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Market Overview

Written by Strata Financial Group, LLC

So far so good for 2021. At the midway point, the stock market is currently sitting near all-time highs. Per Morningstar, the NASDAQ was the top performing index in the 2nd quarter (+9.68%), followed closely by the S&P 500 (+8.55%). The Dow lagged both indices by a few percentage points, ending with a quarterly gain of 5.08%. The small cap stocks of the Russell 2000 are still leading the way year-to-date, but they are losing steam as they only gained 4.29% in the second quarter.

Looking ahead to the second half of the year, it will be important to keep an eye on the following three catalysts which could cause some volatility down the road:

Inflation: This is our top concern for the remainder of the year and into 2022. Per the U.S. Department of Labor BLS, the 12-month inflation rate increased to 2.6% in March, 4.2% in April, and 5% in May. The Fed has a target of 2% so these increases are concerning. Experts are divided as to whether this is simply a short-term spike due to the economic recovery or a longer term rise in inflation. If it is the latter, the Fed may be forced to take action, which leads us to the next catalyst...

Monetary Policy: The Federal Reserve, our nation's central bank (AKA "the Fed"), controls monetary policy and took critical and swift action back in March and April of 2020 to prevent the economy from completely collapsing due to the pandemic. Their decision to lower interest rates and purchase bonds (among other things) have been instrumental in supporting the economy and getting the stock market to where it is today. Any reversal of the Fed's current policies would most likely cause considerable volatility in the markets.

Fiscal Policy: The third catalyst is centered around President Biden's spending and tax policies. The [American Rescue Plan](#), [American Jobs Plan](#), and [American Families Plan](#) have and will continue to help and improve the lives of many Americans. However, these historic spending plans are extremely expensive and will most likely cause taxes to increase in the future. The Jobs and Families Plans still need to pass through Congress, and if they do, we will have more clarity on how the government plans to pay for these plans.

Visit our website to view our blog posts, past newsletters, and learn more about our company and team members.
www.stratafinancial.com



Market Indices

Source: Morningstar
Percent annualized total return rates as of 06/30/2021

Index Descriptions

Global (including US)
International
500 largest US stocks
Tech-weighted US index
30 large blue-chip US stocks
US small cap stocks
US intermediate BBB+ bonds

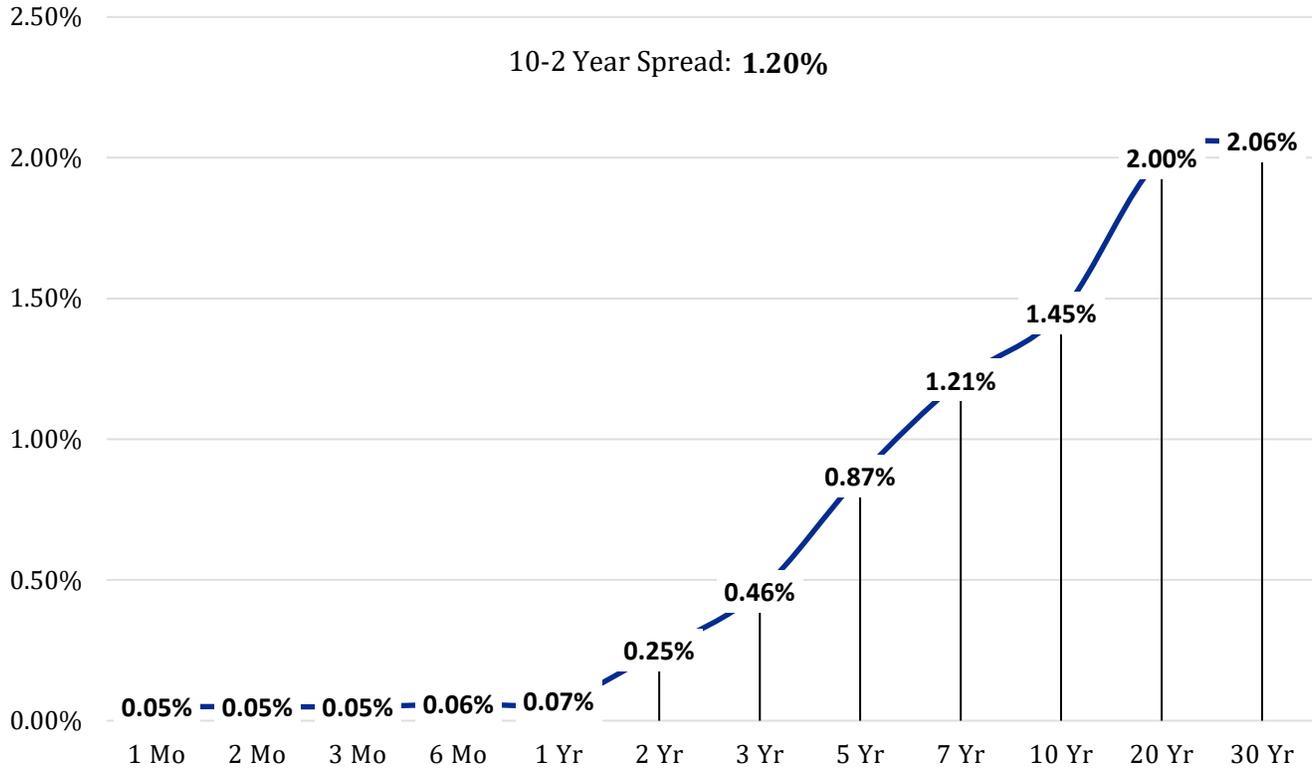
Index	YTD	1 Year	3 Year	5 Year	10 Year	15 Year
MSCI ACWI	12.30%	39.26%	14.57%	14.61%	9.90%	7.60%
MSCI ex US	9.16%	35.72%	9.38%	11.08%	5.45%	4.85%
S&P 500	15.25%	40.79%	18.67%	17.65%	14.84%	10.73%
NASDAQ	12.92%	45.23%	25.72%	25.80%	19.32%	14.67%
DJIA	13.79%	36.34%	15.02%	16.66%	13.50%	10.58%
Russell 2000	17.54%	62.03%	13.52%	16.47%	12.34%	9.51%
Barclays US Bond	-1.60%	-0.33%	5.34%	3.03%	3.39%	4.43%

