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THIRD QUARTER | 2020

FROM KATHLEEN AND NICOLE

Our country is now almost 3 months into this economic shut down and we have observed the impact this is having on our economy and on your retirement portfolios. We want you to know that we deeply care for each of our clients and how this is affecting you.

Our team has set a plan with you for your investments that considers down-turned market conditions and we want to reiterate that hopping in and out of the market is the easiest way to secure your losses. We strongly believe that riding the market out to recovery is the best plan for your long term portfolio.

With summer upon us, we hope you are able to get outside and enjoy some of life's simpler enjoyments like walking in the sunshine, sitting out in your garden reading a good book or taking a drive to see one of nature's wonders, local to you.

Please let us know if you are having thoughts or anxieties about your portfolios so we can address your specific concerns and provide some education to help keep you and your investments on track.

Kathleen and Nicole

THE IMPACT OF SURRENDERING TO 'CASH'

Investors may feel safer, but they should know the cost.

Big-name investors from Warren Buffett to Leon Cooperman said they went to cash as the fastest bear market in history crushed financial markets in the first quarter. Data from the first quarter suggests many individual investors went to cash as well.

Photo Source: iStock

But while it might feel safer going to cash when markets are volatile, cash positions don't work like they used to. If you went to cash during the 1987 stock-market crash, you were still making 4.75% to 5.5% interest. If you had gone to cash in the dot-com crash you were making around the same—3.5% to 5.8% interest. Now, high-interest-rate savings accounts offer approximately 1.3% interest.

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Warren Buffett on dealing with losing investments

"Not all of your investments are going to be winners. I have picked stocks that turned out to be losers on many occasions. It's how you deal with your losing investments that determines your success."

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Of course, fleeing to cash also carries the risk of missing out on a rebound in stocks—which is exactly what happened in April and May, as stocks returned to bull-market levels.

Here is what to keep in mind if you are considering "surrendering"—moving to cash—when markets are volatile.

Making the decision

Investors go to cash for a variety of reasons. Mr. Buffett is likely planning to use his cash to take stakes in newly cheap companies. Most people likely do not have that option. Individuals typically go to cash when they are uncertain about keeping their jobs, need immediate retirement income or have suddenly discovered their portfolios no longer match their risk tolerance.

Whatever the reason, the decision is likely to lead to an immediate and lasting impact on net wealth, in terms of capital losses, taxes owed and a crimp on growth.

Unexpected consequences

When investors liquidate positions during market downturns, they end up with cash, but typically less than they could have had if they sold at a much later date—assuming markets, and the investments, recover and even rise.

Many investors who sell also make the mistake of assuming that just because they sold during a downturn it will count as a loss. But it's the initial purchase price that matters, and how you sold. Selling can help with taxes if you work with a financial adviser to tax-loss harvest, but in times of panic people will sell before doing that. You typically end up owing taxes whenever you sell shares for more than they cost when you purchased them. So, if you sell lots of stocks in your portfolio to raise cash, and don't have actual losses to offset capital gains, be prepared to give some of that cash right back in the form of more taxes owed.

One thing to keep in mind if considering going to cash: For some retirees who face RMDs, having a large cash allocation can hurt.

Another consideration is, after age 72, some retirees have to withdraw a certain amount from their retirement accounts each year in what is called a required minimum distribution. RMDs, which are taxable income, are suspended for 2020 but will resume next year. Coupled with unexpected capital gains from going to cash, this could create a real tax headache.

"The RMD is really going to kill you if you're heavily in cash," says Richard Marston, a personal-finance author and finance professor at the University of Pennsylvania's Wharton School. The more cash there is, the bigger the drag on a portfolio's growth in years that stocks do well, and the RMDs themselves practically guarantee there will

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MARCEL'S MASTERMIND

"What a beautiful world it would be... if people had hearts like dogs."

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be less available capital to work with in years to come. "Even if you're only spending a reasonable amount from those withdrawals, the cash is not working for you and you have to keep withdrawing and paying taxes on it each year," says Prof. Marston.

Interest and inflation

Most people are not going to be able to fund their retirement on 1.3% interest unless they have a great deal of cash. Meanwhile, most people have nowhere near that much cash, nor the prospects of getting it. Based on the likelihood of deteriorating market conditions, data from the World Economic Forum suggests that millennials would have to save a whopping 40% of their income to retire by age 65. For those with a nest egg already, most aren't going to be able to sustain their current levels of spending when they retire unless they keep sizable chunks of their portfolios invested.

Low interest rates on savings combined with consumer-price inflation erode wealth. While inflation in the U.S. remains low on a historical basis, it isn't zero. Grocery prices have increased during the pandemic. Health care as a percentage of individual spending is also at all-time highs and climbing, according to data from the Kaiser Family Foundation. Add housing, and these three indicators make up a significant portion of individual expenses and are unlikely to fall soon. Inflation expectations suggest investors could see their portfolios' buying power drop by 1% to 2% this year and next. Without a corresponding rise in interest rates, even low inflation eats up the 1.3% interest offered in a high-interest savings account.

