MWA Insider

October 2020

MWA

Maller Wealth Advisors

In This Issue

1. A Note from Brian Zabora
2. A Look at the Markets
3. Vision For Your Ideal Future
4. Claiming Social Security Benefits
5. Entrusted Planning
5. ESG Investing
7. New Hires
8. Sharpening the Saw
9. How to Reach Us

A Note from Brian Zabora

Many have said that 2020 has been an unprecedented year. The spread of the pandemic led to a global lock-down, accompanied by a dramatic sell-off in risk assets around the world. Then just weeks into the decline, another surprising thing occurred – global markets mounted a powerful advance. Fueled by accommodative monetary policy, businesses and people had strong resolve to adapt and move forward. As American poet Robert Frost once wrote, "The best way out is through."

The market's advance, like the global economies, has been uneven and halting at times. While the experts and pundits were calling for the next shoe to drop, it hasn't yet. To the surprise of many, the third quarter was more of the same. U.S. markets continued the recovery building on the gains of the second quarter. What's more, gains over the past two quarters capped the strongest two-quarter consecutive return since the Great Recession recovery in 2009.

Investors still have understandable concerns despite the encouraging gains. Some have noted the stock market and the economy have become detached from each other. It's important to note that while the economy captures the immediate situation, investment markets attempt to project a value beyond the present. So, perhaps there isn't a disconnect; they are just measuring different things.

As mathematically based investors and students of the markets, we don't just accept what the markets give us during periods of strong performance and call it a day. We examine powerful recoveries with the same vigor as bruising declines.

One thing we are certainly aware of is that much of the recovery in the equity markets has come from large technology names. While the Dow Jones Industrial Average is up more than 26% since March, the Nasdaq, which is an index heavy in tech names, raced to a 45% gain over the last six months.

Given the impact of the pandemic, it is not surprising that there would be differences in the gains for these two indices. Companies that provide vital technology, communication and medical diagnostics saw surges in demand. Whereas, companies in other sectors like transportation, finance and manufacturing have seen continued weakness.

We aren't sounding an alarm. Unlike the Dot-Com boom and bust, most of these companies provide services that are useful, even vital, and have actual earnings. However, we are aware that market cycles are called cycles for a reason, so we examine portfolios accordingly

A Look at the Markets

Another challenge we sometimes face is the fear of "missing out" when there is disparity of returns among different sectors and indices. Some may think about snapping up the sectors and markets that have appreciated the most, while dumping the rest. This approach is sometimes referred to as "the trend is your friend" investment strategy. The problem with this approach is that market history has shown momentum is your friend, right up until it isn't.

While we are aware of index benchmarks in comparison to portfolios, and are happy to discuss them, our approach is a little different. We believe in diversified portfolios that support a goal-based outcome. Your real benchmark is your risk-aware return and how it relates to your most-important goals, like a secure retirement and providing for your heirs and charities.

Brian Zabora, CFA®, MBA

Director of Financial Planning and Investment Management

443-589-0339

Brian.Zabora@LFG.com

MWA

Maller Wealth Advisors

Brian Zabora, CFA®, MBA

Director of Financial Planning and Investment Management

443-589-0339

Brian.Zabora@LFG.com

Domestic Equities: U.S. stocks continued their strong comeback in the third quarter. The S&P 500 extended the gains from the second quarter, jumping 8.9%. This brings the index into the positive for the calendar year with a 5.6% gain. Returns across smaller stocks were more subdued. The Russell 2000 rose 4.9% for the quarter but remains down 8.7% for 2020.

International Equities: Foreign stocks also turned in positive returns. The International Developed Index increased 4.8% for the quarter, but still shows a 7.1% decline for the year. This relative underperformance is likely due to both currency fluctuations and a smaller weighting in technology shares than the U.S. Still, we believe that for diversification over time, international stocks deserve a place in a diversified portfolio. Emerging Markets managed a stronger recovery due to decreased trade tensions and increased 9.6% for the quarter. This brings the 2020 return close to even with a 1.2% loss year to date.

Fixed Income: As the flight to safety caused by the pandemic waned, returns in the bond markets cooled from the surge in the second quarter. The Barclays Aggregate, a measure of the total bond market weighted toward Treasury securities, edged up 0.6% for the quarter and a strong 6.8% for 2020.

Another issue that has investors on edge is the contentious political environment, now with the elections just around the corner. People rightfully feel strongly about politics and the future of our country. But it is important to remember that whatever the outcome, investing can be a decades-long process. Presidents come and go, but the power of prudent and disciplined investing remains. We will be there to help, irrespective of the party in power.

