SAM NEWS

3rd Quarter Report
October 2021

Slight September Slide

COVID Delta Variant Peaking?

September lived up to its losing reputation with the market affected by fears of a Chinese property crisis, continued COVID cases, the government debt ceiling deadline, rising inflation, and a late interest rate surge sparked by the Federal Reserve signaling it would start removing stimulus soon. During the month of September, we had a stock market decline of around 4% as measured by the S&P 500 which resulted in a gain of just 0.6% for the quarter. The other major U.S. indices all ended slightly negative.

Corporate earnings are robust as consumer demand for goods and services remains extremely strong. Stock prices follow corporate earnings. There is always something to worry about in the world at large and within our economy which could be used as an excuse not to invest. Just remember that the U.S. economy is very resilient and has overcome every obstacle it has ever faced. U.S. large company stocks have earned a total return (stock price appreciation plus dividends) of just over 10% per year since 1926. What are the current challenges and opportunities? Please read our SAM Outlook and SAM Strategy, below.

3rd QUARTER 2021 INVESTMENT REPORT

U.S. stocks, as measured by the broad S&P 500 rose 0.6% during the third quarter. The tech heavy Nasdaq Composite declined 0.4%, small company stocks as represented by the Russell 2000 were down 4.6%, while the Dow 30 slid 1.5% for the quarter. International stocks as measured by the MSCI EAFE Index declined 1%. The Bloomberg Capital Aggregate Bond Index remained flat as the Federal Reserve is prepared to taper their support of the economy and bond market soon. Gold prices ended at $1,755 per ounce- a decline of 7.3% for 2021.

INVESTMENT INDICES

All numbers listed below are total returns (including dividends) and are percentage gains or losses.

	3rd Quarter	YTD	2020	2019
Dow 30	-1.5%	12.1%	9.7%	25.3%
S&P 500	0.6%	15.9%	18.4%	31.5%
Nasdaq	-0.4%	12.1%	43.6%	35.2%
Russell 2000	-4.6%	11.6%	20.0%	25.5%
MSCI EAFE (International Stocks)	-1.0%	6.2%	5.4%	18.4%
Bloomberg Aggregate (Bonds)	0.1%	-1.6%	7.5%	8.7%

*****These are not the rates of return for SAM accounts, but are shown as a historical benchmark for various asset classes. SAM does not guarantee account performance. Accounts may lose value. Information taken from sources believed to be reliable, but its accuracy cannot be guaranteed.*****

SAM Outlook & SAM Strategy on the flip side

TIME FOR TAX PLANNING

It's Less Than 90 Days To Year-End! Time to start thinking about…

Tax planning: Schedule an appointment with your CPA or tax preparer.

IRA and retirement plan contributions: Be sure to fund by the IRS deadlines.

INTERESTING FACTS

Congress has raised or extended our nation's debt ceiling 78 times since 1960, i.e., an average of once every 9 months. The 78 total is split 49 times under a Republican president and 29 times under a Democratic president. (source: Treasury Department)

Inflation, as measured by the Consumer Price Index, was up 5.3% over the 1-year ending 8/31/21. The last year when inflation was up at least +5% was 1990 or 31 years ago. (source: Department of Labor)

Upcoming Stock Market Holidays

Thanksgiving Day, November 25th
SAM Closed Friday, November 26th
Christmas Observed, December 24th

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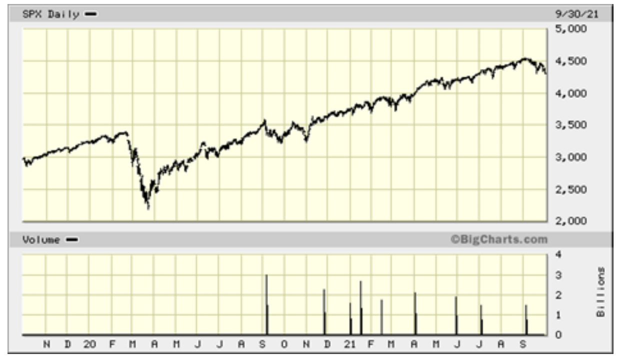
SAM OUTLOOK

