

Beyond the Basics

Customized Wealth Strategies

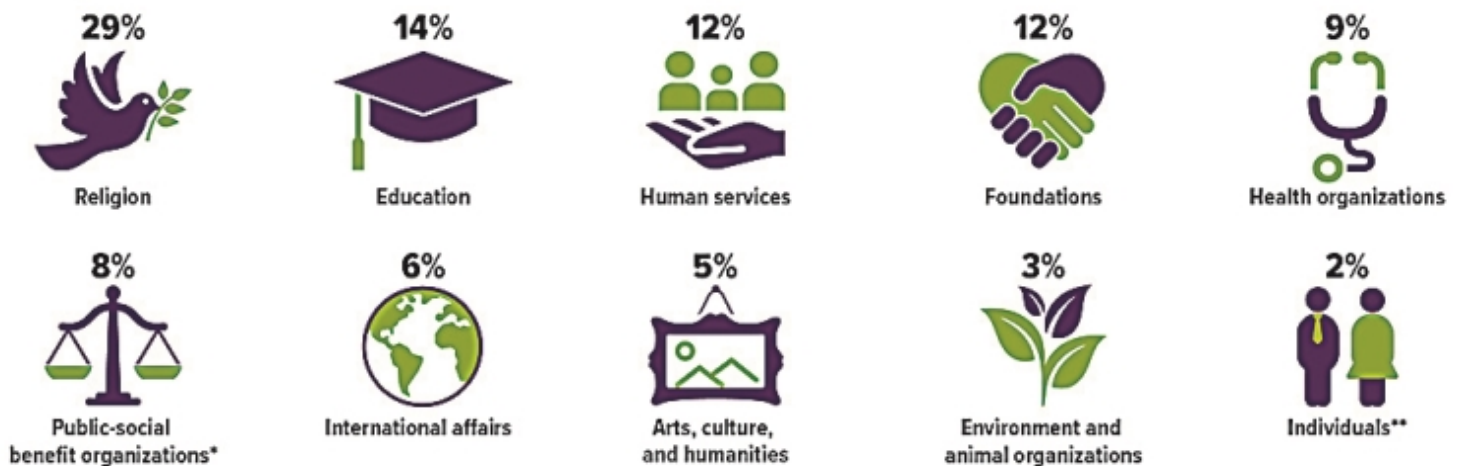


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Spreading Generosity

Americans gave almost \$450 billion to charity in 2019, an increase of 4.2% over the previous year. Individuals accounted for more than two-thirds of this amount, followed by contributions from foundations, bequests, and corporations. Here is a breakdown of the recipients of this generosity, by percentage of total charitable contributions.



*Focus on issues such as civil rights, community improvement, volunteerism, and voter education

**Primarily donations of medications from pharmaceutical company foundations

Source: *Giving USA 2020*

Five Tips to Regain Your Retirement Savings Focus in 2021

In early 2020, 61% of U.S. workers surveyed said that retirement planning makes them feel stressed.¹ Investor confidence was continually tested as the year wore on, and it's likely that this percentage rose — perhaps even substantially. If you find yourself among those feeling stressed heading into the new year, these tips may help you focus and enhance your retirement savings strategy in 2021.

1. Consider increasing your savings by just 1%. If you participate in a retirement savings plan at work, try to increase your contribution rate by just 1% now, and then again whenever possible until you reach the maximum amount allowed. The accompanying chart illustrates the powerful difference contributing just 1% more each year can make over time.

2. Review your tax situation. It makes sense to review your retirement savings strategy periodically in light of your current tax situation. That's because retirement savings plans and IRAs not only help you accumulate savings for the future, they can help lower your income taxes now.

Every dollar you contribute to a traditional (non-Roth) retirement savings plan at work reduces the amount of your current taxable income. If neither you nor your spouse is covered by a work-based plan, contributions to a traditional IRA are fully deductible up to annual limits. If you, your spouse, or both of you participate in a work-based plan, your IRA contributions may still be deductible unless your income exceeds certain limits.

Note that you will have to pay taxes on contributions and earnings when you withdraw the money. In addition, withdrawals prior to age 59½ may be subject to a 10% penalty tax unless an exception applies.

3. Rebalance, if necessary. Market turbulence throughout the past year may have caused your target asset allocation to shift toward a more aggressive or conservative profile than is appropriate for your circumstances. If your portfolio is not rebalanced automatically, now might be a good time to see if adjustments need to be made.

