



## Newsletter 3Q 2021 & Market Summary

The U.S. economy is in the recovery phase, which is the first phase, of a new growth cycle in the economy that should last the next 7-10 years. 2Q saw the economy opening up with more vaccines available and the market rose with companies seeing growth will not be in a straight line upward and will have forward. It is called a “Bunny Hop” economy, according to GDP growth of the U.S is expected to reach +7% which decent growth for 2021. The Foresight Mutual Fund Models YTD returns, as of June 30, 2021, are as follows: Conservative +5.51%, Moderate +6.13%, and Aggressive +6.76%. If the year continues on this path, it is likely to be a double-digit growth year in the market and the Foresight Models!



blockbuster earnings! However, the fits, starts, and setbacks as it moves to Liz Ann Sonders, of Schwab. The should carry the overall market



**Happy 125<sup>th</sup> Birthday Dow Jones Index!** On May 26, 2021 the Dow turned 125 years old. An article from The Economic Times stated, “In the Index’s 125 history, it has survived two ghastly World Wars, two damaging pandemics, 23 US presidencies and countless recessions and remained the icon of capitalism along with the city of New York, where it is homed. “

### Welcome our newest employees at Foresight!



**Cody Nisenbaum**  
*Financial Portfolio Investment Analyst  
Grand Valley BBA-Finance and  
Economics*



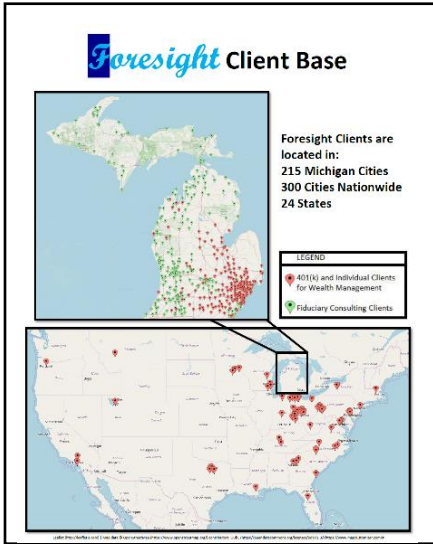
**Dillon Schroeder**  
*Financial Analyst  
EMU BBA-Finance*



**Cody McCullough**  
*Intern Financial Analyst  
Northwood University*

**PEP-Pooled Employer Plans:** Foresight now offers 401(k) plans for small businesses under the new SECURE Law that introduced PEP Plans to all small businesses. No matter what size your company is, with employees from 1 to 100, can join a PEP plan and offer 401(k) savings limits to your company employees! The PEP offers economy of scale and keeps the cost extremely reasonable for all members of the PEP. Please call us today for more information on how to join the new PEP 401(k) plans and offer your employees a new expanded benefit!

**CEPA- Certified Exit Planning Analysis Services:** Foresight is now certified to provide exiting planning valuations for businesses and owners. Our firm is also prepared to assist with implementing business improvements to assist with increasing the value of your business prior to an exit or retirement. If you are interested, or know of someone who is interested, in pursuing services in this area please reach out to Foresight at 877-429-4690.



**FCMA Mutual Fund Model Returns**  
 June 30, 2021

Conservative Model	+5.51%
Moderate Model	+6.13%
Aggressive Model	+6.76%

**Indexes:**

S&P 500 Index	+ 15.52%
MSCI EAFE Foreign	+ 9.17%
10Yr T-Bond Index	- 1.60%

Future performance is not guaranteed; above returns are total return with reinvestment of dividends, interest, capital gains, and shown net of fees.



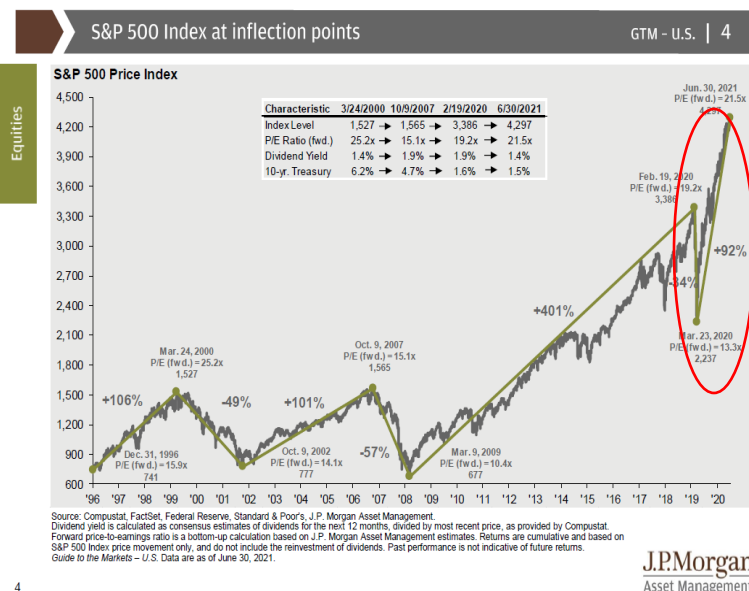
## Foresight's Outlook and Portfolio Strategies

During 2Q 2021, the market rose nicely as the vaccines rolled out and the economy opened up. To date, the market has certainly had its “Bunny Hops” but is on an “Up Jump” for the summer! According to Fact Set as of July 23, 2021, 88% of S&P 500 companies have reported beating EPS(earnings per share) by 19%, beating Revenue by 4%, which is considered block buster results!! which is a complete about face from in March of 2020. The Biden

