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FINANCIAL WISDOM
Winter 2021

YOUR FINANCIAL WELL-BEING: A YEAR-ROUND GOAL

While January is National Financial Wellness Month, Jemma Financial wants you to better understand issues that impact your financial well-being all year long. Whether it is contributing to your 401(k) account, starting a regular investment savings program or enhancing your understanding of the financial markets, we want you to stay on the path of meeting your investment goals.

Given the challenges in 2020, we acknowledge that many families' finances may have changed since the pandemic began. With that in mind, we recap the markets' 2020 activity, highlighting the importance of diversification within a portfolio.

In addition, we explore the challenges faced by caregivers and how to have difficult conversations with aging parents and relatives.

Here's to a safe, happy and prosperous 2021.

MARKET UPDATE
(Performance as of December 31, 2020)

	1 Year	3 Year*	5 Year*
Dow Jones	9.72%	9.90%	14.65%
S&P 500	18.40	14.18	15.22
Nasdaq	44.92	24.39	22.12

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

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INVESTMENT CORNER: A ROLLER COASTER OF A YEAR

Market swings and roller-coaster performance in 2020 tested the mettle of even the most seasoned investor. At the beginning of the year, the U.S. economy had started on strong footing with a low unemployment rate, low inflation, and many companies growing at a healthy pace.

The world changed with the outbreak of the COVID-19 pandemic. The S&P 500 Index plunged 30% from its record high on February 19th to its low on March 23rd. Unemployment spiked to nearly 15% – the highest rate since 1948.[1]

Emotions aside, history tells us that following market declines, rebounds occur more quickly than anticipated. This was certainly the case last year. Since the March 2020 low, stocks experienced a record rebound. In fact, from its low in March through the end of 2020, the S&P 500 climbed 65%.[2]

However, not all stocks recovered equally. Looking across all 11 sectors in the S&P 500, four sectors outperformed the overall Index: Information Technology stocks rose significantly, more than doubling the S&P 500's return of approximately 18%. Tech stocks such as Amazon, Apple and Netflix were the best performers among the FAANG stocks (Facebook, Apple, Amazon, Netflix, Google). Consumer Discretionary, Communication Services, and Materials sectors also saw significant increases and outperformed the Index.

2020 Performance of the S&P 500 Sectors

Information Technology	43.89%
Consumer Discretionary	33.30
Communication Services	23.61
Materials	20.73
S&P 500 Index	**18.40**
Health Care	13.45
Industrials	11.06
Consumer Staples	10.75
Utilities	0.48
Financials	-1.69
Real Estate	-2.17
Energy	-33.68

Source: Morningstar, 12/31/20.

(continued)

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Energy stocks suffered, with the sector losing nearly 34% in 2020 as global demand fell and oil prices dropped. Companies in the Real Estate and Financials sectors also experienced a modest loss for the year.[3]

The Market's Strong Finish

In November, Pfizer, Moderna and AstraZeneca announced the COVID-19 vaccine's progress, and although mass distribution of these vaccines may not happen until well into 2021, the markets cheered the news as it signaled progress in combating the virus and provided the catalyst for an improved economy and a return to normalcy.

As a result of the positive news, the markets achieved several new records: The Dow Jones Industrial Average had its best month since 1987 and crossed 30,000 for the first time in November.[4] The S&P 500 and the Nasdaq Composite Indices also rose to record levels during November. The small-cap Russell 2000 Index also experienced its strongest quarterly gain on record in the fourth quarter of 2020.[5]

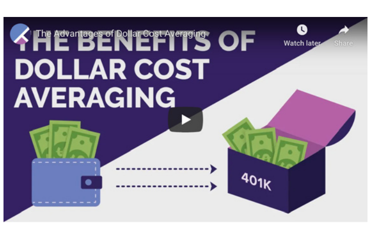
Though not record-breaking, international stocks, as measured by the MSCI EAFE Index, rose nearly 8% during the year.

Investing in 2021 and Beyond

As we begin a new year, we want to emphasize the importance of remaining patient and keeping a long-term perspective. Markets will change based on economic conditions but maintaining a diversified portfolio that includes domestic and international equities, as well as fixed income, can help weather negative periods and build wealth over time.

It's best to stay focused on what you can control and remember your goals when planning for the future.

Watch now: An easy-to-implement concept that takes the emotion out of investing.



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WHY INTERNATIONAL COMPANIES DESERVE A PLACE IN YOUR PORTFOLIO

Many U.S. investors tend to hold primarily U.S.-based companies in their portfolio. This home-country bias could be causing some investors to miss out on the potential opportunities of international stocks.

✓ Access to Growth Outside the U.S.

Many developing countries, such as India and Brazil, have less mature markets compared to the U.S. but have implemented policies that promote economic growth. These policies encourage companies to expand their business, invent new products, sell more goods and hire workers. In addition, many emerging economies have large populations of young consumers experiencing rising wealth.

Gain access to this potential growth with an allocation to international companies in these faster-growing economies.

✓ Increased Diversification

It's generally not wise to put all your investment eggs in one basket. Many asset allocation studies have found diversified portfolios comprised of U.S. and non-U.S. investments have historically enhanced a portfolio's return over time and reduced overall risk. Compared to U.S. stocks, the performance of international companies can move in different directions or to different degrees, thereby smoothing the portfolio's overall returns over time.

✓ Attractive Risk and Return Characteristics

Due to the differences in performance between U.S. and international stocks, an overall portfolio that includes domestic and foreign companies could achieve similar returns as those offered by U.S. stocks but with potentially less risk.

