JEMMA
FINANCIAL SERVICES

FINANCIAL WISDOM

Fall 2020

A FOCUS ON WHAT'S MOST IMPORTANT TO YOU

To say the year 2020 has been an eventful one is an understatement. Few would have predicted the number of surprising and unexpected events that took place. For many, 2021 will be a welcomed turning of the calendar.

As we enter the last quarter of the year and start planning for the upcoming holiday season, we hope you and your families have the opportunity to enjoy each other's company and focus on what is most important to you. With November now upon us and Thanksgiving just weeks away, we wish you a joyous holiday season and continued good health in 2021.

As always, at Jemma Financial, we are honored to play a role in helping you achieve a secure financial future.

MARKET UPDATE

(Performance as of September 30, 2020)

	YTD	1 Year	3 Year*	5 Year*
Dow Jones	-0.91%	5.70%	9.98%	14.02%
S&P 500	5.57	15.15	12.28	14.15
Nasdaq	25.33	40.96	21.05	20.63

**Average annual return.*
Past performance is no guarantee of future results.
Source: Morningstar.

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INVESTMENT CORNER: A RECORD RECOVERY

Over the third quarter, the S&P 500 Index, an index of the 500 most valuable companies in America, rose 8.9%. In the first two months of the quarter, July and August, the S&P 500 climbed nearly 14%, rising every day in August but four days. By August, the S&P 500 had experienced its most robust rally in more than 80 years. Stocks took only 126 days to go from a record high on February 19, 2020, to a new record high on August 18, 2020.[1]

S&P 500's Fastest Recoveries Following a Bear Market

\# of Trading Days from Record High to New Record

February 2020 - August 2020	**126**
February 1966 - May 1967	310
December 1961 - September 1963	434
August 1987 - July 1989	485

Source: The Wall Street Journal.

Following August's unprecedented climb, the market fell 3.8% in September, the worst month for the S&P 500 since 2011.

While September has historically been the worst-performing month of the year for U.S. stocks, it is important to remember that declines or pullbacks in stock prices are normal in any bull market and frequently occur. For the past 50 years, a 5% drop in the market has typically occurred at least once every year.

The Market's Few Winners

Looking over the first nine months of 2020, the market remained positive with the S&P 500 gaining 5.6% through September. Returns are more dramatic if you consider that since its low on March 23, 2020, the S&P 500 has increased approximately 47%.

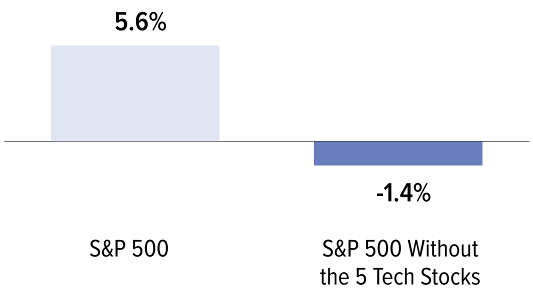
Yet, the rebound was not enjoyed by all companies. The market highs reached this year are primarily the result of strong performance by a limited number of companies. In fact, five large-cap growth tech stocks grew significantly in value. Alphabet A shares

(continued)

(+9.4%), Amazon (+70.4%), Apple (+58.6%), Facebook (+27.6%), and Microsoft (+34.3%) appreciated substantially and accounted for the difference between the S&P 500 posting a gain rather than a loss for the nine-month period. Without these five industry giants, the 495 remaining companies in the S&P 500 would have collectively declined 1.4%.[2]

Few Tech Stocks Drove 2020 Returns

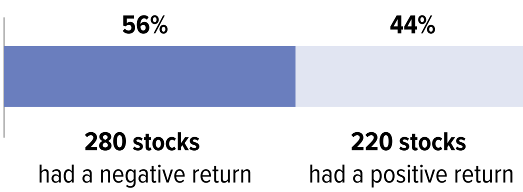
Year-to-Date S&P 500 Returns



Source: Morningstar.

Every year the market will have its winners and losers, and the same is true in 2020. Through September 30, 56% of all companies in the S&P 500 had negative performance—that means approximately 280 stocks actually fell in value over 2020.

S&P 500 YTD Winners and Losers



This fact doesn't mean that investors should avoid the stock market; rather we believe it exemplifies the importance of including many different types of stocks, both U.S. and international holdings, in an investor's portfolio.

The goal of diversification is to lower the risk and improve your returns in your overall portfolio by investing in different types of assets, such as stocks and bonds, that are more likely to have different risk and return profiles. Because it is impossible to predict which stock or segment of the market will do well over any short period, by investing in a number of different asset classes, you have the opportunity to offset negative returns with positive performers in an overall portfolio over time.

Looking Ahead

As we progress into the fourth quarter, many investors may turn their focus to Capitol Hill with a potential coronavirus stimulus package in the making and analyzing the impact of the presidential election outcome. While markets may include short-term volatility and headline noise, we encourage our clients to focus on saving and investing toward their long-term goals.

SHOULD YOU INVEST IN THAT HOT IPO?

Initial public offerings (IPOs) have gained a lot of publicity recently. Many investors have been focused on the news of certain companies, such as Uber, Snapchat, Pinterest, Peloton, Zoom, and Lyft, going public.

IPOs may generate excitement but not necessarily wealth for investors. Of 3,700 U.S. IPOs since the late 1980s, more than 50% of the stocks lost almost a third of their value from the closing price on the day of the IPO to three years later.[3]

If you're thinking about buying shares of a new public company, here are a few considerations.

