JEMMA | FINANCIAL **WISDOM**

SPRING 2021

A COMMITMENT TO MEETING LONG-TERM FINANCIAL GOALS

It's been a year since the start of the pandemic and since then, many Americans' daily lives have been affected. The government-mandated closures escalated many trends, including work-from-home, ecommerce, contactless delivery and individual stock trading.

Yet some things remained the same, such as the importance of investing for the long term. At Jemma Financial, we remain committed to helping you develop a financial plan tailored for you—and making adjustments along the way as life changes.

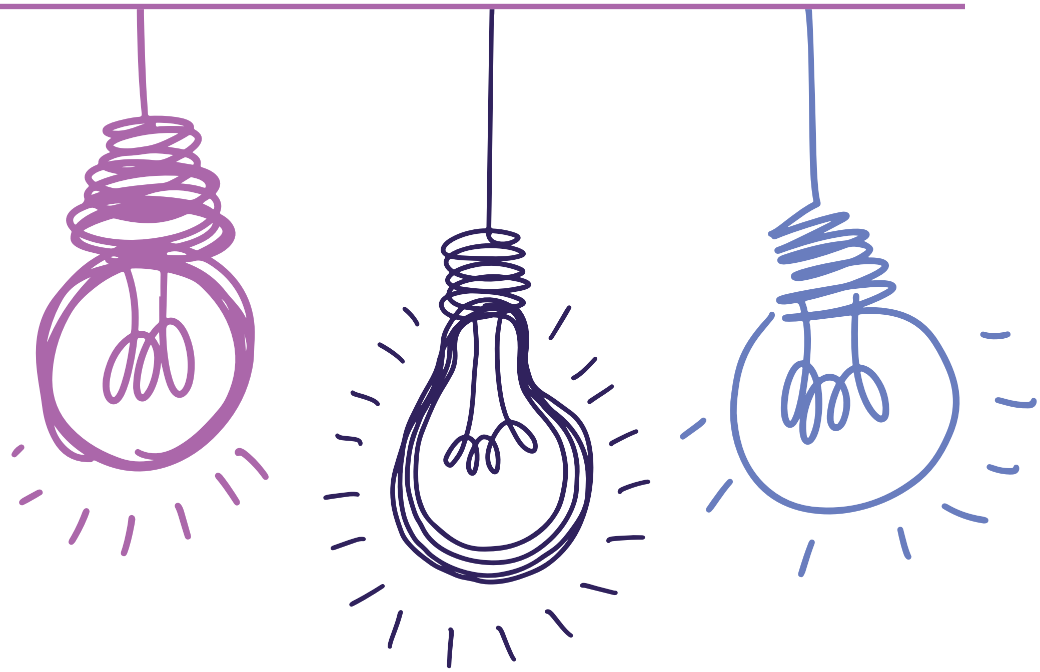
To that end, this newsletter covers an update on the market, the portfolio impact on buying individual stocks compared to mutual funds and exchange traded funds (ETFs), relocation considerations after retirement, and a way to reward a teen's hard work.

MARKET UPDATE

(Performance as of March 31, 2021)

	1 Year	3 Year*	5 Year*
Dow Jones	53.78%	13.61%	15.99%
S&P 500	56.35	16.78	16.29
Nasdaq	73.40	24.54	23.44

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



INVESTMENT CORNER: OPTIMISM FUELS THE MARKET

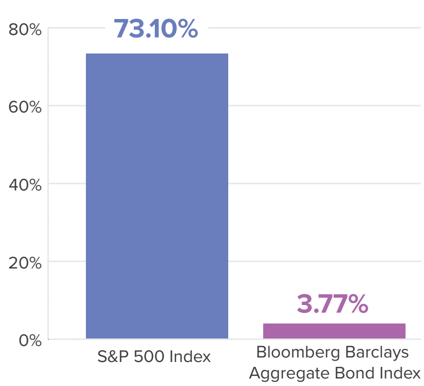
The year 2021 is off to a strong start, with the stock market propelled to new highs. In fact, by April 8th, the S&P 500 Index experienced its 19th record daily close of 2021.[1]

Two macro events lifted investor optimism: the COVID-19 vaccine distribution and the passing of the American Rescue Plan Act of 2021. The $1.9 trillion coronavirus stimulus relief injected into the U.S. economy provided $1,400 to each eligible recipient. The stimulus also extended unemployment aid and the child tax credit, and provided aid to individuals' rent, mortgages and utilities.

