4Q20

The Financial Solutions Advisor

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Economic & Market Perspectives

After a strong surge in the summer, equity prices have cooled in recent weeks. The technology sector entered a full-blown correction, and weakness has spread to the broader market. Key drivers for the decline include diminishing prospects for a new fiscal stimulus package, rising coronavirus cases, growing uncertainty over U.S. election prospects that accelerated with news about President Trump's health and concerns over full valuations. As we enter the last quarter of the year, investors face a number of key questions and rising uncertainty.

When the world entered the throes of the sharp recession in the spring, we expected a sharp rebound followed by a gradual and choppy economic recovery. Two key factors have driven economic momentum: 1) massive monetary and fiscal stimulus from interest rate cuts, new Federal Reserve programs, unemployment assistance and benefits to individuals and businesses; and 2) a reopening of areas of the economy. At this point, both of these tailwinds are fading. Absent a proven and widely available coronavirus vaccine, many individuals and businesses are reluctant to return to "normal," even if lockdown restrictions are eased further. This will slow the economic recovery and could cause disappointments for those expecting a quicker return to pre-pandemic activity levels. As far as monetary policy, the Fed and other central banks are committed to retaining near-zero interest rates for years to come, but monetary policy cannot do much more absent a new emergency. Finally, the odds of a near-term deal on a new fiscal stimulus package are fading. Counter to earlier expectations, a deal before the November elections seems unlikely. We will almost certainly see some sort of additional stimulus after the election and/or in 2021, but the delay is causing real pain to individuals and businesses who desperately need assistance. To be clear, we have not turned more negative on prospects for economic growth. We always expected momentum to fade. But it appears that many investors expected a stronger recovery and priced in prospects of additional economic reopening as they banked on more fiscal stimulus. As such, many areas of the stock market started to look frothy over the summer and stocks were poised for a setback.

On an absolute basis, valuation measures based on corporate earnings prospects (trailing, forward and cyclically adjusted) all suggest equities are expensive relative to their own history. Additionally, stocks also look expensive based on measures such as price-to-book, price-to-sales and total market capitalization relative to GDP. All of this implies that long-term returns for the broad market may be limited over the coming decade. On a relative basis, however, stocks look more attractive when compared with cash and many areas of the bond market. With short-term rates pegged at zero, investors are essentially getting almost no returns on cash investments. And government bond yields remain at or close to historical lows (and remain below zero in some countries), making them even more expensive than stocks. This is the so-called TINA (there is no alternative) argument for stocks: It's hard to make the case that stocks aren't the better option when the dividend yield of the S&P 500 is higher than long-term government bond yields.

Although stocks prices have declined since August, short-term risks still look somewhat elevated. Equities have not regained their footing since the market high on September 2, as economic reopening and hopes for fiscal stimulus have been fading. Additionally, uncertainty over the U.S. election has been rising even before we learned that the president tested positive for coronavirus. Many investors are worrying about a protracted post-election battle over who actually won. Technical measures have also turned more mixed, as the selloff that started in the high-flying technology sector has spread to the broader market.

We think stocks are likely to remain in a sideways, choppy trading pattern through the end of the year. And it is very possible that stocks hit their high for the year when the S&P 500 Index reached 3,588 on September 2. We're not expecting significant downside risks, but we think stocks need time to digest the gains earned since March and fundamentals need time to catch up. While we think near-term risks for stocks remain elevated, we also believe global equity prices will be higher one year from now. At least one vaccine candidate currently in Phase 3 trials is likely to prove viable and be widely available at some point by the first half of next year. And policymakers should eventually be able to enact additional fiscal stimulus. These factors should allow the economy to reaccelerate, and stocks typically do well when economic growth is climbing. Looking ahead, we think it is likely that corporate earnings will exceed their previous peak by the end of 2021 and the U.S. economy should reach a new GDP high in early 2022.

Source: Nuveen

2020 Returns

S&P 500	*5.57%*
NASDAQ	*31.65%*
Russell Small Cap	*-8.69%*
Russell Mid Cap	*-2.35%*
MSCI EAFE	*-7.09%*
MSCI World	*1.70%*
Barclay US Agg. Bond	*6.79%*
Barclay Municipal Bond	*3.33%*

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Incapacity and Advance Medical Directives

At some point in your life, you may lose the ability to make or communicate responsible health-care decisions for yourself. Without directions to the contrary, medical professionals are generally compelled to make every effort to save and sustain your life. Depending on your attitude toward various medical treatments and your views on the quality of life, you may wish to take steps to control future health-care decisions with one or more advance medical directives.

ADVANCE MEDICAL DIRECTIVE	USED TO
Living will	Decline medical treatment for terminal illness or injury
Durable power of attorney for health care	Appoint representative to make medical decisions for you
Do-not-resuscitate order	Direct medical personnel not to perform CPR

What Is an Advance Medical Directive?