Psychological barriers

Behavioral investing data shows that the longer you are in cash, the longer you are likely to stay in cash.

Investors tend to get comfortable knowing that they have a nest egg that doesn't fluctuate all that much even if it isn't working for them. Or, they try to time their re-entry into the market.

"Investors either explicitly or implicitly make a lot of decisions by going to cash," says Stuart Katz, CEO and chief investment officer of wealth-management firm Robertson Stephens. "They think they'll be able to get back in when the conditions are right, but the conditions are only right after they've missed the rally," he says. Indeed, this has already happened at least in part as stocks have rebounded, although they have been more volatile than in prior years.

Deciding to re-enter

For those who want to get back into the market but aren't sure how to do it, dollar-cost averaging may be an option, as it allows you to gradually re-enter the market through small but steady reinvestment of cash positions.

Prof. Marston suggests this can help people feel like they are still in control. "It's a good way to reassess risk," he says. "But there are drawbacks. The longer you take to get back in, the more you miss out on."

Amy Arnott, portfolio strategist at fund-tracker Morningstar, agrees. "The data shows that it is actually better if you put a lump sum in at once, in terms of the overall return. That said, investors will have to prepare for more volatility," she says. While dollar-cost averaging can smooth out portfolio volatility, the trade-off is total return on investment.

Investors may also wish to allocate a bigger portion to cash proxies such as ultrashort-bond funds so that their money is earning more than 1.3%. These funds tend to have one- to three-year maturities and can help provide income in low-yield environments, but Ms. Arnott suggests this strategy should be part of a broader effort to get back into the market if investors want to be on track to meet their long-term financial needs.

By Bailey McCann; Wall Street Journal

Updated June 7, 2020

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ASSET ALLOCATION: IT'S PERSONAL

Investor portfolios are typically divided among asset classes that tend to perform differently under different market conditions. An appropriate mix of stocks, bonds, and other investments depends on the investor's age, risk tolerance, and financial goals.

Consequently, there may not be a single benchmark that matches your actual holdings and the composition of your individual portfolio. It could take a combination of several benchmarks to provide a meaningful performance picture. There are hundreds of indexes based on a wide variety of markets (domestic/foreign), asset classes (stocks/bonds), market segments (large cap/small cap), styles (growth/value), and other criteria.

Keep the Proper Perspective

Seasoned investors understand that short-term results may have little to do with the effectiveness of a long-term investment strategy. Even so, the desire to become a more disciplined investor is often tested by the arrival of your account statements.

Making decisions based on last year's — or last month's — performance figures may not be wise, because asset classes, market segments, and industries do not always perform the same from one period to the next. When an investment experiences dramatic upside performance, much of the opportunity for market gains may have already passed. Conversely, moving out of an investment when it has a down period could take you out of a position to benefit when that market segment starts to recover.

There's nothing you can do about global economic conditions or the level of returns delivered by the financial markets, but you can control the composition of your portfolio. Evaluating investment results through the correct lens may help you make appropriate adjustments and plan effectively for the future.

The performance of an unmanaged index is not indicative of the performance of any specific security, and individuals cannot invest directly in an index. Asset allocation and diversification are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss. All investments are subject to market fluctuation, risk, and loss of principal. Shares, when sold, may be worth more or less than their original cost. Investments that seek a higher return tend to involve greater risk.

Source: Raymond James

BY THE NUMBERS

INVESTING IN THE STOCK MARKET— The share of adults investing money in the stock market in the US in 2007 is 65%, in 2020 that number dropped to 55%. (source: statista.com)

PRIVATE SECTOR PENSIONS—Less that 10% of private sector employees are granted a defined benefit pension plan. (source: statista.com)

EMPLOYER 401(k) MATCHES—Americans are leaving 24 Billion in unclaimed 401(k) matches on the table. (source: statista.com)

RETIRMENT SAVINGS— One in three Americans has less than $5,000 in retirement savings. The median household retirement savings account is $50,000. (source: statista.com)

AMERICAN CENTENNIALS– There are 72,000 Americans that are 100 years old or older in the US today. (source: statista.com)

HEALTHCARE COSTS IN RETIREMENT—A couple retiring at age 65 will spend on average $215,000 in out of pocket healthcare expenses. (source: Mass Mutual Survey)

SAVINGS BANK ACCOUNT RATES—The FDIC has only kept track of the saving account interest rate since 2010: January 2010 the rate was 0.21%, by July 2013 the rate hit an all time low of 0.06%. In 2020 the National Savings Rate Average has risen to 0.09% (source: FDIC)

THREE PRESIDENTS— All Founding Fathers, John Adams, Thomas Jefferson, and James Monroe—died on July 4.

"It is not true that Congress spends money like a drunken sailor. Drunken sailors spend their own money. Congress spends ours."

