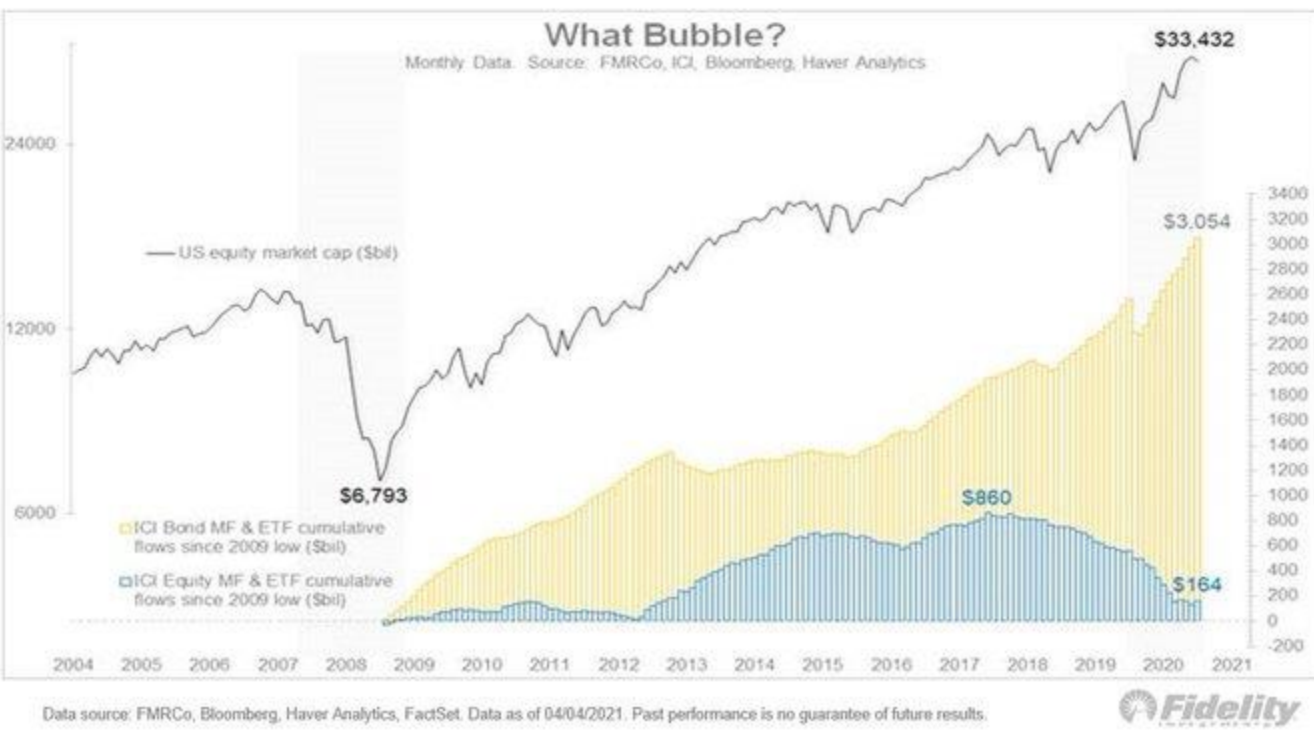
WEALTH CARE LLC

Wealth Care LLC June 2021 Commentary

Investment Thoughts



Here's a very interesting picture of flows into investment funds since the great recession of 2008-9. Stock funds have attracted little net new money, while bond funds have attracted great sums. This suggests less enthusiasm in general for stocks despite their spectacular recovery since 2009. We can read about bubbles frequently in the financial press, but there is evidence both ways.