Are the events and market movements of 2020 really that unprecedented? Probably not. Market declines come swiftly and often. Many times, they come from threats that were previously unknown. Likewise, recoveries often come quickly and powerfully, defying the skeptics. Markets have always been this way and likely always will be.

We believe our process of building portfolios in a goals-based and disciplined way is powerful, but we know there is more to it than that. There are people attached to the assets we oversee. We are always here to discuss the markets and listen to your goals and circumstances. Let us know if you would like to talk.

% Return as of 09/30/2020

Equity Indexes	3rd Q	YTD	3 Yr
S&P 500	8.9	5.6	12.3
Russell 2000	4.9	-8.7	1.8
MSCI EAFE	4.8	-7.1	0.6
Emerging Market	9.6	-1.2	2.4
Wilshire REIT	1.3	-16.7	0.4
Bond Indexes			
TIPS	3.0	9.2	5.8
Aggregate	0.6	6.8	5.2
Government	0.2	8.8	5.5
Mortgages	0.1	3.6	3.7
Investment Corporate	1.5	6.6	6.4
Long Corporate	1.9	8.4	8.8
Corporate High-Yield	4.6	0.6	4.2
Municipals	1.2	3.3	4.3
Cash Equivalents			
3-Month T-Bill	0.1	0.7	1.7
Consumer Price Index	*1.5*	*0.5*	*1.9*

MWA

Maller Wealth Advisors

Vision For Your Ideal Future

Does thinking about the future excite you or terrify you?When you're chugging away at your dreams, it's easy to get caught up in the daily grind of things … and lose sight of the future. So, I have a question for you:Are you doing certain things because that's what everyone else is doing, or because it's what you think someone getting ready for retirement should be doing?

If so, are those the right things that will actually move you closer to your goals and get you to YOUR ideal, dream future? Here's the thing … Your vision is just that—YOURS. Every decision you make (even the smallest of things) should be made with that end goal in mind.It's kind of like having a vision for the dream house you want to build. Before you hire the contractors, plumbers, designers, and everyone else to help you create it, you have a vision in mind.

Building your dream life in retirement is just like building your dream house.

Vision is the most important part of your retirement.

One of the tools you can use to help you with this is a Vision Board. Collect images that represent your biggest goals and dreams.

- It can include: Images of places you'd love to visit—Greece, Italy, Paris etc.
- It could include people you'd love to meet.
- It could include experiences you'd love to have, like climbing Machu Picchu, renting a caravan and taking your family on a road trip across the country, or getting more involved with charitable work.

We've seen firsthand how powerful a Vision Board can be as a daily visual reminder of where you're headed and why.

The first step to building your bigger future is vision.

To your bigger future,

Peter

Peter, MBA, CFP®, AEP®
Founder & President

410-771-5660
Peter.Maller@LFG.com

MWA
Maller Wealth Advisors

Claiming Social Security Benefits

John Layug

Deciding when to claim Social Security retirement benefits is an important financial decision you will make in your lifetime. Yet many people are at risk of failing to pick the right strategy for themselves. If you claim too early, you are signing on to receive reduced benefits for life.

Because Social Security has thousands of claiming rules, that often means working with a professional to craft the right strategy for your situation. We can help you navigate through this process.

Not knowing when you are eligible for full benefits is a common error we see. Recent research has shown that people are often stumped by when they should claim.

Here is some information on the ages at which you may file:

- If you start receiving checks when you first become eligible for retirement benefits at age 62, you will receive reduced benefits.
- If you wait until your Full Retirement Age (FRA), typically age 66 or 67, depending on the year in which you were born, you will receive 100% of the benefits that you are entitled to based on your work record.
- If you wait until age 70, when you are required to start drawing on your Social Security, you will get an increase in your monthly Social Security of 8% each year you wait from your FRA.

For some, the decision is purely a question of longevity. If there is not longevity in one's family, then they are inclined to begin taking their Social Security benefit at age 62. If there is longevity in the family, then one may wait until age 70 when their benefit will be at the highest amount.

Headlines that point to Social Security's funds running out can scare people into thinking they should claim their benefits as soon as they are eligible. It is important to understand that Social Security benefits will still be there in the future, though they could be reduced. The Social Security Administration's latest estimates indicate the trust funds will be depleted in 2035, at which time 79% of benefits will be payable. Those projections were released in April 2020 and did not take the effects of the pandemic into account. New research has said the expiration dates could now be 2032 or 2028. There are proposals on Capitol Hill to restore the program's solvency.*

There are many claiming rules to consider prior to taking your Social Security. Please get in touch with us to discuss your options/strategies.

