Summer is Here!

Serving You and Your Family

Exchange-Traded Funds: ETF Strategies Can Be Trendy or Tried-and-True

As of January 2019, there were 2,007 exchange-traded funds (ETFs) listed in the United States, with about $3.6 trillion in total assets. Assets held in ETFs have more than tripled since 2010, while the number of ETFs has more than doubled.[1]

An ETF is a portfolio of securities assembled by an investment company, similar to a mutual fund. An ETF's underlying investments are often selected to passively track a particular market index, but some may be actively managed.

The proliferation of ETF choices means they can now be used to create a broad portfolio of core investments, to target narrower sectors, or to gain market exposure that might otherwise be too difficult or costly to access. They are also being used to implement more sophisticated investment themes and strategies.

Trading flexibility

Mutual funds are typically purchased from and sold back to the investment company and priced at the end of the trading day, with the price determined by the net asset value (NAV) of the underlying securities. By contrast, ETFs can be traded throughout the day on stock exchanges, like individual stocks, and the price may be higher or lower than the NAV because of supply and demand.

In relatively calm markets, ETF prices and NAVs are generally close. However, when financial markets become more volatile, ETFs may quickly reflect changes in market sentiment, while NAVs — adjusted once a day — may take longer to react, resulting in ETFs trading at a premium or a discount.

Expenses and taxes

ETFs typically have lower expense ratios than mutual funds. However, you must pay a brokerage commission whenever you buy or sell an ETF, so your overall costs may be higher if you trade frequently, or they may be lower if you hold shares over a long period of time.

The way ETFs are structured also makes them relatively tax-efficient. Normally, ETFs don't distribute capital gains, so investors are not hit with capital gains taxes unless shares are sold for a profit. For this reason, high-income investors may favor ETFs over mutual funds for assets held in taxable accounts. (Some ETFs may occasionally distribute capital gains if there is a shift in the composition of the underlying assets.)

ETF trends

One fixed-income strategy involves laddering exchange-traded bond funds that have defined maturity dates. Such ETFs typically hold many bonds that mature in the same year the ETF will liquidate and return assets to shareholders. ETFs may enhance liquidity, but unlike individual bonds, the income payments and final distribution rate are not fully predictable.

Smart beta ETFs use clearly defined factors (other than market capitalization) to select and weight investments in order to track an existing factor-based index or create a new index. Some of these factors are momentum, risk, volatility, growth potential, dividend growth or yield, earnings, cash flow, and equal weighting of all securities, among others.

The principal value of ETFs and mutual funds fluctuates with market conditions. Shares, when sold, may be worth more or less than their original cost. Bond ETFs are subject to the same inflation, interest rate, and credit risks associated with their underlying bonds.

Exchange-traded funds and mutual funds are sold by prospectus. Because sector funds are typically concentrated in a particular industry or market sector, they carry a significant level of volatility and risk. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

[1] Investment Company Institute, 2019

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We hope your summer is off to a great start! Many events mark the beginning of summer, including first-time events for many: graduations, careers, vehicle purchases, home purchase, etc. These "first-time" events can provide a major boost to our economy. By careful planning and education, these events can help many people set a successful course for their lifetimes. If you know of people that may need assistance with making informed decisions regarding these "first-time" events, please feel free to give them our contact information so we can help them with a great start to their future!

June 2019

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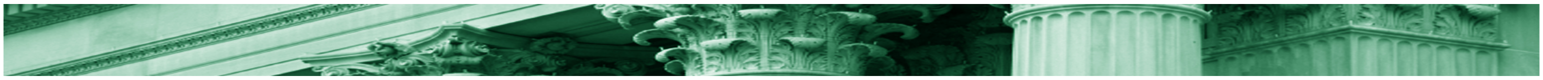


How Loneliness Can Affect Your Financial Condition

According to the Pew survey, people who say they are somewhat or very dissatisfied with their personal financial situations are significantly more likely to feel frequent loneliness than those who are satisfied with their finances (17% versus 5%).

According to a Pew Research Center survey, one in 10 Americans reports feeling lonely or isolated from others all or most of the time. While this number may not sound significant, it is alarming, considering that loneliness can also take a toll on your financial situation.

A link between loneliness and dissatisfaction

The Pew survey found that frequent loneliness is linked to dissatisfaction with one's family, social, and community life. People who say they are somewhat or very dissatisfied with their personal financial situations are significantly more likely to feel frequent loneliness than those who are satisfied with their finances (17% vs. 5%). And 14% of people who say they don't have enough income to lead the kind of life they want report feeling lonely or isolated often, compared with just 5% of individuals who have enough income to lead their ideal lives.[1]

A relationship to finances

Although the Pew survey did not draw any specific conclusions, it indicated a link between loneliness and satisfaction with one's financial situation, suggesting how frequent loneliness can lead to financial problems.

Specifically, loneliness can cause a lack of awareness about major financial issues, as well as an increased vulnerability to fraud. Lonely people have fewer opportunities to discuss finances with others face-to-face. This makes it easier for scam artists to take advantage of them by faking emotional support while stealing money.