Indices cannot be invested in directly, are unmanaged, and do not incur management fees, costs, and expenses. Past performance is not a guarantee of future results.



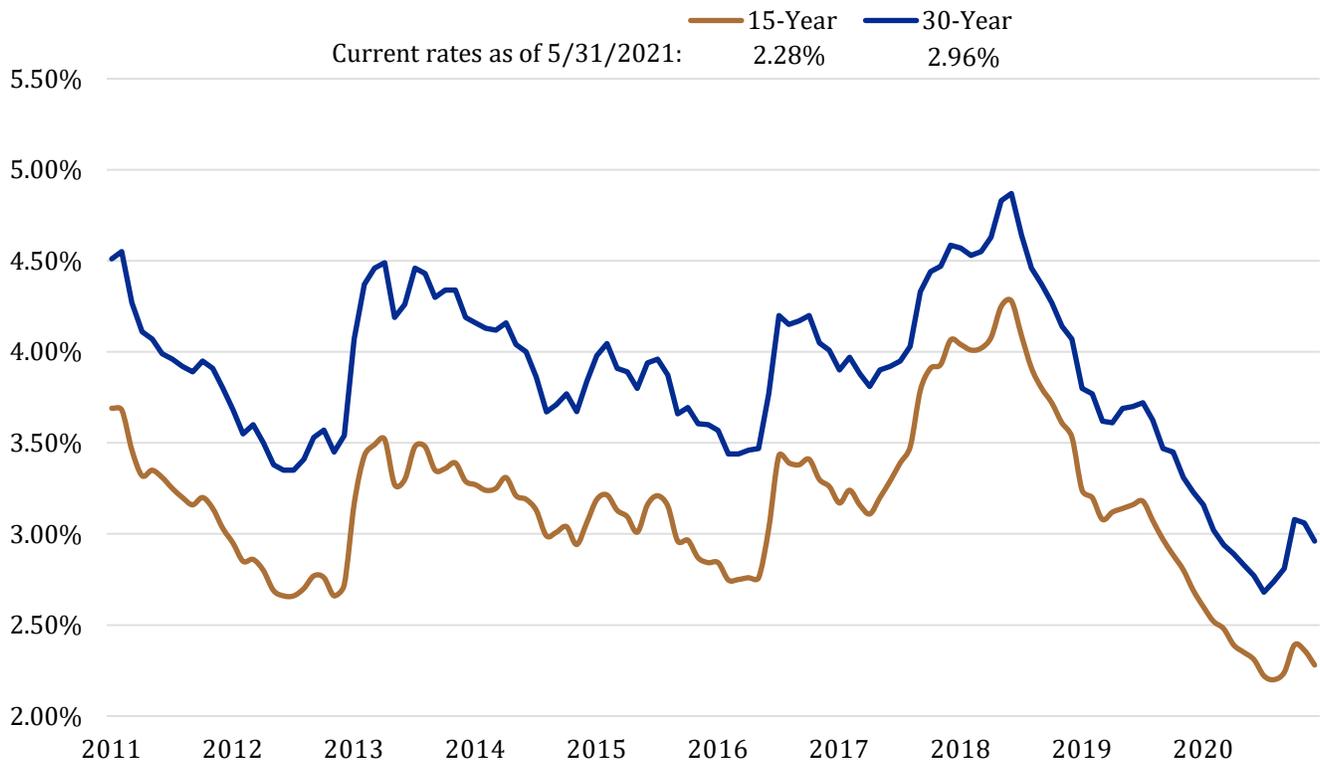
Treasury Yield Curve

Source: U.S. Department of the Treasury
Rates as of 06/30/2021



Mortgage Rates

Source: Freddie Mac
10-Year rolling monthly rates



Featured Article

3 Essentials for a Successful Retirement

6/13/2021 – Jennifer Lahaie, Investment Advisor Representative, RICP (Click [here](#) for the link to the article online)

To plan for the next phase of your life, you need clear strategies to provide for these three retirement needs.

Retirement is the longest vacation you will ever take. To get the most out of that special time, which rewards all your years of hard work, retirement requires careful and precise planning. But the reality is, most people spend more time planning a dream vacation than they do analyzing and charting all the details of their retirement. And while it is important to devote plenty of thought to the various components of retirement, one needs to know where to start. Here are three important things to understand and to have in order to help make your retirement successful:

A clear vision

Many people don't really have a clear vision of what their retirement will look like. The greatest gift retirement gives you is freedom. You finally have the freedom of time, the most valuable commodity, and the ability to spend the time the way you want to. So, what will your priorities be in retirement? Are you somebody who dreams of traveling, who has a bucket list of places to see? Or do you want to develop a hobby? Maybe it's more about family — spending more time with your grandkids while helping your kids have time to focus on their careers.

Then be realistic about what your retirement activities are going to cost. The retiree traveling a lot will obviously need a larger budget. Whatever your priorities, it's imperative to be as specific as possible about what your lifestyle expenses will be as well as your general living expenses. When you have the freedom of time that you've long been working toward, you'll want to have the freedom to do what you want with that time.

An income distribution plan

How do you make sure you have the income to support the retirement lifestyle you want? What are your guaranteed sources of income? What does [your Social Security benefit](#) look like? What about your spouse's benefit? You need to determine when to turn those benefits on, because you want to be able to maximize them. It's a similar approach if you have access to a pension. Do you make sure it continues for your lifetime, or if married, that it covers your spouse's lifetime, too?