This investor optimism extended to many companies that did not participate in last year's market returns. In the first quarter of 2021, smaller companies continued to outperform larger companies, value-oriented stocks outperformed growth stocks, and lower quality stocks rallied, broadening the overall performance of equities.

Stocks' Significant Rebound Since 2020 Low

(3/23/20 to 3/31/21)



Source: Morningstar

What is more significant is the significant rebound from the market low in March 2020 when the pandemic initially started. From the S&P 500 low on March 23, 2020, through the end of the first quarter of 2021, stocks have significantly rebounded, outperforming bonds.

ON SOLID ECONOMIC FOOTING

During the first quarter, the U.S. economy continued to strengthen. The unemployment rate improved from a high of nearly 15% in April 2020 to 6% in March 2021.[2] Employers continued to add new jobs in the first quarter. In fact, in March 2021, jobs grew at the fastest pace since last summer, with nonfarm payrolls rising 916,000, surpassing economists' expectations.[3]

The yield on the U.S. 10-year Treasury also moved higher over the quarter, reaching 1.7% by the end of March, which is a significant rise from approximately 1% at the beginning of 2021.

Rising rates could impact the cost of debt for borrowers, yet rates remain historically low, and the Federal Reserve has been committed to maintaining lower rates.

The rise in rates has also not affected U.S. home prices, which have surged in the first quarter. In addition, the housing inventory—the total number of homes on the market—by the end of February hit a record low and decreased by nearly 30% compared to a year ago, which was also a record.[4]

With an aggressive vaccination effort in place and government stimulus spurring consumer spending, it is anticipated that the economy will continue to strengthen.

THE POWER OF DIVERSIFICATION

With another round of stimulus payments to individuals, it appears that many younger Americans may be using their $1,400 check to invest in equities. According to an online survey of 430 investors, half of respondents aged 25 to 34 planned to spend 50% of their stimulus payments on stocks.[5]

Increased interest in the stock market is a positive trend as investors may be recognizing that stocks have historically outperformed other asset classes, albeit with periods of volatility along the way.

However, there can be a vast difference in investing in individual companies compared to mutual funds and exchange traded funds (ETFs). Selecting individual stocks often requires time to research and an understanding of the business fundamentals such as debt, cash flows, revenues, and valuation to determine a potential solid investment. However, while investing in individual companies can lead to significant outperformance relative to the market, this investment approach can substantially increase portfolio risk and volatility.

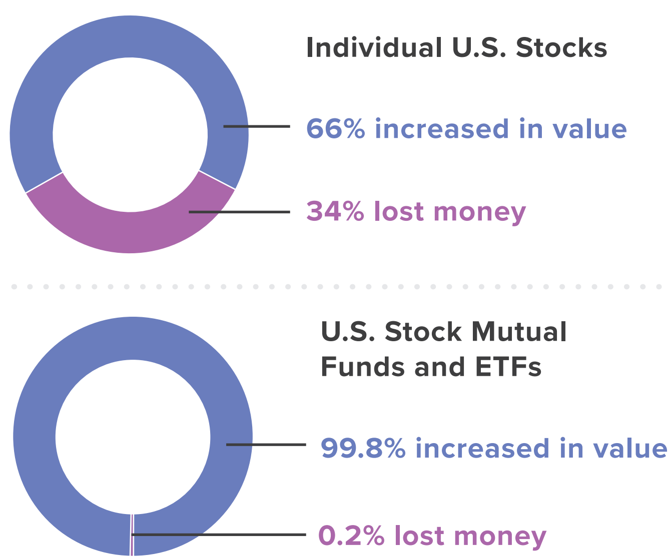
If you've heard the phrase "don't put all your eggs in one basket," here's why. Looking at the 5-year performance of all the publicly listed U.S. stocks, one-third lost money from the beginning of 2016 through the end of 2020. It was not just small, unheard-of businesses that fell victim to market forces. Large and well-known companies also suffered serious declines.

