

FALL 2021

Autumn is a season of change. The weather turns cooler, the leaves turn brilliant shades of orange, red and gold, and children enter a new school year.

If it's a season of change in your life due to retirement, a new job, divorce or a new marriage, it often affects your financial plans. We help our clients adjust their long-term financial plans based on ongoing changes. Whether it's helping them roll over a 401(k) from a previous job, funding a new house purchase or beginning to withdraw funds in retirement, Jemma Financial is here to help through every step.

Markets also change—and investors may need to adapt as well. In this edition of our newsletter, we discuss the stock market and economy over the third quarter, an overview of cryptocurrencies and what to do if you are part of the sandwich generation who is financially providing for parents and children at the same time.

As changes inevitably occur, Jemma Financial is here to help guide you through every season of your life.

Enjoy the upcoming holiday season and the rest of 2021!



INVESTMENT CORNER: CONTINUED STRONG U.S. ECONOMY

Over the third quarter of 2021, the S&P 500 Index, an index of the 500 largest U.S. companies, was nearly flat, rising less than 1%. After the market advanced for eight months in a row, the streak was broken in September as stocks declined by approximately 4% during the month. Market declines are quite normal as the S&P 500 has declined, on average, three times each year for the past 50 years.¹

Looking at the year-to-date results, the market has still made significant gains. From January through September, the S&P 500 climbed an impressive 15.9%. This increase follows a relatively strong 2020 return of 18.4% for the S&P 500. Historically over the past 30 calendar years, stocks have experienced an average annual return of nearly 10%.²

For the nine-month period in 2021, domestic stocks of all sizes advanced. Large-, mid- and small-cap stocks increased 15.2%, 15.2% and 12.4%, respectively, as measured by the Russell 1000, Russell Midcap and Russell 2000 Indices. International stocks, as represented by the MSCI EAFE Index, lagged in performance and returned 8.4%.³

From a volatility perspective, the third quarter of 2021 was relatively quiet. The S&P 500 rose or fell more than 1% on a daily basis only eight times during the three-month period. In comparison, during the first and second quarters, the Index either increased or decreased more than 1% on a daily basis a total of 18 and 12 times, respectively.⁴

The U.S. Economy Remains on Solid Footing

Over the third quarter, rising interest rates, inflation and the slowing of the Chinese market topped the list of investor worries. However, the U.S. economy remains on solid footing:

- » During the third quarter, the yield on the 10-year U.S. Treasury rose to 1.5% — the highest level since June.

MARKET UPDATE

(Performance as of September 30, 2021)

	1 Year	3 Year*	5 Year*
Dow Jones	24.15%	11.00%	15.68%
S&P 500	30.00	15.99	16.90
Nasdaq	30.26	22.67	23.37

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

- » Consumer spending in the U.S. remained strong, with personal income continuing to rise.
- » September's Commerce Department report showed that the U.S. GDP, a broad measure of economic health, increased an impressive 6.7% in the second quarter, up from a very strong 6.3% mark in the first quarter.
- » Unemployment levels continued to decline from the pandemic peak of nearly 15% in April 2020 and are now approximately 5% as of August 2021.
- » Brent crude oil, a global gauge of oil prices and economic activity, also hit its highest level in nearly three years, as demand rose and supply declined.

As we head into the fourth quarter of the year, regardless of where the market heads, remember to keep focusing on your long-term goals. As always, Jemma Financial is here to help.

CRYPTOCURRENCY 101 UNDERSTANDING THE BASICS

Cryptocurrencies are often featured in the headlines, prompting curious investors to wonder what it is, how it works and if they should invest in it.

Bitcoin, the original cryptocurrency (crypto), was founded in 2009 by a programmer(s) under the pseudonym Satoshi Nakamoto. Crypto gained popularity in 2017 when Bitcoin's price increased 1,318%.⁶ However, there have been corrections along the way. For example, Bitcoin's price fell 80% in 2018.

Despite its volatility, Bitcoin has been the best-performing asset class over the past decade. From 2011 through 2020, Bitcoin rose 230% on an annualized basis—approximately 16 times higher than the S&P 500 Index, which increased nearly 14% over the same time frame.⁷

Over time, the crypto market has evolved and become relatively more mature, which has resulted in many large global companies supporting cryptocurrency as a form of payment.

What is cryptocurrency?

