



ON THE FINANCIAL HORIZON

THE VAUGHN MCLAUGHLIN TEAM

Newsletter for Friends & Clients

FOURTH QUARTER 2020

Our vision...

To be a financial services firm as unique as the people we serve, transforming lives, businesses and communities through the power of personal relationships and professional advice.

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FROM JIM'S DESK: August 27, 2020

To say a lot has happened since our last newsletter is a gross understatement. More about this in a moment. First and foremost, I hope all are well. I can say one of the things I miss the most is seeing and meeting face to face with clients. I miss our team being able to exchange ideas any moment of the day. I miss Wall Street Coffee Club. I remain optimistic all these will return, and I can't wait.

What we don't know is how long we'll have to endure this radical change in our lives. That said, I've never found any great utility in pessimism. Rather, I look for positives each and every day. It takes work and a certain mind set, but I find it much more helpful.

We are fortunate that we have the technology to do everything from home that we can in the office. It's not the same, but it works. My experience during the last six months is I'm talking more frequently to clients, family, and friends. It's so rewarding to hear the outpouring of empathy and compassion from so many.

A few words about the markets. Everyone is aware of the sharp down drafts we experienced in March of this year after setting all time record highs in February. As I write this note, we are setting new all-time highs on the S&P500 and NASDAQ indexes. I have not read that anyone thought this would happen so fast, myself included. Naturally, I have been asked by many how this could happen and is it real? I have read a variety of explanations, but they all have me wanting. That's not all that unusual, though it's more pronounced this time.

Some of the more cogent explanations, in my opinion, are the following: an extraordinarily

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FROM TRACY'S DESK: Cleaning closets

With all the extra time on our hands while staying home during this "Covid period," many of us have been doing the things we tend to put off in busier times. The comment I've heard most is "How many times can I clean the closets?" I have another task for many of you, one that you may have been putting off for too long. Pull out that file that holds your will, or trust and other documents.

How long has it been since you read those papers? Do you recall the difference between a Power of Attorney and a Living Will? Who have you named to handle your affairs when you die, or what if you live and can't manage your assets? Often, individuals think of estate planning as simply signing a will. It takes more, particularly in today's more complex tax and legal environment. Here are some essential items needed to complete a comprehensive estate plan: a will, a revocable living trust if deemed necessary by an estate planning attorney, a durable power of attorney for financial affairs, a durable power of attorney for medical decisions, and/or a living will for end-of-life decisions.

We certainly can't provide a full explanation of all the instruments used in estate planning, but rather, would like to get the conversation started. Many clients acknowledge that they may need to make some updates to their plans as life changes. Perhaps, the child you planned to depend on for some of these responsibilities has moved out of state, or is not in a situation where they have the time and energy to assist. Do you have a charitable organization in your community that has become increasingly important to you and would benefit from receiving a gift at your death? Are beneficiaries listed in your documents and on accounts like IRAs, Transfer and or Pay on death accounts correct?

Now seems like a good time to devote some energy to this important part of your plan. Once you have updated or created your estate plan, congratulate yourself on tackling one of the less pleasant parts of financial planning. The next important step is to communicate critical plan information to those you have charged with carrying out your plan – your fiduciaries. Your selected fiduciary should know they have been named and have the documents or have a way to gain access to those documents. Your selected fiduciary should know the names and contact information for your estate planning attorney, financial advisor, CPA and other key players in your estate plan, including physicians. Last, be sure the selected fiduciary knows where to find the contact information for the loved ones or charitable organizations you include in your estate plan.

Of course, by no means is your family left alone during such a critical time. As clients of ours, we walk your family through the process of effecting the plan when a loved one passes away. We will effectively communicate with your Attorney and CPA to make sure your wishes are carried out, and your legacy is preserved. Now is the time. Don't binge watch another TV show, and turn off the news for now. Read those documents and help your family help you!

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COMMUNITY SPOTLIGHT: Q&A with John Taylor



Position (Years in Position): Retired Cincinnati Police Detective (25 years), National Crime Bureau (five years), City of Dunnellon (nine years), Mayor (nine years), American Legion Post 58 Commander (8 Years), Board of Directors Habitat for Humanity (several years).

Family: Wife Sandra, retired Kentucky State Police (first woman Trooper).

How long have you lived in the area? Lived in and around Dunnellon since 1993.

Hobbies/Interests: Fishing, golf, cooking.

Community Involvement: American Legion, helping Veterans, my church, Habitat for Humanity.

Favorite place you've travelled to? Fiji. **Place you'd still like to visit?** Iceland

Career that interests you besides your own? Professional Travel Agent.

Accomplishments most proud of? My time in law enforcement, helping my fellow Veterans while serving the City of Dunnellon as Mayor, being able to help the citizens of Dunnellon.

