JEMMA | FINANCIAL WISDOM

SUMMER 2021

How dramatically has your perspective changed since the beginning of the COVID-19 pandemic?

Whether changes have been precipitated by personal or financial circumstances, many Americans are rethinking what they do for a living, where they live, who they live with, and what they want to do with their money.

For example, according to a Monster.com survey of nearly 650 workers, 95% are considering changing jobs.[1] Many employees have already made the move as the resignation rate in April 2021 was 2.8%, the highest "quit" rate recorded since 2000.[2]

Our summer Jemma Financial newsletter addresses some of these topics and, importantly, what to consider from a financial perspective as you pursue these changes in your life. We address financial implications of a "gray divorce," ways to donate to charity and the importance of updating your beneficiary designations.

We hope you and your family enjoy the rest of the summer!

MARKET UPDATE

(Performance as of June 30, 2021)

	1 Year	3 Year*	5 Year*
Dow Jones	36.34%	15.02%	16.66%
S&P 500	40.79	18.67	17.65
Nasdaq	45.23	25.72	25.80

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

INVESTMENT CORNER:
A STRONG FIRST HALF

Over the first six months of 2021, the S&P 500 Index, an Index comprised of the 500 largest U.S. companies, climbed 15%, which was the best first half since the beginning of 2019. By June 30, 2021, the S&P 500 had already reached its 34th record high of 2021.[3]

Fueling the performance over the first two quarters of the year was optimism about the continued economic recovery, the Federal fiscal stimulus and confidence in the Federal Reserve's actions to support credit markets. As businesses continued to fully reopen, consumers opened their wallets for purchases on airline travel, restaurants and other in-person services. It is estimated that consumer spending will grow approximately 9% this year, which is the strongest rate since 1946.[4]

Many Americans are also purchasing homes with mortgage rates at historic lows and home prices at historic highs. In fact, in May 2021, the median existing-home price rose to $350,000, up nearly 25% from May 2020. Elevated buyer demand and a lack of existing homes on the market have put pressure on prices. In addition, according to the National Association of Realtors, sales of vacation homes rose nearly 60% compared to last year as many more Americans have been working remotely.[5]

Small Value Companies Take the Lead

Value-oriented companies—those companies that have characteristics including lower price-to-earnings ratios and lower expected growth rates—have outperformed growth-oriented companies that have higher price-to-earnings ratios and higher expected growth rates.

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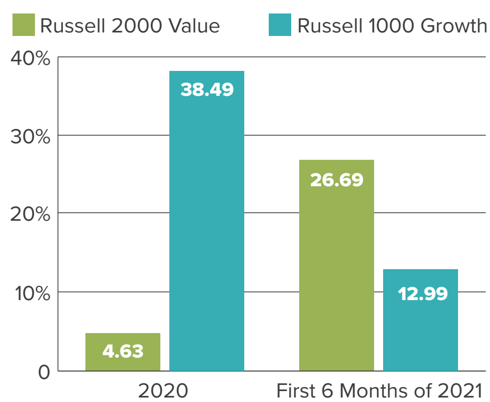
VALUE TAKES THE LEAD IN 2021



Source: FTSE Russell as of 6/30/21

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In addition, smaller companies have outperformed their larger peers in 2021. For example, the Russell 2000 Value Index of small value-oriented stocks gained 26%, while the Russell 1000 Growth Index of large growth stocks rose nearly 13% for the six months ended June 30, 2021.

Last year, in 2020, investors saw the opposite scenario where growth stocks, regardless of market capitalization, significantly outperformed value companies.

This shift in market leadership exemplifies the importance of portfolio diversification. When a portfolio contains different types and sizes of stocks as well as bonds and cash, returns may potentially be smoother over time and have less risk. As part of our financial planning services at Jemma Financial, we help our clients understand this important investment concept.

GRAY DIVORCE:
THE BEGINNING OF A NEW FINANCIAL LIFE

Even though overall divorce rates are declining, there has been a rise in divorces for older Americans. In fact, the divorce rate for U.S. adults aged 50 and older has roughly doubled since 1990.[6]

Many in the baby boomer generation may be reprioritizing their lives and gaining a greater sense of self and what they want out of their remaining years. People are living longer, and divorce later in life is becoming more accepted in society. With both spouses facing retirement, many feel that going their separate ways is often the best solution.

