Wealth Builder

FALL 2020

LEGACY WEALTH MANAGEMENT, LLC

In this Issue:

Where's the Yield? By Jeff Funderburk, CFP®

0.00 – 0.25%.

That's the current target of the Federal Funds Rate as of the writing of this article. Just one short year ago, in August 2019, the target was 2.00 – 2.25%. That's 800% higher than our current rates! We're in a historic low interest rate environment, and we expect to stay down here for a while.

The Federal funds rate is the target interest rate set by the Federal Open Market Committee (FOMC) at which commercial banks borrow and lend their excess reserves to each other overnight. The FOMC sets a target federal funds rate eight times a year based on prevailing economic conditions, and it can influence short-term rates on consumer loans and credit cards as well as impact the stock market.

Continued on page 2

The Next Step By Linda Eden-Wallace, CFP®

I just read a good article about retirement that struck home with me, especially since I'll be heading in that direction soon. The author was recalling a lesson his dad had taught him when he was a teenager and he used it as an analogy for how most of us go about planning for retirement, financial advisors included. His dad had given him some "chores" for bad behavior. One of them was sweeping the stairs. His instructions were to start at the bottom and work his way up to the top. He soon found out that starting at the bottom meant having to go back and sweep all the stairs again because with each higher step he would spill dirt back onto the step below that he'd just cleaned. His dad was trying to teach him that when you do things backwards you can end up making a mess at each new step in your life.

It can be like that with retirement planning. We tend to spend most of our time

Continued on page 4

WHERE'S THE YIELD? *Continued from p. 1*

Generally speaking, the Fed will raise the target rate when the economy becomes over-heated and inflation is picking up. The goal is to slow things down a bit, and this normally is viewed by the market negatively, leading to lower market returns. On the flip side, the Fed will cut the target rate when they want to spur economic activity and growth. Lower interest rates make it cheaper to borrow. This tends to encourage spending and investment, which are drivers of economic growth. We saw this play out when rates were cut to historic lows to help pull us out of the 2008 financial crisis. We're seeing this again today because of the economic fallout from the coronavirus pandemic.

For those of us in growth-mode, low rates are not such a bad thing. Low rates are generally good for the stock market. They're seen as growth-accommodative, leading to potentially higher stock market returns. But for those of us that are investing for income, or yield, this is an extremely challenging time to invest. In years past you could buy a two-year CD and make 3% without blinking. Currently? Not so much. Just this past January you could buy a two-year U.S. treasury note and make 1.6%. Currently? 0.14%. *Nice.*

So where are income investors getting their needed yield? Well, some just aren't. They've accepted the reality and are content to just get what they can get while they can get it. But many are rotating into riskier asset classes (i.e., stocks) from their more conservative income-focused ones (bonds). That's one of the reasons the stock market is performing so well, coming off the bottom that we saw this spring. But investing in riskier assets carries, well, more risk. We must be careful chasing yield in this environment, or we could get our hands caught in the cookie jar.

So how long can we expect this to continue? The FOMC has also stated that they have a new inflation mandate, which is to achieve an *average* of 2%. In the past the mandate was to target 2%; they didn't want to let it go over 2%. Because rates have been so low for so long, the Fed is now willing to allow inflation to be somewhere north of 2% for some amount of time to bring the *average* to 2%. That means we don't expect them to begin raising rates to combat inflation for quite some time.

I believe the wise course of action for yield-seekers in this environment is to identify your #1 priority before taking any action. Is it really all about the income? Then maybe it's okay to take on a bit more risk to bump up your yield. Just go into it with your eyes open, and don't over-reach. Is it capital preservation? Then maybe it's okay to only get paid 0.5% on a CD for the peace of mind that your money is protected. Is it a blend of both? Then diversification across asset classes that can appropriately balance both of those goals may be the ticket.

Finding yield is a major challenge right now and could be for some time to come. But look on the bright side – rates can't get any lower… can they? ♦

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Elections and the Market By Dan Funderburk, CFP®, CKA®

"What are the markets going to do if Biden gets in?"

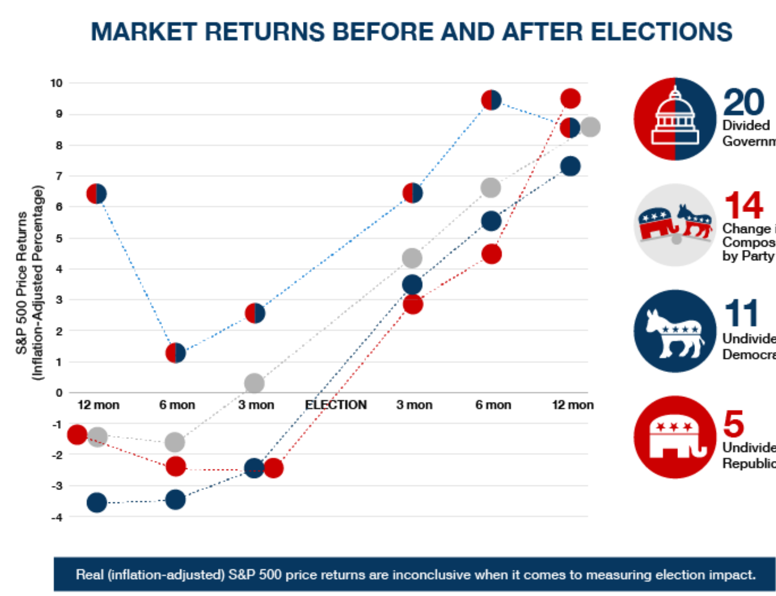
"What's going to happen if Trump wins again?"

