Capital Asset Management Inc.

Helping People Make Smart Decisions About Money

Socially Responsible Investing: Aligning Your Money with Your Values

Sustainable, responsible, and impact (SRI) investing (also called socially responsible investing) has been around for a long time, but growing interest has moved it into the mainstream. U.S. SRI assets reached $12 trillion in 2018, 38% more than in 2016. SRI investments now account for about one-fourth of all professionally managed U.S. assets.[1]

Surveys suggest that many people want their investment dollars to have a positive impact on society.[2] Of course, personal values are subjective, and investors may have very different beliefs and priorities.

But there is also a wider recognition that some harmful business practices can affect a corporation's bottom line and its longer-term prospects. In some instances, good corporate citizenship may boost a company's public image and help create value, whereas shortsighted actions taken to cut costs could cause more expensive damage in the future.

Data-driven decisions

Services that provide research and ratings for investment analysis may also verify and publish environmental, social, and governance (ESG) data associated with publicly traded companies. Money managers who use SRI strategies often integrate ESG factors with traditional financial analysis. Some examples of ESG issues include environmental practices, employee relations, human rights, product safety and utility, and respect for human rights.

For example, an SRI approach might include companies with positive ESG ratings while screening out companies that raise red flags by creating a high level of carbon emissions, engaging in questionable employment practices, investing in countries with poor human rights records, or profiting from certain products or services (e.g., tobacco, alcohol, gambling, weapons).

Some investors may not want to avoid entire industries. As an alternative, they could use ESG data to compare how businesses in the same industry have adapted to meet social and environmental challenges, and to gain some insight into which companies may be exposed to risks or have a competitive advantage.

Investment vehicles

Many SRI mutual funds and exchange-traded funds (ETFs) are broad based and diversified, some are actively managed, and others track a particular index with its own universe of SRI stocks.

Specialty funds, however, may focus on a narrower theme such as clean energy; they can be more volatile and carry additional risks that may not be suitable for all investors. It's important to keep in mind that different SRI funds may focus on very different ESG criteria, and there is no guarantee that an SRI fund will achieve its objectives.

The number of mutual funds and ETFs incorporating ESG factors has grown rapidly from 323 in 2012 to 705 in 2018.[3] As the universe of SRI investments continues to expand, so does the opportunity to build a portfolio that aligns with your personal values as well as your asset allocation, risk tolerance, and time horizon.

As with all stock investments, the return and principal value of SRI stocks and investment funds fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Asset allocation and diversification do not guarantee a profit or protect against investment loss.

Investment funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

[1-3] US SIF Foundation, 2018

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SECURITIES CORPORATION

Hindsight Is 2020: What Will You Do Differently This Year?

Live within your means

It's easy to want what your friends, colleagues, or neighbors have — and spend money to get those things. That's a mistake. Live within your means, not someone else's.

According to a recent survey, 76% of Americans reported having at least one financial regret. Over half of this group said it had to do with savings: 27% didn't start saving for retirement soon enough, 19% didn't contribute enough to an emergency fund, and 10% wish they had saved more for college.[1]

The saving conundrum

What's preventing Americans from saving more? It's a confluence of factors: stagnant wages over many years; the high cost of housing and college; meeting everyday expenses for food, utilities, and child care; and squeezing in unpredictable expenses for things like health care, car maintenance, and home repairs. When expenses are too high, people can't save, and they often must borrow to buy what they need or want, which can lead to a never-ending cycle of debt.

People make financial decisions all the time, and sometimes these decisions don't pan out as intended. Hindsight is 20/20, of course. Looking back, would you change anything?

Paying too much for housing

Are housing costs straining your budget? A standard lender guideline is to allocate no more than 28% of your income toward housing expenses, including your monthly mortgage payment, real estate taxes, homeowners insurance, and association dues (the "front-end" ratio), and no more than 36% of your income to cover *all* your monthly debt obligations, including housing expenses plus credit card bills, student loans, car loans, child support, and any other debt that shows on your credit report and requires monthly payments (the "back-end" ratio).

But just because a lender determines how much you can afford to borrow doesn't mean you should. Why not set your ratios lower? Many things can throw off your ability to pay your monthly mortgage bill down the road — a job loss, one spouse giving up a job to take care of children, an unexpected medical expense, tuition bills for you or your child.

