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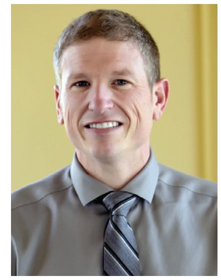

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# Financial Outlook

**FALL 2020**

## Objectives Help Focus Investing

On a broad basis, there are a few main investment objectives to help you accomplish your goals. Understanding these objectives is important because certain investment strategies and products are appropriate for one type of goal but perhaps not for others.

The following will provide an overview of the main investment objectives as well as how you can set your own.

### Goal: Capital Appreciation

Capital appreciation is an objective for achieving long-term growth. If saving for retirement is one of your objectives, the strategy to meet it would most likely be to invest in a qualified retirement plan where the investments work for many years.

This objective is not only limited to a qualified retirement plan; it can also be about wealth building over many years. With a capital appreciation objective, you need to be confident that your portfolio is going to grow over time, and not concern yourself with the day-to-day fluctuations of the market. You will want to watch for any changes with the companies you are investing in that could affect your long-term growth. And you should rebalance your portfolio if it strays from your asset allocation strategy.

### Goal: Current Income

If your objective is to generate current income, you would most likely invest in stocks that pay a high dividend on a consistent basis as well as highly rated bonds. People who pursue a current income stream may be retired and use the income for living expenses. Others may use this strategy to pay for certain needs, such as a college education, where they use the interest without touching the principal.

### Goal: Capital Preservation

The objective is typically for

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## How to Talk Finances with Parents

There comes a time when even the most independent of parents will need to start relying on their children, especially when it comes to money. Here are a few signs that you may need to get involved:

- ❍ If they can no longer handle day-to-day details of balancing their budget or paying bills.
- ❍ If they have begun making very large purchases or withdrawing large sums of cash.
- ❍ If they express grandiose thoughts of spending money.
- ❍ If they are reluctant to spend money, even for bare necessities.
- ❍ If they begin writing more checks than usual.
- ❍ If they begin to open and close multiple accounts.
- ❍ If they stop meeting long-term obligations or neglect payments.

Control is a big deal — no one likes to give it up, especially those who have been taking care of themselves for decades. In fact, the feeling of losing control over their finances can cause people to lash out. One strategy to avoid this is by appealing to their desire to help and protect you. You can ask them for tips and guidance on your own financial planning, opening a discussion about how they have set things up. Touch on long-term care and ask if they've set money aside in savings for this or if they have a long-term care insurance policy.

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# Objectives Help

*Continued from page 1*

those who want to make sure they don't outlive their money, such as retired individuals concerned they don't have enough time to recoup losses from a bad investment. Security is extremely important even if that means giving up some return. To meet a capital preservation goal, the strategy would be to invest in bank certificates of deposit, U.S. Treasury issues, savings accounts, and fixed income bonds, such as municipal bonds, other government bonds, and corporate bonds.

## How to Set Your Own Goals

Most experts agree that goals-based investing is the best approach to reach investment goals. With this method, you set investment goals based on reaching specific life goals, such as buying a home, saving for a child's education, or saving for retirement. You consider each goal individually to set a time horizon and risk level, so that you can develop an effective investment strategy.

To help you determine your comfort with risk and time horizon, ask yourself these questions:

- What is your intent for investing this money?
- When would you like to withdraw your money?
- Do you want your money to achieve substantial capital growth by the time you withdraw it or are you more interested in maintaining the principal value?
- What is the maximum decrease in the value of your portfolio that you are comfortable with?

## Setting Your Goals

Once you have a better understanding of why you want to invest and what you are hoping to achieve, you want to be very specific when developing your goals. Your investment objectives are the foundation of your investment plan, so don't take them lightly.

There are various methods for setting goals, but one of the best to consider is the SMART goals format, which will help guide you through the process of setting your investment objectives. Following are the elements of the SMART format:

- **Specific** — make each goal specific and clear
- **Measurable** — make sure you define goals that can be measured
- **Achievable** — make sure it is realistic
- **Relevant** — make sure the goals relate to your life
- **Time-based** — assign a timeframe so that you can track your progress and know when the goal is achieved

After you have defined your goals, you will then want to determine a timeframe for each goal. You are not going to achieve all of your goals at once, so break them down by goal categories such as short, medium, and long term. You will then want to set a specific number of months/years in which you want to achieve each goal.

Once that is complete, the final step is to determine a dollar figure for each goal. Some goals will be easier than others to define a dollar amount. For longer-term goals, such as retirement, education, or starting a business, spend the time to research what each of these could cost.

