JEMMA
FINANCIAL SERVICES

FINANCIAL WISDOM

Summer 2020

YOUR FINANCIAL GOALS: A CONSTANT IN A CHANGING WORLD

It's been a different summer in many ways. Many of us have grown accustomed to donning face masks at work or in public places. Many Americans are forgoing their annual summer trips, creating new memories with drive-in movies, recreational vehicle trips across the U.S., or staycations. The coming school session will likely be just as unusual with many students learning from home.

Some things remain the same, including meeting your financial goals. This issue of Financial Wisdom addresses those needs. Read about the markets in the second quarter of 2020, how Health Savings Accounts can be considered part of your overall retirement portfolio, how to invest your 401(k), and the importance of a Will.

MARKET UPDATE

(Performance as of June 30, 2020)

	YTD	1 Year	3 Year*	5 Year*
Dow Jones	-9.55%	-2.96%	6.53%	7.94%
S&P 500	-4.04	5.39	8.56	8.49
Nasdaq	12.11	25.64	17.88	15.07

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

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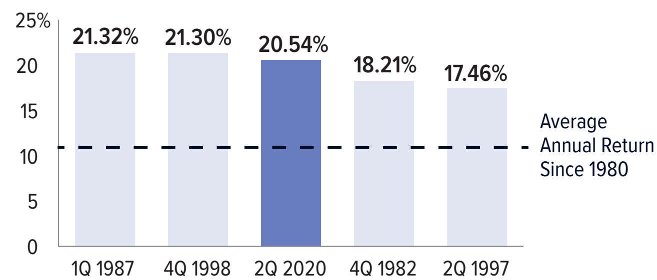
INVESTMENT CORNER: BEST QUARTERLY RETURN IN 22 YEARS

For the quarter ended June 30, 2020, the S&P 500 Index of the 500 largest companies in America rose 20.5%. Looking at quarterly returns of the S&P 500 going back to 1980, this recent quarter ranked the third best and far exceeds its average annual return of 11.6% since 1980 through the end of June 2020.

S&P 500 Best Quarterly Returns Since 1980



Source: Morningstar.

Several factors drove the strong rebound. Many U.S. states began to reopen their economies following lower coronavirus cases. The $2 trillion economic stimulus package helped support businesses and workers through the coronavirus outbreak. And finally, the hope that there may be a potential COVID-19 vaccine helped stocks rise.

In general, the stock market is often a self-correcting mechanism, as we saw over the past quarter, rebounding from the fastest decline in market history.[1] These extreme gyrations affect investors' psyche, taking investors on a roller-coaster ride of emotions from euphoria in February to fear and panic in March, and now back to hope in July.

Yet there is not much optimism among investors when viewing today's market. According to the American Association of Individual Investors, only 1 out of 4 investors surveyed reported having a bullish or positive sentiment. The historical average since 1987 of bullish investors has been 38%.

Regardless your market sentiment, a key for long-term investors is to not overreact and make investment decisions based on short-term news.

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While there are many unknowns today, we can rely on history to frame our long-term investment decisions. Consider that in the past 40 years, there have been more up markets than down. Since 1980, over 80% of annual returns (8 out of 10 years) of the S&P 500 have been positive.[1]

Looking ahead, you may not know what changes will come, but know that you are not alone when it comes to your financial future. Our team of experienced Financial Advisors at Jemma Financial can meet with you by phone, video, or email to help you with your long-term financial goals.

THE POWER OF SAVING EARLY

Compound interest is a powerful tool, especially if you start early. Compound interest rewards you for not only the actual dollars you invest (your principal), but also on what those dollars earn (your interest).

Let's illustrate the concept to make it easier to understand:

If you put $5,000 into a retirement account every year starting at age 25, up until you retire at 65, your total contribution will be $200,000 over those 40 years. Thanks to the power of compound interest, you could end up with almost $1.1 million in savings.

However, if you wait a few years and start saving at age 35 and contribute until you retire at 65, your total contribution will be $150,000 over 30 years.

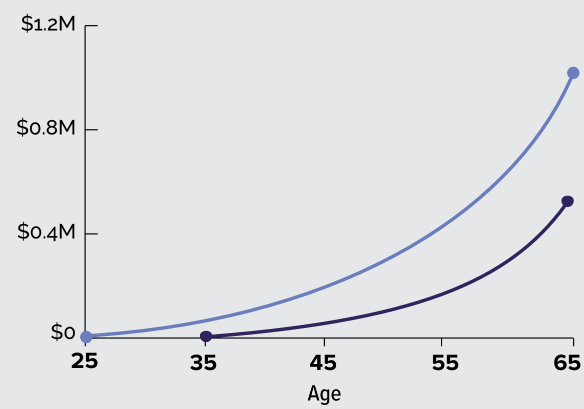
The result? By missing those 10 years, you'll end up with about half of that in savings—all because your investment had less time to allow interest to compound.

Make Savings Automatic

Many people don't start saving early because retirement seems far off and there are other bills to pay. However, with a 401(k) or Individual Retirement Account (IRA), you can have an amount automatically deducted from your paycheck, your checking account, or your savings account. Then, when your paycheck comes, you never have to make a choice about whether to save.

By saving just a small amount early on, your money will have an opportunity to compound, or increase exponentially.