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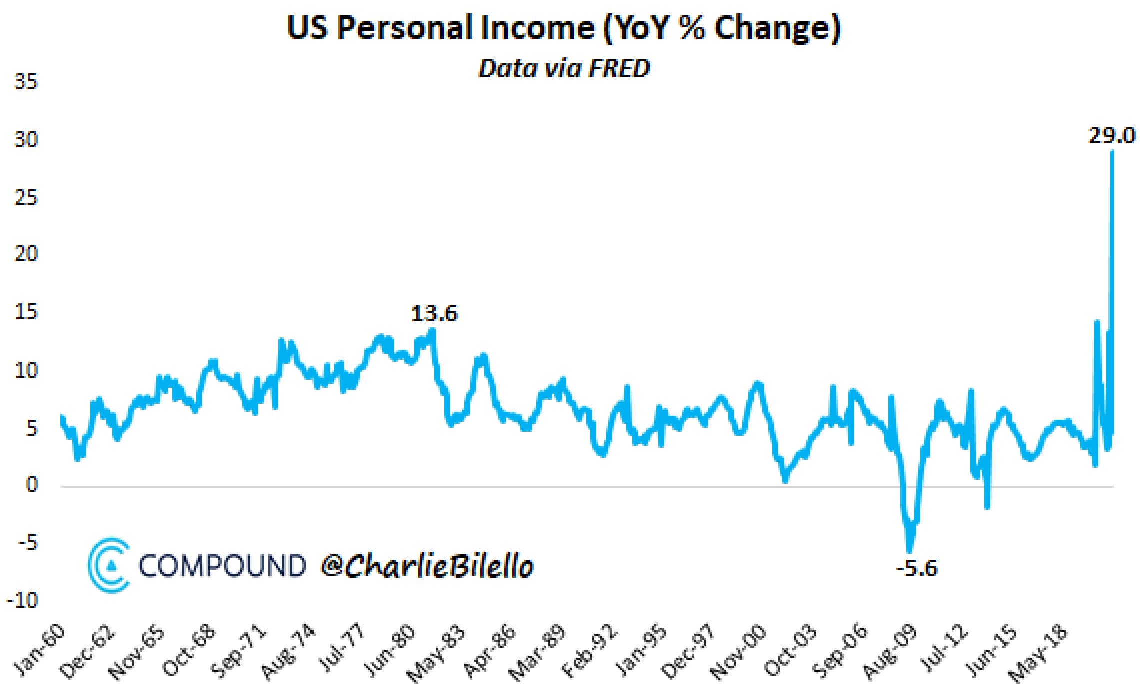

2020 had the greatest increase in personal household income in history. The majority of this was due to government transfers to individuals and families. We are seeing high unemployment and tremendous labor shortages at the same time, at least partially due to direct income transfers for unemployment that might dissuade looking for work.

Another Look at Safe Withdrawal Rates

In our planning process, we often cite that beginning withdrawal rates from a retirement portfolio should last at least thirty years-running out of money only with the worst scenario. Running out of money at earlier times is proportional to higher withdrawal rates (see left side of charts below). This particular study was done with only 40% stocks and 60% bonds, but is reflective of a thirty year bond bull market (bond prices rising due to decreasing interest rates). It will be very unlikely to do as well moving forward with anywhere near 60% bonds at a time that interest rates are at all time lows and moving up. But it remains reasonable to perhaps have a higher allocation to stocks and to start at a 4% withdrawal rate if you need your money to last thirty years. Also note that many portfolios end up with more money at that withdrawal rate, which is why we consider a re-evaluation of withdrawal rates an annual process (see right side of chart).

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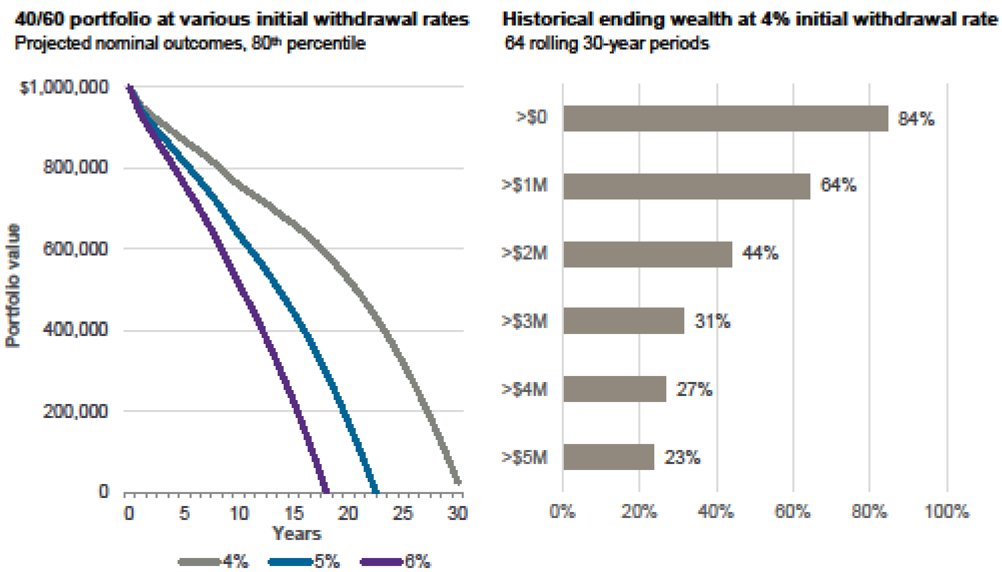
The 4% rule – projected outcomes vs. historical experience | 24