Divorce can also be an incredibly hard decision that may affect your long-term plans and finances. After a long marriage in which a couple has accumulated wealth in the form of real estate and investment accounts, including Individual Retirement Accounts (IRAs), 401(k)s and 403(b)s, reconfiguring a new financial game plan may be challenging.

Women Can Hit More Roadblocks

For various reasons, women, on average, earn less than men, have saved less for retirement and statistically live longer. Therefore, divorce can put women in a financially vulnerable position. Women experienced a 45% decline in their standard of living (measured by an income-to-needs ratio), whereas the standard of living experienced by men dropped by just 21%.[7] Traditionally many men were the primary breadwinners during the marriage, while many women stayed at home and raised their children or took care of other family members.

Steps to Prepare and Protect Yourself Financially

If you or someone you know is going through a "gray divorce," it is important to understand your comprehensive financial picture going forward. Living standards will most likely change, so it helps to look at income, expenses, assets/debts, retirement accounts and life insurance policies. Here are some additional items to consider:

1. **Update your beneficiary designations.** This is an overlooked consideration that could be a costly one if the designation doesn't match your intentions.

2. **What will your new life look like?** Do you plan to retire or will you be working longer? Whatever the case may be, you may need to reassess your financial plan every six months.

3. **Think about your living situation.** Determine if downsizing is a better option to free up some additional income. Your home is one of the largest fixed expenses and, with potentially less income, you may need to move into a more affordable home.

4. **Divorce can impact Social Security benefits** if you have been married for at least 10 years. If one spouse earned more than the other, the spouse who earned less may be able to claim benefits later in life if that spouse remains unmarried.

Divorce is an extremely emotional process. Your life as you know it will change and it can be hard at first to get your footing. Having your finances in order may help give you some peace of mind. It takes time to heal from a divorce, so be patient with yourself. You are about to step into your new life, a life you get to create. At Jemma Financial, we can help ease the burden by assessing your financial situation and help navigate a new financial path.

HOW CHARITABLE GIVING IS FOR EVERYONE

Giving to charity is a personal decision. It reflects your values and interests while making an impact to a cause. It does not matter how large or small the donation is, and no charity is more important than another.

Many people may think charitable giving is only for those who are wealthy. Everyone, regardless of their income level, can make charitable contributions and receive the same amount of fulfillment while possibly saving on taxes as well.

How Much Should I Give?

Although there is no set amount you should contribute, a recent study found that the average American gave around 2% of their income to charity.[9]

Regardless of the amount you choose to give, here are a few things to consider:

1. Charitable contributions should be made by check, not in cash. If you contribute more than $250 to a single charity, request a receipt. If donations are made in cash, request a receipt showing the charity name, date, and amount regardless of the amount contributed.

2. For the 2021 tax year, if you plan on taking the standard deduction on your Federal income taxes and you made a cash donation, you can deduct up to $300 for single filers and up to $600 if married filing jointly and reduce both your adjusted gross income and taxable income.

Which Charity Should I Donate to?

Maybe you already have a charity in mind but if you are not sure where to start, there are helpful resources online such as charitynavigator.org. You can look up a charity's rating based on how efficiently a charity will use the support received and how well it has sustained its programs and services over time.

DID YOU KNOW?

Older generations will hand down approximately $70 trillion between 2018 and 2042. About $61 trillion will go to heirs, including millennials and Generation Xers, with the balance going to philanthropy.[8]

CHARITABLE GIVING COMES IN MANY FORMS

Giving a cash or a stock donation are only two ways to show your support. Here are a few alternative ways you can make a difference:

- Donate personal items including clothing, household items, cars, etc.
- Donate your time and volunteer, which can be an incredibly rewarding experience.
- Donate your specific skillset, whether that's writing, bookkeeping, cooking, etc.
- Raise money through a sponsored event.

Whatever the case may be, do your research ahead of time. Your charitable contribution will only qualify for a tax deduction if the charity is a tax-exempt organization, e.g., Section 501(c)(3) of the Internal Revenue Code.