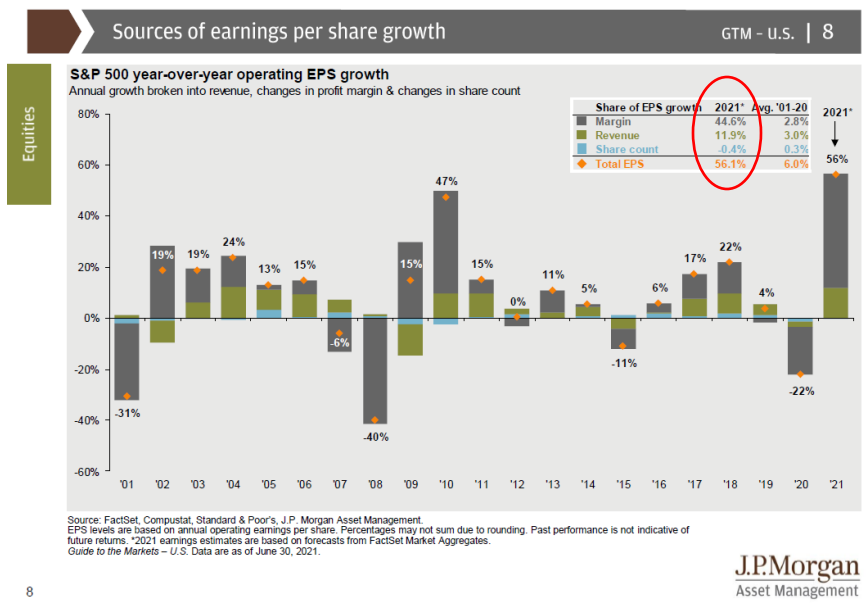
initiatives to further household stimulus (child tax credit), infrastructure, and tax reform. These will likely have some market impacts as the news becomes reality and law. Therefore, the “Bunny Hop” economy is something that will continue to be navigated for 2021. The good news is the vaccinations have reached 341,000,000 U.S. citizens, according to Our World in Data as of July 25, 2021, but the Delta Variant of Covid is beginning to emerge so caution is warranted and needed. This picture of the bunny says it all, to describe the economy and the Covid we still are dealing with in our daily lives. The new growth trend America is entering is expected to continue over the next 7-10 years. The JP Morgan chart, shows the “V shaped” recovery the U.S. has endured since the Covid recession a year ago rising 92% from the low of the Covid Recession. The forward



which is above the 5 year average of 7.8% and above the 5 year average of 1.2%. This is The GDP is expected to reach 7% in 2021 a year ago when the GDP plummeted -10.3% Administration has announced several

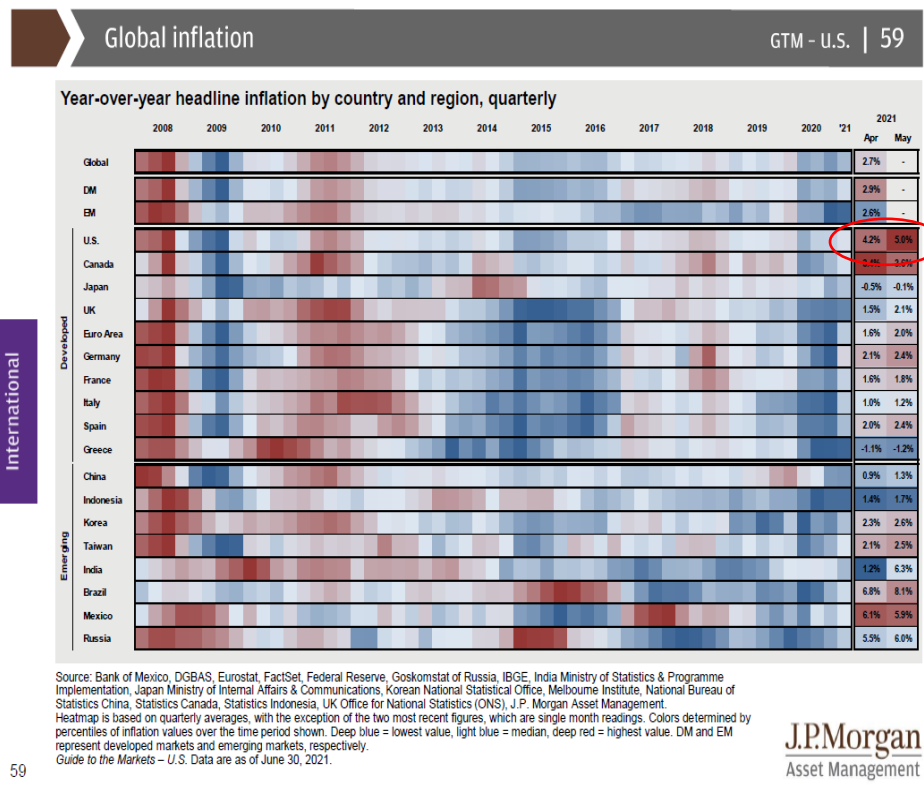


PE Ratios (Price/Earnings) of the S&P 500 is at 21.5, which is above the 5-year average and the 10 year average according to JP Morgan. However, the earnings of companies are rising at remarkable rates with margins rising 44.6% over the last 20 years averaging 2.8% according to JP Morgan. This quarter, if earnings continue to rise as they are expected the PE ratios will drop to acceptable PE's by sheer math of the denominator rising. Which means the stock market will have more room to rise! Ed Yardeni, in a tweet April 25, 2021, said MAMU here we come! In his latest book, *The Fed and the Great Virus Crisis*, He predicts the MMT+TINA=MAMU, where MMT= Modern Monetary Theory, TINA= there is no alternative



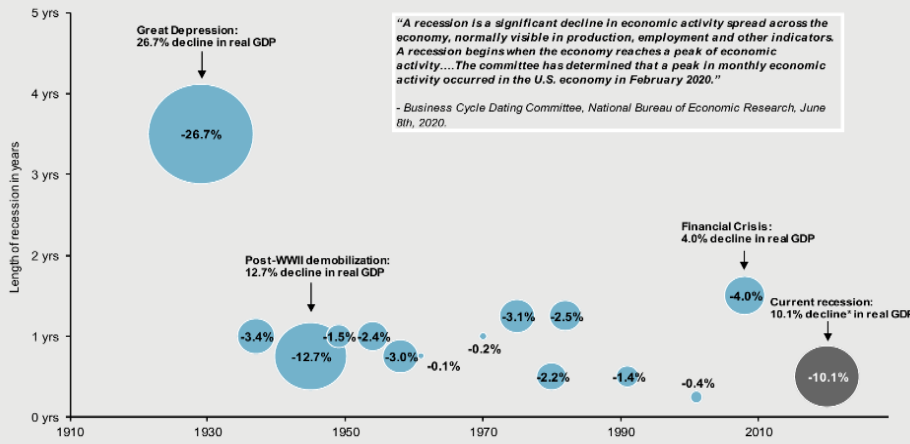
to stocks, and MAMU= the Mother of all Meltups.

