Perspectives

Newsletter I Quarter Ending December 31, 2020

Benefit Financial Services Group I 2040 Main Street, Suite 720, Irvine CA 92614 I Phone: 714.282.1566 I www.bfsg.com

Inside This Issue

Market Recap

What a year – what a quarter! In early October, the S&P 500[1] continued its march upward before selling off nearly 9% starting mid-October going into the 2020 national election. However, investors quickly processed the election results and decided the outcome was going to be positive for their portfolios over time. A Democratic administration is broadly seen as one that will favor more fiscal stimulus in terms of COVID-19 relief, infrastructure spending, and other programs, and such spending will likely be good for stocks. Stocks went on to close the year with all three major averages (the Dow Jones Industrial Average, the S&P 500, and the Nasdaq 100) at all-time highs. The S&P 500 was up an astonishing 11.69% in the 4th quarter and 16.26% for the year.

The see-saw battle between value stocks and growth stocks continued in Q4. It seemed that one day growth would do well and the next day value would do well. The Barclays Aggregate Bond Index[2] was almost exactly flat for the quarter, but up 7.51% for the year.

International stocks also did well in 2020. Developed markets[3], such as Europe, Japan, U.K., etc., were up 5.43%, and emerging markets[4] were up 15.84% for the year. Spot gold rose 25.1% in 2020.

A teaching moment: Some of our clients have justifiably expressed concerns about the current political division in our country. It is difficult to watch this play out and all of us are concerned. Clients wonder if they should take some money off the table because of what might happen under one administration or the other. As investors, we have to look through a different lens. It is one that helps to see what effect laws or regulations that are likely to be passed will have on corporate earnings and your financial plan. For example, one might believe a large increase in government spending and the debt that is taken on to fund it is bad for America, but there is no doubt that it would be good for corporate earnings, and therefore the stock market, but maybe not the bond market. It gets complicated. The bottom line is that concerning your portfolio, try to parse whatever is happening in light of how it may or may not affect earnings.

- **Patrick Powers, CFA®, CPA, CFP®**
  Partner/Managing Principal

Forecast

As we ring in the new year, investors such as ourselves should be thankful for last year's stock market results. After all, it was only a short time ago, in March, when the S&P 500 was down 33%. What looked like a monstrous and prolonged market slide turned out to be short-lived and not as gruesome as one would expect considering the initial response to COVID-19. This really proves the point that the market can't be timed.

Interesting enough, the Federal Reserve Bank (and many other central banks around the world) once again stepped up to the plate and served a huge amount of liquidity that not only propped up stocks, but it also kept hotels, airlines, and even cruise ships, all impacted by COVID-19, alive and running. Fiscal stimulus by Uncle Sam gave consumers money to spend and those unfortunate folks who are unemployed, some relief. Santa Claus came early with his presents and the market rallied nicely in November and December.

Here we are in 2021, Dick Clark is no longer Rockin' New Year's Eve, but the stock market and Bitcoin keep the beat going. We suppose with such a tremendous upswing in the equity markets, a correction would not be surprising. However, we think with all the liquidity, almost zero interest rates, and plenty more of fiscal stimulus to come, stock markets will be higher 6 to 12 months from now.

- **Steven Yamshon, Ph.D.**
  Partner/Managing Principal

Portfolio Management

One can make money in the financial markets totally out of randomness. Last year proved this, as the economy and risk assets (i.e., stocks, junk bonds, Bitcoin, etc.) were rescued by easy money supplied by the Federal Reserve and fiscal stimulus by the federal government. Rock bottom interest rates continue to fuel a speculative boom in certain risk assets (i.e., cryptocurrencies, high-flying growth stocks with no profits, SPACs[5], options, and long-dated bonds). This misdirected investment will be checked at some point - most likely when interest rates rise. Meanwhile, this illusion that money can easily be made is usually a recipe for disaster.

We are not driven by greed or a fear of missing out. Our commitment is to create fundamentally sound, globally diversified investment portfolios as part of a disciplined approach tailored to each client's needs and goals.

In the 4th quarter, we endeavored to reduce portfolio risk further by adding to gold in many clients' portfolios. Even a volatile asset like gold can diversify a portfolio since it tends to move in the opposite direction from other risk assets. The investment implications of a lighter fiscal policy mix should weaken the U.S. Dollar, and along with lower real bond yields, gold should move higher. Furthermore, we believe gold provides a good store of value over the long term.

With a globally diversified portfolio, you might not laugh all the way to the bank, but you will probably smile smugly.

- **Michael Allbee, CFP®**
  Partner/Senior Portfolio Manager

Talk With Us!

Maybe you plan to start 2021 on the right foot by creating a resolution and sticking to it. Some of the most common resolutions each year include quitting smoking, losing weight, paying down debt, saving more, or maybe it is just to be happier. We know it is all too common for people to have the best of intentions but not stick to their goals. If you go to any gym early in the year, you see the number of people there is huge (maybe not this year) and those numbers quickly dwindle as the new year rolls into February and March. So how can you ensure that your resolution makes it past the first 90 days?