Spending



GOOD IN THEORY, POOR IN PRACTICE

The 4% rule is the maximum initial withdrawal percentage that has a high likelihood of not running out of money after 30 years. It is not guidance on how to efficiently use your wealth to support your retirement lifestyle. You may want to consider a dynamic approach that adjusts over time to more effectively use your retirement savings.

These charts are for illustrative purposes only and must not be used, or relied upon, to make investment decisions. Portfolios are described as equity/bond percentages (e.g., a 40/60 portfolio is 40% equities and 60% bonds).

Right chart: The portfolio returns for the historical analysis are calculated based on 40% S&P 500 Total Return and 60% Bloomberg Barclays U.S. Aggregate Total Return. Each portfolio's starting value is set at $1,000,000. Withdrawals are increased annually by CPI (CPI NSA Index). Ending wealth at the end of each 30-year rolling period is in nominal terms.

Left chart: The hypothetical portfolio assumes All Country World Equity and U.S. Aggregate Bonds. J.P. Morgan's model is based on a blend of J.P. Morgan Asset Management's (JPMAM) proprietary Long-Term Capital Market Assumptions (first 10 years) and equilibrium returns (20 years). The resulting projections include only the benchmark return associated with the portfolio and do not include alpha from the underlying product strategies within each asset class. The yearly withdrawal amount is set as a fixed percentage of the initial amount of $1,000,000 and is then inflation adjusted over the period (2.0%). Allocations, assumptions and expected returns are not meant to represent JPMAM performance. Given the complex risk/reward tradeoffs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve.

J.P.Morgan Asset Management

Why We Emphasize Holding Your Investments for the Long Term

See the graph below. The longer time you have, the greater the chance of making money in stocks. Get wealthy slowly!

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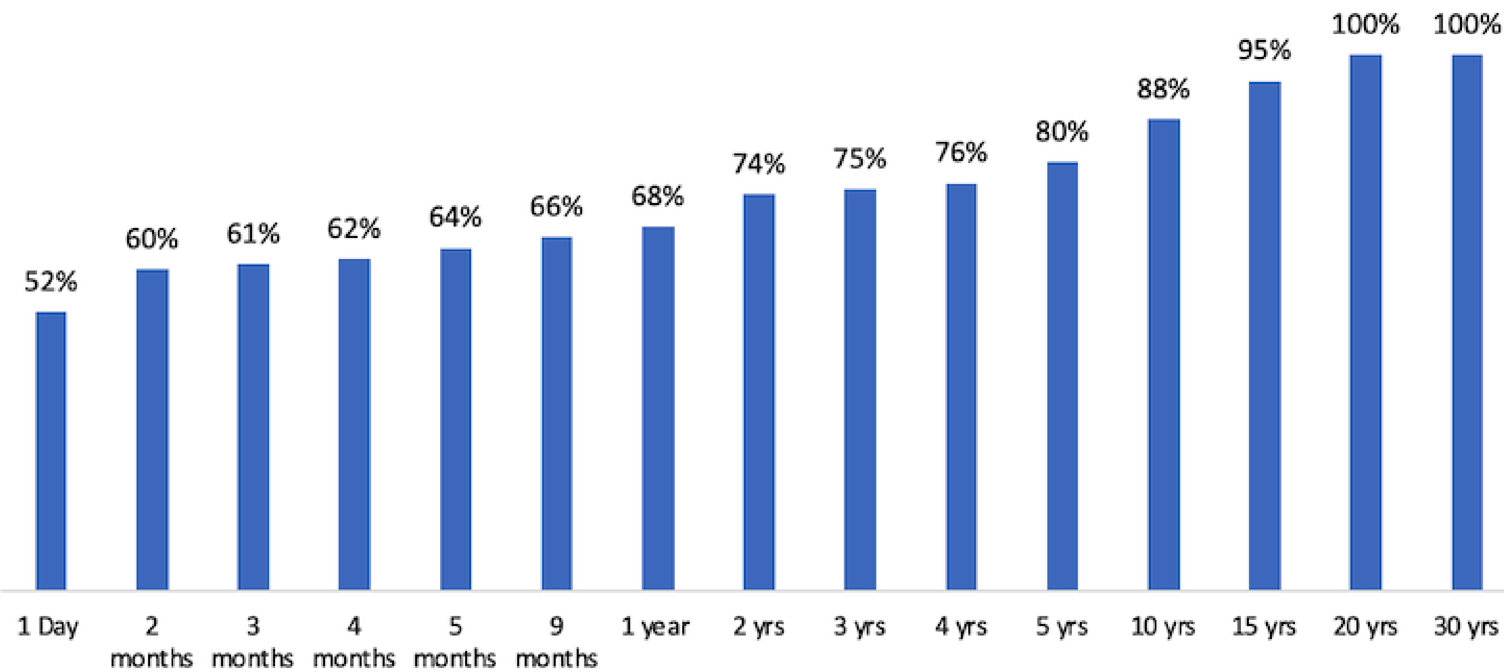
U.S. Stocks: Percent of Periods That Earned a Positive Return