- Individual investors rarely gain access to a stock at its IPO price, which can be lower than where the stock ends up trading in the first few days.
- A new public stock may significantly increase the risk profile of your overall portfolio.
- Timing of the purchase is important, as new stocks can experience a high degree of volatility.

At Jemma Financial, we encourage our clients to keep in mind their long-term goals with any investment and consider the benefits of a diversified portfolio.

SURVIVING THE "MOVE BACK HOME"

Fewer young adults are living independently these days. According to a 2020 Pew Research survey, over 50% of young adults aged 18 to 34, or more than 26 million young adults nationwide, reported living with at least one parent or close relative. This sharp uptick in 2020 has surpassed the record 48% reached during the Great Depression.

Statistics show an increase across all ethnicities, geographic regions, and for both men and women, making it a national phenomenon.

Why the Increase?

The trend of young adults moving back home is not a recent one, as growth in new household formation has trailed the overall population growth for the last few years. Young adults are increasingly responding to financial challenges by moving in with roommates or family members until they feel financially established enough to strike out on their own.

However, the coronavirus pandemic has caused a surge in young adults returning home. Nearly 1 out of 10 said they either temporarily or permanently relocated due to the outbreak, with 23% citing closing college campuses and 18% responding that they had either lost their job or suffered financial hardship due to the pandemic. Among 16 to 24-year-olds, the percentage of those neither enrolled in school nor employed more than doubled from 11% in February to 28% in June, a sign that the exodus of young adults out of major metropolitan areas and into their parents' home has shown little sign of slowing.[4]

What kinds of financial challenges have spurred this reverse migration? Respondents of a 2014 Fannie Mae national housing survey indicated that a majority of adult children who are between 23 and 34 are living with their parents because they:

1. **Do not earn enough money to confidently meet anticipated expenses**
2. **Are not married yet**
3. **Are saving money for the future**

It's likely that student debt has many young adults feeling overwhelmed. In fact, the 2020 graduate's average student debt is $32,731.[5] Debt's crushing weight can make independence—let alone saving and investing—seemingly impossible.

If you are a parent or young adult in this situation, here are some financial tips from Jemma Financial:

For Parents Providing Financial Support

Many parents need to make adjustments when adult children move back home. Whether it's making room for them in the house or providing financial support, the move should be a short-term situation. The ultimate goal is to help them be independent. Consider setting a deadline for them to stay, such as when they pay off student loans or a few months after they find their first job. Since they are not guests in your home, it helps to be clear on your expectations about what you will pay for and how they will help around the house. In the meantime, encourage your adult child to create a solid financial base and develop a pattern of saving.

For Young Adults Moving Back Home

Often living at home is a good way to reduce living expenses, such as utilities, food and transportation. During this time, make a plan and prioritize expenses. Ideally, put a goal in writing to make something that seems in the distant future an actual reality.

To help meet your goals, figure out ways to maximize your savings. Brew coffee at home instead of heading to the coffee shop. Cook and eat more meals at home. Then take that extra cash and invest in an appropriate investment based on your goals, risk tolerance and time horizon. You can even have that extra cash directly deposited from your savings account to a separate investment or IRA retirement account. You may be surprised how quickly it adds up!

FINANCES CHANGED SINCE COVID-19? HERE'S HOW JEMMA CAN HELP.

COVID-19 has affected how Americans plan and save for retirement. According to a recent survey, over 25% responded that they have decreased or stopped contributing to their retirement savings since the onset of the pandemic.[6] Many cited a loss of employment, reduced hours, or general economic uncertainty as the reasons for the reduction.

In another survey by the Federal Reserve Bank of St. Louis, 61% of respondents anticipated running out of their emergency savings by the end of 2020, including 19% who reported having spent more than $5,000 and 16% who have already exhausted their savings.

While everyone's financial situation is unique, here's how Jemma Financial can help.

Working?

If you are working, the pandemic serves as a reminder to review your financial situation. Work with your Jemma Financial Advisor to make sure you have an emergency fund or adequate liquidity to cover a minimum of three to six months of expenses. Revisit your expenses—not only major ones such as your mortgage or rent—but also small bills that eat away at your savings. Revisit your long-term investment goals to maintain, or even increase, your contributions to your retirement account or non-retirement investment accounts.

Lost Work or Income?

If you or your significant other has lost work or income, your Jemma Financial Advisor can work with you to help you avoid withdrawing money from a retirement account. When it comes to debt, prioritize paying down high-interest debt, refinance, or negotiate with mortgage lenders or credit card companies to reduce or postpone any owed payments. On the expense side, look for ways to reduce your spending. If possible, even saving or investing 1% of your income is better than foregoing it completely.

Retired?

If you are already retired, your Jemma Financial Advisor can review how your retirement income from Social Security, investment accounts and IRAs match up against current expenses. If you can comfortably pay your bills, there may be no need to significantly adjust your habits and spending. In addition to establishing an emergency fund or strategy for funding for three to six months' worth of expenses, you may need to revisit your investment portfolio to make sure your investment goals stay on track.

When it comes to money, avoid making emotionally driven decisions. Regardless your situation, it is often beneficial to discuss with your Jemma Financial Advisor how the pandemic has changed—or not changed—your finances and keep your long-term investment plan on track.

1. The Wall Street Journal and Morningstar. 2. Morningstar. 3. Financial Times. 4. Pew Research Center. 5. Forbes.com. 6. Financebuzz.com.

DID YOU KNOW?

What are the odds the market will be positive from year to year? Looking at the past 4 decades, in 8 out of 10 years, the S&P 500 Index has posted a positive return.

Source: Morningstar.