MWA
Maller Wealth Advisors

*Source: Social Security Administration, Summary of 2020 Annual Reports, SSA.gov

Entrusted Planning

Matt Aversa

The highly quotable Warren Buffet said, “A very rich person should leave his kids enough to do anything but not enough to do nothing.” That says it all for estate planning, but the traditional dump, divide, defer, and dissipate model can be fundamentally flawed. We at MWA are firm believers in what is known as Entrusted planning. Pioneered by estate attorneys David York and Andrew Howell, their book Entrusted, Building a Legacy that Lasts is in every MWA team member’s library. The theme goes well beyond traditional estate planning and affirms the importance of passing along the core values that built one’s wealth; hard work, self-reliance, financial discipline, generosity, and leadership, to name a few.

A retelling of lessons learned from families like Rothchild, Nobel, Vanderbilt, and Phipps showcases the successes and failures of inherited family fortune. York shares the stories of Walt Disney, Steve Jobs, and Helen Keller, three prominent figures, who may never have been if it weren’t for financial assistance and, more importantly, life lessons they received from their parents and benefactors.

The core of Entrusted Planning lies within these seven disciplines:

1. Entrusted families know who they are and what they believe.
2. Entrusted families prepare the family for the wealth and not just the financial wealth for the family.
3. Entrusted families maximize the positive benefits of financial wealth and minimize the negative effects.
4. Entrusted families focus on flint and kindling and not on the fire.
5. Entrusted families are generous.
6. Entrusted families preserve and protect wealth.
7. Entrusted families design and implement dynamic governance.

The Entrusted planning strategy builds a model to sustain wealth for generations consistent with your core beliefs and values.

ESG Investing

ESG or Environmental, Social, and Governance investing looks beyond the financials and growth prospects of a company and considers the company’s impact on the environment, society, and the management structure of a company when making investment decisions.

- **Environmental** topics may include the company’s emissions/pollution, water usage, green products/technologies, use of renewable energy, and many other factors.
- **Social** considerations may include promoting the health and safety of its workers, labor/management relations, how the company sources its products/raw material, workforce diversity, among other criteria.
- **Governance** examines executive compensation, composition of the Board of Directors, stock class structure/shareholder voting, and the relationship with regulatory authorities.

Increasing Interest in ESG Investments

Brian Zabora

ESG investing is not a new topic or style of investing. There are numerous ESG-focused mutual funds and ETFs with long track records. What has changed more recently is:

1. An increase in interest in ESG issues by investors According to Morningstar, investors overall pulled an estimated $137 billion ***out*** of stock funds during 2Q20, but ESG investors put $9.3 billion ***into*** stock funds during the same time frame.[1]

2. Investment firms are incorporating ESG into all of their investment decisions and not just ESG-focused funds. In January, BlackRock (one of the largest investment firms in the world) announced by the end of 2020 they expect all of their actively managed investments will be fully ESG integrated. This means their portfolio managers will be accountable for appropriately managing exposure to ESG risks and documenting how those considerations have affected investment decisions. Additionally, BlackRock intends to provide transparent, publicly available data on sustainability characteristics for their mutual funds – including data on controversial holdings and their carbon footprint.[2]

A common perception of ESG Funds is investors will sacrifice performance by investing in an ESG fund. A recent Morningstar study showed the returns in 2019 for sustainable equity funds outperformed conventional peers. The returns of 35% of sustainable funds placed in the top quartile of their respective peer group categories, and nearly two-thirds finished in the top half.[2]

During the sell-off in the equities markets during the 1Q20, ESG funds as a group again outperformed their peers as 69% of sustainable equity funds ranked in the top halve of their respective categories. Only 12% ranked in their category's lowest quartile.3 Some of this outperformance by ESG funds in 2019 and 2020 may be a function of a lower exposure to the energy sector, which has lagged the broad market.

From our perspective, there are both good and consistently performing ESG-funds and others that are poor performing, just like conventional funds. For clients who do want ESG-focus investments, we can design a portfolio for you that we believe provides the appropriate level of return for your risk tolerance, based on our 8-step proprietary manager selection process. This may include ESG-focus funds and/or firms that incorporate ESG into all of their investment decisions.