1871-2018. Adjusted for dividends and inflation



We emphasize long term holding of stock investments as they are volatile in the short term, but as noted immediately above-pretty reliably positive over longer time periods. See the distribution of stock market returns below-unpredictable in the short to intermediate term. Any of you that have asked us to invest funds for a short to intermediate term (say less than 3-4 years) has gotten the response to “buy bank CDs” due to the short term unpredictability of the stock market. Conversely, we bang the table on keeping your long term investments deeply in stocks.

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-40% or less	-40% to -30%	-30% to -20%	-20% to -10%	-10% to 0%	0% to 10%	10% to 20%	20% to 30%	30% to 40%	40% or more
						1993			
						2004			
						1968			
						1926			
						2016			
						1959			
						1965			
						2014	1982		
					1960	1971	1999	1991	
				2000	1994	2010	2017	1950	
				1962	2015	2006	1983	2019	
				1932	2011	2012	1963	1985	
				1946	1970	1964	1996	1989	
				1929	2005	1988	1951	1980	
				1969	1947	2020	1967	1936	
				1977	2007	1952	1976	2013	
			1973	1981	1948	1949	1943	1955	
			1941	2018	1987	1986	2009	1997	1958
			2001	1990	1984	1979	1961	1945	1928
		1974	1940	1953	1978	1972	1998	1975	1935
	2008	1930	1957	1934	1956	1944	2003	1995	1933
1931	1937	2002	1966	1939	1992	1942	1938	1927	1954

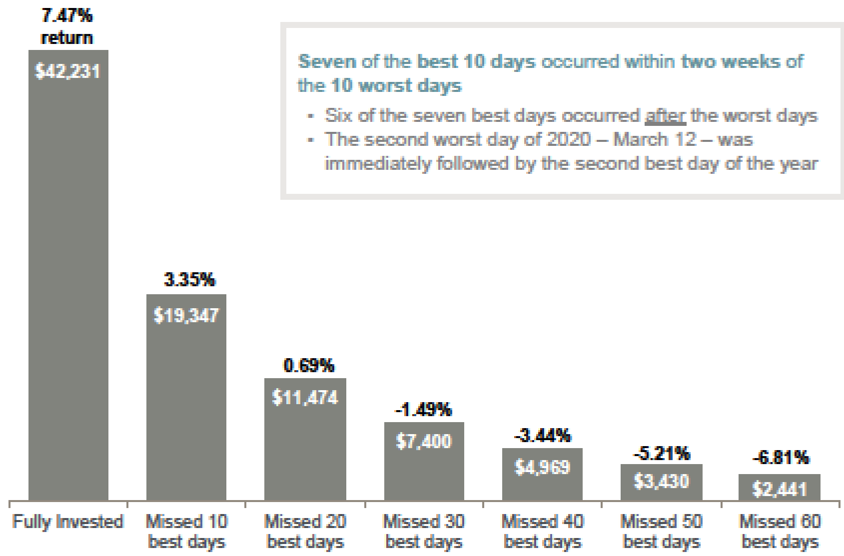
US Stock Market returns 1926-2020: -70 out of 95 years saw positive returns -25 out of 95 years saw negative returns -56 out of 95 years were double-digit gains -12 out of 95 years were double-digit losses -40 out of 95 years were gains or losses of 20% or more

Along the same thought line-trying to time the market and move in and out with hopes of increasing returns is really impossible. The chart below demonstrates the important effects of just missing a few days in the market over many years.