For a number of people, Social Security and a pension may not be sufficient to cover their expense needs. In that case, determine what the gap is. Look at investments and create a distribution plan. This can be hard for people. The reality is, nobody knows for sure what the market is going to look like tomorrow; even the best investors don't know what the market is going to bring in six months, a year or two years. The reason some retirees fail is they're invested in a way in which their investments do not match their risk tolerance. They can't stay committed to the plan because the market does what it always is going to do – go up and down – and people panic and sell at the wrong time. Therefore, it's important to set up a plan that is congruent with your risk tolerance, so you have the ability to stay invested.

Successful retirees should not let the market dictate their happiness. They're creating a distribution plan that helps them be efficient and successful regardless of market conditions. There are multiple ways to set up income distribution plans, and there's no perfect strategy. You can use insurance products or market-based strategies, but what's important to understand when looking at those different options is that each one will have an advantage and disadvantage. You should work with an adviser who has the licensing to offer both securities and insurance products and therefore isn't biased one way or the other. The adviser can help walk you through the advantages and disadvantages of all the different strategies.

A tax strategy

Taxes are something retirees seem to underestimate. It's not just about what you make, but what you get to keep and what you have to spend in retirement.

You need to take into consideration current taxes and future taxes. We don't know what future taxes will be – that's a key variable. Successful retirees are going to have a plan that addresses both, and that plan should take into consideration several factors: money that's going to be tax-free, which could be money from a Roth; money from a cash-value life insurance policy; tax-deferred money in your retirement accounts; money that's grown within an annuity; and tax-advantaged strategies, such as qualified charitable distributions – that can be a great strategy once you reach age 70½.