We've been getting variations of these questions every meeting we've had for the last month. In a normal election year, we would have been getting this question for the last eight months, however 2020 brought a slightly more pressing matter to discuss than the U.S. elections… COVID-19 anyone?

From my experience, it seems people tend to be extreme in their hopes of their candidate of choice and their fears of their candidate's opponent. If their candidate wins, the economy will flourish, and all will be right in the world. If their candidate loses, we're going to slide backwards because the other guy can't do anything right. I thought it would be helpful to look at the facts with regards to the markets and presidential elections to help provide a better perspective than we get by listening to talking heads that reaffirm our biases on CNN or Fox.

Historically, markets have performed well under both parties. Since 1957 we've had seven Republican presidents and five Democratic presidents. During this time, the S&P 500 provided an average annual return of about 10%. There were only two administrations that experienced a negative return. One during a period of stagflation in 1973 and the other during the financial crisis of 2008[1]. Both instances were not a result of an election, but rather occurrences that happened irrespective of the political climate at the time.

By zooming in on the time directly leading up to and after a presidential election, we find that markets tend to underperform leading up to an election, but then get back on track in the following 3, 6, and 12 month periods.



What's interesting though, is that this trend is true no matter which party is in control of the White House or Congress[2].

...continued on page 6

THE NEXT STEP *Continued from p. 1*

"For many of us, work is a huge part of our identity and our social life."

focusing on the financial side of retirement planning. How much is enough? What will our budget look like? Will our returns be high enough to meet our goals? Will our savings last the rest of our lives? Most of the discussions we have with clients about retirement, center around these questions. They are certainly important things to think about. But if we only consider the financial side of retirement with no consideration for the lives of the person or couple retiring, we may be leaving a big mess for them to figure out when they get there.

Many people assume when they retire things will just fall into place, but that's not what usually happens. For many of us, work is a huge part of our identity and our social life. Consider these things… What roles do I see myself in when I'm no longer wearing my "work hat"? How will I stay connected? What activities will replace all the time I spent working? How do I plan to stay mentally and physically active?

We may assume retirement is this perfect time when everything goes right; the prize at the end of all our hard work. But retirement can be stressful too. In fact, it's one of the top 10 most stressful life events. One way to help reduce that stress is to have a *written non-financial retirement plan*. This plan can give us a path to focus on after our work routine goes away. I know I've thought a lot about the routine I have now and how it will change when I retire. I don't want to become lazy and disconnected. I still want to stay relevant. Retirement may mean the end of a paycheck, but I don't want to stop working. I still want to give back in some way even though I don't intend to be paid for it. I think many people feel the same way. These things take just as much thought and planning as our finances, if we want to be truly content in retirement.

And then there is the Bucket List! I hear so many people say when they retire they're looking forward to having more time to... *fill in the blank.* We all have hobbies and recreational activities we enjoy but don't have much time for when we're working. But just like anything we enjoy, a steady diet of it can get pretty boring. Spend some time daydreaming. *If I had the time, I'd just love to…* How would you finish that statement? Write those ideas down on your non-financial retirement plan. And remember, the activities don't have to be expensive. You can go back to your plan and revisit these ideas on days when things are a bit dull. Planning for an exciting adventure is part of the fun and gives you something to look forward to!

As with all goals, there are benefits in having a written plan. Written financial retirement plans can be extremely important, but just as important are the benefits of a written *non-financial* retirement plan. The way we spend our retirement is in some ways driven by our income, but not as much as you might think. It's a big world out there! Think big and plan well. I wish you all much joy in the journey no matter what stage of it you happen to be in! ♦

CHANGE By Mike Berry, CFP®

"Changes in latitudes, changes in attitudes, nothing remains quite the same."
– Jimmy Buffett

It is a proven fact that we humans don't like to change. That we resist it. Well, it's time to come clean and let all of you know that things are changing here at Legacy. You were made aware earlier this year that Linda is retiring at the end of the year, but there are a couple of other changes we need to make you aware of.

First, Sondra was given a promotion and is becoming our firm's first paraplanner. Starting this month, she moved from the phones and front desk to her own office. So, she won't be the familiar voice on the line when you call. But she is still here and it's likely you will see her in her new role, as one of her duties will be to sit in on client meetings and take notes of what was said and recommended. She will also be involved in a lot of technical things and data input for plans. She has been the happy "face" of Legacy for a long time and I know she will be missed in that role, but I'm also sure you are all happy for her new role here.