[1] Sustainable Funds Continue to Rake in Assets During the Second Quarter
https://www.morningstar.com/articles/994219/sustainable-funds-continue-to-rake-in-assets-during-the-second-quarter

[2] Sustainability as BlackRock's New Standard for Investing
https://www.blackrock.com/corporate/investor-relations/blackrock-client-letter

[3] U.S. ESG Funds Outperformed Conventional Funds in 2019
https://www.morningstar.com/articles/973590/us-esg-funds-outperformed-conventional-funds-in-2019

[3] Sustainable Funds Weather the First Quarter Better Than Conventional Funds
https://www.morningstar.com/articles/976361/sustainable-funds-weather-the-first-quarter-better-than-conventional-funds

MWA
Maller Wealth Advisors

NEW HIRE

Jenn Scheppers

Jenn was hired in early July to assist Kara and Denise with the preparation and processing of investment account paperwork, insurance processing, and account maintenance. She works closely with all of our team members.

Prior to joining MWA, Jenn spent 10 years with Penn Mutual Life Insurance Company. She held multiple roles there, including Director of Agency Services, which helped support advisors in areas of processing, marketing, technology, and practice management. She also has experience in business operations, compliance, document design, and event planning.

Jenn graduated from Shippensburg University of Pennsylvania with her Bachelor's Degree in Communications. She was an NCAA athlete playing 4 years for the women's varsity soccer team. When not at work, she enjoys spending time with her husband and 2 children, playing sports, attending concerts, and spending time outdoors. She is an avid sports fan and enjoys going to Ravens, Orioles, and Washington Capitals games.

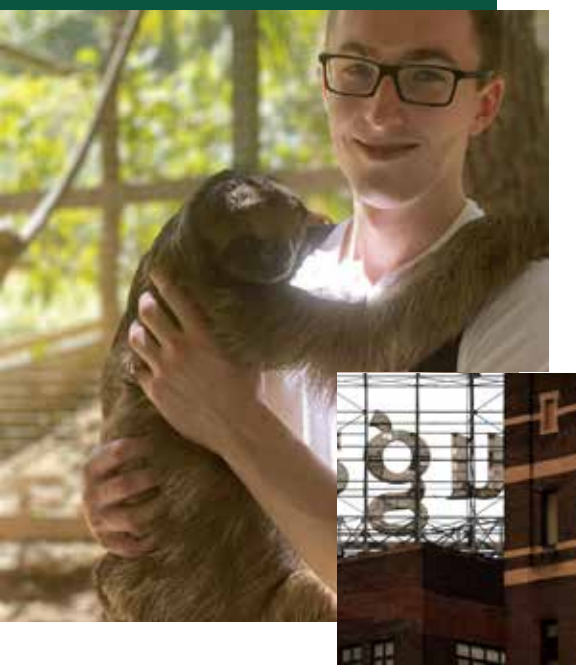
NEW HIRE

Tim Prenger

Tim joined our firm in early July in the capacity of Associate Client Relationship Manager. He works closely with John Layug, Tina, and Nick in preparing client reviews and other reports for client meetings.

He was born and raised in Maryland and attended Calvert Hall College High School and St. Mary's College of Maryland, where he earned a Bachelor's degree in Economics. He was a varsity baseball player in both high school and college and is a fitness enthusiast and avid hunter.

He also enjoys riding his motorcycle.



NEW HIRE

Kyle Dugal

Kyle is another new hire, as of July 2020, and serves in the capacity of Associate Client Relationship Manager, working with Matt and Vytas. He is responsible for preparing account reviews and other reports for client review meetings.

Prior to joining MWA, Kyle worked for Atradius Trade Credit Insurance as an associate underwriter and T. Rowe Price as a retail account management intern. Kyle earned a Bachelor's degree in Business Administration with a concentration in Finance and a minor in Information Systems, graduating magna cum laude from Loyola University in Maryland. Kyle was raised in Lawrenceville, New Jersey.

Kyle enjoys photography and is enjoying living in Baltimore City, where there are a lot of photo opportunities. The smaller photo here was taken in Locust Point behind the Domino Sugar factory.

Sharpening the Saw

Vytas Rivers has passed his Series 66 exam and has begun his coursework to complete for the CEP (Certified Estate Planner) designation.

Zellie Wothers has passed her Series 66 exam and is now studying for the Life & Health license.

Brian Zabora will soon begin working with the Financial Planning department at Lincoln Financial to advance his skills with Comprehensive Financial Planning.

Tim McGee is studying to take the Series 7 exam.

Kara Scott has begun coursework in Economics.

Mary Goles has begun coursework for the aPHR certification (Associate Professional in Human Resources)

Tim Prenger is studying for the SIE exam, which is the pre-certification for the Series 7 registration.

Kyle Dugal is studying for the SIE exam, which is the pre-certification for the Series 7 registration.

Jenn Schepers will begin studying in January 2021 for her Life & Health license.

Devon Gluck is currently studying the 4th course for the Certified Financial Planner (CFP) designation.