So analyst will be researching to see if companies have true earnings that are coming from their ability to raise prices of their goods and services or is it just excess demand where the company has not been able to pass on any price increases. So when the demand wanes the earnings fall. The better scenario is companies that have been able to pass on price increases to consumers. This is inflation and the Federal Reserve wants inflation to rise slightly, but not as fast as it has in the last 60 days. Inflation has risen quickly in the 2Q to 5.4%. Inflation is expected to rise in 2021 as federal stimulus pumps into the economy and prices rise due to increased demand for goods and shortages worldwide. However, long term inflation is expected to level out at a range of 2% to 3%. The Federal Reserve will watch the inflation rate very closely and will begin to taper bond purchases first then raise interest rates to cool it down when necessary. We expect this to begin in early 2022.



Economy

The Great Depression and post-war recessions  
Length and severity of recession



Source: BEA, NBER, J.P. Morgan Asset Management.  
Bubble size reflects the severity of the recession, which is calculated as the decline in real GDP from the peak quarter to the trough quarter except in the case of the Great Depression, where it is calculated from the peak year (1929) to the trough year (1933), due to a lack of available quarterly data.  
\*Current recession reflects peak (1Q20) to trough (2Q20) decline.  
Guide to the Markets - U.S. Data as of September 30, 2020.

J.P.Morgan  
Asset Management

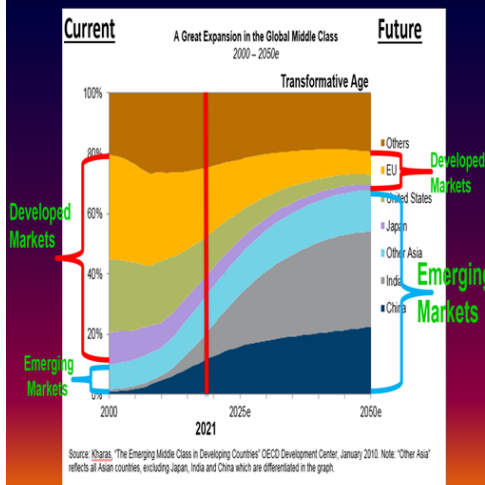
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Although short in duration, the Covid-19 recession has gone down as the third deepest recession in history in terms of GDP contraction (see the dark grey dot to the far right in the chart), only trailing the post-WWII decline and the Great Depression. The U.S. GDP is expected to reach +7% in 2021, according to the latest estimate from

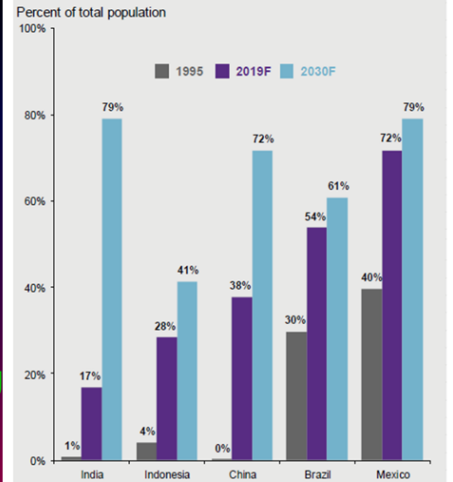
the Federal Reserve. Unemployment has dropped to 5.9% but according to Dr. David Kelly of JP Morgan there are 9.3 million jobs available and 9.3 million people still on unemployment. Therefore, it is very difficult to find workers. As the federal stimulus comes to an end it is expected the unemployment will drop to 4.5% by yearend as workers seek to find employment this fall.

Foresight sees opportunity in foreign emerging markets over the next 10 years due to the huge growth of the middle class abroad. Countries like India and China are expected to double their middle class over the next 10 years, after already growing at an exponential rate over the last 15 years. This will lead to more opportunity from an investment perspective as these countries grow their economy and work force. Foresight has added to Foreign investments and will continue to add to this investment sector as this unfolds.

The Great Flip of the Middle Class



Growth of the middle class



Institute. "Growth differential" is consensus estimates for 12 months, provided by Consensus Economics. Middle class historical and forecast figures come from the Brookings

J.P.Morgan  
Asset Management

Foresight makes no warranty of complete accuracy, assumes no liability for, and reserves the right to correct this information.

The Covid 19 vaccines are rolling out with 163 million fully vaccinated in the U.S. or 49.6% of the population. Progress is being made, but there is still work to do especially with the Delta variant spreading. In the meantime, social distancing and limited mask wearing will be with us for some time. So, we need to be as safe as possible about our loved ones and our lives, until safer days abound.



Foresight has moved the portfolios into their normal post-recession risk level allocations and is stepping up the equity allocations as the economy edges towards the peak efficiency and growth-phase of the market. In a recent J.P. Morgan webinar on July 6, 2021 David Lebovitz, Global Market Strategist, said, “Diversification doesn’t work every time but it does work over time!” Broad diversification favoring value is the focus of all the Foresight portfolios at this time. We see opportunities in industrials, infrastructure, financials, technology, foreign markets, U.S. small and midcap stocks, U.S. large value stocks, convertible bonds, floating interest rate bonds, and high yield bonds. For Individuals who have personal portfolios with Foresight we continue to monitor the stock portfolios weekly and have stop-losses, on nearly ½ of the holdings, with double-digit gains within the stock portfolios. All of the Foresight value stock holdings have returned to favor in 2021 showing the most growth year to date through 2Q 2021.