Potential solutions: To lower your housing costs, consider downsizing to a smaller home (or apartment) in the same area, researching and moving to a less expensive town or state, or renting out a portion of your current home. In addition, watch interest rates and refinance when the numbers make sense.

Paying too much for college

Outstanding student debt levels in the United States are off the charts, and it's not just students who are borrowing. Approximately 15 million student loan borrowers are age 40 and older, and this demographic accounts for almost 40% of all student loan debt.[2]

Potential solutions: If you have a child in college now, ask the financial aid office about the availability of college-sponsored scholarships for current students, or consider having your child transfer to a less expensive school. If you have a child who is about to go to college, run the net price calculator that's available on every college's website to get an estimate of what your out-of-pocket costs will be at that school. Look at state universities or community colleges, which tend to be the most affordable. For any school, understand *exactly* how much you and/or your child will need to borrow — and what the monthly loan payment will be after graduation — before signing any loan documents.

Paying too much for your car

Automobile prices have grown rapidly in the last decade, and most drivers borrow to pay for their cars, with seven-year loans becoming more common.[3] As a result, a growing number of buyers won't pay off their auto loans before they trade in their cars for a new one, creating a cycle of debt.

Potential solutions: Consider buying a used car instead of a new one, be proactive with maintenance and tuneups, and try to use public transportation when possible to prolong the life of your car. As with your home, watch interest rates and refinance when the numbers make sense.

Keeping up with the Joneses

It's easy to want what your friends, colleagues, or neighbors have — nice cars, trips, home amenities, memberships — and spend money (and possibly go into debt) to get them. That's a mistake. Live within *your* means, not someone else's.

Potential solutions: Aim to save at least 10% of your current income for retirement and try to set aside a few thousand dollars for an emergency fund (three to six months' worth of monthly expenses is a common guideline). If you can't do that, cut back on discretionary items, look for ways to lower your fixed costs, or explore ways to increase your current income.

1 Bankrate's Financial Security Index, May 2019

2 Federal Reserve Bank of New York, Student Loan Data and Demographics, September 2018

3 *The Wall Street Journal,* The Seven-Year Auto Loan: America's Middle Class Can't Afford Their Cars, October 1, 2019

FSC SECURITIES CORPORATION

Key Retirement and Tax Numbers for 2020

Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans and various tax deduction, exclusion, exemption, and threshold amounts. Here are a few of the key adjustments for 2020.

Employer retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to $19,500 in compensation in 2020 (up from $19,000 in 2019); employees age 50 and older can defer up to an additional $6,500 in 2020 (up from $6,000 in 2019).
- Employees participating in a SIMPLE retirement plan can defer up to $13,500 in 2020 (up from $13,000 in 2019), and employees age 50 and older can defer up to an additional $3,000 in 2020 (the same as in 2019).

IRAs

The combined annual limit on contributions to traditional and Roth IRAs is $6,000 in 2020 (the same as in 2019), with individuals age 50 and older able to contribute an additional $1,000. For individuals who are covered by a workplace retirement plan, the deduction for contributions to a traditional IRA phases out for the following modified adjusted gross income (MAGI) ranges:

	2019	2020
Single/head of household (HOH)	$64,000 - $74,000	$65,000 - $75,000
Married filing jointly (MFJ)	$103,000 - $123,000	$104,000 - $124,000
Married filing separately (MFS)	$0 - $10,000	$0 - $10,000

Note: *The 2020 phaseout range is $196,000 - $206,000 (up from $193,000 - $203,000 in 2019) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered.*

The modified adjusted gross income phaseout ranges for individuals to make contributions to a Roth IRA are:

	2019	2020
Single/HOH	$122,000 - $137,000	$124,000 - $139,000
MFJ	$193,000 - $203,000	$196,000 - $206,000
MFS	$0 - $10,000	$0 - $10,000

Estate and gift tax

- The annual gift tax exclusion for 2020 is $15,000, the same as in 2019.
- The gift and estate tax basic exclusion amount for 2020 is $11,580,000, up from $11,400,000 in 2019.