Impact of being out of the market | 43

Returns of the S&P 500

Performance of a $10,000 investment between January 2, 2001 and December 31, 2020



Seven of the best 10 days occurred within two weeks of the 10 worst days

- Six of the seven best days occurred after the worst days
- The second worst day of 2020 – March 12 – was immediately followed by the second best day of the year

PLAN TO STAY INVESTED

Losses hurt more than gains feel good. Market lows can result in emotional decision making. Taking "control" by selling out of the market after the worst days is likely to result in missing the best days that follow. Investing for the long term in a well-diversified portfolio can result in a better retirement outcome.

Investing

Source: J.P. Morgan Asset Management analysis using data from Bloomberg. Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculations are shown for illustrative purposes only and are not meant to be representative of actual results while investing over the time periods shown. The hypothetical performance calculations are shown gross of fees. If fees were included, returns would be lower. Hypothetical performance returns reflect the reinvestment of all dividends. The hypothetical performance results have certain inherent limitations. Unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under- or overcompensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data as of December 31, 2020.

J.P.Morgan Asset Management

Diversification

Most studies of portfolio performance in the past were usually simple combinations of just US stocks and US bonds. We are finding that adding other asset classes such as small cap US and foreign stocks increases portfolio returns on a reliable basis over time.

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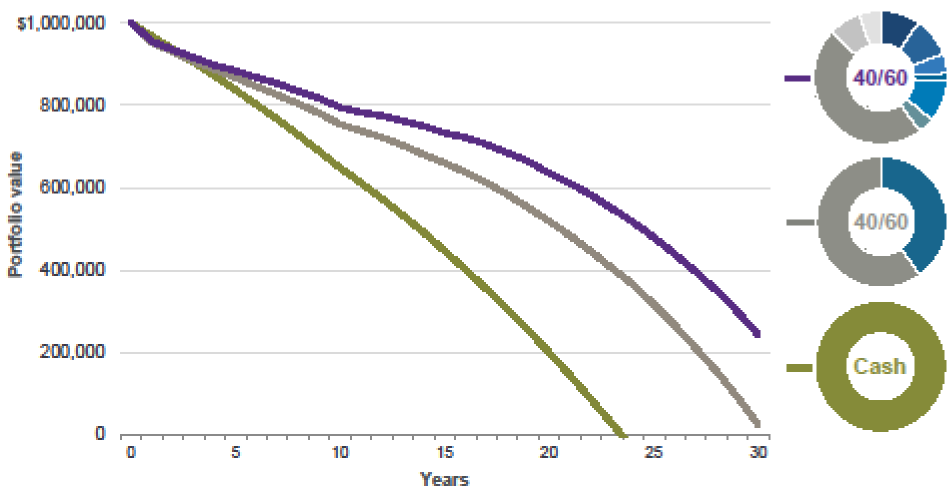
The benefits of diversified investing

Various portfolios with a 4% initial withdrawal rate
Projected nominal outcomes, 80th percentile

Portfolios
Equity%/Bond%



THE POWER OF DIVERSIFICATION

Holding too much cash or owning only a few asset classes can put your retirement at risk. Greater diversification can improve your retirement outcome over the long term.

This chart is for illustrative purposes only and must not be used, or relied upon, to make investment decisions. J.P. Morgan's model is based on a blend of J.P. Morgan Asset Management's (JPMAM) proprietary Long-Term Capital Market Assumptions (first 10 years) and equilibrium returns (20 years). Hypothetical 40/60 portfolio (grey) is composed of All Country World Equity and U.S. Aggregate Bonds. For the diversified 40/60 (purple) allocation see "Model Portfolio Details" on the Disclosure page. The resulting projections include only the benchmark return associated with the portfolio and do not include alpha from the underlying product strategies within each asset class. The yearly withdrawal amount is set as a fixed percentage of the initial amount of $1,000,000 and is then inflation adjusted over the period (2.0%). Allocations, assumptions and expected returns are not meant to represent JPMAM performance. Given the complex risk/reward tradeoffs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve.

