LETTER FROM THE PRESIDENT

The New Year is often a time when we revisit our financial goals such as better preparing for retirement, funding a grandchild's education, or donating to a charity. While it's always a great time to reassess your financial plan, now is especially appropriate as the current environment lends itself to opportunities you might not have considered a year ago.

For example, if you have large cash holdings, consider solutions available for cash or cash re-investment needs, such as certificates of deposit, short-term bonds, floating rate notes, and treasury inflation-protected securities. Take a look at Alternatives to Holding Cash in a Rising Rate Environment on www.Janney.com/CashAlternatives, which explores these opportunities along with investment strategies such as bond laddering.

If your goals in 2023 involve, for example, financing large purchases or addressing business cash flow needs, we offer lending solutions such as securities-based and margin loans that can provide liquidity without impacting your investment portfolio. Ask your Financial Advisor about Janney's growing line of lending offerings to help manage both sides of your balance sheet.

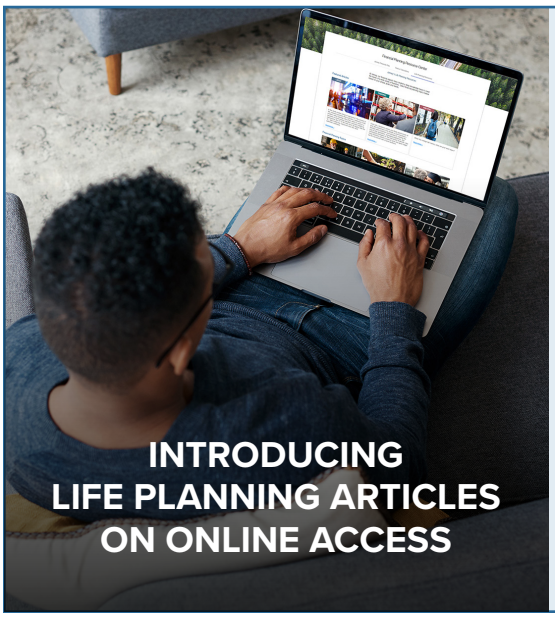
If you are considering a 529 college savings plan this year, read about the tax advantages and other benefits of these flexible investment accounts in our Financial Planning Spotlight on page 3.

We've also launched a new Featured Articles section on Janney's Online Access, our secure client portal, that highlights our latest market commentary, trending articles on current topics, and educational resources curated for you and your family. It's a good way to keep abreast of financial news and find information about topics that matter to you most.

Having confidence in your financial path comes from working with a firm such as Janney. Janney remains strong and stable. We can make the necessary investments to support you in any economic or market environment because we are privately held, very well capitalized, and singularly focused on meeting your needs by providing relevant, actionable advice.

Thank you for continuing to place your trust in Janney to help you achieve your financial goals. From all of us, we wish you a happy, healthy New Year. ■

— Timothy C. Scheve
President & Chief Executive Officer



Having easy access to financial education and insights helps to provide perspective and make more informed decisions about your financial life.

Take a look at our Life Planning Resources on Online Access, Janney's secure client portal. Here you'll find:

- Janney's latest market commentary
- Trending articles on retirement, financial planning, and more
- Educational resources that address topics most relevant to you

If you're not already enrolled in Online Access, visit www.myjanney.com today.

JANNEY UPDATE

JANUARY 2023

ECONOMIC OUTLOOK

JANUARY 2023

Mark Luschini, Chief Investment Strategist

Mark serves as Janney's Chief Investment Strategist, a recognized thought leader among industry and national media with more than 30 years of investment industry experience. He is a sought-after speaker for professional conferences and events.

The economy continues to exhibit a decent pace of growth that is likely to continue well into the New Year, despite widely held expectations that a recession occurs at some point in the next 12 months.

Certainly, there has been a downshift in some important measures of economic activity, such as a decline in housing, slowing manufacturing, and some softer labor reports including the burgeoning number of companies announcing hiring freezes or layoffs. However, the level of unemployment overall remains very low; many consumers still hold an abundance of savings; debt levels are not troubling; and banks are not yet witness to unusual stresses in loan covenants amongst households or businesses.

Fate of the Economy

The fate of the economy, at least from an endogenous risk perspective, is highly dependent on the path of inflation. There are myriad signs that it has begun to moderate after racing ahead at 40-year highs. Furthermore, many of the inputs that impose pressure on costs, including prices paid by manufacturers, delivery times, and inventory imbalances, are moving in the right direction. Even shelter costs—a sizable feed into the inflationary impulse—are falling. Collectively, these suggest the recent signs of decelerating prices are indicative of a trend that is likely to continue.

In the meantime, the Federal Reserve has embarked on a campaign to raise interest rates in an effort to thwart the advance of inflation at such a rapid pace. Monetary officials have expressed an unequivocal resolve to slay inflation to accomplish two things: 1) drive it down so that policymakers can feel confident it is nearing or at their target of 2%, and 2) once it is there it is likely to stay around that level and not reignite, forcing the Federal Reserve to wage a potentially more painful tightening process to exorcise it from becoming endemic.