### **Foresight honors Nicolas Gehringer!**

Nicolas is a Saline Schools 6<sup>th</sup> Grader, and designed this ad for our company through a graphic arts and design competition at his school. This was posted in the Sun Times on June 2nd, 2021. Thank you Nicolas!



## Foresight Planning Ideas

**PEP-Pooled Employer Plans:** Foresight now offers 401(k) plans for small businesses under the new SECURE Law that introduced PEP Plans to all small businesses. No matter what size your company is with employees from 1 to 100 can join a PEP plan and offer 401(k) savings limits to your company employees! The PEP offers economy of scale and keeps the cost extremely reasonable for all members of the PEP. Please call us today for more information on how to join the new PEP 401(k) plans and offer your employees a new benefit!

**HSA-Health Savings Plans:** Foresight now offers HSA investment plans with debit cards and investment growth for your health care savings accounts. Most employers are now offering HSA plans with your health benefit plans to keep costs reasonable, but the HSA plan attached to the benefit does not allow for you to invest your HSA account and the funds just set in a bank account. The Foresight HSA can be opened, in addition to your employer HSA, and allows you to invest your HSA in our Foresight Models just like we have for our 401(k) plans or mutual funds clients. Any unused HSA balance you have can be easily transferred to a Foresight HSA and made into an investment portfolio while keeping the minimum at your employer for use with your debit card! Then if you need funds put on your debit-card we can simply move funds to the debit card as needed. In the meantime, your HSA is growing and can be saved for healthcare in retirement too! Contact us for more information, 877-429-4690.

**Student Debt Refinancing:** Consider refinancing student debt, if possible, since the interest-free period is scheduled to sunset on September 30, 2021. The Biden Administration is still working on loan forgiveness, but it is not a forefront topic until the infrastructure bill is passed and is likely to be \$10,000. Therefore, the interest rates have recently fallen and we recommend applying for a refinance to see if the payment options with lower interest are suitable for you. Please contact us if you would like an analysis regarding your student debt.

**Last Pass App:** Allows you to enter your Passwords in the application on your cell phone. The app allows you to assign Masters (people) who can enter the app and obtain the information if you pass away. Masters would be given the information to access your cell phone and this app to obtain the critical information needed. This is an app worth looking into as a safekeeping vault for all your passwords and user id logins.

**IRS Contribution Limits few Increases for 2021:** *The IRS just release their new 401(k), 403(b), and 457 savings limits for 2021 and will remain the same at \$19,500 deferral max and for 50+ \$26,000 deferral. Total Savings limits for deferral, match and profit sharing will rise by \$1k up to \$58,000. IRA limits remain the same at \$6,000 and if age 50+ \$7,000. HSA limits rise for single \$50 up to \$3,600 and for family up \$100 to \$7,200 and if 55+ up to \$8,200.*

**RMD's required minimum distributions are restated for 2021.** It is required if you are age 72+ that a RMD is taken from all your pre-tax IRA's and retirement accounts. Please contact us if you have questions or would like us to help you to set this up from your accounts.

**Charity Write offs increase in 2021:** Every taxpayer in 2021 will get a direct charity tax write off which increases to a \$600 write off for all joint filers in 2021. This is an increase over the \$300 limit for 2020. So encourage giving at this time of need because Uncle Sam is giving you a tax benefit to do so!

**Paycheck Protection Program:** Has rolled out a second PPP loan program if a company has encountered a reduction in revenue of at least -25% for a quarter in 2020. Additionally, the first PPP loans have the 3508 forgiveness forms now available. The new form 3508S just became available for loans <\$150k, which is an abbreviated forgiveness form. The AICPA is encouraging you to contact your lender for specifics regarding your loan and loan forgiveness if you received a PPP loan.

**SECURE ACT 2019:** The recently passed SECURE Act has led to many changes in the retirement landscape. Most noticeably, the RMD required beginning date age for individuals turning 70 ½ after 12/31/2019 has changed to 72 years old. In addition to the later required RMD beginning date, individuals can now continue to contribute to an IRA passed 70 1/2 if they have working wages.

However, a trade-off of the SECURE Act is that non-spouse beneficiaries of IRA's (inherited IRA's) must now distribute the entire account balance by the end of the 10-year period preceding the passing of the individual they are inheriting the IRA from. Another addition from the SECURE Act is that part-time employees now have easier access to participating in their company's retirement plan by working either 1,000 hours a year or by working at least 500 hours for three consecutive years. Please visit <https://www.congress.gov/bill/116th-congress/house-bill/1994> for more information.

**CEPA- Certified Exit Planning Analysis Services:** Foresight is now certified to provide exiting planning valuations for businesses and owners. Our firm is also prepared to assist with implementing business improvements to assist with increasing the value of your business prior to an exit or retirement. If you are interested, or know of someone who is interested, in pursuing services in this area please reach out to Foresight at 877-429-4690.

**Do you have a Letter of Instruction at Death with your Estate documents?** This is the most neglected document in planning according to a recent training we attended from Walter Haig. The LID=Letter of Instructions at Death needs to include the following: Funeral arrangements (transport of body, prep of body, disposal of body, obituary, and ceremony) Contact List, a list of Passwords/Pins, Cell Phone Password, Care of Pets, Disposition of Personal Property to prevent heirs from removing stickies and taking family heirlooms. The LID document is usually missing from normal estate documents which should include a will, trust, durable POA, health directive, and general POA. We recommend you add a LID to your estate documents because it will finish out all your final planning.

