

Quarterly Investment Trends

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IMPORTANT DATES:

*Labor Day
(09-04-2023)
Federal Holiday/Banks & Office Closed

*Columbus Day
(10-09-2023)
Federal Holiday/Banks Closed

S & P 500

One of the widely followed equity indices is the S&P 500. The Standard and Poor's 500, or simply the S&P 500, is a stock market index which tracks the stock performance of 500 of the largest companies listed on stock exchanges in the United States. ¹

Since the first of the year the S&P 500 is up about 15% (cnbc.com 07/11/23) But if you only looked at the combined performance of 493 of the stocks that make up the S&P 500, the market would be about flat for the entire year. That means just seven companies have been responsible for almost all of this year's gains.

Those companies are Amazon, Apple, Google, Beta, Microsoft, Nvidia, and Tesla. Combined, the seven mega stocks are up over 50% this year alone. ²

So unless your portfolio is comprised of those seven stocks, it is quite likely your returns are more reflective of the Dow Jones industrial average which is up only 3% this year. (cnbc.com 07/11/23)

THE 60/40 PORTFOLIO

Is a 60% stock/40% bond portfolio still a viable option for conservative investors? It is a good question since the typical 60% stock/40% bond portfolio declined about 16% in 2022—a painful period for balanced investors that has raised doubts about the viability of this strategy. But it helps to put this in perspective: The annualized return for the 10 years through 2022 was 6.1% for a globally diversified 60/40 portfolio.

Historically, if stocks go down bonds go up. If bonds go up, stocks go down. Not so in 2022, According to the Barclay's U.S. Aggregate Bond Index, 2022 was the worst year since they started recording in 1976 for bonds. In fact, since 1976, we have only had 5 negative years in the bond market. Last year, 2022, was historically bad – down 13%. Meanwhile, all three major averages of the stock market fell, clocking their worst year since 2008. The Dow lost 9%, the S&P 500 20% and the NASDAQ 33% ³

There is no doubt investor's attitudes have dramatically shifted following the difficulties of 2022, in which the traditional 60/40 approach to asset allocation failed. Global Atlantic conducted a 2023 Retirement Insights Survey of investors age 55 – 75 with \$250,000-\$1 million in investable assets who currently work with an investment professional.

The survey revealed that 6 of 10 investors experienced a decline in their portfolios in 2022. Of those, almost half experience a decline greater than 10%. 92% of investors are concerned about volatility, recession or high interest rates.

This certainly resonates with the discussions we have had with many of you. We have dramatically reduced our bond exposure, favoring CDs over bonds as those rates have approached and exceeded 5%.

Respondents to the survey said their top priority is creating a retirement income plan that provides lifetime income and 86% said protecting their investments from downside risk is important.

A good retirement income strategy encompasses a discussion and an allocation conversation that includes dividend paying stocks as well as growth stocks, bonds, CDs, and products that provide a lifetime income such as pensions and annuities.

Contact us for a further discussion of how your portfolio is allocated and if it is right for you.



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SENIOR SECURITY ACT - GOVERNMENT/LEGISLATIVE UPDATE ⁴

Senior scams cost older Americans more than \$36 billion a year, often hitting their retirement nest eggs. Senior scams have more than doubled since 2020. Unfortunately, only 1 in every 42 cases of elder exploitations are actually reported to authorities.

U.S. Congressman Josh Gottheimer's bipartisan Senior Security Act unanimously passed the House of Representatives. Gottheimer's legislation will help stop financial predators from scamming seniors out of their savings by creating a federal Senior Investor Task Force within the Securities and Exchange Commission (SEC) to strengthen protections and safeguards for senior investors.

Companion bipartisan legislation has been introduced in the U.S. Senate by Senators Kyrsten Sinema (I-AZ) and Susan Collins (R-ME).

The bipartisan Senior Security Act will establish the Senior Investor Taskforce at the SEC, which will:

- Identify challenges that senior investors encounter, including problems associated with financial exploitation and cognitive decline;
- Identify areas in which senior investors would benefit from changes at the Commission or the rules of self-regulatory organizations;
- Coordinate, as appropriate, with other offices within the Commission and other taskforces that may be established within the Commission, self-regulatory organizations, and the Elder Justice Coordinating Council; and
- Consult, as appropriate, with state securities and law enforcement authorities, state insurance regulators, and other federal agencies.

ARTIFICIAL INTELLIGENCE (AI) – SCAM CALLS ⁵

Scams targeting senior adults have become more and more frequent. Some of our clients have experienced scams firsthand. The scammers have become more and more sophisticated and use all types of new technology, including artificial intelligence. They obtain personal information by mining social media or purchasing data on the Dark Web. They call grandparents and create scenarios that are frightening. The scammer often impersonates a grandchild or close relative who is in a crisis situation, like an arrest, and ask for immediate financial assistance. They can make the caller ID appear to be coming from law enforcement or a law firm.

Artificial Intelligence technology has elevated the grandparent scam to a whole other level. The caller can now "mimic voices, convincing seniors of their loved ones are in distress," according to a recent Washington Post article. Scammers can replicate a voice from just a short audio sample and then use AI tools to hold a conversation in that voice, which "speaks" whatever the imposter types.