Standard deduction

	2019	2020
Single	$12,200	$12,400
HOH	$18,350	$18,650
MFJ	$24,400	$24,800
MFS	$12,200	$12,400

Note: *The additional standard deduction amount for the blind or aged (age 65 or older) in 2020 is $1,650 (the same as in 2019) for single/HOH or $1,300 (the same as in 2019) for all other filing statuses. Special rules apply if you can be claimed as a dependent by another taxpayer.*

Alternative minimum tax (AMT)

	2019	2020
Maximum AMT exemption amount		
Single/HOH	$71,700	$72,900
MFJ	$111,700	$113,400
MFS	$55,850	$56,700
Exemption phaseout threshold		
Single/HOH	$510,300	$518,400
MFJ	$1,020,600	$1,036,800
MFS	$510,300	$518,400
26% rate on AMTI* up to this amount, 28% rate on AMTI above this amount		
MFS	$97,400	$98,950
All others	$194,800	$197,900
*Alternative minimum taxable income		

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Could you survive a no-spend month?

Would you take on a 30-day challenge to spend money only on necessities such as rent, utilities, and groceries? During a no-spend month, many common activities — including dining out, buying movie or concert tickets, and shopping for clothes — are avoided at all costs.

The idea behind a 30-day challenge is that the time period is just long enough to help change bad habits without seeming intolerable. If frugality isn't normally your forte, closely scrutinizing your spending could reap hundreds of dollars in savings. More important, it could help identify ways you might be wasting money on a regular basis.

Start by setting a positive goal for the money. Will you use the extra savings to pay down credit card debt or build up your emergency fund?

Here are some other ways to prepare for a successful challenge.

Time it right. Periods that include major holidays, planned vacations from work, and family birthdays are probably not the best for taking on this type of household experiment. On the other hand, it could be ideal to begin the new year with a "fiscal fast."

Establish rules. Take your fixed expenses (i.e., rent/mortgage, utilities, phone bill, insurance payments) into account when planning your no-spend month. Evaluate your typical monthly discretionary spending to figure out where you can reduce or eliminate your spending for the month.

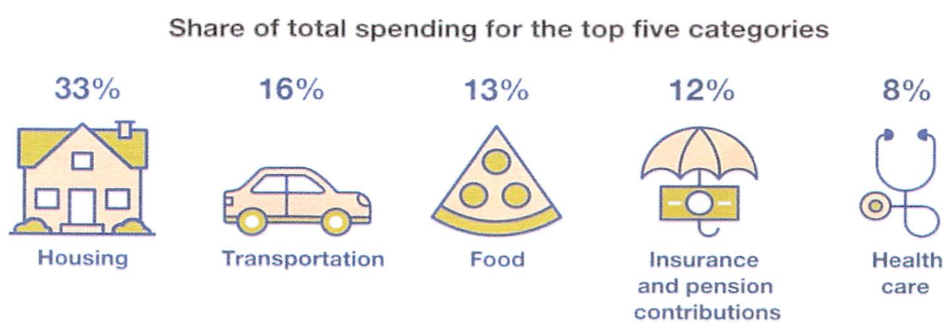
Plan to break patterns. Fill up your freezer and pantry with groceries and collect ideas for easy homemade meals. Steer clear of your personal spending triggers, which could mean staying off the Internet or waiting until later to meet up with friends who are big spenders.

Seek out free and fun entertainment. You don't have to stay home for an entire month. Spend the day visiting a public park or beach, or look for free concerts, outdoor movies, art festivals, workshops, and other special events hosted by community groups.

Stay focused. When you get tempted to spend, remember your goal for the money you've saved. Keep a record of your progress to have a tangible reminder that your efforts will pay off.

How Consumers Spend Their Money

Each year, the Bureau of Labor Statistics reports on consumer spending patterns. According to the 2019 report, consumers spent an average of $61,224 in 2018.*



*Average annual expenditures per consumer unit. Consumer units include families, single persons living alone or sharing a household with others but who are financially independent, and two or more persons living together who share major expenses.

U.S. Bureau of Labor Statistics, Consumer Expenditures 2018, released September 2019

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The Office Buzz

Happy 2020!

The SECURE ACT has been passed by Congress and signed by the President. It was attached to a spending bill to keep the government open and funded. This is the most sweeping retirement bill passed since the Pension Protection Act of 2006. Remember that this is the legislation. It will have to go through all the various regulatory agencies to actually be implemented. At this point, in general I think it all looks positive.