John Layug will soon be applying for his AEP designation.

Matt Aversa is currently studying the 5th course for the Chartered Financial Consultant (ChFC) designation.

Tina Kothari will soon be taking the exam for her Life & Health designation.

Denise Poferl is studying for the Financial Paraplanner Qualified Professional (FPQP) designation.

JD Donaghy is studying the 3rd course of the Chartered Financial Consultant (ChFC) program.

Nick Valerino recently began studying the 1st course for the Certified Financial Planner (CFP) designation.

- Quarterly earnings calls with investment managers.
- Daily monitoring of industry-related news developments.
- Continuing education seminars and compliance requirements completed by all.
- Quarterly Investment Committee Meeting.
- Monday Practice Management Sessions.
- Friday Due Diligence Investment Firm Meetings with the following companies: Alliance Bernstein, Jackson National, PIMCO, Pacific Life, Fidelity Investments, Black Creek, Cohen & Steers.

MWA
Maller Wealth Advisors

How to Reach Us

General Contact Information

Phone 410-771-5660

Fax 443-589-0330

www.mallerwealthadvisors.com

Wealth Advisory Services

Peter D. Maller, MBA, CFP®, AEP® – Financial Services Representative | Peter.Maller@LFG.com

John "JD" Donaghy – Director, Planning and Client Services | JD.Donaghy@LFG.com

- **Devon Gluck** – Senior Planning Analyst | Devon.Gluck@LFG.com
- **Zellie Wothers** – Associate Client Relationship Manager | Zellie.Wothers@LFG.com

John E. Layug, MBA, CFP® – Director, Planning and Client Services | John.Layug@LFG.com

- **Nick Valerino** – Planning Analyst I Nicholas.Valerino@LFG.com
- **Tina Kothari**, MBA – Sr. Associate Client Relationship Manager | Cristina.Kothari@LFG.com
- **Timothy Prenger** – Associate Client Relationship Manager | Timothy.Prenger@LFG.com

Matt Aversa – Director, Planning and Client Services | Matthew.Aversa@LFG.com

- **Vytas Rivers** – Senior Associate Client Relationship Manager | Vytas.Rivers@LFG.com
- **Kyle Dugal** – Associate Client Relationship Manager | Kyle.Dugal@LFG.com

Investment Management

Brian Zabora, MBA, CFA® – Director of Financial Planning and Investment Management | Brian.Zabora@LFG.com

Retirement Plan Specialist

Tim McGee – Retirement Plan Specialist | Timothy.McGee@LFG.com

Operations and Scheduling

Mary Goles, FPQP™ – Director of Operations| Mary.Goles@LFG.com

Administrative Support and Implementation

Kara Scott, FPQP™ – Director of Workflow | Kara.Scott@LFG.com

Denise Poferl – Senior Implementation Specialist | Denise.Poferl@LFG.com

Jennifer Schepers – Implementation Specialist | Jennifer.Schepers@LFG.com

MWA

Maller Wealth Advisors

Connect With Us

Phone 410-771-5660

Fax 443-589-0330

MWA

Maller Wealth Advisors

www.mallerwealthadvisors.com

www.linkedin.com/company/mallerwealthadvisors/

Sources of data –Wall Street Journal, CNBC, FactSet, S&P Global, MSCI, Russell. The performance of an unmanaged index is not indicative of the performance of any particular investment. It is not possible to invest directly in any index. Past performance is no guarantee of future results. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results.

Three-year performance data is annualized. Bonds have fixed principal value and yield if held to maturity and the issuer does not enter into default. Bonds have inflation, credit, and interest rate risk. Treasury Inflation Protected Securities (TIPS) have principal values that grow with inflation if held to maturity. High-yield bonds (lower rated or junk bonds) experience higher volatility and increased credit risk when compared to other fixed-income investments. REITs are subject to real estate risks associated with operating and leasing properties. Additional risks include changes in economic conditions, interest rates, property values, and supply and demand, as well as possible environmental liabilities, zoning issues and natural disasters. Stocks can have fluctuating principal and returns based on changing market conditions. The prices of small company stocks generally are more volatile than those of large company stocks. International investing involves special risks not found in domestic investing, including political and social differences and currency fluctuations due to economic decisions. Investing in emerging markets can be riskier than investing in well-established foreign markets. The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The Russell 2500 Index measures the performance of the 2,500 smallest companies (19% of total capitalization) in the Russell 3000 index. The S&P 500 index measures the performance of 500 stocks generally considered representative of the overall market. The Wilshire REIT Index is designed to offer a market-based index that is more reflective of real estate held by pension funds.