The new friendly face and happy voice on the phone is Alyssa Adams. She will also be assuming the Office Manager role and keeping things on a smooth and even keel around here. Even at her young age, Alyssa has a number of years of experience in the financial services field, most recently with Thrivent. I am sure you will all feel comfortable working with her.

"...we've had to not only become financial advisors but, in some ways, also life coaches."

We've seen fundamental changes going on in our economy. Even prior to the pandemic we were seeing a fundamental change in the way consumers shopped. More and more were turning to online shopping, and companies like Amazon and eBay were happy to accommodate. In doing so, they have grown into massive companies that 10 years ago very few had heard of. Change has been coming in our energy sector for years and it is accelerating. People are seeing that we need to move away from fossil fuels and find cleaner energy sources. Solar is becoming much more affordable. Electric cars are becoming much more popular, also more affordable, and the development of longer lasting batteries and easier charging is helping move more people to this type of vehicle. What and how we are watching TV is rapidly changing. Almost no one uses antennas any more to watch TV. Cable service replaced that, and now people are changing from cable to internet streaming of TV programs and movies on their TVs and other devices.

We have noticed a change in our industry. The clients we have coming in the door today are not only trying to achieve their goals of educating children and being able to retire, but they are interested in what they can do with their money along the way that will better society and promote the things they feel strongly about. *...continued on page 7*

Elections and the Market Continued from p. 3

"But this time is different."

This is another comment we hear regularly, and not just in election years. We hear this comment every year, no matter what crisis is happening at the time. Whether it's an election, Brexit, the Greek debt crisis, or a trade war with China, there is always a legitimate reason to be concerned with the markets and economy. To me, this becomes a worldview/heart issue. Either you believe things will be ok, or you believe they won't. Either you view things through a positive lens, or you don't.

We're all free to choose how we view the world. I can say from experience, the people who worry about the things they have control over and let go of the rest, have a more enjoyable time on this earth. We can't control what happens with elections, the economy, or the markets. That doesn't mean we keep our heads in the clouds and live in ignorance. We do our best to make the smartest choices we can with the information we have. We educate ourselves. We vote. With investments, we do what has worked over the last 100 years – build diversified portfolios based on your goals and timeframes, rebalance periodically, and make minor adjustments along the way. Then we leave the results up to God.

"...the people who worry about the things they have control over and let go of the rest, have a more enjoyable time on this earth."

Historically, the economy and markets have weathered Democratic and Republican presidents. We have experienced wars, tax overhauls, and shifts in political winds. Through it all, we've managed to grow the economy and improve the human condition, even with all the bumps along the way. I believe this trend will continue to be true through this election cycle. Regardless of who wins in November. I hope you can share in that belief. ♦

[1] https://www.invesco.com/us-rest/contentdetail?contentId=5991eabf45272710VgnVCM1000006e36b50aRCRD

[2] https://www.lordabbett.com/en/perspectives/marketview/two-key-observations-caveat-on-2020-election.html

CHANGE *Continued from p. 5*

They want to know what their assets can do to make a difference in not only their lives but the lives of others.

So, we've had to not only become financial advisors but, in some ways, also life coaches.

Change may be difficult, but generally change is good. It presents new challenges but also new opportunities. I'm excited about the changes here at Legacy and the changes taking place in much of our economy and society. It will be fun to see how it all turns out. ♦

THE NEW "SONDRA" BY ALYSSA ADAMS

Hello! If we haven't met, I'd like to introduce myself. My name is Alyssa Adams, and I am excited to be the newest member of the Legacy Wealth Management team. I am currently being trained by Sondra to take over as the Director of Operations – a position Sondra has held for many years before being promoted recently. (Don't worry, she's still here and happier than ever!)

My professional background is in church administration, management, banking, and, most recently, financial advisory. I was a financial advisor this past year, and loved being a resource for people. Over the course of the year practicing as an advisor, I discovered that I found more joy in supporting other advisors within this industry. I did not thrive working alone, but I learned a lot about myself and where my skills are valuable. I can't express how grateful I am to have this opportunity to step into the Director of Operations role and support an amazing team with core values I can be proud to represent.

Although I do not have generational roots in the Grand Valley, my family has made this our home. I have enjoyed exploring the monument, camping on the Grand Mesa and learning to boulder and mountain bike. I have been married for just under five years to my favorite person, and we have two dogs and two cats. My husband is originally from Evergreen, CO. He is a chimney sweep and fireplace inspector. I am originally from Antioch, CA – a town on the water rich with art, music and medicine. My husband and I met while we were living in Hawaii, serving international missions. Now that we are getting settled here, we are looking for more ways to get involved in the community.

I look forward to getting to know each of you – who you are, what you care about, and how I can best serve you as your first contact at LWM. In the meantime, take care and God Bless. ♦

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