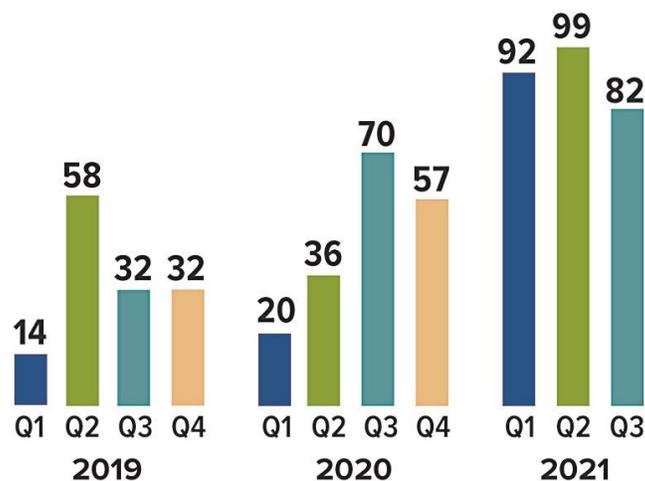
The path a company takes to the stock market generally depends on its business goals. Companies that pursue a traditional IPO often want to raise as much money as possible for expansion purposes. Direct listings, on the other hand, give company founders, employees, and early investors a way to cash out some of their equity without diluting the value of the company's stock.

The underwriters that facilitate the IPO process typically organize a "roadshow" to market the stock and gauge the interest of institutional investors. They also guide the company through regulatory requirements, help set the initial offer price, and may guarantee the sale of a specified number of shares at the offering price. IPOs usually have a three- to six-month lockup period, which is an agreement with underwriters that prevents employees and other early investors from immediately selling their shares. Keeping insider shares off the market can help quell market volatility in the early days of trading.

A company may be able to make its stock market debut faster and at a much lower cost with a direct listing, and there is no lockup period. But going public without underwriting support can also be risky. The supply of shares, becoming available for sale is undefined, and the demand

for those shares can be difficult to predict, which could result in insufficient liquidity.

Number of Traditional U.S. IPOs



Source: PwC, 2021

Investor Access

One catch associated with IPOs is that many investors who want to buy shares at the offering price don't have the opportunity to do so. Moreover, those who buy the stock on the first day of trading often miss out on much of the sought-after "pop," because a large part of the appreciation can take place between its pricing and the first stock trade. With a direct listing, everyone has access to the stock at the same time, but this also means share prices can be more volatile after trading begins.

In fact, some investors who rush to buy highly anticipated IPOs or directly listed stocks on the first day might pay inflated prices, because that's when media coverage, public interest, and demand may be greatest. Share prices could drop in the weeks following a large first-day gain as the excitement dies down and fundamental performance measures such as revenues and profits take center stage.

The return and principal value of all stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Investments offering the potential for higher rates of return also involve a higher degree of risk.

1) Reuters, June 15, 2021

2) Warrington College of Business, University of Florida, 2022

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How to Correct an Error on Your Credit Report

According to the Consumer Financial Protection Bureau (CFPB), credit report errors more than doubled during the coronavirus pandemic. In addition, the CFPB found that many pandemic protections which were designed to help consumers, such as loan forbearance periods on federal student loans and federally backed mortgages, ended up negatively impacting their credit reports as a result of complications such as processing delays and suspended payments being marked incorrectly.¹ This is a significant issue for many consumers, because credit report errors may negatively impact creditworthiness and potentially lead to negative financial consequences, such as being offered higher mortgage interest rates or being turned down for a job or an apartment lease.

Fortunately, changes made during the pandemic have made it easier to stay on top of your credit report. Under new expanded rules, you are now eligible to obtain a free weekly credit report from each of the three nationwide credit reporting bureaus until April 20, 2022. To obtain free reports, go to AnnualCreditReport.com where you can fill out an online form, choose the reports you want, and, after answering some security questions, review your reports online.

If you find an error on your credit report, there are steps you can take to correct it. First, contact the credit reporting agency to dispute the error. You can do this online or by mail. Explain why you are disputing the information and be sure to include documentation that supports your dispute. The credit reporting bureau generally has 30 to 45 days to investigate the disputed information. Once the investigation is complete, the credit reporting bureau must provide you with written results. If the credit reporting bureau confirms that your credit report does contain errors, the information on your report must be removed or corrected.

If you do not agree with the credit bureau's investigation results, you can ask that a statement of the dispute be included in your file and in future reports. You can also contact the creditor that reported the information to the credit reporting bureau and dispute it with the creditor directly. If the creditor finds that the information is inaccurate, it must notify each credit bureau to which it has reported the information so the information can be updated or deleted. If you believe the error is the result of identity theft, you may need to take additional steps to resolve the issue, such as placing a fraud alert or security freeze on your credit report.

Keep in mind that correcting a credit report error can often be a time-consuming and emotionally draining process. If at any time you believe that your credit reporting rights are being violated, you can file a complaint with the Consumer Financial Protection Bureau at consumerfinance.gov.

1) Consumer Financial Protection Bureau, 2021

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