S&P 500 2-Year Chart



As you can see from the S&P 500 stock price chart (right), stocks have gained over 100% from the pandemic lows in early 2020 to the recent highs. During the end of the 3rd quarter, we had a roughly 4% decline in the broad market which was the first meaningful pullback in many months. In fact, the S&P 500 large cap index has not had a pullback of 5% or more in 226 days- the seventh longest streak on record. The longer we go without a meaningful pullback, the higher the likelihood of a larger correction in the future- perhaps up to 10%. Most calendar years have at least a 10% correction and we would encourage our clients to remain calm and to continue to think long-term. Because the economic fundamentals are so strong, we would view any larger decline as an opportunity to invest new funds.

Although we are not out of the pandemic yet, the economy is showing encouraging signs. Job growth has been strong and financial markets are confirming that the economic cycle has shifted from recovery to expansion. Global earnings estimates are being revised upward and global leaders are expressing fewer concerns about supply chain constraints. We are now in the 4th wave of COVID-19, but cases associated with the Delta variant seem to be waning as of this writing. Given these factors, we remain optimistic about the stock market for the remainder of 2021 and beyond.

SAM STRATEGY

We are maintaining our maximum stock exposure within each of our client investment management strategies. Stocks are still the risk asset of choice- being better inflation hedges than bonds, as companies can pass along their cost pressures as higher prices- protecting their profits. Corporate earnings are still generally rising globally and there is no recession in sight. We are in an environment where stocks should continue to appreciate despite some of the near-term risks that we face.

Despite the underperformance of international stocks, we are maintaining our current allocation. Here are a few reasons: 1. More than 40% of the world's market capitalization lies outside the U.S., and 80% of today's investable securities are of foreign issue. 2. More than ever, businesses are competing on a global scale and businesses are earning revenue from all parts of the globe. Companies outside the U.S. may present the best long-term growth potential. 3. Performance fluctuates over time and we want to be ahead of the curve. It is conceivable that the market leadership U.S. stocks have enjoyed over the past decade will not continue in perpetuity. 4. International economies have higher growth rates and companies outside the U.S. have better corporate fundamentals. GDP growth in the U.S. is forecast to be 1-3% annually for the next five years while many non-U.S. economies are poised for more significant growth. International companies are trading at a significant discount when we look at traditional fundamental measurements like current price to earnings (P/E) ratios, forward P/E ratios, and price to book ratios. In general, international stocks also pay higher dividends.

We are keeping a close eye on all our bond investments. The bull market in bonds began 40 years ago- bond prices have essentially been rising for 4 decades! On September 30th, 1981, the 10-year U.S. Treasury note yielded a record high of 15.82%. Today, the 10-year yields around 1.5%. As interest rates rise from the record lows that were set during the pandemic, we will see bond prices fall. The goal for our current bond investments is to maintain principal value while receiving a reasonable current yield. Moving forward, we are more concerned about the performance of our fixed income holdings than we are our stock holdings.

Gifting Appreciated Securities

With stock prices still near all-time highs, now may be a great time to consider donating appreciated securities from your non-IRA brokerage accounts to charity. There are major advantages in donating appreciated securities instead of cash. When you donate an appreciated security, you don't have to pay capital gains tax on the gain, and generally you get a tax deduction for the full value of the security on the day it is donated. Giving appreciated securities instead of cash can save you hundreds or even thousands of dollars versus a cash gift. Contact our office or see your tax preparer to find out if you should take advantage of this unique way of giving.

RMD's (Required Minimum Distributions) for IRA's:

Charles Schwab will notify clients who have required minimum distribution requirements in 2021 of their Required Minimum Distribution (RMD) from all types of IRA accounts. The RMD must be taken this year in order to avoid severe penalties. If you have any taxable account with us, we can arrange to have the RMD amount directly transferred from your IRA to your after tax account- no hassle! We will be reaching out this month, or just call our office at 658-5193, toll-free 1-877-658-5193.

"Discipline yourself to do the things you need to do when you need to do them, and the day will come when you will be able to do the things you want to do when you want to do them." Zig Ziglar