Cryptocurrency is digital currency that can be used to buy goods and services like regular currency, such as the U.S. dollar. According to CoinMarketCap.com, more than 10,000 different cryptocurrencies are traded publicly. The difference between regular currencies and crypto is that crypto is not backed by real assets nor the full faith and

5.9% INCREASE IN SOCIAL SECURITY BENEFITS

Americans who receive Social Security benefits in 2022 will see the largest cost-of-living adjustment (COLA) in 40 years. According to the Social Security Administration, COLA will be 5.9% in 2022.⁵

The adjustment is based on increases in the Consumer Price Index for urban wage earners and clerical workers. Higher prices often hurt those on a fixed income—and many retirees depend on Social Security for a significant portion of their income. As you near retirement, your Jemma Financial Advisor can help you determine where your sources of income will be coming from—and how future inflation could affect your retirement nest egg.

credit of a government. Crypto uses an online ledger to secure online transactions. To put it simply, crypto is software.

Bitcoin is the most well-known cryptocurrency. According to the Bitcoin Foundation, Bitcoin is defined as a “peer-to-peer electronic cash system” that allows online payments to be sent directly from one party to another without going through a financial institution.⁸ Bitcoin uses cryptography which is the science of making and breaking codes. The blockchain, the underlying technology that supports cryptocurrency, is a decentralized network spread across many computers that manages and records transactions. Blockchain technology essentially eliminates the digital currency's need for a central controlling authority.

Investing in cryptocurrencies

The first step is to select either an exchange or a broker. A crypto exchange is a platform where buyers and sellers come together to trade crypto. An example is Coinbase, which is the largest crypto platform in the U.S. and is the first crypto exchange to go public in 2021. These exchanges typically have lower fees but tend to have complex interfaces.

Cryptocurrency brokers can simplify the process and offer easy-to-use interfaces that interact with exchanges for you. However, the fees may be higher and there may also be restrictions on moving your cryptocurrency off their platform.

Whichever route you choose, you need to create and verify your online account. Once verified, make sure you have funds in your account. This can be accomplished

THE VOLATILE RIDE OF BITCOIN

Daily Price of Bitcoin (in U.S. Dollars)



Source: CoinDesk

through linking your bank account, authorizing a wire transfer, or using a debit or credit card.

Once money is in your account, you place your cryptocurrency order by entering its ticker symbol and the dollar amount you would like to purchase. If purchased on your own through an exchange, ensure you have a secure storage place for your cryptocurrency, such as a crypto wallet.

There are two main types of “wallets” available: hot and cold wallets. Hot wallets are the most common and are meant for everyday crypto users. A hot wallet is created by downloading a mobile or desktop wallet from the exchange. The wallet connects to the internet which makes for smooth transactions. Cold wallets, typically more secure, are not connected to the internet. You only connect your cold wallet to the internet if you wish to make a transaction.

NEW JOB? THINK ABOUT YOUR RETIREMENT ACCOUNT

In this post-pandemic economy, many people are re-examining their careers and what they want out of life. In fact, a record 2.9% of U.S. workers—over 4 million people—quit their jobs in August 2021. In August 2020, the “quit rate” was 2.1% or nearly 3 million workers.⁹

If you recently had a job change, don't forget about your retirement account with your previous employer. Combining multiple accounts may make it easier to:

- 1 Track your overall account balance and monitor investment performance
- 2 Rebalance your portfolio and take mandatory account withdrawals
- 3 Minimize excess annual administrative fees

You can also indirectly invest in crypto through exchange traded funds (ETFs) or companies connected to cryptocurrency. Both alternatives may be less daunting than directly buying crypto.

How can Bitcoin fit into a portfolio?

Bitcoin is a highly speculative investment and can potentially be used as a hedge against inflation, although that assertion has yet to be proven. It also doesn't fit neatly within traditional asset allocation models since it's not a traditional commodity or currency. Some investors believe it is an asset class of its own due to its lack of correlation to other asset classes and provides further diversification to a portfolio, while others believe that it should not be included in any portfolio due to its lack of regulation. Bitcoin has been and remains controversial as it involves a significant potential risk of loss of capital.

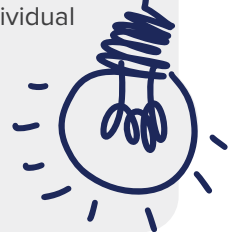
Understanding the risks

Cryptocurrency is decentralized currency, meaning it is issued by private systems and not regulated by a government. Cryptocurrency exchanges are not backed by the Federal Deposit Insurance Corporation (FDIC) and your “wallet” could be at risk for theft. To reduce this risk, ensure you have a non-custodial wallet which allows you to hold the wallet's keys and have control over your funds.

