Dear Alpine Bank Wealth Management Client:

Fall has arrived. Leaves have changed colors, some have already fallen to the ground and many of our mountain communities have received their first measurable snowfall. Significant changes in our business may also be on the horizon.

The contemplated changes to our federal tax law may include changes that could dramatically affect your estate plan. As these proposals become clear we encourage you to check with your estate planning professional to make sure your estate plan is up-to-date. As you are aware, Alpine Bank Wealth Management cannot legally draft or change estate planning documents. We do, however, have professionals on our team who can work with your attorney as your documents are updated. Those professionals include four attorneys, two CPAs, two CFAs, two CFPs, a CTFA and a CFIRS, among others with credentials and certifications. We will stay informed on the pending legislative changes and provide that information to you. Our director of investments, Brian Fraser, shares the following thoughts on the economy.

When dropping a stone into a pond the reactionary ripples that are created are largely dependent on the size of the stone dropped into the water. The COVID-19 pandemic dropped a boulder in the proverbial economic pond, and while the initial splash may have subsided, the subsequent ripples continue to form and flow outward to the global economy. Specifically, supply and pricing disruptions have begun to emerge and come into focus throughout the global economy, challenging both market participants and policymakers as we march into the end of 2021. Shortages due to extraordinary demand and limited labor availability within the supply chain is putting upward pressure on prices. It is this type of pricing pressure, higher prices due to constrained supply, which is being labelled as transitory inflation, because as time passes the supply chain and labor will eventually provide the necessary quantity of goods, while above-average demand and prices will revert to longer-term norms.

There may be a stickier type of pricing pressure working its way into the economy that may be less transitory and more permanent, however. With businesses, both small and large, struggling to fill open positions with qualified labor, companies are bidding up wages throughout the economy. While good for workers, the second- and third-order consequences may be less desirable. First, with the increase in wage cost the employer must decide how to pay for the higher costs. In keeping matters simple, employers can 1) scale back to avoid incurring additional wage costs, 2) absorb the additional costs and accept lower margins, and/or 3) pass the incremental increased costs along to its customers via higher prices, or the same price with less quantity (unofficially known as "shrinkflation"). Second, the rise in wages could encourage workers to transition their existing employment to new employment in hopes of higher compensation, satisfaction, or both. The potential net result could likely be lower productivity in the shorter term and higher costs in the longer term.

Translating the potential economic impacts into financial markets is challenging to say the least. As we mentioned in last quarter's letter, we expected volatility to increase as it's a natural byproduct of economic disruption; the market action at the end of the third quarter and the start of the fourth quarter is certainly evidence of that. As the markets react to COVID cases and variant news, supply chain issues, reduction and/or modification of fiscal and monetary interventions, market valuations, inflation and debt ceiling negotiations, investors can easily get swept up in all of the ebbs-and-flows and lose sight of the "why" in their investment plan. As we have cautioned in the past, during periods of stress or euphoria, rash but impactful decisions can be made in haste — either for fear of what's to come or fear of missing out. Remember, over time the ripples on the pond will subside. The same is true when viewing your investment portfolio over the long-term. Focus on the horizon and let us help you stay the course.

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