**Millennials:** are turning 40 this year. Millennials are now the largest % of the population, the most educated, and the most diverse group. This group will continue to drive the market and economy for years to come as they enter their highest earning years. Foresight has expanded our **Speculative Portfolio which invests in future growth areas of the market.** This portfolio is not for everyone, but especially millennials who have many years to let a portfolio grow, may find this a great opportunity. If you are interested in learning more about this please email us at [consultant@fcmadvisors.net](mailto:consultant@fcmadvisors.net).

**Consolidated Reporting-Do you have accounts outside of Foresight that you would like to see all in one place?** We can help you get consolidated reporting! Sign up for By All Accounts which is a consolidating reporting company that will allow all your accounts to be reported with your Foresight accounts. Contact us at 877-429-4890 and ask for Justin or Jessica and they will help you complete this.

**New Fiduciary Vetted Annuities are now available at Foresight:** The NAPFA organization has worked to create a series of annuities that Foresight, a fee only registered investment advisory firm, can continuously rebalance quarterly in no-load mutual funds. Additionally, these annuities can be used over joint lives of the spouses and any remainder funds can be inherited by the estate heirs. Annuities are not for all investors, but if you are interested in learning more please contact Foresight because some of these annuities grow between 4%-5.5% over the next 10 years, which will nearly double the investment during this time. Contact us at 877-429-4690 for more information.

### **Foresight Whitepaper 2<sup>nd</sup> edition released January 2021**

Foresight is pleased to announce our newest published piece which details the key steps of how to invest your portfolios for retirement! Most people work all their lives saving money in their employers' 401(k), 403(b), and 457 plans. When they are nearing retirement, they do not realize it is best to transform these portfolios from mutual fund portfolios into distribution portfolios! The reason for doing this is the key message of our latest white paper titled, "The Modern Day Pension – How to Create a Distribution Portfolio and Harvest Your Dividends and Interest for a Bountiful Retirement".



**Roth 401(k)'s should be rolled to an IRA before age 72:** it is wise to roll these funds to a Roth IRA before you turn 72 because if the Roth funds are left inside a 401(k) they must take RMD (required minimum distributions) just like the pre-tax funds which defeats the purpose of letting the Roth grow! However, if you roll it over into a Roth IRA before 72 then you do not need to take the RMD from the Roth IRA. This is a very important hint to remember!

**Roth IRA Ideas:** If interested in additional savings ideas consider opening a Non-deductible IRA. This will allow you to save the maximum in your 401(k) and also save an additional \$6k in a Non-deductible IRA, and \$7k if age 50+. Then convert the Non-deductible IRA to a Roth IRA! It is a way to obtain a backdoor Roth IRA funding even if you are not able to save directly into a Roth IRA. Additionally, ask if your 401(k) allows for additional after-tax contributions. If so then you can add to the after-tax contributions and consider rolling them out to an IRA where you can do a conversion to a Roth IRA. This is another form of backdoor Roth!

**On-line Access:** Each year we encourage everyone to test your on-line access to your account(s) at the custodian or third-party administrator for your plan. Please visit Journeyrps.com, Noblepension.com, or Sentinelgroup.com retirement participant. For individual clients at TD Ameritrade access Advisorclient.com for Schwab Institutional Clients access Schwaballiance.com. To access your web portal for individual accounts, go to <https://fp.morningstar.com>. If you have any difficulty accessing your account, please email or contact us.

**Foresight has MOVED our office!**

Our new address is:

**Foresight Capital Management Advisors, Inc.  
1205 Industrial Drive  
Saline, MI 48176**







## Capital Management Advisors, Inc.

### Market Update

(all values as of  
06.30.2021)

#### Stock Indices:

Dow Jones	34,502
S&P 500	4,297
Nasdaq	14,503

#### Bond Sector Yields:

2 Yr Treasury	0.25%
10 Yr Treasury	1.45%
10 Yr Municipal	1.00%
High Yield	4.01%

#### YTD Market Returns:

Dow Jones	12.73%
S&P 500	14.41%
Nasdaq	12.54%
MSCI-EAFE	7.33%
MSCI-Europe	10.11%
MSCI-Pacific	2.68%
MSCI-Emg Mkt	6.46%

US Agg Bond	-1.6%
US Corp Bond	-1.27%
US Gov't Bond	-1.96%

#### Commodity Prices:

Gold	1,773
Silver	26.32
Oil (WTI)	73.77

#### Currencies:

Dollar / Euro	1.19
Dollar / Pound	1.38
Yen / Dollar	110.55
Dollar / Canadian	0.80

### Macro Overview – July 2021

Financial markets are becoming more sensitive to the Delta variant mutation of Covid-19, as some countries in Europe reconsider easing restrictions on businesses and travel. Regardless, global equities finished the 2nd quarter on a positive note and rates stabilized following an upward trending environment earlier in the year. A lack of spending and stay home orders during the pandemic has left millions of consumers with abundant cash hoards, which has been a factor in the recent economic activity occurring nationwide. Some economists and analysts question as to how long it will be until the plentiful cash positions are depleted.

Comments by St. Louis Federal Reserve Bank member James Bullard suggested that there is a “housing froth that seems to be developing” and indicated a pullback on mortgage bond purchases by the Federal Reserve could happen in 2022. Half of existing home buyers in April that took a mortgage out put 20% down, while a quarter of buyers paid cash according to the National Association of Realtors. Cash offers as well as large down payments are pushing some less capable buyers out of the market, consequently forcing many to rent until conditions change.

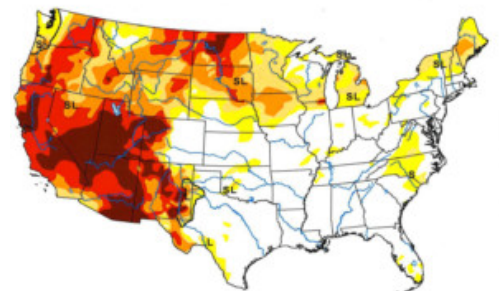
There is growing concern that the more infectious Delta variant of Covid-19 may evolve into a dominant strain in the U.S. The highly transmissible variant made up 30% of positive samples sequenced in the U.S. for the two-week period ending June 19th according to the U.S. Centers for Disease Control and Prevention. The Delta mutation first emerged in India and has since been spreading worldwide, forcing some countries to reevaluate loosened restrictions on businesses, travel and public events.