How old were you when you became interested in your profession? Fourteen years old.

What do you enjoy most about your charitable organization(s)? Being able to help those in need and victims of crime.

Biggest challenge in your charitable organization(s)? Lack of community involvement.

What do you want to learn more about? Computers.

If you had complete financial security, how would you spend your time? Traveling.

What do you strive for most in life? Give back to my family and community.

What do you try to avoid? Conflicts.

What do you want your legacy to be? How would you like to be remembered? That I made a positive difference and better life for my fellow veterans and family.

What values would you like to pass on? Be kind and enjoy your family and friends.

Information about your profession/charitable organization(s) that community members may not be aware? I still wish we had more respect for our law enforcement, and people should be willing to volunteer to serve, helping those that are less fortunate.

SHOWING SUPPORT FOR VETERANS

If you haven't served in the U.S. military, it may be hard to think about what it's like to fight for the freedom of our country. It might be harder still to think about what you can do to honor the individuals whose legacy of service affords us our freedom. Consider these ways to celebrate all of those who have served, or are serving:

- ◆ Attend an event in your town that offers the chance to clap as our American heroes go by.
- ◆ Write a thank you letter to a veteran that you know, or send a letter of thanks to an organization that will send on your behalf.
- ◆ Fly an American flag to show your support.
- ◆ Ask someone about their service and listen with your full attention.
- ◆ Spend the day with a veteran – national park admission is free for all on Veterans Day.
- ◆ Pay for lunch, a drink or dessert when you see a military person in a restaurant.
- ◆ Talk to your kids, grandkids, great grandkids about Veterans Day.
- ◆ Offer a ride. Many veterans don't have transportation to and from their medical appointments at VA Hospitals– and while there, donate books, movies, or something special.
- ◆ Surprise a veteran by raking his/her leaves, washing their car, or something else. An act of kindness is a great way to show support.

On this Veterans Day, November 11, 2020 we hope you and your loved ones take a moment to reflect on and honor the sacrifice of the few for the needs of many.

FROM NANCI, KRIS & SAVANAH: Longing to Travel? Four options for a socially distant getaway

Many Americans are ready to venture out: Destinations that offer plenty of space to spread out are popular, as well as properties that have ramped up cleanliness standards. Here, we take a look at four ways people are vacationing in 2020.

Go glamping: Glamping is camping's glamorous cousin, appealing to those who have grown accustomed to luxury. We're talking tents, yurts, tree-houses and cabins that come with full en suite bathrooms and other private amenities, usually situated among natural splendor. Keep in mind that most sites offer communal dining only (eating in your tent might attract bears). Companies like Under Canvas – with sites in Montana, South Dakota, Arizona, Tennessee and Utah – and Missouri's Camp Long Creek offer refined outdoor lodging, with plenty of space to roam.

Get R&R in an RV: Business is booming for RV rental companies. RVshare and Outdoorsy both saw bookings increase by upwards of 1,000% in the past couple of months. Whether you rent a towable trailer or a massive motor home, mobile accommodations allow more control over your environment. Some are even equipped with a kitchen. Don't want to cook? Park at a restaurant and get takeout or dine al fresco. Sightseeing stop too crowded for your taste? Simply drive to the next spot.

Book a vacation house: Want to get away from crowds with your friends and family, aka your quarantine crew? Renting an entire vacation house with outdoor amenities like a pool or yard might be the right move. After taking a hit in March and April, rental reservations have rebounded. Airbnb has seen more bookings in May and June than the same period last year, and VRBO and other sites are also seeing a jump, the Los Angeles Times reported. While you won't encounter other guests like you might in a hotel, you also won't have room service, so prepare to cook your own meals (or find a place with lots of take-out restaurants nearby). Also, bring some cleaning products to disinfect door knobs and other frequently touched surfaces upon arrival, just in case.

Head to a hygienic hotel: Say goodbye to "high-touch" valet and bellhop services and hello to an era of contactless check-in at many major hotel chains. For example, Hilton is offering a digital key via its mobile app, as well as ramped up cleaning techniques that include a "seal" to ensure a room hasn't been occupied since it was cleaned. Hotel bookings are on the rise, but in the week ending June 27, U.S. hotel occupancy hovered at 46% – nearly half of what it was in 2019, Statista figures show.

If a staycation at home is all you're up for this summer, that's perfectly OK. You can set up a tent in the backyard, gaze at the stars and dream of a time when travel will be less risky and more convenient. Tips for safe travels

- ◆ Wear a face mask and practice social distancing in public areas.
- ◆ Use an app like Flush to find clean restrooms on a road trip.
- ◆ Minimize contact with door handles and other high-touch surfaces in shared spaces.
- ◆ Wash your hands and use hand sanitizer after spending time in public areas.
- ◆ Consider getting tested for COVID-19 before heading out, especially if visiting someone elderly.
- ◆ If you're driving long distances with young children, consider taking a travel potty.