The laws of your state may allow you to adopt one or more advance medical directives to manage your future medical care. There are three main types of advance medical directives: (1) a living will, (2) a durable power of attorney for health care, and (3) a do-not-resuscitate order. Each has unique characteristics and is useful under specific circumstances. You may find that one, two, or all three advance medical directives are necessary to express all your wishes regarding medical treatment.

Living Will

A living will is a legal document that specifies the types of medical treatment you would want, or not want, under particular circumstances. In most states, a living will takes effect only under certain circumstances, such as a terminal illness or injury. Generally, one can be used solely to decline medical treatment that "serves only to postpone the moment of death."

Durable Power of Attorney for Health Care/Health-Care Proxy

A durable power of attorney for health care (DPAHC), also known as a health-care proxy, is a legal document in which you appoint a representative to make medical decisions on your behalf if you become unable to make or communicate them yourself. It allows you to exercise control over your health care through this representative, who will have the authority to make most medical care decisions for you.

You may want to appoint such a representative to act on your behalf. If you don't, medical professionals will generally be compelled to do everything possible to save and sustain your life. A DPAHC can resolve conflicts and help ensure that your choices regarding medical treatment are respected. A DPAHC may not be practical in an emergency — your representative must be present to act on your behalf.

Do-Not-Resuscitate Order

A do-not-resuscitate (DNR) order is a legally binding order, signed by both you and your physician, that directs medical personnel not to perform CPR or other invasive procedures on you if you stop breathing or your heart stops beating. A DNR is the only advance medical directive specifically intended for use in an emergency. There are two types of DNRs: One is effective only while you are hospitalized; the other is used by people outside the hospital. ID bracelets, MedicAlert® necklaces, and wallet cards are some methods of noting DNR status.

More to Consider

- The laws on advance medical directives vary considerably from state to state. If you spend a significant amount of time in a state other than where you live, you may want to research that state's laws as well.
- Review your advance medical directives periodically to ensure they reflect your current wishes and attitude.
- Discuss your advance medical directives with appropriate persons (perhaps your doctor, your DPAHC representative, your family, and your friends).
- If you have multiple advance medical directives, make sure your instructions are stated consistently throughout. In many states, the most recent document prevails in case of a conflict.

Most Large Employer Health Plans Include Telemedicine

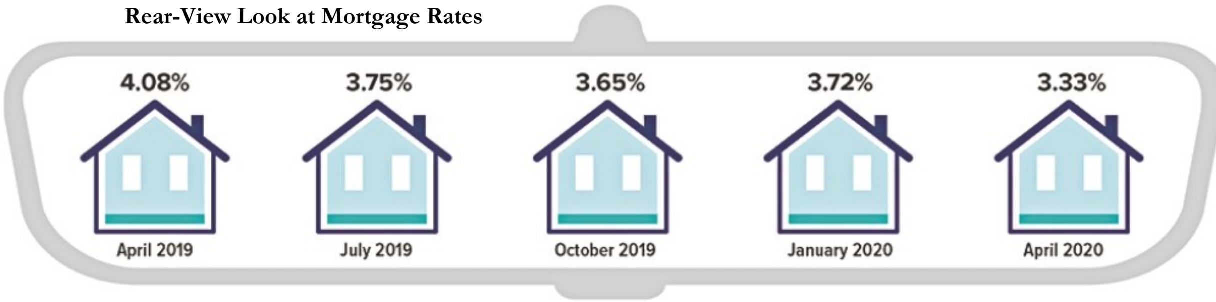
Over the past five years, employer enthusiasm for telemedicine benefits has surged. Almost 9 out of 10 large employers now offer employees the opportunity to virtually visit their health-care providers.

Source: Mercer National Survey of Employer-Sponsored Health Plans 2019

Four Things to Consider Before Refinancing Your Home

Mortgage refinancing applications surged in the second week of March 2020, jumping by 79% — the largest weekly increase since November 2008. As a result, the Mortgage Bankers Association nearly doubled its 2020 refinance originations forecast to $1.2 trillion, the strongest refinance volume since 2012.[1]

Rear-View Look at Mortgage Rates



Source: Freddie Mac, 2020 (As of April 1)

Low mortgage interest rates have prompted many homeowners to think about refinancing, but there's a lot to consider before filling out a loan application.

1. What is your goal?
Determine why you want to refinance. Is it primarily to reduce your monthly payments? Do you want to shorten your loan term to save interest and possibly pay off your mortgage earlier? Are you interested in refinancing from one type of mortgage to another (e.g., from an adjustable-rate mortgage to a fixed-rate mortgage)? Answering these questions will help you determine whether refinancing makes sense and which type of loan might best suit your needs.