An eviction moratorium for tenants set to expire on June 30th was extended to July 31st after a Supreme Court decision. The moratorium was initiated in August by the prior administration to help tenants that were experiencing financial hardships due to Covid-19. Some landlords across the country have consequently seen months of non-payment by some tenants with the inability to evict them. The U.S. Department of Agriculture also extended through July 31st a moratorium on foreclosures from properties financed by USDA Single-Family Housing Direct and guaranteed federal loans.

Data from the Department of Labor revealed that roughly 9 million people that applied for some form of unemployment benefit never received anything despite the largest deployment of economic assistance in U.S. history. Staff shortages, overwhelmed administrative systems, and fraud prevention efforts hindered the unemployment benefits process during the pandemic. The higher costs of crude oil and gasoline will eventually become a burden to company margins and operating expenses. Consumers may eventually be impacted should prices stay elevated for an extended period of time.

The U.S. Drought Monitor shows that nearly ten percent of the United States is experiencing exceptional drought characteristics as of June 30th. Severe drought conditions are primarily inflicting the western states even as excessive rains pound other parts of the country. Food crops such as wheat, corn and grains are expected to be affected, pushing prices higher in an already inflationary environment.

Sources: Dept. of Labor, U.S. Drought Monitor, USDA, National Association of



## Equity Indices Post Positive Second Quarter – Domestic Equity Markets

The 2nd quarter ended positively for major global indices, with the S&P 500 index posting gains for 10 of the 11 sectors. Top performing sectors for the quarter included technology, communications, healthcare, and financials.

The SEC said that it is closely monitoring frantic moves in the market caused by memes to determine if there have been any market disruptions, manipulative trading or other misconduct. It also said that it will act to protect retail investors if violations of federal laws are found.

Inflation, higher taxes, and the Delta variant are the focal point of concern for equity markets, especially at recent new highs. There is some momentum in revenue & earnings growth for particular sectors, but not on a broad level.

Sources: S&P, SEC, Bloomberg

## Rates Cease Upward Trend – Fixed Income Update

Treasury bond yields stabilized in the 2nd quarter after rising earlier in the year. Short-term rates rose slightly resulting in a flattening yield curve, an indication of possible slower economic growth as the Fed considers raising rates higher.

Comments by St. Louis Federal Reserve member James Bullard indicated that the Fed may start increasing rates in 2022 via buying fewer bonds through their asset purchase program. A scale back on mortgage bond purchases is expected to occur initially before pullbacks on other government bonds.

Rates on mortgages stood steady at 2.98% for a 30-year fixed conforming loan as of July 1, 2021 as posted by FreddieMac. Other consumer loans also held steady as the Fed deliberated on possible future rate increases.

Source: U.S. Treasury, Federal Reserve, FreddieMac

## Going Out To Restaurants Has Become Expensive – Food & Dining Update

With the pandemic subsiding and alleviated restrictions enticing consumers to head out, restaurants have seen an enormous surge in business. While many restaurants suffered tremendous setbacks during the height of the pandemic, some have reopened and hired back once laid off employees. Adding to the challenges are increasing costs for food and labor, which have both risen substantially since last year. Consequently, many restaurants are passing along higher costs in the form of more expensive menu prices.



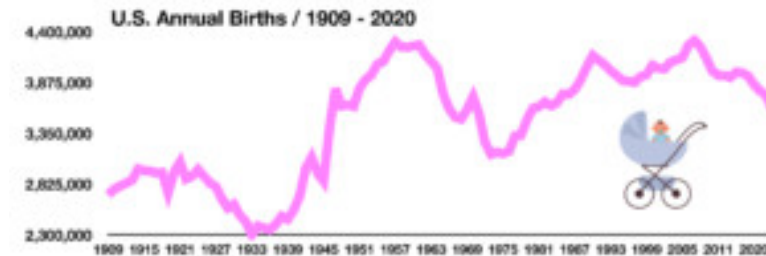
The Bureau of Labor Statistics tracks prices on what consumers use regularly, such as food. What it found is that the costs of eating at restaurants, categorized by the bureau as “food away from home,” had gone up the most relative to other food options.

Source: Bureau of Labor Statistics

## Births In U.S. Fall Following Pandemic – Domestic Demographics

The Centers for Disease Control and Prevention reported that the U.S. birthrate fell 4% to about 3.6 million births over the past year, the largest decline since 1973.

Births have been declining since the Great Depression as Americans got married later and held off on having children over the decades. The pandemic pronounced the effects of child birth due to the fear of visiting hospitals and lack of child care. Higher costs associated with raising children also inhibited families from growing especially for those that were unemployed during the pandemic.



It is expected that the drop in births due to the pandemic may have long-term consequences for the U.S. population, limiting growth relative to other developed countries. Source: The Centers for Disease Control and Prevention

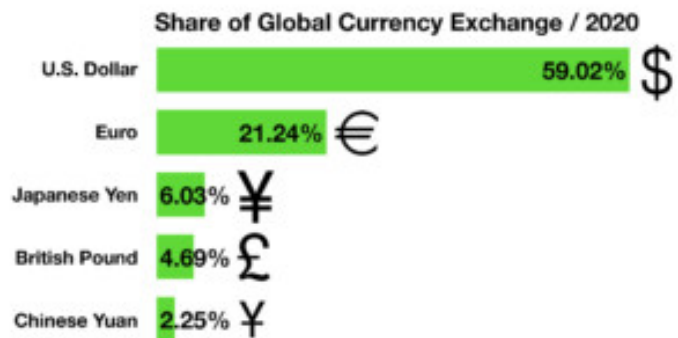
## Dollar Share Of Global Exchange Reserves Drops To 25 Year Low – Currency Market Update

For decades the U.S. dollar has been the most dominant of the reserve currencies in the world. The liquidity and transparency of the dollar versus other world currencies has made it the primary reserve currency for foreign governments and international trading entities.

