



## Quarterly Client Newsletter

### **3<sup>rd</sup> QUARTER 2021 REFLECTION** BY ALEC BETHURUM SR. PORTFOLIO MANAGER

In the 1960's Mick Jagger and The Rolling Stones sang "Time is on Your Side" and while Mick was singing about a lost love coming back to him, he could have just as easily have been singing about retirement plans. Though that topic might not have sold 100,000,000 albums.

In recent years we have added a number of new clients on the precipice of retirement. In reviewing the current state of their retirement savings and planning for their future, a couple lessons stood out. These lessons could be encapsulated by the mantra, as investors, time is indeed, on our side.

First lesson, it is important for all clients to maintain a long-term perspective on the markets and focus on process over short term results. Our retired clients have, most often, accumulated their nest egg not with a single security but through a long-term process of saving and consistent investment. This dedication to the process, even when the short-term results weren't meeting expectations, was a major contributor to their success.

The current generation of retirees has been fortunate to have investment winds at their backs. However, even that wind would not have been enough, had they not made systematic additions to their portfolios. Those who are at or approaching retirement have endured a myriad of market shocks over the years. Each of these shocks, often posited by pundits as the beginning of a permanent market decline, has been an opportunity rather than a death knell.

This lesson is one our new retirees should continue to keep top of mind. For most, retirement will be lengthy, and there will be more market shocks over the next 30 years. While our Sterneck investment

plan will provide diversification, dampening the effects of market volatility, risk cannot be completely avoided. There will be periods where markets will overreact to the news of the day and fear will overtake rationality. In those periods retirees should remember the equanimity of mind that got them to their retirement nest egg in the first place.

Another characteristic of our recent retirees is that they have embraced planning and have been able to stick with their plan even when the fruits of that labor were still many years away. This willingness to engage in long term planning has provided significant benefit over the years.

This too is a lesson to be maintained in retirement. Smart decisions today on tax planning, social security and trust and estate will be magnified over time and result in both greater enjoyment of your retirement years and a greater legacy for whomever your eventual beneficiaries may be.

With the markets having experienced significant gains in recent months, particularly from the COVID driven lows in 2020, we think it is important to remind all clients that there will be cyclicalities in the markets again and that prices will not always move higher.

Some of this cyclicalities was experienced in the last weeks of the third quarter as both domestic and international equity markets declined 3-5%. Tech-oriented indexes experienced even deeper declines. Fixed income markets were also lower, driven down by the Congressional deadlock on increasing the debt ceiling. However, regardless of what may come in the short term we all will be best served by tuning out the noise, focusing on the process, and continuing to sing, "time is on my side, yes it is, time is on my side."

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**MISSION** As a fiduciary we commit to excellence and high standards as we deliver tailored portfolios and financial planning to reduce risk, improving the probability of our clients' success.

**CORE VALUES** Client-Centric Stewardship  
Integrity  
Excellence  
Team Work

## CONSIDERATIONS FOR YEAR-END PLANNING AND CHARITABLE DONATIONS

BY AUSTIN DRAKE CFP®, SENIOR WEALTH ADVISOR

As we enter the last quarter of the calendar year, following are some year-end reminders and planning considerations:

- Required Minimum Distributions (RMDs) must be distributed by 12/31/21. If you do not need those funds for living expenses, the distributions can be transferred from your IRA to taxable investment accounts or you can utilize a Qualified Charitable Distribution (QCD). Ask us how.
- Now is the time to consider Roth conversions. If you believe that Roth conversions is a strategy you'd like to explore or would like us to analyze if the strategy is right for you, please reach out to us. Roth conversions must be submitted to TD Ameritrade no later than 12/15/2021. SCM strives to submit all requests by 12/10/21.
- 2021 is likely the last year to get up to a \$600 above-the-line cash charitable contribution deduction. This means you can receive the tax deduction without having to itemize. Consult your tax advisor regarding your personal situation and further details.
- Donate appreciated assets. When you donate stock that you've held longer than one year, you can get the full fair market value deduction and also avoid long-term capital gains tax. If you donate stock to a donor-advised fund, it can be sold, reinvested and grow tax free, and you can use the fund to make donations to your favorite charities on your timeline.
- Think about your business. Many employers are including charitable components in their benefits packages. Your employer might match your donations to charities, or provide a contribution to a donor-advised fund in lieu of or in addition to your annual bonus. If you own your business, before you sell, consider giving some of that closely held stock to a donor-advised fund to help offset taxes on the sale.
- Re-imagine your holiday gifts, and prepare your future generations for a charitable inheritance. As more of us embrace minimalist lifestyles, giving tangible gifts can carry an unnecessary burden. Consider setting up donor-advised funds for family members that they can use for their personal giving, and making a tax-deductible initial contribution to the fund. Later, you may decide to leave some of your estate to your children and grandchildren's donor-advised funds as a charitable inheritance. This is especially beneficial for IRAs, which are the most expensive assets to inherit, but can be donated estate- and income-tax free.

## CONNECTING CLIENTS

BY FRANK STERNECK, CO-FOUNDER & CHIEF INVESTMENT OFFICER

Over the years, clients have occasionally expressed a need or interest beyond traditional wealth management or planning advice. With our desire to act as our client's financial quarterback, we've found opportunity to provide non-traditional service in connecting SCM clients that have knowledge, expertise, or assets that another SCM individual is seeking. As an example, late last year, we had a few clients looking for 1031 exchange (real estate) opportunities.

We currently have a client with a commercial building with a high-quality tenant (bank) that will be listed for sale in the next few weeks. If this resonates with you or anyone you know, we are happy to make the introduction. As your investment advisor, we have no vested interest in such activities other than helping clients in any way we can. If interested in this or other introduction opportunities let us know. We will provide support when possible.