2. When should you refinance?
A general guideline is not to refinance unless interest rates are at least 2% lower than the rate on your current mortgage. However, even a 1% to 1.5% differential may be worthwhile to some homeowners.

To determine this, you should factor in the length of time you plan to stay in your current home, the costs associated with a new loan, and the amount of equity you have in your home. Calculate your break-even point (when you'll begin to save money after paying fees for closing costs). Ideally, you should be able to recover your refinancing costs within one year or less.

While refinancing a 30-year mortgage may reduce your monthly payments, it will start a new 30-year period and may increase the total amount you must pay off (factoring in what you have paid on your current loan). On the other hand, refinancing from a 30-year to 15-year loan may increase monthly payments but can greatly reduce the amount you pay over the life of the loan.

3. What are the costs?
Refinancing can often save you money over the life of your mortgage loan, but this savings can come at a price. Generally, you'll need to pay up-front fees. Typical costs include the application fee, appraisal fee, credit report fee, attorney/legal fees, loan origination fee, survey costs, taxes, title search, and title insurance. Some loans may have a prepayment penalty if paid off early.

4. What are the steps in the process?
Start by checking your credit score and history. Just as you needed to get approval for your original home loan, you'll need to qualify for a refinance. A higher credit score may lead to a better refinance rate.

Next, shop around. Compare interest rates, loan terms, and refinancing costs offered by multiple lenders to make sure you're getting the best deal. Once you've chosen a lender, you will submit financial documents (such as tax returns, bank statements, and proof of homeowners insurance) and fill out an application. You may also be asked for additional documentation or a home appraisal.

1) Mortgage Bankers Association, March 11, 2020

Medicare Open Enrollment: It's Time to Review Your Coverage

During the Medicare Open Enrollment Period that runs from October 15 through December 7, you can make changes to your Medicare coverage that will be effective on January 1, 2021. If you're satisfied with your current coverage, you don't need to make changes, but it's a good idea to review your options.

During Open Enrollment, you can:

- Change from Original Medicare (Part A hospital insurance and Part B medical insurance) to a Medicare Advantage plan (Part C), or vice versa
- Switch from one Medicare Advantage plan to another.
- Join a Medicare Prescription Drug Plan (Part D), switch from one Medicare Prescription Drug plan to another, or drop prescription drug coverage.

Medicare Advantage plans are offered by private companies approved by Medicare. They cover all Original Medicare services, and often include Part D coverage and extra benefits.

Review any information you receive from your current Medicare plan. For example, in the fall, your plan will send you an Annual Notice of Change that lists changes to your plan's coverage, costs, or service area that will take effect in January. You will also receive a comprehensive Evidence of Coverage document that includes detailed information on the plan's benefits, how the plan works, and your rights and responsibilities.

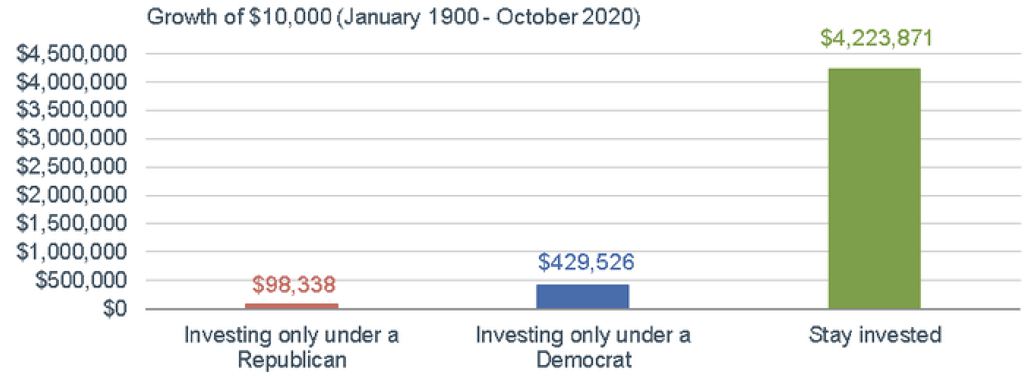
The official government handbook, *Medicare & You,* which is available electronically or through the mail, also contains information about Medicare that may help you determine whether your current coverage is appropriate.

Here are a few points to consider:

- What were your health-care costs during the past year, and what did you spend the most on?
- What services do you need and which health-care providers and pharmacies do you visit?
- How does the cost of your current coverage compare to other options? Consider premiums, deductibles, and other out-of-pocket costs such as copayments or coinsurance; are any of these costs changing?