Dollar supremacy has recently become more challenged as the U.S. struggles with a growing budget deficit and expanding Treasury debt, which can put downward pressure on a country's currency. A weakening dollar may also become inflationary for U.S. consumers by limiting purchasing power as well as increased borrowing costs for the U.S. government.

The most recent data compiled by the International Monetary Fund (IMF) show the U.S. dollar representing 59% of global exchange reserves, down from 65% in 2016 and the lowest in 25 years. Other expanding economies, such as China's, have seen their currency gradually increase as a reserve currency status over the past few years.

Sources: IMF Currency Composition of Foreign Exchange Reserves, Federal Reserve



## It May Be Time To Review Homeowners Insurance Coverage – Consumer Awareness

As home values have increased, so has the need to review insurance policies to be certain that appropriate coverage is in force. It is recommended that homeowners review their current coverage on their insurance policies in order to avoid under coverage circumstances.

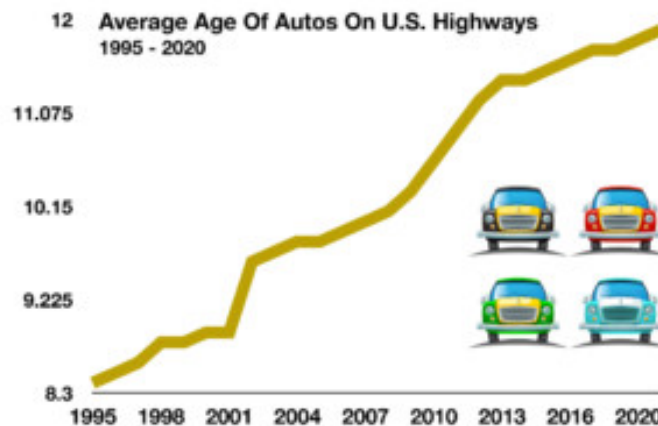
When reviewing homeowners insurance, there are two basic types of coverage: replacement cost and market value. Replacement cost is the cost necessary to replace your entire home based on an estimated replacement cost. Market value is the amount that a buyer would pay to purchase your home and property in its current condition.

Replacement cost is preferred because it takes into account current material costs that may not be reflected in a market value. Over the past year, the pandemic drove the costs of lumber and copper significantly higher, increasing replacement costs. Homeowners that plan to stay put and not sell should review their policies for appropriate coverage.

Source: Consumer Financial Protection Bureau, U.S. Bureau of Labor Statistics; Producer Price Index by Commodity: Lumber and Wood Products: Softwood Lumber

## Average Age Of Autos On U.S. Highways Reaches 12 Years Old – Automotive Market Overview

Circumstances over the past year have driven prices for used and new cars higher, shifting consumer buying behavior. Supply constraint issues for critical components needed for autos and light trucks have made it extremely difficult to purchase new automobiles. As a consequence, demand and prices for used cars has also gone up, leaving many drivers to hold on to their existing cars.



The Bureau of Transportation Statistics identified that the average age of vehicles on U.S. highways is now 12 years old, a reflection of drivers holding on to their cars longer. Improvements in technology and efficiency over the decades has allowed more automobiles to reach higher mileage and keep running.

Source: Bureau of Transportation Statistics

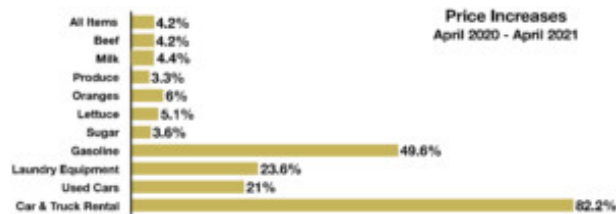
## How Inflation Creeps Up On Consumers – Consumer Behavior

Over the past year, global economies went from a slow expansion at the beginning of 2020, to an abrupt halt with the onset of the pandemic in March 2020. Supply chain bottlenecks have become rampant as increasing demand has evolved from a slowly recovering global economy.

Historically, rising producer prices have been a predecessor to consumer inflation when manufacturers and distributors pass along the higher cost of materials and labor to consumers in the form of higher retail prices.

A lack of critical components for everything from automobiles to cellular phones brought about production shortages that led to decreases in supply simultaneously as demand fell across the globe. As demand has begun to rekindle, shuttered factories and supply chains have not been able to keep up with rising demand, resulting in order backlogs and higher prices.

Some economists believe that current inflationary pressures may be temporary until production ramps up to meet current demand, while others believe that higher prices have become permanent for many products in order to maintain delicate margins. Source: Bureau of Economic Analysis **What To Do With That**



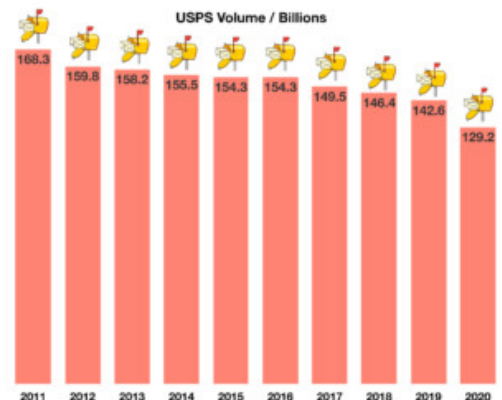
## USPS Struggling – Government Agency Overview

The United States Postal Service (USPS) remains an integral part of the economy and the country's infrastructure even as the popularity of electronic payments and digital transactions have dramatically reduced the volume of mail processed by the USPS.

