Subject: Greenleaf Newsletter: Assessing the Impact of Russia's Assault on Ukraine. Also, Tax Rules for Gifts.
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Hello Greenleaf,
Welcome to Our Client Newsletter

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Russia Invades Ukraine: What Comes Next for Investors?

In a shocking show of aggression and force, Russian President Putin invaded Ukraine with airstrikes, tanks, and about tens of thousands of troops across several areas. Initially, stock prices fell while oil, gold, and government-bond prices rose.

Investors switched course, however, after President Biden announced new sanctions on state-owned enterprises in Russia and Russian banks. The European Union added their own sanctions and stocks closed the day with large gains.

Now What?
Although Ukrainians face dire circumstances, U.S. investors may find the impact is short-lived. Geopolitical events since the

Question: What are the Tax Rules for Giving Money?

I'd Like to Help My Son Purchase His First Home. Do I Report My Gift on My Tax Return or Does My Son? And Who Pays Any Taxes?

Answer: For 2022, you may give your son $16,000 without having to report your gift or file any forms. If you are married, you may make a gift of $32,000.

These amounts are known as the "federal gift tax exclusion" and apply to everyone. Besides your son, you may give other individuals an equivalent amount without reporting it on your tax return. All gifts under the exclusion are tax-free to you and your recipients.

Amounts That Exceed the Exclusion
If you are not married and

Market News: Stocks Lower in February

Earlier this week -- before the bombs were launched -- the U.S. stock market had already fallen -10% in 2022. Often referred to as a "correction," this decline reflected the threat of war and its potential impact on already soaring energy and commodity prices.

Companies have been struggling to meet massive global demand for building materials, new cars, and energy amid production stoppages and labor shortages. With new challenges to the same old supply-chain problems and the need for higher interest rates to tamp down inflation, high-priced areas of the market such as technology stocks, have receded the most.

The past few months are yet another example of how the stock market and the

1970s have typically caused relatively small ripples in the U.S. stock market.

The first Gulf War in January 1991, for example, caused the market to fall -5.7% in 6 days. After another 8 days, the market had recovered to its prior level. Looking at 12 such events from 1973 through 2014 -- including the Iranian hostage crisis, the 9/11 attacks, and the 2003 Iraq War -- the average timespan of market declines was only about **two weeks.**

Why Such a Minor Impact?
The United States is geographically far from the damage of the assault, as well as a likely refugee crisis. The U.S. is also unlikely to become directly engaged in this war. Together, these qualities limit the chance of a recession.

What Could Go Wrong?
The biggest risk to U.S. stocks is higher prices for natural gas, oil, metals, and other commodities. Russia is responsible for one-third of the world supply of palladium, which is heavily used in auto manufacturing. Similarly, Russia and Ukraine together represent 25% to 30% of wheat exports.

For better or worse (depending upon your perspective), the assault on the people of Ukraine is likely to slow down the Federal Reserve's plans to raise interest rates and move away from the highly stimulative fiscal policy of the past few years.

What Should Investors

you wish to give your son more than $16,000 this year, you can still do that. However, you should report any gift amount above $16,000 on **Form 709**, the federal gift tax return.

No tax is due for gifts above $16,000 (or $32,000 if you are married) until you exceed your lifetime exclusion total. Few people are likely to exceed the lifetime exclusion since it is currently $12.06 million.

Suffice to say, you will only pay gift taxes after you exceed a lifetime giving amount of $12.06 million.

Cash and Other Gifts
The gift tax rules are not limited to cash transactions. Anything of value that is transferred to another person without receiving something of similar value in return is a gift.

When A Gift is Not A Gift
Four categories of financial payments are exceptions to the gifting rules. These exceptions do not count against your lifetime exemption, nor do they need to be reported on Form 709 regardless of the amount.

These categories are:

1. Tuition expenses that you pay for someone.
2. Medical expenses that you pay for someone.
3. Gifts to a spouse.
4. Gifts to a political organization.

If you have further questions about financial gifts or the gift tax rules, please contact us.

economy diverge. The stock market looks ahead by six months or more. Although the economy is soaring with the highest growth rate since 1984, this growth is producing inflation. A year ago, growth stocks were going strong, but high economic growth is now yesterday's news.

Although the economy has likely reached its peak rate of growth, there are no indications that the economy will contract. Still, investors should be aware that the middle range of the economic cycle is harder than the easy gains of the cycle's initial expansion.

Mid-cycle environments still tend to favor stocks over bonds, but the frequency of stock-market corrections (-10% to -20% selloffs) is historically higher. Buckle in: The ride is going to be bumpier.

All in all, it's a good time to be selective investors. Our portfolios are weighted toward companies with strong balance sheets and the ability to profit in more-challenging environments.

We are also rebalancing to make sure your accounts are not overweighted with past winners, but are positioned with styles and sectors that have have strong future prospects.

As always, we are happy to discuss your investments, the economy, or the markets with you at any time. Please don't hesitate to contact us with your questions or concerns.

Do?
Investors should try to look past the immediate moment. Reacting to an event rarely results in good longer-term investment results. Most often, when an investor sells their holdings to limit short-term declines, they end up holding cash for long stretches of time and missing out on market gains.

It is hard to be an investor some days, but the impulse to do something during these days is a detrimental impulse. If you have a diversified portfolio of stocks and high-quality bonds -- which you do -- then something you own will do well in a wide variety of market conditions, including days when the stock market is falling.

Investors are better off holding on through choppy markets as long as their holdings are not concentrated in risky or speculative investments. This, too, is an area where we tread very lightly. We are highly aware of investment risks and we do our best to limit those risks at all times.

Lastly, although the typical emerging markets fund has almost a 4% weight in Russian companies, we have long maintained very little exposure to emerging markets. Consequently, your accounts are not experiencing the Russian stock market's significant declines.

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