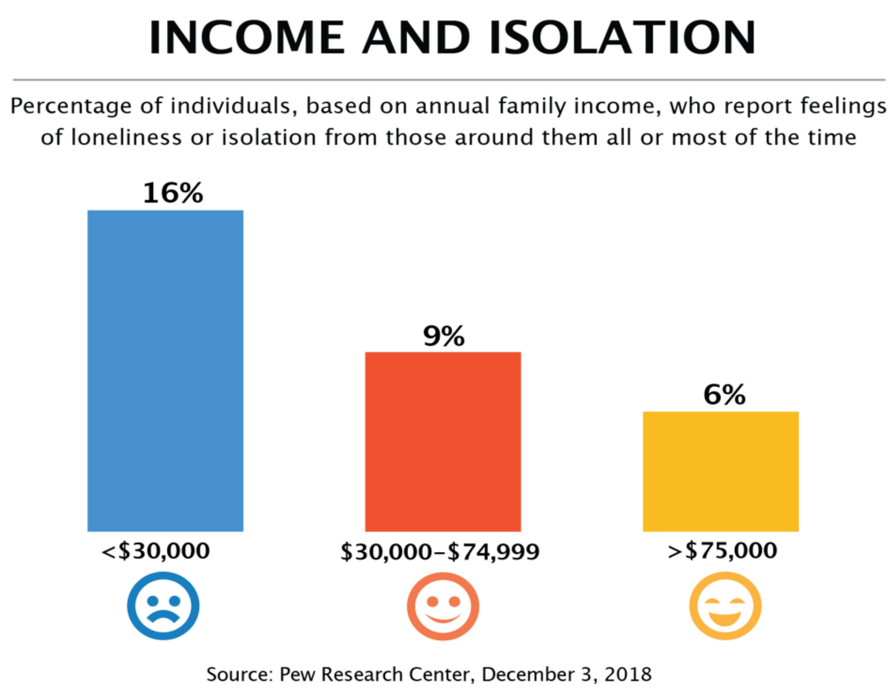
Research has also linked loneliness and worsening chronic conditions. One study found that social isolation is associated with an estimated $6.7 billion in additional federal Medicare spending annually. As social isolation increases, chronic illnesses can grow more severe and result in higher medical bills and stress levels. This can have a harsher impact on those trying to cope alone.[2]

A little less lonely

Fortunately, there are ways to fight against loneliness and its effect on your financial condition. Start by expanding your social circle. Seek volunteer opportunities that will introduce you to new people as well as help you give back to your community. Establish routines that will keep you busy and develop healthy habits that don't cost money, such as spending time outdoors, joining a weekly group, reading, and meditating. Consider seeking guidance from a medical professional who may be able to connect you with local resources to integrate more social engagement into your life.

[1] Pew Research Center, December 3, 2018

[2] AARP, "Medicare Spends More on Socially Isolated Older Adults," November 2017



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Financial Advice for Recent College Graduates

You've put in the hard work as a college student and finally received your diploma. Now you're ready to head out on your own. And though you may not have given much thought to your financial future when you were in college, you have new financial challenges and goals to consider. Fortunately, there are some simple steps you can take to start on the right track with your personal finances.

Set financial goals

Setting goals is an important part of life, especially when it comes to your finances. And though your financial goals will likely change over time, you can always make adjustments in the future. Start out by asking yourself some basic questions about your financial goals, such as whether they are short term (e.g., saving money to buy a car or rent an apartment) or long term (e.g., paying off student loans or buying your own home). Next, ask yourself how important it is to accomplish each goal and determine how much you would need to save for each goal.

Understand the importance of having a budget

A budget is an important part of managing your finances. Knowing exactly how you are spending your money each month can set you on a path to pursue your financial goals. Start by listing your current monthly income. Next, add up all of your expenses. It may help to divide expenses into two categories: fixed (e.g., housing, food, transportation, student loan payments) and discretionary (e.g., entertainment, vacations). Ideally, you should be spending less than you earn. If not, you need to review your expenses and look for ways to cut down on your spending.

Remember that the most important part of budgeting is sticking to it, so you should monitor your budget regularly and make changes as needed. To help stay on track, try to make budgeting a part of your daily routine and be sure to give yourself an occasional reward (e.g., dinner at a restaurant instead of cooking at home).

Establish an emergency fund

An emergency fund is money set aside to protect yourself in the event of an unexpected financial crisis, such as a job loss or medical bills. Typically, you will want to have at least three to six months' worth of living expenses in your cash reserve. Of course, the amount you should save depends on your individual circumstances (e.g., job stability, health status). A good way to establish an emergency fund is to earmark a portion of your paycheck each pay period to help achieve your goal.

