



For the Week of October 26, 2020

## THE MARKETS

Stocks ended a downbeat week mixed as investors followed officials' comments on the status of another stimulus bill. Although unemployment benefits provided by the CARES Act ended July 31, the White House and lawmakers have not been able to agree on a new package. For the week, the Dow lost 0.90 percent to close at 28,335.57. The S&P dropped 0.51 percent to finish at 3,465.39, and the NASDAQ fell 1.06 percent to end the week at 11,548.28.

Returns Through 10/23/20	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	-0.90	1.17	8.14	9.31	12.64
NASDAQ Composite (TR)	-1.06	29.64	43.59	21.84	19.38
S&P 500 (TR)	-0.51	8.88	17.54	12.73	13.06
Barclays US Agg Bond (TR)	-0.42	6.36	6.72	5.11	4.02
MSCI EAFE (TR)	0.11	-5.60	-0.23	0.75	3.96

Source: Morningstar.com. \*Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond, NASDAQ and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. (TR) indicates total return. MSCI EAFE returns stated in U.S. dollars.

**It's About Time** — Americans have reduced their outstanding balances on their revolving debt, e.g., credit card debt and home equity loans, from March through and including August (source: Federal Reserve, BTN Research).

**More Than Twice as Large** — The U.S. government had a record \$3.13 trillion deficit during fiscal year 2020, smashing the previous record deficit of \$1.41 trillion set 11 years ago during fiscal year 2009. The deficit was the difference between \$3.42 trillion of tax receipts and \$6.55 trillion of outlays (source: Treasury Department, BTN Research).

**Cashing In** — The median sales price of an existing home sold in the United States in August (\$310,600) is the highest ever recorded and is up 11 percent in the last 12 months (source: National Association of Realtors, BTN Research).



## WEEKLY FOCUS – Future Retirees Face New Challenges

Preparing for retirement is more complex than it used to be for obvious and not-so-obvious reasons. The most obvious is longer lifespans. Thanks to improved medical care, a person retiring today in their mid-60s may need their savings to last 30 years. The list of less-obvious challenges includes:

**Less support from employers.** More companies have replaced their pension plans with defined contribution plans – putting added responsibility on the employee. The rise of gig workers and entrepreneurs leaves many without access to an employer-sponsored plan.

**Shrinking Social Security.** Social Security's annual cost of living adjustment (COLA) averaged 7.7 percent from 1975 to 1984 – a rate that was higher than inflation. In contrast, COLAs for the last nine years ranged from 0.0 percent to 2.8 percent.<sup>1</sup> COLAs are based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), which many note doesn't adequately reflect the growth of some of the more costly expenses seniors encounter, such as health care, property taxes, home repairs, and homeowners insurance.

For example, the Social Security COLA for 2020 was 1.6 percent even though health insurance premiums were expected to go up by 5.6 percent in 2020.<sup>2</sup> And Medicare premiums often increase faster than Social Security. As a result, part or all of a year's COLA may be consumed paying for a retiree's premium increase.

**Rising health care costs.** It's no secret health care costs have risen drastically in recent years. And the later years in life often account for the highest expenditures. According to the Fidelity Retiree Health Care Cost Estimate, an average retired, 65-year-old couple in 2020 may need \$295,000 (after tax) to cover health care expenses in retirement.

**Low inflation.** While low inflation rates sound positive for individuals on fixed incomes, they also provide low earnings on money in savings and conservative investments like bonds and CDs. Purchasing a fixed annuity or bond (except for a Treasury Inflation Protected Security) while inflation is low may result in losing value if inflation rises. Retirees may need to take on some risk to increase earnings.

Planning for and managing retirement is complicated in every economic environment. Whether your retirement is imminent or in the distant future, give us a call. We'd be happy to help you create a personalized plan designed to meet your needs.

<sup>1</sup><https://www.ssa.gov/oact/cola/colaseries.html>

<sup>2</sup><https://federalnewsnetwork.com/mike-causey-federal-report/2020/01/retiree-colas-vs-workers-pay-raise-why-the-difference/>



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\* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America, Copyright October 2020. All rights reserved. Securities offered through Securities America, Inc., Member FINRA/SIPC. SAI# 3301216.1