Make Compound Interest Work for You



Person A
Starting Age: 25 | Estimated Amount at Age 65: **$1,069,546**

Person B
Starting Age: 35 | Estimated Amount at Age 65: **$506,127**

Contribution	$5,000/year	$5,000/year
Time of Contribution	Ages 25-65 (40 years)	Ages 35-65 (30 years)
Total Contribution	$200,000	$150,000
Hypothetical Rate of Return	7%	7%
Total Amount at Retirment	$1,069,546	$506,127

Because Person B waited 10 years to start saving for retirement, they ended up with over $550,000 less at age 65.

This is a hypothetical example that assumes a 7% annual return and not intended to reflect the actual performance of any specific investment. Earnings are pretax, and may be subject to income tax when distributed.

Source: Nerdwallet

REFINE YOUR 401(K) PLAN THIS SUMMER

For many investors, 401(k) and 403(b) plans are important to their long-term retirement strategy. Even during times of market volatility, the vast majority of workers continue to contribute. In fact, during the financial crisis of 2008, of more than 22 million defined contribution accounts, approximately 96% of participants still contributed.[2]

While maintaining regular contributions is key, investors should also consider if they are investing the funds to achieve the best long-term outcomes. Here are some questions to help you with that endeavor:

1. How often are you changing allocations?

Some investors take a “day trading” approach, buying and selling stocks or mutual funds based on short-term returns. They often find themselves chasing performance, changing allocations from an underperforming fund to a better short-term performer with the expectation that the strong performance will continue.

Instead, consider a “set it and forget it” approach, buying a diversified mix of funds that fit your retirement goals and holding them for the long term.

2. Are your investments too conservative?

Many risk-adverse investors avoid stock funds and have a higher allocation to bond funds because of the short-term market volatility. However, stocks have historically provided higher returns compared to bonds and, therefore, provide valuable appreciation over time.

Make sure your retirement account isn’t too conservatively structured. Consider your individual factors, including age, risk tolerance, and long-term goals, and allocate accordingly.

3. Are you unsure about how to invest?

Depending on the number of plan options and investment strategies offered in your 401(k) or 403(b), selecting investments can be a daunting task. Your Jemma Financial Advisor can help you make your selections based on your overall portfolio, including your taxable accounts and Individual Retirement Accounts (IRAs).

Let Jemma Financial help you build a personalized “set it and forget it” investment plan today.

RETHINK HOW YOU USE YOUR HEALTH SAVINGS ACCOUNT

When it comes to saving for retirement, many savvy investors contribute to an Individual Retirement Account (IRA) and a 401(k) or 403(b) account. But did you know that a Health Savings Account (HSA) can be considered part of your overall retirement portfolio?

An HSA is a savings account that can be used for out-of-pocket medical, dental and vision expenses. For those with a high-deductible health plan of at least $1,400 for individual coverage and $2,800 for families, an **HSA can be a powerful savings tool offering triple tax-free benefits.**

Triple Tax-Free Benefits

1. **Contributions are made on a pretax or tax-deductible basis.**
2. **Savings grow tax free over time.**
3. **Withdrawals for eligible medical expenses are tax free.**

Not only does an HSA offer tax-free benefits, another important feature is the ability to invest your assets. Rather than use your HSA funds for today’s prescriptions, eyeglasses, and doctor visit copays, you can invest the funds above the minimum cash

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requirement in a wide range of investment options including mutual funds for health-care expenses in retirement. Investing your HSA assets helps take advantage of the power of compounding returns to fund health-care costs that typically rise as you age.

Jemma Financial Introduces HSA Services Now Available Through Schwab

Now you can start an HSA account or roll over an existing account with Jemma Financial. In 2020, individuals with a high-deductible health plan can contribute up to $3,550; families can contribute up to $7,100. Similar to an IRA, there is a “catch-up” provision where account holders 55 and older can make an additional annual contribution of $1,000. Ask your Jemma Financial Advisor about HSAs today.

PROTECT YOUR ASSETS AND LOVED ONES WITH A WILL

Not many Americans have a Will. According to a 2020 survey by Caring.com, an online source for helping caregivers dealing with older parents and loved ones, only 32% of Americans said they had a Will directing their assets and wishes.

Having a Will provides peace of mind for you, your children or spouse because it makes it easy to understand and fulfill your wishes. A well-thought-out Will also makes it easy to know where your assets are and how to access them.

When starting the process, you’ll need to:

- **Choose your designated beneficiaries.** Who will get your assets and how will they receive it?
- **Conduct an inventory of your assets.** Assets include all retirement and investment accounts, houses, and vehicles.
- **Gather key documents.** You’ll need to gather important documents such as birth, marriage and divorce certificates, deeds and mortgages, and bank account numbers.

Life is full of surprises. Rather than leaving an unfortunate surprise for your closest relatives, start the process now to have a Medical Directive, Power of Attorney, and Will in place in the case of an unexpected event.

For those who have a Will, keep in mind that the documents should be reviewed every few years or following major life events, such as the birth of a child, a divorce, or a marriage.

At Jemma Financial, we are here to help the process run smoothly. Contact your Jemma Financial Advisor to get started.

1. Morningstar. 2. Investment Company Institute.

DID YOU KNOW?

The average rate on a 30-year fixed mortgage **fell to 2.98% in July 2020—the lowest level in almost 50 years.** By comparison, in the early 1980s, the rate rose above 18%.

Source: The Wall Street Journal