Chance of Averting a Recession

In any case, the likely outcome is that further rate hikes restrict economic growth to the point of contraction. In turn, while inflation does subside, the price paid in that tradeoff is that unemployment rises well above but hopefully not too far from current levels. Given the lack of aggravating circumstances that are often coincident with more severe or protracted recessions, such as low cash cushions and high levels of debt, this one if it comes to pass should be relatively mild and brief.

We acknowledge the chance that a recession is averted should inflation fall quickly, deflating the need for the Federal Reserve to overtighten financial conditions. The lack of precedent for monetary authorities engineering such a finely tuned outcome with consistent success suggests that scenario is a hopeful but unlikely result.

For investors, prudence demands a cautious but balanced approach to capital allocation. Yields on higher-quality fixed income have become more appealing and dividend-paying stocks offer ballast to weather bouts of inclement financial conditions. Balancing the asset allocation congruent with an acceptable level of risk, while always good practice, may be especially important given today's macro- and geopolitical cross currents. ■

JANNEY IN THE COMMUNITY

Celebrating 10 Years of Janney's Women's Interactive Network

Janney's Women's Interactive Network (WIN) Employee Resource Group recently celebrated its 10th anniversary, commemorating the positive impact the group has made over the past decade as they look toward the future.

Giving Back with MANNA

Janney's Early Career Professionals Employee Resource Group recently volunteered with the Metropolitan Area Neighborhood Nutrition Alliance (MANNA) in Philadelphia to help prepare nutritional meals for individuals battling life threatening illnesses.

Dress for Success

Janney was proud to support Dress for Success in Greater Philadelphia at its recent Women Advisors Forum, collecting more than 9 boxes of clothing—including suits, dresses, purses, and shoes, to help give local women a fresh start.

WHAT ARE THE ADVANTAGES OF 529 PLANS?

A FINANCIAL PLANNING SPOTLIGHT

Shurdonna S. Joseph, Vice President / Director of High Net Worth Consulting

Shurdonna is a Certified Financial Planner™ with more than 15 years of experience in the investment management industry. She is also a Juris Doctor.

529 College Savings Plans were introduced in 2001 to be used by families to invest for their children's and grandchildren's college educations. Legislative reform has impacted how these plans can be used to also cover qualifying expenses for private, public, and religious kindergarten through 12th grade. We spoke with Shurdonna Joseph to learn how a 529 plan can assist with planning for education expenses.

Q: What is the primary advantage of a 529 plan?

Shurdonna Joseph: The tax-deferred growth that maximizes your savings and the tax-exempt withdrawals on qualified education expenses allows 529 plans to stand out amongst all other education savings vehicles. Furthermore, over 30 states currently offer a full or partial tax deduction or credit for 529 plan contributions, which can help to offset your overall tax liability. If your child uses any tax-free scholarships to pay for college, you can take a non-qualified withdrawal up to the amount of the award without incurring a penalty. However, you will still have to pay income tax on the earnings portion, or you can consider leaving the money in the account for another child.

Q: What counts as a "qualified" 529 expense?

SJ: Withdrawals spent on qualified education expenses to enroll and attend an accredited institution of higher education, can avoid federal tax, and some states offer additional state tax benefits. Qualified expenses are amounts paid for tuition, fees, books, supplies equipment, and, in some cases, room and board for an eligible student that are required for enrollment or attendance at an eligible educational institution. The Tax Cuts and Jobs Act of 2017 expanded 529 plan benefits to include tax-free withdrawals for private, public, or religious elementary, middle, and high school tuition up to $10,000 per year, and to repay up to $10,000 in student loan debt.

It is important to note that non-qualified expenses are subject to income tax and a 10% penalty on the earnings portion of the withdrawal. In addition, non-qualified 529 distributions may also be subject to recapture if a state tax deduction was claimed. Speak with your Financial Advisor to be sure you understand what expenses are classified as "non-qualified."

Q: How can 529 plans be used to defer taxation on investment growth over longer-term timeframes?

SJ: 529s are powerful tax-advantaged savings vehicles because the investments grow tax-deferred, and the distributions are tax-free if used for "qualified" educational expenses. For families who have yet to accumulate sufficient assets for their college goals, it may be most efficient to use their 529 plans to target college costs, and to use other resources for their shorter-term primary and secondary school needs. Even if your child is nearing college age, there's still value in starting to save now. You could still benefit from using a 529 plan, but you'll want to consider a more conservative asset allocation strategy to preserve your principal investment. Lastly, once enough assets have been accumulated in a 529 plan for college expenses, various strategies can be used to maximize state and federal tax benefits.

Q: How do contributions to a 529 ABLE account work?

SJ: The ABLE Act, which was signed into law in December 2014, allows Americans who are living with disabilities to save money for college and other expenses in a tax-deferred account as a supplement to private insurance and public benefits. Like a 529 college savings plan, 529 ABLE accounts are savings accounts administered by states. However, the ABLE beneficiary must be the 529 account beneficiary or a family member of the 529 account beneficiary.

Q: Can a 529 plan be used for oneself, such as to prepare for a career change?