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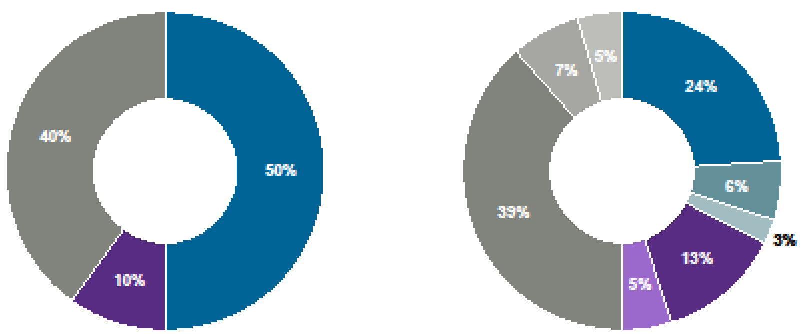
The benefit of more diversified investing | 39

Investing

Maximizing the power of diversification 2001–2020

Less diversified portfolio

More diversified portfolio



Return: 6.6%
Volatility: 10.3%

- S&P 500
- EAFE Equity
- Bloomberg Barclays U.S. Aggregate Total Return

Return: 7.0%
Volatility: 10.1%

- S&P 500
- Russell 2000
- REIT
- EAFE Equity
- Emerging Market Equity
- Bloomberg Barclays U.S. Aggregate Total Return
- US High Yield
- Emerging Market Debt

MIX IT UP WISELY

Diversification may provide better returns with less risk.

Indices and weights of the less diversified portfolio are as follows: U.S. stocks: 50% S&P 500; International stocks: 10% MSCI EAFE; U.S. bonds: 40% Bloomberg Barclays Capital Aggregate. More diversified portfolio is as follows: U.S. stocks: 24% S&P 500, 6% Russell 2000, 2.5% NAREIT Equity REIT Index; International stocks: 12.5% MSCI EAFE, 5% MSCI Emerging Markets; U.S. bonds: 38.5% Bloomberg Barclays Capital Aggregate, 7% Barclays U.S. High Yield; International bonds: 4.5% J.P. Morgan EMBI Global Diversified. Source: Bloomberg, J.P. Morgan Asset Management.

Charts are shown for illustrative purposes only. Percentages may not sum due to rounding. Past returns are no guarantee of future results. Diversification does not guarantee investment returns and does not eliminate risk of loss. Data as of December 31, 2020.

J.P.Morgan Asset Management

Miscellaneous

Secure Free Online Document Storage

Wealth Care LLC keeps a permanent online (secure) version of all documents you share with us. If you wish to store other documents online at a free secure site, check out https://www.fidsafe.com/.

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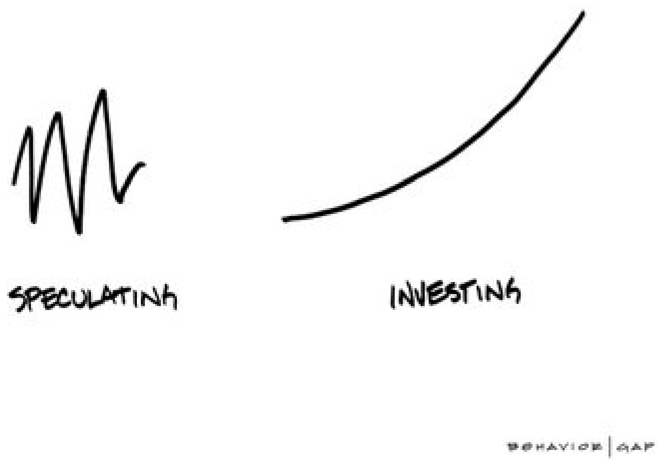

Random Thoughts

Warren Buffett is the greatest investor of all-time. In the 20 months leading up to the dot-com peak, Berkshire Hathaway lost 45% of its value. The NASDAQ 100 gained 225% over the same time.
No pain, no premium.

Risk is what you can't see, think only happens to other people, aren't paying attention to, are willfully ignoring, and isn't in the news. A little surprise usually does more damage than something big that's been in the news for months.-Morgan Housel

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When I passed 60, I found myself occasionally measuring my life not from my starting point but from the finish line. That was a truly interesting switch. I began to wonder, How many more times will I tell my Maddy that I love her? How many vacations with Casey and Zak have I got left in this life? What more can I accomplish? Can I become a wiser, kinder, better version of myself? What will be my legacy? How will I be thought of after I'm gone?-Ken Dychtwald

All I ask is a chance to prove that money can't make me happy. - Spike Mulligan

A secret to a good life is falling in love with the things you already have.-Dan Go

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