Of the more than 129 billion pieces of mail delivered in 2020, the most widely used service of the USPS is its first class mail service. As the volume of all mail has been dwindling, so has first class mail, falling from over 103 billion pieces in 2000 to just over 52 billion pieces in 2020, roughly a 50% drop in twenty years.

As the volume has decreased, so have the number of postal employees. There were nearly 700,000 postal employees in 2006, falling to less than 496,000 in 2020. There have been numerous rate increases over the years, with the most recent rate increase up to 55 cents for a 1 ounce letter in January 2019.

Source: USPS



## Unused Travel Budget – Financial Planning

As millions of Americans stayed home during the pandemic and traveled nowhere as hotels, resorts, and restaurants closed, budgets created for travel and vacation went idle. Many are still deterred, if not discouraged, to travel in fear of another virus outbreak or simply out of paranoia. Travel has become a bit more complicated and burdensome, especially for the elderly who just don't travel as easily as during their younger years.

With inflation the topic of concern, higher educational costs are an issue for recent grads. A consideration might be to migrate some of the idle funds in the travel budget to a grandchild's college saving's plan, such as a 529. Named after the IRS Code it falls under, Section 529 plans have amassed over \$425 billion in assets since their inception in 1997. Their popularity soared over the years as parents and grandparents realized their favorable tax benefits while also saving for college expenses.

These plans offer two primary benefits: assets grow tax deferred and come out tax free for qualified expenses; and, contributions made by parents and grandparents are considered a gift, thus proving a tax benefit for some contributors. Over the years, both wealthy and lower-income parents and grandparents have been the main contributors to these plans.

Any parent or grandparent can make gifts of up to \$15,000 per year per individual person (child) and to as many individuals as they wish. Section 529 plans allow gifts to be made five years ahead all at once. Thus, a grandparent can gift \$75,000 per grandchild at once for the next five years. If the grandparent has five grandchildren, then they have the ability to contribute \$375,000 at once to the 529 plans, which are considered gifts. There would be no gift tax, assuming no other gifts were made to that child over those years.

Such generous contributions allow a reduction in the contributor's taxable estate. This is an ideal strategy for parents and grandparents that may have estates valued at over \$11.7 million, the current federal estate tax exemption level. The federal estate tax exemption, that's the amount an estate can leave to heirs without having to pay federal estate tax, is \$11.7 million for 2021. Source: [www.irs.gov/businesses/small-businesses-self-employed/estate-tax](http://www.irs.gov/businesses/small-businesses-self-employed/estate-tax)

## Job Openings Surpass 8 Million – Labor Market Update

A growing demand for workers by eager companies to fill positions nationwide has led to unfilled job openings exceeding 8 million as of the end of March, according to the most recent data available from the Department of Labor. Economists and analysts believe that generous unemployment benefits along with stimulus payments have discouraged many of the unemployed from returning to work. Lower paying job positions are the toughest to fill as unemployment payments equal if not exceed regular pay.



Various occupations in manufacturing, hospitality, transportation, and food services have seen the largest growth in openings since the pandemic began in March 2020. Some companies have announced higher wages and increased hourly pay in order to entice workers, yet still struggle to fill open positions.

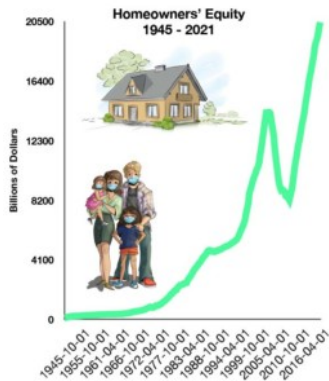
Sources: U.S. Department of Labor, BLS

## Home Equity Surpasses \$21 Trillion – Housing Market Overview

With home prices rising roughly 12% from February 2020 to February 2021, equity levels have risen producing heightened wealth among millions of homeowners. Elevated equity has allowed homeowners to remodel and improve existing homes, resulting in further home value increases.

A tight supply of homes nationwide has added to rising home values as growing demand for homes has produced multiple offers on homes. The lack of inventory has also locked homeowners into their homes for longer periods as they upgrade and modernize.

A closely followed gauge of housing prices tracked by the Federal Reserve, the S&P/Case-Shiller U.S. National Home Price Index, rose the most in 15 years, sending home prices to new highs throughout most of the country. The data also found that the lack of new homes spurred heightened demand for previously owned home



s. The acceleration of prices for previously owned homes versus new homes hasn't occurred in 15 years. Such elevated prices reflect a historically low level of homes available for sale nationwide. Some economists identify the rapid rise in home prices as inflationary, while the Fed has dismissed the rise as merely transitory due to effects brought about by the pandemic.

The pandemic, which triggered a migration from cities to suburbs throughout the country, has propelled home prices higher as a lack of inventory has not kept up with rising demand.

Rising home values translate into rising equity for homeowners, which in turn enhances household wealth, credit availability and consumer confidence. Economists view these characteristics as supportive for an economic recovery, allowing for more borrowing and spending.

Source: Federal Reserve; //fred.stlouisfed.org/series/CSUSHPINSA

## Equities Maintain Some Upward Momentum – Domestic Stock Market Overview

Strong earnings and economic data helped propel equities higher in April, along with abundant liquidity provided by the Fed in the form of bond buying and continued low rates. Strengthening economic data has also helped maintain equity valuations, anticipating expanding growth across the economy.

The anticipated effects of the proposed increases in capital gains may be muted since roughly 25% of U.S. stocks are in taxable accounts, while the balance are in retirement and pension accounts where capital gains tax is not applicable.

Higher prices on numerous consumer products are leading to rising margins for many companies, translating into elevating earnings and stock prices. Comments by Fed Chair Jerome Powell on April 28th suggested that parts of the market "are a bit frothy", alluding to some overpriced valuations.

Sources: S&P, Bloomberg, Federal Reserve