Over the past several years, cryptocurrencies have experienced significant price volatility, primarily due to the uncertainty about their store of value, means of payment and wide-spread adoption. As more institutional investors begin to invest in Bitcoin, it may strengthen legitimacy and pricing stability.

DID YOU KNOW?

The average 401(k) balance rose to \$129,300 as of June 30, 2021. Individual retirement account balances climbed to an average of \$134,900 as of the same time.¹⁰



- 4 Forecast potential income available in retirement
- 5 Update your account information (e.g., beneficiary designations)

A direct rollover of your 401(k) or 403(b) assets to an Individual Retirement Account (IRA) may help when consolidating retirement savings. Your Jemma Financial Advisor can help you develop a plan for your particular situation.

THE SANDWICH GENERATION

CARING FOR CHILDREN AND PARENTS

Financially supporting children and aging parents at the same time can create many challenges. You may feel your budget is stretched thin by making sure you and your family are financially cared for.

You are not alone: According to a Pew Research Center study, about 12% of Americans between the ages of 40 and 60 are part of this “sandwich generation” who are simultaneously providing some financial assistance to both a child and a parent.¹¹ Interestingly, there has been a significant increase in the financial burden, primarily coming from grown children rather than aging parents.

How do you avoid feeling financially squeezed between the younger and older generations? Here are several financial strategies for caring for both children and parents.

Young Children

One of the best things you can do if you have young children is to set aside money early on for their higher education. College will likely only get more expensive in the years ahead, so reduce future college debt by setting up a 529 college savings plan account with automatic monthly deductions from your checking account. The money in the account grows tax free until it's withdrawn for qualified education expenses. Family and friends can also contribute to the account regardless of who opened it.

Older Children

If your older child is completing high school or in college, encourage them to find a part-time job. This can be a great way to teach them about saving, while also having them take care of a few of their own bills, such as car insurance, cell phone, gas, etc.

If your child is out of college but still living at home, ask them to contribute financially by paying rent and establish a time limit for how long they plan to be at home.

Care Options for Aging Parents

Caring for aging parents has its own challenges. You may be their source of transportation, their health advocate or their full-time caregiver. If your parents have health issues, it may be hard to provide around-the-clock care while holding down your own job and caring for your children. Being a caregiver also takes a financial toll, especially if you need to reduce your work hours or take a leave of absence.

You do not have to do it all on your own. There are resources available such as Eldercare.acl.gov that lists trustworthy local companies providing transportation, meal services, home care or caregiver training. Don't be afraid to ask for help from other family members as well.

Estate Planning

Having a comprehensive estate plan is an important tool for transferring assets. Importantly, you don't need to have an “estate” to have an estate plan. An estate plan is a set of legal documents that protects your assets and provides instruction for how you want them passed down. Typically, an estate plan includes a Will, healthcare power of attorney, financial power of attorney and a trust. It creates a plan of action to ensure your beneficiaries are receiving assets according to your wishes and in the most tax-advantaged way.

Take Time for Yourself

It's not only important but may be necessary to take some time for your own self-care. You won't be able to care for your loved ones if your own health is suffering.

If you are sandwiched in between two generations, know that Jemma Financial can help all generations get organized with a financial plan so you can save for a child's education, build retirement savings and create a strategy to handle the financial pressures of caring for children and parents at the same time.

1. LPL Research, 7/21/21. 2. "S&P 500 Historical Annual Returns," Macrotrends.net. 3. Morningstar.com. 4. "Q3 Market Performance in 8 Charts," Morningstar.com. 5. "Social Security Benefits Increase in 2022," Social Security Administration, 10/13/21. 6. "Cryptocurrency Investing for Dummies," 2019. 7. YCharts. 8. Nakamoto, Satoshi, "Bitcoin: A Peer-to-Peer Electronic Cash System," bitcoin.org. 9. U.S. Bureau of Labor Statistics. 10. "401(k) balances hit a new all-time high, Fidelity says," CNBC.com, 8/19/21. 11. "More than one-in-ten U.S. parents are also caring for an adult," Pew Research Center, 11/29/18.

Past performance is no guarantee of future results.

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