Sources: Travel + Leisure; Forbes; the Los Angeles Times; CNN; Conde Nast Traveler



FROM AMY'S DESK: 3 Myths About Voting & Volatility

Every four years, the U.S. presidential election brings uncertainty – something the human mind, and markets, tends to dislike. But if you're concerned that the markets will dive or thrive based solely on who is in the oval office, historic trends show that anxiety is unfounded. Through the last century, the long-term performance of the markets has revealed little correlation with government policies, according to an analysis by Raymond James Equity Research. Here, we address three myths surrounding elections and market performance.

Myth #1: *The markets underperform in election years.* In 17 of the past 23 election years, the S&P 500 index has ended in positive territory. When the index ends an election year below its preceding January 1 level, it's usually because of larger forces at play. Examples include the dot-com bust of 2000 and the 2008 financial crisis. Because of this, investors would be wise to think long term. Consider that over the past 75 years, through Democratic and Republican administrations, the S&P 500 has had an average annual return of about 11%, historical records show.

Myth #2: *One party can lay claim to superior economic or financial market performance.* A look at past presidential terms shows that markets (as illustrated by the 11% average annual return of the S&P 500 over the past seven decades) and gross domestic product (GDP) are apolitical and have performed well under both major parties. The growth rate of GDP, one of the most popular indicators of overall economic health in the U.S., has averaged 3% per year from 1948 until present day, according to a Raymond James Investment Strategy analysis. Real GDP decreased 5% on an annualized basis in the first quarter of 2020, and fell a record 32.9% annualized rate in the second quarter due to the COVID-19 crisis. Putting these past two quarters aside, one of the most striking features of the U.S. economy in modern times is its sustained growth over time.

In addition to the pattern of apolitical growth, there is the fact that the U.S. president has only indirect influence over the economy – by design. This is in part because of the separation of powers outlined in the Constitution. Though the executive branch does wield a great deal of power, the checks and balances of American government mean that the credit – and blame – cannot be neatly traced back to a single leader or party. One must also consider the power of the U.S. Federal Reserve (the Fed), the nation's central bank. The president doesn't control monetary policy or interest rates, but the Fed does. It can lower interest rates to encourage borrowing or raise rates to curtail inflation. The Fed usually is averse to changing rates in election years, but it will continue to monitor and respond to the state of the economy regardless.

While there are limits to a president or party's influence over the economy or the markets, historically, the three months leading up to the presidential election for the equity market has predicted the eventual winner. The S&P 500 trending upward correlates with an incumbent president (or the president's party) performing well at the polls. The reverse is also true.

Myth #3: *U.S. stock markets are weakest in the year after the election of a new president.* This is also known as the Presidential Election Cycle Theory, put forth by Stock Trader's Almanac founder Yale Hirsch. While it's more a theory than a myth, it's worth noting because it tends to be cited during an election year as a way for investors to "time the market."

According to the theory, the first two years of a presidential term tend to produce below-average returns, while the last two years are well above-average. Theorists say this is because presidents often focus on bolstering the economy late in their term to boost their chances of re-election, or in the case of a second-term president, boost their party's chances of maintaining control of the White House. While the data shows a correlation between the election cycle itself and market performance, that doesn't mean there is causation. Another issue is that many analysts argue the sample size isn't large enough to draw a definitive conclusion.

Volatility is a reality: There is often a bit of turbulence as Election Day draws nearer, and considering the twists and turns of 2020 so far, volatility may be higher. The fallout from the COVID-19 pandemic, U.S.-China trade negotiations, U.S.-Iran geopolitical tensions and social unrest are just a few of the events influencing the current environment. The bottom line is that market volatility is likely to increase surrounding the election no matter which political party wins, with growth anticipated over the long term – again no matter which political party is in power. Investors would be prudent to avoid hasty investment decisions based on an election outcome alone. Looking at historical data, staying the course has been the soundest approach.

Next steps: If headlines or market fluctuations have you worried about your financial plan, remain focused on the bigger picture and consider connecting with us before taking action. We can help explain how your portfolio is uniquely suited to your risk tolerance and long-term goals and run stress tests to simulate how your plan would perform under different market and economic conditions. Leveraging short-term, election-related volatility to add to favored positions could also be an option for your financial plan.

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JIM'S DESK: *continued*

accommodative Federal Reserve, a monetary policy that has infused trillions of dollars into the economy with more predicted to come and perhaps the most compelling which recognizes the aforementioned- the market is judged to be weighing where we will be six to nine months from now. Clearly at this point in time, the market is optimistic as to the future. Is it right? Well, it's not perfect but over time, its predictive record has been better than almost all individuals, which is indeed its value. Betting against the market has not been a winning strategy in the long term.