The diversified portfolio may also achieve increased returns with the same amount of risk as a portfolio made of primarily U.S. stocks.

HOW TO HAVE DIFFICULT FINANCIAL CONVERSATIONS WITH AGING PARENTS OR RELATIVES

According to a survey, almost 3 out of 4 adults have not had a detailed conversation with their aging parents about their finances.[6] It's a sensitive subject, and nearly two-thirds of those who have discussed it admitted that the conversation only took place in the wake of a critical emergency or health crisis.

Despite being uncomfortable, it is important to have these conversations with aging parents and relatives to protect family assets, avoid possible administrative complications, and collect documentation.

Here are some tips to start the conversation:

1. Plan an Appropriate Time and Place

Start the conversation when everyone is comfortable. Find a neutral place to take some of the tension away and avoid distractions such as children or pets to help focus everyone's attention. If your parents or relatives have health issues or are showing signs of dementia, it might be better to schedule a time when they are likely to be in a better mood or have more energy.

2. Decide in Advance How to Open the Discussion

If you have a good relationship with your relative, it might be best to go with a direct approach and let them know you would like to gather information for your peace of mind. If they seem reluctant to talk about money, consider asking for help on your own financial matters. By feeling that they are giving advice, it allows your parent or relative to open up about their own experience or plans for the future.

3. Remain Calm and Respectful

You are more likely to have success if you are talking with them, rather than at them. Be sensitive to their concerns about maintaining their independence and try to understand their situation from their point of view. Monitor their body language for signs that they are getting tired or frustrated. It can be better to stop the conversation or change the subject than to turn it into a counterproductive disagreement.

4. Progress May Take Several Attempts

If the first conversation is not productive, schedule another time to continue the discussion. It is important to not come across as pushy and press them to reveal more than they feel comfortable discussing. They may not have all the answers or have not started planning for such events, which could be frustrating or emotional to discuss. Rather than view the discussion as a one-time event, consider it as a progression of conversations.

Let Jemma Financial be part of the process. As your Financial Advisor, we are here to help provide guidance. Speak with your Jemma Advisor before you have the conversation. We are here every step of the way to help you execute this difficult discussion.

DID YOU KNOW?

About 53 million Americans currently provide unpaid care to an adult or child with health or functional needs – that's 1 out of every 6 people.[7]

While providing care for a loved one can be personally gratifying, the change in circumstances can create significant financial challenges. Nearly 50% of caregivers reported experiencing at least one negative financial impact since becoming a caregiver. Approximately 3 out of 10 caregivers have stopped depositing money into their savings accounts, 25% have taken on more debt, and 1 in 5 reported having unpaid or late bills.

If you are a caregiver or know someone who is, Jemma Financial has experienced Financial Advisors who can help create a plan that incorporates this special situation.

Read more about the financial challenges of unpaid caregivers

Hover your smartphone camera here.

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CONTRIBUTION LIMITS REMAIN UNCHANGED

With the start of a new year, you may be preparing your taxes for the upcoming April 15th filing deadline. It's also an opportune time to review any contributions to your 401(k), 403(b), Individual Retirement Account (IRA) and Health Savings Account (HSA).

To offset 2020 income, a contribution to your Traditional IRA must be made prior to the April 15th filing deadline. For 2020, the maximum combined contribution for Roth and Traditional IRAs is $6,000, and for taxpayers over 50 years old, an additional $1,000 catch-up contribution can be made. The maximum contribution for HSAs is $3,550 for individuals and $7,100 for families, with an additional $1,000 catch-up contribution for those over 50.

For those taxpayers looking to fund their 2021 contributions now, the contribution limits remain the same as 2020 for IRAs.

401(k) and 403(b) Plans		» 2021 Maximum Contribution - **$19,500** » Catch-up Contribution for Employees over 50 years old - **Additional $6,500**
Traditional IRA Plans*	**2020 Tax Year**	» Contribution Limit - **$6,000** » Catch-up Contribution if over 50 years old - **$1,000**
	2021 Tax Year	» Contribution Limit - **$6,000** » Catch-up Contribution if over 50 years old - **$1,000**
Roth IRA Plans*	**2020 Tax Year**	» Contribution Limit – **$6,000** » Catch-up Contribution if over 50 years old - **$1,000**
	2021 Tax Year	» Contribution Limit – **$6,000** » Catch-up Contribution if over 50 years old - **$1,000**
Health Savings Accounts (HSAs)*	**2020 Tax Year**	» Contribution Limit – **$3,550 for Individuals; $7,100 for Families** » Catch-up Contribution if over 50 years old - **$1,000**
	2021 Tax Year	» Contribution Limit – **$3,600 for Individuals; $7,200 for Families** » Catch-up Contribution if over 50 years old - **$1,000**

**Specific exclusions apply. Please contact a Jemma Financial Advisor.*
Source: https://www.irs.gov/newsroom/income-ranges-for-determining-ira-eligibility-change-for-2021

1. U.S. Bureau of Labor Statistics. 2. Morningstar. 3. Morningstar. 4. "Dow Jones Industrial Average Crosses 30000 for First Time," The Wall Street Journal, 11/24/20. 5. Morningstar. 6. "73% of Americans Haven't Had This Crucial Talk With They Parents," GOBankingRates.com, 6/10/19.
7. 2020 Report by the National Alliance for Caregiving and the American Association for Retired Persons (AARP).