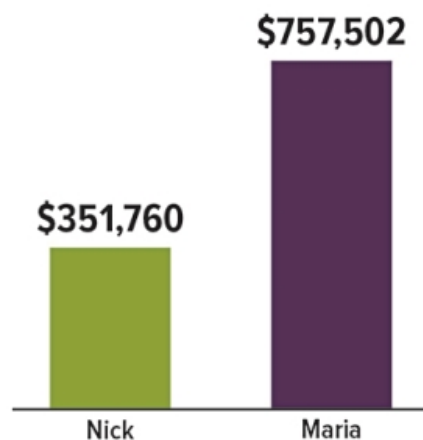
Typically, there are two ways to rebalance: (1) you can do so quickly by selling securities or shares in the overweighted asset class(es) and shifting the proceeds to the underweighted one(s), or (2) you can rebalance gradually by directing new investments into the underweighted class(es) until the target allocation is reached. Keep in mind that selling investments in a taxable account could result in a tax liability. Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.

4. Revisit your savings goal. When you first started saving in your retirement plan or IRA, you may have estimated how much you might need to accumulate to

retire comfortably. If you experienced any major life changes during the past year — for example, a change in job or marital status, an inheritance, or a new family member — you may want to take a fresh look at your overall savings goal as well as the assumptions used to generate it. As circumstances in your life change, your savings strategy will likely evolve as well.

The Power of 1%

Maria and Nick are hired at the same time at a \$50,000 annual salary. Both contribute 6% of their salaries to their retirement accounts and receive a 3% raise each year. Nick maintains the 6% rate throughout his career, while Maria increases her rate by 1% each year until she hits 15%. After 30 years, Maria would have accumulated more than double the amount that Nick has.



Assumes a 6% average annual rate of return. This hypothetical example of mathematical compounding is used for illustrative purposes only and does not represent the performance of any specific investment. It assumes a monthly contribution and monthly compounding. Fees, expenses, and taxes were not considered and would reduce the performance shown if included. Actual results will vary.

5. Understand all your plan's features. Work-based retirement savings plans can vary from employer to employer. How familiar are you with your plan's specific features? Does your employer offer a matching and/or profit-sharing contribution? Do you know how it works? Are company contributions and earnings subject to a vesting schedule (i.e., a waiting period before they become fully yours) and, if so, do you understand the parameters? Does your plan offer loans or hardship withdrawals? Under what circumstances might you access the money? Can you make Roth or after-tax contributions, which can provide a source of tax-free income in retirement? Review your plan's Summary Plan Description to ensure you take maximum advantage of all your plan has to offer.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

1) Employee Benefit Research Institute, 2020

Sharing Your Money Values Can Be Part of Your Legacy

When it's time to prepare the next generation for a financial legacy, you might want to bring your family members together to talk about money. But sitting down together isn't easy, because money is a complicated and emotionally charged topic. Rather than risk conflict, your family may prefer to avoid talking about it altogether.

If your family isn't quite ready to have a formal conversation, you can still lay the groundwork for the future by identifying and sharing your money values — the principles that guide your financial decisions.

Define Your Own Values

What does money mean to you? Does it signify personal accomplishment? The ability to provide for your family? The chance to make a difference in the world? Is being a wise steward of your money important to you, or would you rather enjoy it now? Taking time to think about your values may help you discover the lessons you might want to pass along to future generations.

Respect Perspectives

The unspoken assumption that others share your financial priorities runs through many money-centered conversations. But no two people have the same money values (even relatives). To one person, money might symbolize independence; to another, money equals security. Generational differences and life experiences may especially influence money values. Invite your family members to share their views and financial priorities whenever you have the opportunity.

See Yourself as a Role Model

Your actions can have a big impact on those around you. You're a financial role model for your children or grandchildren, and they notice how you spend your time and your money.

Look for ways to share your values and your financial knowledge. For example, if you want to teach children to make careful financial decisions, help them shop for an item they want by comparing features, quality, and price. If you want teenagers to prioritize saving for the future, try matching what they save for a car or for college. Teaching financial responsibility starts early, and modeling it is a lifelong effort.