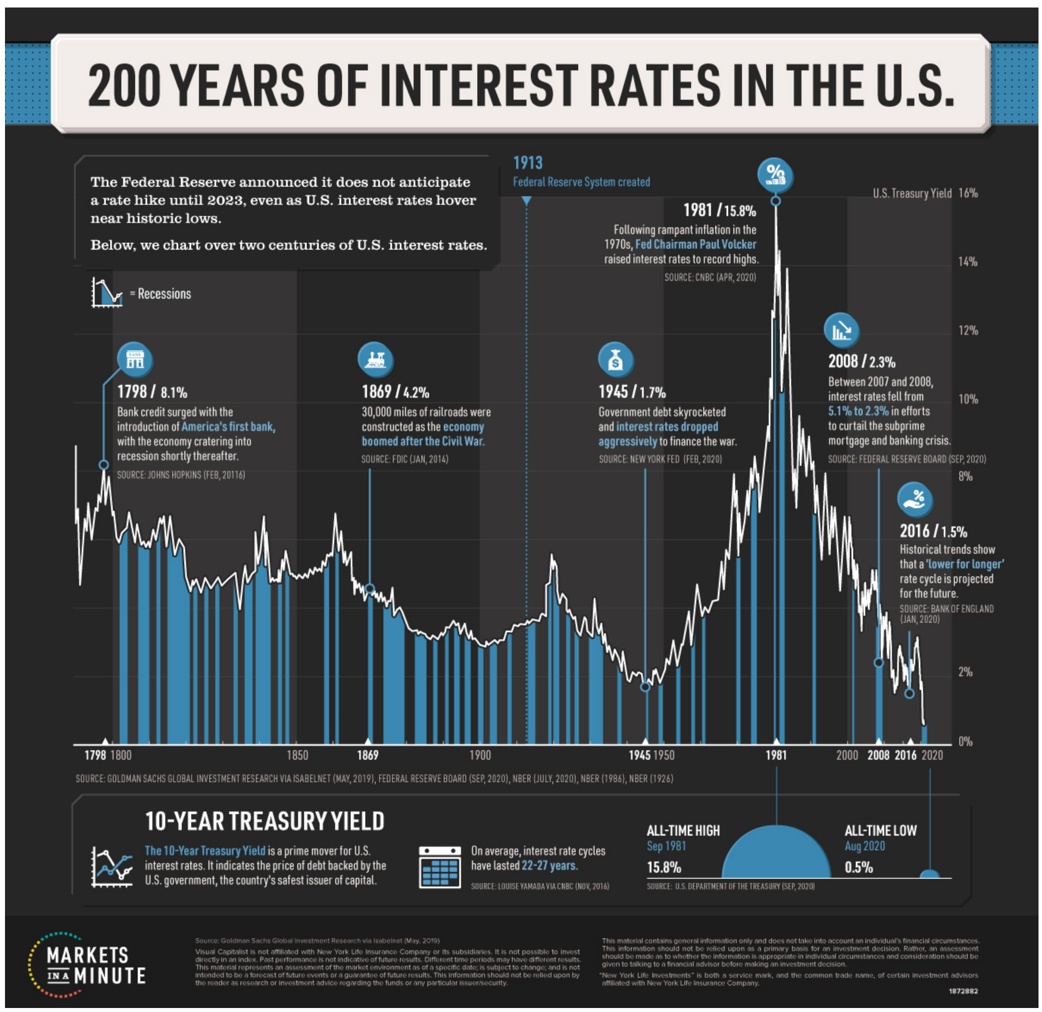
If you're interested in a Medicare Advantage plan or a Medicare Prescription Drug plan, you can use the Medicare Plan Finder at medicare.gov to see which plans are available in your area and check their overall quality rating. To get personalized information, you can log in or create an account (if you have a Medicare Number) to compare your plan to others, and see prescription drug costs.

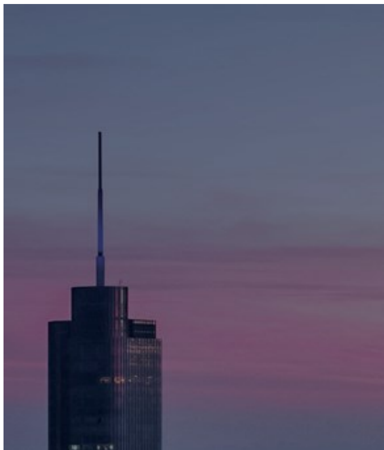
Investing during Republican vs Democratic Presidencies



Source: Charles Schwab, Bloomberg, as of 10/2/2020. For illustrative purposes only. The above chart shows what a hypothetical portfolio value would be if a hypothetical investor invested $10,000 in a portfolio that tracks the Dow Jones Industrial Average on 1/1/1900 under three different scenarios: investing only during Republican presidential administrations; investing only during Democratic presidential administrations; or staying invested in the market throughout the entire period noted. Chart does not reflect effects of fees, expenses or taxes.

200 Years of Interest Rates in the U.S.





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