— Arthur Laffer

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MARK YOUR CALENDAR

National Parents' Day is July 26— While Mother's and Father's Day was officially celebrated in the early 1900s, National Parent's Day was not established until 1994, President Bill Clinton signed a Congressional Resolution "recognizing, uplifting and supporting the role of parents and all they do for us."

Ice Cream Sandwich Day and National Friendship Day are both celebrated on August 2— National Ice Cream Sandwich Day conjures up visions of our favorite summer treat. It's a simple thing, really, but oh, what deliciousness!

Friendships are the purest type of human relationships. This August 2, celebrate the friends who get you through the hard times and cheer you on during your most successful moments. Have an Ice Cream sandwich with a friend!

Labor Day is September 7— Labor Day is celebrated in both the US and Canada [Labour Day] on the same day, which is the first Monday in September.

Source: NationalToday.com

SHREDDING PARTY

Miller Advisors' Shredding Party has changed to:

Any Thursday in July from 9 am to 12 pm.

Due to COVID-19, we will change the type of event to a drop off event instead of a gathering. Please come any Thursday and bring your old statements and any un-necessary tax calculation documents to our office to be securely destroyed.

What to Keep

- Year-end statements for all accounts including Raymond James Financial Services.
- Reports for income tax reporting such as 1099s.

What to Shred

- Anything with private information on the document.

"The desire to become a more disciplined investor is often tested by the arrival of your account statements."

- Source: Raymond James

STAFF NEWS

HAPPY BIRTHDAY TO NICOLE AND HER TWO, DAUGHTERS, CARINA AND MADDALENA!

This summer the Pioli Sisters turned 5 [Carina] and 3 [Maddalena]. Get ready world, these two little ladies are ready to take off! Nicole also celebrated her birthday the week before! Three birthdays within three weeks!

Carina has declared she wants to be a paleontologist and knows more about dinosaurs and animals in general than most. She even had a dinosaur-themed birthday party! She loves to share the interesting facts she has learned from her many dinosaur books with all who care to listen. This Fall Carina is excited to start kindergarten! She will teach all of her new friends about dinosaurs.

Maddalena loves to get dressed up. She changes into as many outfits as she can get ahold of throughout the day. Her favorite is her ballerina outfit, she wants to be a dancer. With her favorite colors being pink and purple, this girl is all about making a fashion statement!

Kathleen is proud of all 3 of her girls!

HAPPY BIRTHDAY!

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FINANCIAL UPDATE

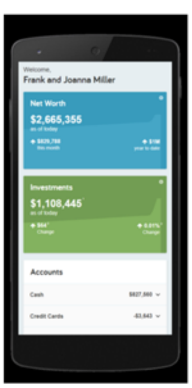
Here are selected rate of return numbers for the last two years and year to date as of 06/30/2020*

	6/30/2020	2019 Annual Return	2018 Annual Return
Dow Jones Industrials	-8.43%	25.34%	-3.48%
NASDAQ Composite	12.67%	36.69%	-2.84%
S&P 500 Index	-3.08%	31.49%	-4.38%
Russell Midcap - US Mid Cap	-9.13%	30.54%	-9.06%
Russell 2000 - US Small Cap	-12.98%	25.52%	-11.01%
MSCI EAFE - International Large Cap	-11.34%	22.01%	-13.79%
MSCI Emerging Markets	-9.78%	18.42%	-14.57%
BBgBarc US Aggregate Bond	6.14%	8.72%	0.01%
FTSE Treasury Bill 3 Month - Cash Alternative	0.52%	2.25%	1.86%

(Source: Morningstar) *Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results may vary. Past performance does not guarantee future results.

MAP HIGHLIGHTS:

YOUR PERSONAL FINANCIAL WEBSITE; Answers in the palm of your hand.



With mobile access to you website, your complete financial picture is in the palm of your hand, whenever you want, from wherever you are.

- See all of your accounts on one page
- View your updated investments
- Track your progress towards your goals
- Access important documents

Your personal Financial Mobile website can be accessed on iPhone, Android and other popular smart phones.

Continued next column

Here's how to get started:

- Once you've completed the self-registration process for your Personal Financial Website, you will receive a Website Registration confirmation email.
- Using your smart phone, access your email and click on the URL provided. Before logging on, add or save the link to your smart phone's home screen.
- The first time you logon, enter the same Username and Password you use to access your Personal Financial Website from your computer. After this initial logon, you'll be prompted to register your device and create a 4 digit PIN for easier access in the future.

Source: *e*Money Advisors, LLC

CONTACT INFORMATION & DISCLOSURES

We would like to remind you that in the event you are unable to speak with someone at our office, you can contact Raymond James Client Services directly for assistance with your accounts at (800) 647-7378. We would like to thank those of you who have referred your associates, clients, family members and friends to us. Your referrals are personally and professionally the most satisfying way for our practice to grow. If you have any questions or feedback regarding the newsletter, please contact the office and let us know how we can improve our communication with you.

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Please email more than one of us to ensure a prompt response.

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