This is where we are. Here are a few observations and opinions of my own about the future. When we look back at the leaders of this amazing comeback of the equities markets, it's technology, including biotech especially in healthcare. Even pre-pandemic, I believed we are on the cusp of another game changing revolution on the order of the Industrial Revolution. We've talked about this often over the last few years at the Wall Street Coffee Club.

The signs of a major revolution have been sprinkled around us for several years. We talk about Artificial Intelligence (AI), about Big Data, and mind boggling genetic engineering research. It is really a monumental challenge to fathom what all this means, much less how it will impact our lives. If this is right, we may experience what the horse and buggy did around the Industrial Revolution and automobiles. While it's hard to see how this will directly affect our everyday lives, it will in so many ways. It could also promote a global potential for staggering growth and prosperity. If managed properly, so many more people could have increasingly better lives.

This revolution will drive all kinds of opportunity and ultimately be reflected in markets on a scale that is hard to overestimate. To repeat, it will have to be managed properly, which is no small need. The potential is there and if history rhymes, I think there is room for optimism, a very good thing in these times we find ourselves today. Can't wait to see people in person!

As an addendum to this longer-term optimism, I think is also very important to recognize that in the shorter term, there are still significant headwinds. Given what we've already been through and what we're still dealing with, no one should be surprised if we see the markets react in a way that gives us another pullback. This often happens before any big run up off a bottom. To expect that is prudent. The key is not to panic; this is the case more often than not. These kind of pullbacks are healthy and a check on unbridled enthusiasm. Those that know this are forearmed and the investors who win the long term and accomplish their goals!





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SAVE the DATE



We are relaunching our Wall Street Coffee Club meetings on first Thursdays at the YMCA in Lecanto. Attendees enjoy roundtable discussions on the economy, investing, and other financial planning topics. To comply with COVID guidelines, attendees are required to practice social distancing and wear a mask. You must RSVP if you would like to attend; we will only be accepting a limited number of guests. To accommodate more attendees, we will be hosting two sessions each first Thursday— one from 10:00-11:00am and one from 11:30am-12:30pm. Attendees are asked to wait in their cars or outside until the start of their session. The room will be cleaned and disinfected before and after each session. We also cannot serve coffee and snacks at this time (you can bring your own if you like). A Dunnellon coffee club is not scheduled at this time. For questions or to RSVP, call or e-mail Amy Barbieri. Ph: 352.795.6155 or 800.443.4368 toll free e: amy.barbieri@raymondjames.com

October 30: Citrus County Parks & Recreation will present a Halloween season *Drive-In Movie in the Park*. Costume parade begins at 6:15pm, movie (*Hocus Pocus*) begins at sundown. Homosassa Area Recreation Park Soccer Field Parking Lot, 4210 S Grand March Ave, Homosassa, FL.

November 5: *Wall Street Coffee Club*, 10:00-11:00am & 11:30am-12:30pm, Citrus County YMCA, Lecanto.

November 5: *Market Update Webinar*, 4:15pm ET. Join Chief Investment Office Larry Adam & other Raymond James investment thought leaders for an in-depth look at the underlying trends & factors driving market performance, as well as outlooks on major asset classes & portfolio positioning. Stream the webinar 4:15pm or access a recording afterwards at: www.raymondjames.com/investment-strategy-client-call (phone dial-in option also available).

November 7-8: *Festival of the Arts*, 9:00am-5:00pm on Saturday & 9:00am-4:00pm on Sunday. Depot Pavilion, Inverness.

November 11: Happy *Veteran's Day* to all our veterans. Thank you for your service. See Page 2 for Q&A with veteran John Taylor.

November 20: *Foundation Fest* featuring live music & huge silent auction to benefit the Citrus County Education Foundation, 6:00pm. Multiple Citrus County locations, plus online access for those preferring to watch & bid at home. Learn more at citruseducation.org.


November 26: The office & markets will be closed in observance of *Thanksgiving* & will close early (1:00pm) on November 27.

December 3: *Wall Street Coffee Club*, 10:00-11:00am & 11:30am-12:30pm, Citrus County YMCA, Lecanto.

December 5 & 12: *Crystal River Christmas Parade*, 6:00pm, Highway 19, Crystal River. *Inverness Christmas Parade*, 12:00pm, Downtown Inverness.

December 25: The office and markets will be closed in observance of *Christmas* and will close early (1:00pm) on December 24.

Date TBD: Tracy Vaughn becomes Tracy Alm! Congratulations Tracy on your recent engagement!

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