Can I Donate Appreciated Securities?

With the market experiencing impressive gains over the past few years, many people have stocks, mutual funds and ETFs that have appreciated in value. Donating any of these appreciated securities can have tax advantages to the donor.

Two tax benefits to donors include:

1. When donating appreciated securities, the donor deducts the market value of the security on the date of donation regardless of the purchase price.

2. By donating appreciated securities, the donor may eliminate the capital gains tax on the gain relative to the purchase price.

Whether you are giving money, your time, or personal items to a charity, you will be helping someone in need. The very act of giving also has a positive effect on your own mental and physical health. Donating can make a real difference in your community, boost your own sense of gratitude and be a win-win scenario for both parties.

THE IMPORTANCE OF UPDATING BENEFICIARY DESIGNATIONS

Every year, Americans leave financial assets to unintended heirs due to outdated beneficiary designations. Yet, there's a simple solution.

Over a lifetime, many people open multiple savings accounts, insurance policies, annuities, investment accounts, Individual Retirement Accounts (IRAs), and 401(k) or 403(b) accounts. When filling out the paperwork for these accounts, you are asked to designate a beneficiary to receive the funds after your death. While a married person often has the presumptive right to act as a beneficiary to their spouse's accounts, an account holder is able to choose a family member, friend, trust or charity instead.

Since some accounts may be several years old, if you haven't checked your beneficiary designation since the account was opened, they may not be consistent with your current intentions or life situation.

It's a good idea to check your beneficiary designations following any life-changing event—a marriage, a new baby, a divorce or a death in the family—or at least every year, especially if you have plans or policies with several companies or providers. Here's why:

Beneficiaries take priority over your Will. Many people incorrectly believe a Will governs the disposal of retirement assets. Instead, retirement accounts are "non-probate" assets that are not controlled by one's Will or other means of estate planning. Rather, upon the account holder's death, the proceeds of these accounts are distributed to the individual(s) listed as the account's beneficiary. If you intend for your money to go to a certain person after your death, it is critical to name them as a beneficiary, as the named beneficiary on certain accounts will often trump what is written in your Will.

You may want to change your beneficiaries. It is important to update your designations after major life events because failure to update this information can cause an unintended and potentially uncomfortable distribution of your assets, such as the account balance going to an ex-spouse.

The beneficiary may not have been designated at all. Many times, a beneficiary has not been designated. If you do not designate any beneficiaries or all of your primary and contingent beneficiaries predecease you, your surviving spouse generally becomes your beneficiary. If you do not have a surviving spouse, payment of your account is made to your estate with potentially unfavorable tax consequences.

Make sure your loved ones receive your assets as you intended. At Jemma Financial, we can help you check your financial accounts to make sure your beneficiaries are up to date.

TRADITIONAL VS. ROTH IRA: WHICH ONE IS BEST FOR YOUR SITUATION?

An Individual Retirement Account is an important part of your overall financial plan as it offers a way to save for retirement with tax-free growth or on a tax-deferred basis. When opening an IRA, you can choose between a Traditional IRA or a Roth IRA.

Hover your smartphone camera here to help you decide what's best for you.

1. Monster Job Index, Monster poll conducted among workers, June 14, 2021. 2. Job Openings and Labor Turnover Survey, U.S. Bureau of Labor Statistics. 3. S&P 500 sweeps to fresh record close, stocks book best first-half of year since 2019," MarketWatch, 6/30/21. 4. "Consumer Spending Is Primed to Fuel Summer Growth," The Wall Street Journal, 6/25/21. 5. "Existing-Home Sales Experience Slight Skid of 0.9% in May," National Association of Realtors, 6/22/21. 6. "Led by Baby Boomers, divorce rates climb for America's 50+ population," Pew Research Center, 3/9/17. 7. "The Economic Consequences of Gray Divorce for Women and Men," National Library of Medicine. 8. "Older Americans Stockpiled a Record $35 Trillion. The Time Has Come to Give It Away." The Wall Street Journal, 7/2/21. 9. "Generosity Across the Income and Wealth Distributions," National Bureau of Economic Research, May 2020.