According to Blackbird, "audio transcription via artificial intelligence has become almost impossible to distinguish from a human voice, allows ill-intentioned people, to obtain information from victims in a more effective manner than they were previously able to."

Before falling prey to one of these scams, call someone you trust, a child, a friend, your banker, call Brandy or me to help determine if your loved one really needs help.

UNFORGIVEN: SUPREME COURT DENIES STUDENT LOAN FORGIVENESS ⁶

On June 30, in a 6 – 3 decision, the US Supreme Court struck down President Joe Biden's controversial student loan forgiveness program. Therefore, the plan will not be able to wipe out roughly \$430 billion of federal student loan debt for close to 40 million Americans. The Biden Administration had argued it had the right to cancel the loan debt as part of its emergency response to the Covid 19 pandemic and under a 2003 law called the HEROES ACT, which was passed during the Iraq war.

The court's conservative justices said that only Congress could authorize such a large scale cancellation of government provided loans and it had not done so.

"The authority to modify statutes and regulations allows the Secretary of Education to make modest adjustments and additions to existing regulations, not transform them," said Chief Justice John Roberts.

Continued:

It was estimated that the Biden plan, if allowed, would have completely erased the student loan debt of about 20 million Americans while lowering the balances of close to another 20 million who qualify for the struck down relief.

Laurel Taylor, Founder of student debt solutions provider says “the good news is that there are powerful forgiveness programs already available, including income driven repayment plans and Public Service Loan Forgiveness.”

She recommends borrowers look at other ways to lessen their student loan burden, like enrolling in an income driven repayment plan or exploring Public Service Loan Forgiveness.

Beginning in 2024, the Secure Act 2.0 act allows employers to make matching contributions to retirement plans based on employees qualified student loan payments.

According to *Forbes Advisor* the federal student loan portfolio currently totals more than \$1.6 trillion, owed by about 43 million borrowers the average balance of a federal student loan is \$35,210.

The recent bill passed by Congress and signed into law by President Biden to raise the debt ceiling included a provision that forces the resumption of federal student loan payments starting in October and removes the possibility of Biden ordering yet another extension.

Student Loan Debt Impacts Retirement Savings

College graduates with student loan debt have a startling 50% less in retirement savings by age 30 compared college graduates without student loan debt. Those with debt have much lower 401(k) assets by age 30 than those without debt, a 2018 report by the Boston College Center for Retirement Research states.

Biden Announces Alternatives

President Biden detailed the next steps in remarks delivered at the White House where he was joined by Education Secretary Miguel Cardona. According to a White House Fact Sheet those two steps are:

1. The Secretary of Education initiated a rulemaking process aimed at opening an alternative path debt relief were as many working and middle-class borrows as possible, using the Secretary’s authority under the Higher Education Act.
2. The Department of Education finalize the most affordable route repayment plan ever created, ensuring that borrowers will be able to take advantage of this plan this summer – before loan payments are due. Many borrowers will not have to make monthly payments under this plan. Those that do will save more than \$1000 a year.

The department is also instituting a 12 month “on-ramp” close quotes to repayment, which runs from October 1, 2023 to September 30, 2024 so that financially vulnerable borrowers who miss monthly payments during this period are not considered delinquent, reported to credit bureaus, placed in default or referred to collection agencies.

1. Wikipedia
2. Market Minutes June 14, 2023
3. <https://www.cnn.com/2022/12/30/investing/dow-stock-market-2022/index>
4. <https://gottheimer.house.gov/posts>
5. Eversafe Newsletter – June 2023
6. 401(k) Specialist June 30, 2023

Stock Index Performance

DOW JONES

<u>YTD</u>	<u>2022</u>	<u>5yr</u>
2.94%	-6.86%	8.98%

S&P 500

<u>YTD</u>	<u>2022</u>	<u>5yr</u>
15.58%	-18.13%	11.86%

NASDAQ 100

<u>YTD</u>	<u>2022</u>	<u>5yr</u>
38.08%	-32.38%	16.87%

Source: Bloomberg. Returns are total returns. 5-yr. return is an average annual. One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 07/07/23. An index cannot be purchased directly by investors. Past performance is no guarantee of future results.

Bond Index Performance

U.S. Treasury: Intermediate

<u>YTD</u>	<u>2022</u>	<u>5yr</u>
0.42%	-7.77%	0.67%

U.S. Corporate High Yield

<u>YTD</u>	<u>2022</u>	<u>5yr</u>
4.74%	-11.19%	3.23%

Municipal Bond: Long Bond (22+)

<u>YTD</u>	<u>2022</u>	<u>5yr</u>
4.31%	-15.58%	1.41%

Source: Bloomberg Barclays. Returns are total returns. 5-yr. return is an average annual. One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 07/07/23. An index cannot be purchased directly by investors. Past performance is no guarantee of future results.

*The time is
always right to
do what is
right.*

*-Martin Luther
King Jr.*

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CD Rates

3month CD**5.25%****6month CD****5.30%****1year CD****5.30%**

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