It postpones mandatory retirement distributions until age 72. That is up from 70 ½. My understanding currently is that this only applies if you are turning 70 ½ after 1-1-20. I other words, if you have already started, you must continue the same path.

You can continue to contribute to a Traditional IRA after you turn 70 if you have earned income. This changes the previous rule of being unable to contribute to an IRA after age 70. Currently, there is no age cap on contributing to a Roth IRA, but you must have earned income to do so.

The next part is complicated. It deals with Inherited IRA's. Basically, it is killing off the STRETCH IRA. You are okay if you have already inherited one, this only applies to ones inherited after 1-1-20. Non-spousal beneficiaries will only have 10 years to withdraw the proceeds and pay taxes on them. This is a much more rapid schedule than the previous "Lifetime" stretch. A spouse can inherit an IRA either as an Inherited IRA or a Beneficiary IRA. I'm not clear yet on how that may be impacted, but most of the time, spouses take an IRA as their own. We'll get some clarification on that soon.

401k plans are now going to frequently offer annuity options inside of them so that participants may turn their accumulation into a guaranteed lifetime stream of earnings. This has been rare because 401k providers didn't want the liability added by the insurance companies, but they will gain some legal protections making this more common.

Finally, things will get a little easier for small businesses to offer 401k's and similar plans. New rules will make that easier and cheaper.

As these rules are finalized, we will discuss any impact they have on you.

Doug Oliver

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Doug's World

January Greetings,

2020! Woohoo, a new decade. The last one was pretty good. I hope this one is as well.

As I sit here and write my personal page, I bet that either Justin or Stephanie are going to tell the story about our trip to Chicago and our encounter with the FURRIES convention. I will add that I was not particularly amused by these people. I suppose it might have been mildly amusing, but I couldn't help but thinking that these were real people who live much of their life outside of reality. I sound like an old guy now.

My lack of amusement might have been due to me being ill all through November and most of December. I developed a C-diff infection that they had a hard time getting rid of. Somewhere on that second or third round of antibiotics, you begin to think about what if this can't be gotten under control. I had a younger friend die from this very thing a few months ago. Anyway, I'm finally over C-diff, but shortly thereafter, I developed a vicious cold or flu or something. That's when I though death was creeping up on me.

I'm glad to be feeling better. I'm writing this just before heading down to the Texas Bowl or whatever the new official name is. Oklahoma State versus Texas A&M. I'm taking my older brother with me. He actually played college football in the Texas A&M system back in the late 60's. He's a big Texas A&M fan for sure. I hope he doesn't mind sitting in the middle of the OSU fans.

We had three Christmas parties at our house this season with between 25 and 30 people at each one. As much as we enjoy hosting these things, they are a lot of work. So, some winter season just sitting around actually sounds pretty good. Who am I kidding? We are busy at work, so things just seem to fill in around it. One of these days, I may actually get the chance to be bored.

I built our office twenty years ago. Since then, we haven't had any major changes; however, currently we are in a major exterior remodel. We added a new, larger, grander entryway to the building. We poured some new sidewalks. We are adding a lot of landscaping along with new sprinklers. Life here at the cabin is pretty good. We are just touching up the outside to reflect how good it is inside. We are about half done with the project. I hope it is finished in January.

DOUG OLIVER

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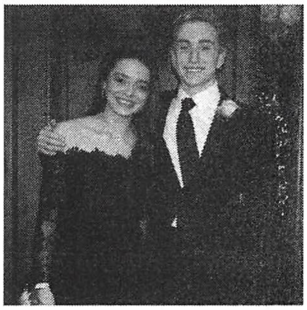
Justin's World

Happy New Year!

Brooks, our 16-year-old, had his first big high school dance this year, Winter Formal. He needed a black suit, but at 16 and in the middle of a large growth spurt, we didn't want to spend too much money on a suit. We figured he would probably only wear it once, so we ordered one for him online, which arrived at the house three weeks before the dance.

The following week, two weeks before the dance, I took him to a tailor to get the pants hemmed up. The tailor had him put the pants on, measured the legs, and marked them. Then she asked about the waist, of course the waist was too big. So, he pulled up the pants to his waist and she marked the pants to take an inch or so out of the waist.