You must create new habits by being intentional in your actions and having a plan. If you are consistent with your plan, over time, you will find the process becomes easier and more enjoyable, especially as you begin to see the results of your hard work. Making it past the first 30, 60, and 90 days is the hardest but gaining motivation from positive results along the way makes the process easier. Here are some tips to make it past the hump:

1. Identify the End Goal. Dream. Dream Big! Having a huge, audacious goal provides clarity and motivation. Identify that big goal that can be measurable like losing 30 pounds, writing a book, starting a business, or learning a new language. With some support, grit, and help you can make the dream a reality! It is better to aim for the moon and settle for the stars.

2. Break Down the Goal into Manageable Pieces. It can be overwhelming and paralyzing to think about what you must do to attain that big goal. Now you need to break it down into bite-sized pieces. How do you eat an elephant? One bite at a time. The same is true for your goals. Now break down the goal into bite-sized pieces to make it more attainable and less scary. Map out small steps that become bigger over time that move you towards your end goal. Write down the goal into a checklist and you can mark the first item off of starting the checklist.

3. Remember Why You Are Doing This. As you go through the process it is easy to become frustrated or lose sight of what motivated you to make the goal in the first place. When I lost my weight, I was frustrated by not seeing results "fast enough". When I remembered that I was doing this so I can have more energy and be a better dad it helped me to stay focused. This step is important as you progress to help you maintain your focus, passion, and dedication to the goal.

4. Commit Yourself. Make yourself accountable through a written or verbal promise to people you don't want to let down. Goals are easiest if you are not alone. If you workout, have a gym buddy or a trainer. If you are starting a business, find a mentor or group of other individuals starting a business. Social media makes it easier than ever to find like-minded individuals to help you along the way. Let them know your goals and help keep you accountable.

5. Have Grace for Yourself. Understand that you have many victories along the way and not just when you complete the big goal. If you are running a marathon, completing your first 10-mile run is just as important as completing the marathon. There will be setbacks and don't get down on yourself. We are our own worst enemy.

6. Be Thankful and Enjoy the Process. Having a thankful heart and some humor makes the process much easier. If three months in you wanted to lose 15 pounds but only lost 10, be thankful that you are down a size. There will be days you do not have the time or will power to achieve your small targets. Maybe the plan for the month is to pay an extra $500 to debt but you lack motivation or had an unexpected expense. Pay an extra $100 that month. Instead, be proud of yourself for doing something towards your goal.

Remember that if you do not reach your goal this year, you will still be better off for working towards the goal and making progress along the way. Have fun with it and involving other people always makes the process easier.

Best of luck conquering those resolutions in 2021 and please feel free to Talk With Us about helping you achieve your goals!

- **Paul Horn, CFP®, CPWA®**
  Senior Financial Planner/Wealth Manager

BFSG - In The News

December 2020 – Steven Yamshon's case study called "Organ Transplants at Cedar-Sinai Medical Center, Los Angeles, and the Third Industrial Revolution" was recently published in The Global History of Capitalism published by Oxford University.

December 9, 2020 – NAPA Names Darren Stewart, JD to 2021 Top Retirement Plan Advisors Under 40

December 9, 2020 – NAPA Names Chad Noorani, QKA to 2021 Top Retirement Plan Advisors Under 40

November 5, 2020 – NAPA Names Tina Schackman to Top Woman Advisors List

The Score Board

	12/31/2020	YTD Change
Dow Jones Industrial Average	30,606.48	9.72%
S&P 500*	3,756.07	16.26%
NASDAQ Composite*	12,888.28	43.64%
MSCI EAFE (USD)*	2,147.53	5.43%
Bloomberg Commodity Index	78.05	-3.50%
Barclays Aggregate Bond Index	2,392.02	7.51%
10 Yr U.S. Treasury Bond Yield	0.93%	-95 bps
30 Yr Fixed Mortgage Rate	2.87%	-99 bps
Prime Rate	3.25%	-150 bps
Crude Oil ($ / Barrel)	$48.44	-20.67%
Gold ($ / Oz.)	$1,898.36	25.12%
U.S. $ / Euro €	$0.82	-8.21%
Core Inflation (excluding food / energy)		1.6%**
Inflation (including food / energy)		1.2%**

**Without Dividends; **Unadjusted 12-Months ended November 2020; bps (1 Basis Point = 1/100%); UNCH (Unchanged)*

Sources for Score Board and quoted statistics: WSJ, US Dept. of Labor, Federal Reserve

Sources:

1. The S&P 500 is designed to be a leading indicator of U.S. equities and is commonly used as a proxy for the U.S. stock market. Price return quoted.
2. The Barclays Aggregate Bond Index is a broad-based index used as a proxy for the U.S. bond market. Total return quoted.
3. The MSCI EAFE Index captures large and mid-cap segments in 21 developed markets around the world, excluding the US and Canada. Price return quoted (USD).
4. The MSCI Emerging Markets Index captures large and mid-cap segments in 26 emerging markets. Price return quoted (USD).
5. Special Purpose Acquisition Companies (SPACs), often referred to as blank check companies, is a public firm that uses money raised from an initial public offering to merge with another company.

To unsubscribe from this newsletter, please send an email to Unsubscribe@BFSG.com.