By comparison, less than 1% of mutual funds and ETFs lost money, which speaks to the power of diversification in investing in a broader portfolio that seeks to achieve the greater likelihood of positive returns and lower risk.

Investing requires a long-term perspective. Jemma Financial can help you build a diversified portfolio based on your situation, taking into account your age, financial goals and risk tolerance.

5-Year Performance of U.S. Individual Stocks vs. Mutual Funds and ETFs

(1/1/16 to 12/31/20)

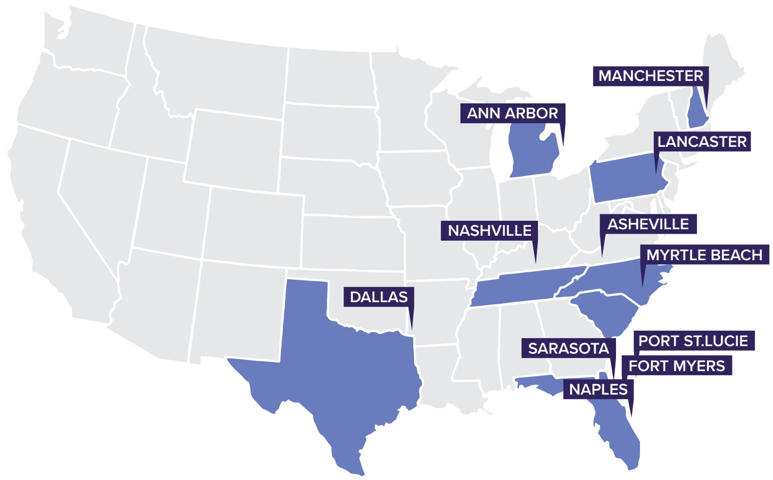


Source: Morningstar

THE BEST PLACES TO RETIRE IN THE U.S.

Many Americans often plan on retiring to warm weather cities and leaving the shoveling of snow behind. However, when meeting retirees' needs and expectations including happiness of local residents, housing affordability, tax rates and the quality of health care, many other U.S. cities rank high on the retirement destination list.

Source: "11 Best Cities to Retire in the U.S.," Travel + Leisure, 2/6/21



WHAT'S YOUR RETIREMENT DESTINATION?

Are you considering relocating after you retire? You are not alone—in fact, each year about 1 million Americans move following their retirement.[7] Many people dream of retiring to warm weather cities, yet the best option may include factors other than 70-degree weather.

Pursuing Hobbies and Activities

Many retirees spend their golden years in places where they can pursue hobbies and activities they love. Retirees who prefer to spend their time snowshoeing and skiing may be drawn to locations in Colorado. Some desire seaside locations such as Myrtle Beach, South Carolina or Sarasota, Florida. To find the right location for you, plan a trip to a spot where you can enjoy your hobbies and see if you can picture yourself living there.

Considering the Cost of Travel

It can be important to consider the travel costs when deciding on a retirement destination. Choosing to live closer to family members may mean more opportunities to visit and fewer miles to drive or fly, but it could mean making compromises about retirement living. Alternatively, choosing a distant retirement location could involve more frequent air travel and increased cost of lodging when you do visit family members.

Planning to be a Snowbird?

A snowbird—spending your winters in the south and summers in the north—could involve purchasing your desired retirement home while keeping your current home. While this might be a more expensive option than retiring locally or moving to your retirement home full time, it can offer retirees the best of both worlds.