The following Monday, the week of the Friday night dance, I went by and picked up his suit on my way home from work, later that night we had Brooks try it on. Oh My! The pants were about two inches too short. Brooks then proceeds to tell me, "when the tailor measured the length, the pants were hanging around my hips because the waist was too big." (SIGH)



The next day I took the pants back to the tailor, but they were closed for the holidays. Are you kidding me! So, I called Nicki and she felt confident she could fix them. Nicki went to get out her sewing kit, and it was gone. Lanie had used it for a project at school and it didn't get returned. Now, Nicki was starting to panic. She called a neighbor, who luckily was able to fix the pants by Thursday. Just when we thought we were in the clear...

Thursday night we had Brooks try on the entire outfit one more time just to make sure it all fit. Needless to say, the shirt he was planning on wearing didn't fit. So, the day of the dance Nicki bought him a shirt, washed it, dried it and about an hour before the dance went to iron it. Well, the iron wouldn't turn on. So, she ran to another neighbor's house and borrowed their iron. She ran back home and started ironing but the iron spit out black stuff on the white shirt. She cleaned the iron and was able to get the black off the shirt and all was good! Emergency averted!

In the end, after a couple of stress filled days, Brooks had a great evening and looked good too!

Justin J. Klein, CFP®

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Stephanie's World

January 2020,

What is it about the New Year that often brings a rush of excitement and exhilaration? It's always such a perfect time to reflect on the past year, re-evaluate goals for the new year, and use the momentum from a fresh start to tackle those goals with purpose. Lately, I'm feeling overwhelmed with that eagerness to hit the ground running.

I'm not sure everyone feels this way, but for my type-A, list – making, vison board – creating, goal – having personality, this is what my dreams are made of.

So, in true Stephanie style (and for the sake of accountability), I'm going to list a few of my focal points for 2020. And who knows, maybe you'll find some inspiration too. Many of these are blurbs or phrases that I've come across here or there. I write them down in a journal and visit it often when I need some motivation. So, here's what's got me fired up for this year:

- Be intentional. Be engaged.
- There are no shortcuts.
- Chase your AMAZING.
- Turn your passion into purpose.
- The first step is to have a plan.
- Rewire the way your brain reacts to stress.
- Give it back!
- Idleness: You don't *always* have to be hyper-productive.

Me and Garret before our New Year's date night. Cheers!

These are just a few things I plan to apply in all aspects of my life – personally and professionally – to help drive me toward success.

It's funny how my definition of success has evolved over the years; I think that's normal. Things that seemed important a decade ago look very different today. Many factors have shaped that view. Ultimately, at this point in my life, I want my existence to mean something. I want my kids to proudly turn around and say, "Yeah, that is my Mom".

Whatever success may look like to you, please join me in making 2020 a *successful* year.

Stephanie Woods

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Richard's World

We had a wonderful holiday—all three kids were home. Kids? They aren't kids any longer. Why do we still use that word? "Children" doesn't seem like the right word either. Sometimes the "kids" act older than me.

The Christmas season began with a sensational Christmas party at Doug and Karen's home in OKC. The Oliver-Claus folks know how to throw a party!

This December—before Santa visited and after the Josh, Brooke and Seth all returned to their respective homes, I finished a four-year effort, organizing files and research from many years. When RHI merged into CAM, I had cartons and files galore. While I did not work full-time at getting everything that needed to be shredded done, or reexamining old research and other work, since I do some CAM work daily, I did finally get it all done. The final paper was shredded on January 5th at about 4 PM. RIP paperwork!

Josh, Brooke and Seth (aka our kids/children/offspring) are all doing well. Josh is a policy analyst, and he has a successful blog; Brooke was promoted in 2019 at her national accounting firm, and Seth was promoted too; he works for a federal agency. We decided to trade presents and to only have a limited number of gifts, two each. It was a disaster—no one got what he or she wanted. Next year? Back to the drawing board. The two-gift idea, though, did cut down on paper to be recycled. Cleanup was easy-peasy!

Lynne and I wish you a wonderful 2020. In July of 2019, during my yearly exam, I said to my ophthalmologist, "You're going to have a great year next year, right?"

He didn't get it. He asked, "Why?"

Everything will be 2020, "I answered."