Once you have your goals clearly defined in some type of format, it will make it much easier to develop an investment plan as well as a budget that includes your savings goals. Please call if you'd like to discuss this in more detail. ❍❍❍

# Encourage Estate Planning

Parenting is a neverending job. Even when your children are grown, there will probably be lessons you'll want to teach them, such as the need for estate planning. Some items to include in that lesson are:

- **Explain why estate planning is important.** Your role is not to dictate what they should do with their estate, just to emphasize the need for estate planning. When you children encounter major life events, such as marriage, divorce, or a child's birth, remind them to review their estate plans.
- **Make sure all important estate-planning documents are in place.** At a minimum, every adult should have a will, a durable power of attorney, and a healthcare proxy. A durable power of attorney designates an individual to control financial affairs if one becomes incapacitated, while a healthcare proxy delegates healthcare decisions to a third person when one is unable to make those decisions.
- **Coordinate estate planning across generations.** If you have a substantial estate, you may want to coordinate your estate planning efforts with those of your children. A coordinated effort can help minimize estate taxes. ❍❍❍

## How to Talk

Continued from page 1

Sometimes the best route to take is involving a third party. Parents can have a difficult time opening up to their children about sensitive matters. Using a financial planner, tax advisor, or elder law attorney can remove their feelings of damaged pride. It will probably also help that your parents don't have memories of that outside professional making the kind of money mistakes that you may have made in your youth.

When the time comes to get everything in order for them, you will need a lot of paperwork. This includes:

❍ **Sources of retirement income.** If they don't have the records readily available, you may need to check the mail or their online bank accounts to determine what they have coming in through investments, retirement plans, social security, etc.

❍ **Residential preference.** Your parents may want to live in the family house forever, but it is likely that they will not be able to remain independent indefinitely. If one or both of them becomes ill, they may need 24-hour care that you will not be able to provide. This means you will need to know what they can afford and where they would prefer to stay.

❍ **Last will and testament.** Make sure your parents have an updated will so their surviving loved ones do not end up in a legal battle upon their passing. The best way to make sure their wishes are followed is to record them in their will.

❍ **Durable power of attorney.** The legal authorization to take over your parents' finances and make decisions on their behalf is an important matter to have settled. You will also need to determine who will have durable power of attorney for healthcare to make healthcare-related decisions for them.

❍ **Living will.** This is similar to a durable power of attorney for healthcare, but is also a reflection of the direct wishes of the incapacitated person, such as if they would prefer to not be resuscitated or what life-saving measures they want.

❍ **Funeral arrangements.** Your parents may have already sorted out some of these issues, such as where they would prefer to be buried or have their ashes spread, but seniors often forget to tell their children about this. It may seem morbid, but it is important to know their wishes beforehand.

❍ **Update beneficiary forms.** Your parents will need up-to-date beneficiaries for everything from insurance policies to insurance payouts.

❍ **Plan for estate taxes.** The larger the estate, the more prudent it may be to seek advice from an estate attorney or financial advisor. ❍❍❍

## Cut Financial Clutter

Below are six tips to help you cut financial clutter.

**1. Prepare an inventory.** First, make a list of all your financial accounts. Then gather all your financial paperwork in one place and organize it into three piles: One to keep hard copies of, one to keep digital copies of, and another to get rid of completely.

**2. Shred, shred, shred.** Much of the paperwork you've been hanging on to for years can be thrown away. Tax returns can usually be disposed of after three years, though in some cases (like if you're self-employed) you'll want to keep them for a longer period. Credit card statements can typically be shredded once you've confirmed there are no erroneous charges; most receipts can be pitched right away, unless they're for a large purchase or an item you plan to deduct on your taxes. Loan documents can be shredded once you've paid off the debt.

**3. Get a scanner.** Invest in an affordable scanner and make digital copies of records you want to retain but don't need originals of, like health records, old tax returns, and Social Security statements.

**4. When possible, consolidate accounts.** Having numerous financial accounts is a major source of clutter. Do you really need multiple savings accounts at different institutions? Do you have several different 401(k)s from old employers? Do you own half a dozen credit cards but only use one or two? When possible, streamline and consolidate. Not only will this make things easier to manage, but you'll reduce the risk of forgetting accounts and eliminate extra fees.

**5. Automate your finances.** Reduce the amount of clutter coming in by signing up for online bank account and investment statements. However, because some banks may only allow you to access the past several months of statements, you may want to download the records and save them elsewhere. When possible, automate bill payment and paycheck deposits.