One mistake people make is primarily using their bank accounts for all their money needs in their early retirement years. They keep their tax bill low in those years, but when that account is about empty, they turn to their 401(k)s and IRAs, and every one of those dollars is taxable. And what happens if there is an emergency? Working with an adviser who understands taxes allows you to create withdrawal strategies that use a mix of money from different accounts so that you're better able to manage taxes.

Strata News

Mitchell Romeo Elected Vice Chairman of Goodwill Lorain County Board of Trustees



At Strata Financial Group, one of our organizational principles is to help service our community. We would like to take a special moment to say congratulations to one of our Partners, Mitch Romeo, CPWA®, CPFA, on his accomplishment. Mitch just recently became the Vice Chairman of the Goodwill Lorain County Board of Trustees. Strata Financial Group, alongside Mitch, helped to host the 1st annual Financial Literacy month in March for the Goodwill Lorain County organization. Mitch looks to continue to help the Goodwill Lorain County organization improve their mission and services to impact more individuals in the future!



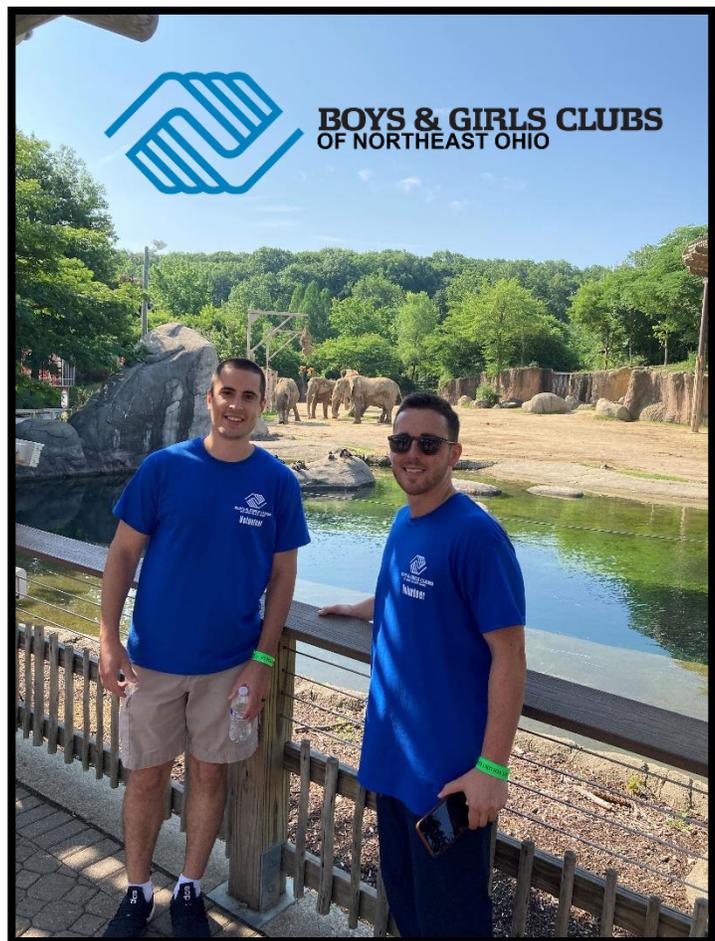
Community Service

For Strata’s June community service initiative, Kyle and Mitch volunteered as route marshals for the “Race for Kids,” a 5K race and 1-mile walk benefitting [Boys & Girls Clubs of Northeast Ohio](#). The race took place on Saturday, June 26th at the Cleveland Metroparks Zoo. Baker Mayfield was the (virtual) race ambassador and one lucky participant won a Browns jersey signed by Baker himself. All proceeds will go towards helping to provide safe, fun places for kids, ages 6-18, to go after school throughout Northeast Ohio.

Boys & Girls Clubs are able to offer programming that focuses on healthy lifestyles, academic success, and character development:

- Over 367,865 meals are served to kids in Northeast Ohio every year.
- 91% of Club Members graduate on time.
- 54% of alumni said the Boys & Girls Clubs “saved my life.”

Strata Financial Group is proud to support such an impactful and influential organization in our community.



Pictured left to right: Kyle, elephants, Mitch

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Disclosures

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