Practice Thoughtful Giving

How you give is another expression of your money values, but if a family member is the recipient, your generosity may be misconstrued. For example, your adult son or daughter might be embarrassed to accept your help or worried that a monetary gift might come with strings attached. Or you may have a family member who often asks for (or needs) more financial support than another, which could lead to family conflicts.

Defining your giving parameters in advance will make it easier to set priorities, explain why you are making certain decisions, and manage expectations. For example are you willing and able to:

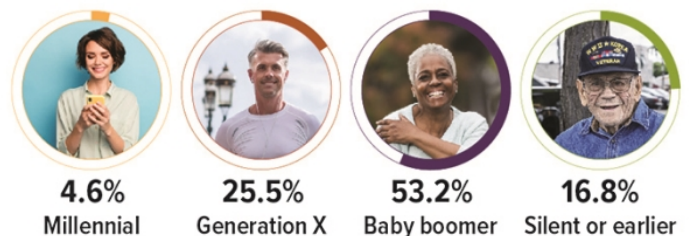
- Help fund a college education?
- Provide seed money for a small business?
- Help with a down payment on a home?
- Pay for medical expenses?
- Contribute to an account for a family member with special needs?
- Offer nonfinancial help such as child care or transportation?

There are no right or wrong answers as long as your decisions align with your financial values and you are sure that your gift will benefit both you and your family member. Maintaining consistent boundaries that define what help you are willing and able to provide is key. Gifts that are not freely given may become financial or emotional obligations that disrupt family relationships.

The Great Wealth Transfer

Seventy percent of U.S. household wealth is held by older generations. Although younger people may be far behind today, they stand to inherit much of this wealth in the coming decades, while also accumulating wealth through their own efforts.

Percentage of U.S. household wealth, by generation



Source: Federal Reserve, 2020 (Q2 2020 data)

Reveal Your Experiences with Money

Being more transparent about your own financial hopes and dreams, and your financial concerns or struggles, may help other family members eventually open up about their own.

Share how money makes you feel — for example, the satisfaction you felt when you bought your first home or the pleasure of giving to someone in need. If you have been financially secure for a long time, your children may not realize how difficult it was for you, or for previous generations, to build wealth over time. Your hard-earned wisdom may help the next generation understand your values and serve as the foundation for a shared legacy.

Lessons from the Lockdown: A Back-to-Basics Holiday

If there is one thing the COVID-19 stay-at-home orders demonstrated, it was the need to find joy in simple pleasures. In fact, 43% of respondents to one survey said they had "changed their ways for the better" as a result of the lockdown.¹ By applying some of the lessons learned from pandemic purgatory to the holiday season, families may be able to create new and meaningful traditions while saving money.

Travel. While confined to their homes for several months, people discovered the benefits of virtual get-togethers via video calls. The same survey cited above found that many people who used videoconferencing technology reported that they connected more with loved ones during the lockdown than before restrictions were put into place.² This holiday season, if you can't be with your loved ones, consider scheduling a virtual gathering to open gifts or share a meal together. An added benefit of less time and money spent on travel could be lower stress overall.

Experience vs. "stuff." Of course, sharing experiences in person can be more rewarding than a video chat. Stay-at-home orders prompted many people to reflect on how much they took for granted, especially the opportunity simply to spend time with loved ones they don't see on a regular basis. As many grandparents would likely contend, time spent with family can be a much more valuable gift than the latest gadget or fashion trend. Moreover, while in lockdown,

many families discovered they could actually live without many of the material goods they purchase on a regular basis. Rather than spending a lot on "stuff" this season, consider intentionally downsizing the piles of gifts exchanged and focusing more on the shared celebrations and traditions.

In April 2020, during the height of the stay-at-home orders, the nation's personal savings rate hit an all-time high of 32%.³

Food. During the lockdown, many people rediscovered the simple joy of preparing and eating home-cooked meals and baked goods. And because ingredients were often limited due to supply-chain disruptions, creativity became a valuable kitchen skill. This holiday season, instead of spending a small fortune dining out, why not put some of that pandemic culinary prowess to work? Simple meals that the whole family helps prepare can be cost-effective as well as memory-making. Wrapped up with a beautiful bow, your creations can also make thoughtful, inexpensive, edible gifts. (You might also consider supporting local businesses by having food gifts delivered or purchasing gift cards.)

1-2) OnePoll, studyfinds.org, May 23, 2020; 3) U.S. Bureau of Economic Analysis, June 30, 2020

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