**6. Get an online vault and home safe.** Personal computers can be compromised or stolen, so you may want to add an extra layer of protection by storing your financial information in a secure online vault. A fireproof home safe is a good place to store items you need to maintain original copies of. Marriage and death certificates, deeds to your home, car titles, Social Security cards, and copies of your will are all items commonly stored in home safes. ❍❍❍

## Financial Data

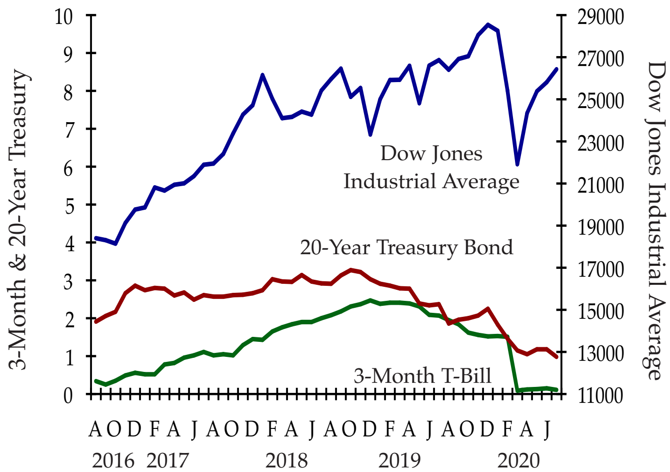
| Indicator | Month-end May-20 | Jun-20 | Jul-20 | Dec-19 | Jul-19 |
|---|---|---|---|---|---|
| Prime rate | 3.25 | 3.25 | 3.25 | 4.75 | 5.50 |
| Money market rate | 0.29 | 0.28 | 0.26 | 0.58 | 0.66 |
| 3-month T-bill yield | 0.13 | 0.15 | 0.11 | 1.52 | 2.07 |
| 20-year T-bond yield | 1.18 | 1.18 | 0.98 | 2.25 | 2.37 |
| Dow Jones Corp. | 2.63 | 2.50 | 2.06 | 2.84 | 3.21 |
| 30-year fixed mortgage | 2.28 | 2.17 | 1.79 | 3.31 | 3.35 |
| GDP (adj. annual rate)# | +2.10 | -5.00 | -32.90 | +2.10 | +2.00 |

| Indicator | Month-end May-20 | Jun-20 | Jul-20 | % Change YTD | 12 Mon |
|---|---|---|---|---|---|
| Dow Jones Industrials | 25383.11 | 25812.88 | 26428.32 | -7.4% | -1.6% |
| Standard & Poor's 500 | 3044.31 | 3100.29 | 3271.12 | 1.2% | 9.8% |
| Nasdaq Composite | 9489.87 | 10058.77 | 10745.27 | 19.8% | 31.4% |
| Gold | 1728.70 | 1768.10 | 1964.90 | 29.0% | 37.6% |
| Consumer price index@ | 256.39 | 256.39 | 257.80 | 0.2% | 0.6% |
| Unemployment rate@ | 14.70 | 13.30 | 11.10 | 217.1% | 200.0% |

# — 4th, 1st, 2nd quarter @ — Apr, May, Jun Sources: *Barron's, Wall Street Journal*

### 4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

August 2016 to July 2020




Past performance is not a guarantee of future results.

# News and Announcements

### A Dividend Investing Strategy

Dividend investing creates both an income stream from dividends as well as portfolio growth from asset appreciation. Following is an overview of dividend investing and the strategies investors use:

The first thing dividend investors look for is safety, which is measured by the dividend coverage ratio. Typically, dividend investors don't want to see companies pay out more than 60% of their profits as dividends to investors to ensure the company has the resources for operations. For example, if a company earns $50 million and pays out $15 million in dividends, it would be more prudent than if the company paid out $40 million. If the company's profit dropped by 10%, there wouldn't be much left for the company's operations. Dividend investors look for companies that have good cash flow and stable income, because they can get a higher payout ratio and don't have to worry about the company's ability to pay the dividend.

There are two different dividend investing strategies — **a high dividend yield strategy** and **a high dividend growth strategy**. Each has its own purpose in a portfolio.

When an investor follows the **high dividend yield strategy**, he/she is investing in companies with yields at the top of the range that will provide a predictable income stream. These are typically found in well-established companies that have substantial cash flow to fund the dividend payments.

Investors that focus on a **high dividend growth strategy** are investing in companies whose dividend payments are significantly lower than average, but the company is growing at a very fast rate. After a period of time, these fast-growing companies can increase dividends to an equal or much higher level than what would have been collected using the high dividend yield approach. ❍❍❍

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