Manage your debt situation properly

Whether it's debt from student loans or credit cards, you'll want to avoid the pitfalls that sometimes accompany borrowing. To manage your debt situation properly, keep track of your loan balances and interest rates and develop a plan to manage your payments and avoid late fees. If you need help paying off your student loans, consider the following tips:

- Find out if your employer offers some type of student debt assistance
- Contact your lender about your repayment options
- Consider whether loan consolidation or refinancing is available

Maintain good credit

Having good credit will impact so many different aspects of your financial situation, from obtaining a loan to gaining employment. You can establish and maintain a good credit history by avoiding late payments on existing loans and paying down any debt you may have. In addition, you should monitor your credit report on a regular basis for possible errors or signs of fraud/identity theft.

Determine your insurance needs

Insurance might not be the first thing that comes to mind when you think about your finances. However, having the right amount of insurance is an important part of any financial strategy. Your specific insurance needs will depend on your circumstances. For example, if you rent an apartment, you'll need renters insurance to protect yourself against loss or damage to your personal property. If you own a car, you should have appropriate coverage for that as well. You may also want to evaluate your need for other types of insurance, such as disability and life.

As for health insurance, you have a couple of options. You can usually stay on your parents' insurance until you turn 26. In addition, you may have access to health insurance through your employer or a government-sponsored health plan, or you can purchase your own plan through the federal or state-based Health Insurance Marketplace. For more information, visit [healthcare.gov.](https://healthcare.gov)

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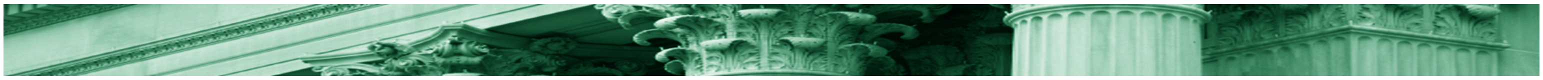

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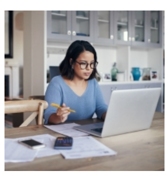
As a business owner, what should I know before adding a financial wellness program?

Financial wellness programs are gaining traction among employee benefit offerings, and for good reason: In an International Foundation of Employee Benefit Plans (IFEBP) survey, 96% of employers said employees' personal financial issues had an impact on their overall job performance. If you're thinking of adding a financial wellness program to your benefits lineup, consider the following points.

Understand what "financial wellness" is. In 2014, the Consumer Financial Protection Bureau (CFPB) conducted a study to help measure the effectiveness of financial literacy programs. As part of their initial work, researchers sought to define financial well-being. After conducting nearly 60 hours of open-ended interviews with consumers, study authors concluded that financial well-being is achieved when people (1) are able to control day-to-day and month-to-month finances, (2) have the capacity to absorb a financial shock, (3) are on track to meet their financial goals, and (4) have the financial freedom to make choices that allow them to enjoy life.

Assess employee concerns. The IFEBP also found that 40% of employers report an increased demand for financial education. Toward this end, Prosperity Now, a nonprofit organization dedicated to helping all Americans prosper, recommends that employers conduct a needs assessment to determine the most pressing financial concerns of their workforces. While the IFEBP said the top three most popular financial topics covered through such plans are retirement benefits, pre-retirement planning, and budgeting, a workforce composed of relatively young employees may be more concerned with repaying student loans and saving for a down payment on a first home. To position your financial wellness program for success, be sure it's designed to tackle challenges that are specific to your primary employee demographic.

Determine how you will measure your success. Prosperity Now recommends considering the following metrics: participation rates; financial well-being as measured by the CFPB's Financial Well-Being Scale; employee retention, satisfaction with employer, morale, and stress levels; and company cost savings.



What's the real return on your investments?

As an investor, you probably pay attention to *nominal return,* which is the percentage increase or decrease in the value of an investment over a given period of time, usually expressed as an annual return. However, to estimate actual income or growth potential in order to target financial goals — for example, a certain level of retirement income — it's important to consider the effects of taxes and inflation. The remaining increase or decrease is your *real return.*

Let's say you want to purchase a bank-issued certificate of deposit (CD) because you like the lower risk and fixed interest rate that a CD can offer. Rates on CDs have risen, and you might find a two- or three-year CD that offers as much as 3% interest. That could be appealing, but if you're taxed at the 22% federal income tax rate, roughly 0.66% will be gobbled up by federal income tax on the interest.

That still leaves an interest rate of 2.34%, but you should consider the purchasing power of the interest. Annual inflation was about 2% from 2016 to 2018, and the 30-year average was 2.5%.[1] After factoring in the effect of inflation, the real return on your CD investment could approach zero and may turn negative if inflation rises. If so, you might lose purchasing power not only on the interest but also on the principal.

This hypothetical example doesn't represent the performance of any specific investment, but it illustrates the importance of understanding what you're actually earning after taxes and inflation. In some cases, the lower risk offered by an investment may be appealing enough that you're willing to accept a low real return. However, pursuing long-term goals such as retirement generally requires having some investments with the potential for higher returns, even if they carry a higher degree of risk.

The FDIC insures CDs and bank savings accounts, which generally provide a fixed rate of return, up to $250,000 per depositor, per insured institution. All investments are subject to risk, including the possible loss of principal. When sold, investments may be worth more or less than their original cost.

[1] U.S. Bureau of Labor Statistics, 2019 (December year-over-year change in CPI-U)

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