SJ: Yes, adults can set up 529s to cover their own educational expenses, which may prove especially handy to those pursuing a change of careers. The most direct way is to open new 529 accounts and designate themselves as the beneficiaries. Parents can also take over existing 529 plans that once benefited their children. For instance, if your child wins a scholarship and the college expenses prove lower than originally anticipated, you can be designated for the account and use its excess funds without facing a tax penalty.

Q: How should you prioritize saving for your children's education while also saving for your retirement?

SJ: It's important to pay yourself first. You will want to prioritize retirement savings over college savings. Remember, you can borrow to cover education expenses, you can borrow for your first home purchase, but you cannot borrow for your retirement.

Q: What are some important things to keep in mind for tax-advantaged gifts?

SJ: As mentioned previously, you won't pay taxes on 529 plan earnings, provided you use the money for qualified education expenses. In addition, states may offer tax benefits such as tax credits or a tax deduction for contributions to 529 plans. Depending on which plan you use, maximum investments can exceed $500,000 over the life of the account, and contributions up to $17,000 per year per individual (for 2023) will qualify for the annual gift tax exclusion. There's also an option to treat a contribution up to $80,000 made by an individual in one year as if it were made over a five-year period—in essence using five years of gifting at once to help jump start college savings. This is a valuable legacy planning strategy for grandparents that want to minimize their estate and provide for the grandchildren's education at the same time. ■

WE'RE YOUR GO-TO LOCATION FOR TAX INFORMATION

Preparing for tax season is easier when you have a central place to find everything you need. Janney's Tax Resource page, www.Janney.com/TaxResources, has a variety of useful information and resources, including:

- Tax forms mailing schedule
- Key tax numbers at-a-glance
- Users' guides for common tax filing software

Plus, when you enroll in eDelivery of your tax documents on Online Access—Janney's secure client portal—you'll benefit from easy access to your 2022 tax documents. Go to myjanney.com to enroll today. ■

JANNEY ADDS TEAM OF INVESTMENT BANKING AND EQUITIES PROFESSIONALS

Approximately 20 investment banking and equities professionals from Boenning & Scattergood joined Janney's Capital Markets Group, to bring nationally recognized investment banking, equities sales and trading, and research capabilities within the depository, insurance, and infrastructure verticals.

The new team expands Janney's presence in Philadelphia, Chicago, and Cleveland. ■

Cash Sweep Disclosures

We would like to inform you of important updates that Janney is making to our Insured Cash Sweep option ("Insured Option") in Janney's Cash Sweep Program (the "Program"). This change will occur on or after March 1, 2023 and there is no action required on your part.

- Under the terms of the Insured Option, your available cash is swept into a deposit account at each bank ("Program Bank(s)") on a list maintained by Janney (the "Program Bank List") up to the applicable deposit limit, but not to exceed the maximum Federal Deposit Insurance Corporation ("FDIC") insurance coverage limit of $250,000 for all account types ($500,000 for Non-Corporate Joint Accounts of two or more individuals) per Program Bank. Once your funds reach the deposit limit at one Program Bank, they are deposited up to the deposit limit into another Program Bank in the order set forth on the Program Bank List.
- Currently, cash in your account above the stated program limit (referred to herein as "excess cash balances") of $2.5 million for individual accounts, certain retirement accounts and corporate accounts and up to $5.0 million for joint accounts ("Program Limit"), is invested in a Dreyfus money market mutual fund (the "Money Fund").
- Due to increased bank capacity in our Insured Option, starting on or after March 1, 2023, Janney will have the ability to sweep these excess cash balances into additional Program Banks before investing them into the Money Fund. This increased bank capacity means that it is possible, though not guaranteed, that a client could receive FDIC insurance coverage above the Program Limit when excess cash balances are invested in Program Banks. Client funds currently invested in the Money Fund through the Insured Option will also be moved to available Program Banks.
- The Money Fund will remain available in the event that Program Banks have insufficient capacity to accept additional deposits or otherwise reduce their current capacity levels in the future.
- Although depositing funds into additional Program Banks instead of the Money Fund, will result in a reduction in yield, this methodology aligns with the Insured Option selected and agreed upon by you. The current yield on the Money Fund is 2.33% for all account types (other than discretionary advisory IRA accounts) and 3.68% for discretionary advisory IRA accounts; the current rate for Program Banks can be found at www.janney.com/docs/default-source/client-resources-disclosures/account-agreements-terms-of-service/cash-management/rates.pdf
- If you do not wish to have your excess cash balances swept into additional Program Banks, please contact your Financial Advisor immediately to discuss available alternatives.

Working With Janney

Depending on your financial needs and personal preferences, you may opt to engage in a brokerage relationship, an advisory relationship or a combination of both. Each time you open an account, we will make recommendations on which type of relationship is in your best interest based on the information you provide when you complete or update your client profile.

When you engage in an advisory relationship, you will pay an asset-based fee which encompasses, among other things, a defined investment strategy, ongoing monitoring, and performance reporting. Your Financial Advisor will serve in a fiduciary capacity for your advisory accounts.

For more information about Janney, please see Janney's Relationship Summary (Form CRS) on www.janney.com/crs, which details all material facts about the scope and terms of our relationship with you and any potential conflicts of interest.

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