Minimizing Taxes

Taxes can have a big effect on retirees' budgets, particularly for those living on a fixed income. It is important for retirees to understand their tax situation for each location they consider. For instance, while Florida and Texas constitute two of the seven states that do not levy a state personal income tax, these states do tax part of retirees' retirement income and dividend payments. Alternatively, Pennsylvania exempts retirees' retirement income from their state income tax, and New Hampshire only taxes retirees' dividends and interest income. Therefore, it is also important to consider the tax implications of your retirement home before your move.

Choosing your next destination can be an exciting way to begin the transition to retirement but take some time to decide what's most important to you.

DID YOU KNOW?

Approximately one-third of near-retirees failed a basic quiz on their knowledge of Social Security benefits, and another 18% got a D, meaning that more than half of Americans aged 55 to 65 do not understand the program's basic rules.[6]

PARENTS AND GRANDPARENTS: **REWARD YOUR TEEN'S HARD WORK**

When your child or grandchild imagines how they'll spend the paycheck from their first job, investing might not top the list. Yet, setting aside money early to buy a house, pay for education or even retirement later can be beneficial as it allows for more time for that investment to grow.

Reward your teen's hard work and get them invested early by opening a Custodial Individual Retirement Account (IRA) on their behalf.

A Custodial IRA can either be a Traditional IRA or a Roth IRA and can be opened for children who have earned income. The biggest difference between a Traditional and Roth IRA is how taxes are applied. Contributions to Traditional IRAs are tax-deductible but withdrawals in retirement will be taxed. Roth IRAs are not tax-deductible but withdrawals in retirement are tax-free.

With assets managed by the custodian until the child reaches age 18 or 21, depending on your state, you can:

Help your child benefit from compounding: Compounding rewards your child for not only the actual dollars you invest but also on what those dollars earn. If a Custodial Roth IRA is left in an account until retirement, they could have 50 years or longer of tax-free investment growth.

Reward hard work: Consider matching your child's or grandchild's earned income dollar-for-dollar through a Custodial Roth IRA. For example, if they've earned $2,000 flipping burgers, you can put $2,000 into an IRA for them. Even a modest contribution can become a sizable investment over time. (The maximum annual contribution is $6,000.)

Build savings for important expenses: The funds in a Custodial Roth IRA can be withdrawn penalty-free to cover higher education expenses or finance a first-time home purchase. The invested funds can also be used toward their retirement savings.

Best of all, there are no age restrictions. As long as your child or grandchild has earned income, a parent or grandparent can contribute to their IRA.

While investing for a house, education, or retirement may not be on your child's mind, establishing a Custodial IRA can help get them started down the path of financial stability.

Give your income-earning teen a head start on their financial future. Call your Jemma Financial Advisor to discuss if a Custodial Roth IRA is right for a child or grandchild in your life.

TAX DAY EXTENDED TO MAY 17TH

This time every year, you may feel the pressure to finish your Federal tax return and pay any amount due before the filing deadline. In 2021, time may be on your side as the IRS has extended the filing deadline for individuals from April 15th to May 17th. You also have until May 17th to contribute to Individual Retirement Accounts (IRAs) and Health Savings Accounts (HSAs).

- The contribution limit is $6,000 for your IRA; those aged 50 and older can contribute an extra $1,000.
- For an HSA, the contribution limit is $7,100 for family coverage; the catch-up contribution for those over 50 years old is an extra $1,000.

1. "S&P 500 Hits Another Record as Tech Stocks Rally," The Wall Street Journal, 4/8/21. 2. "The Employment Situation," Bureau of Labor Statistics, 4/2/21. 3. "Statement from U.S. Department of Labor Secretary Marty Walsh on the March 2021 Employment Situation Report," U.S. Department of Labor, 4/2/21. 4. "Existing-Home Sales Descend 6.6% in February," National Association of Realtors, 3/22/21. 5. "Young people looking to spend almost half of their stimulus checks on stocks, Deutsche survey finds," CNBC.com, 3/8/21. 6. "Third of near-retirees fail basic Social Security quiz," Investment News, 4/6/21. 7. "The Go-to Guide on Relocating After Retirement," North American Moving Services.