

# Structure and Accountability

## Slow and Steady Wins the Race



**Gary Popkes, CFP®**  
**Senior Vice-President**  
**Frontier Bank Wealth Management & Trust**  
**Wealth Management & Trust Services**

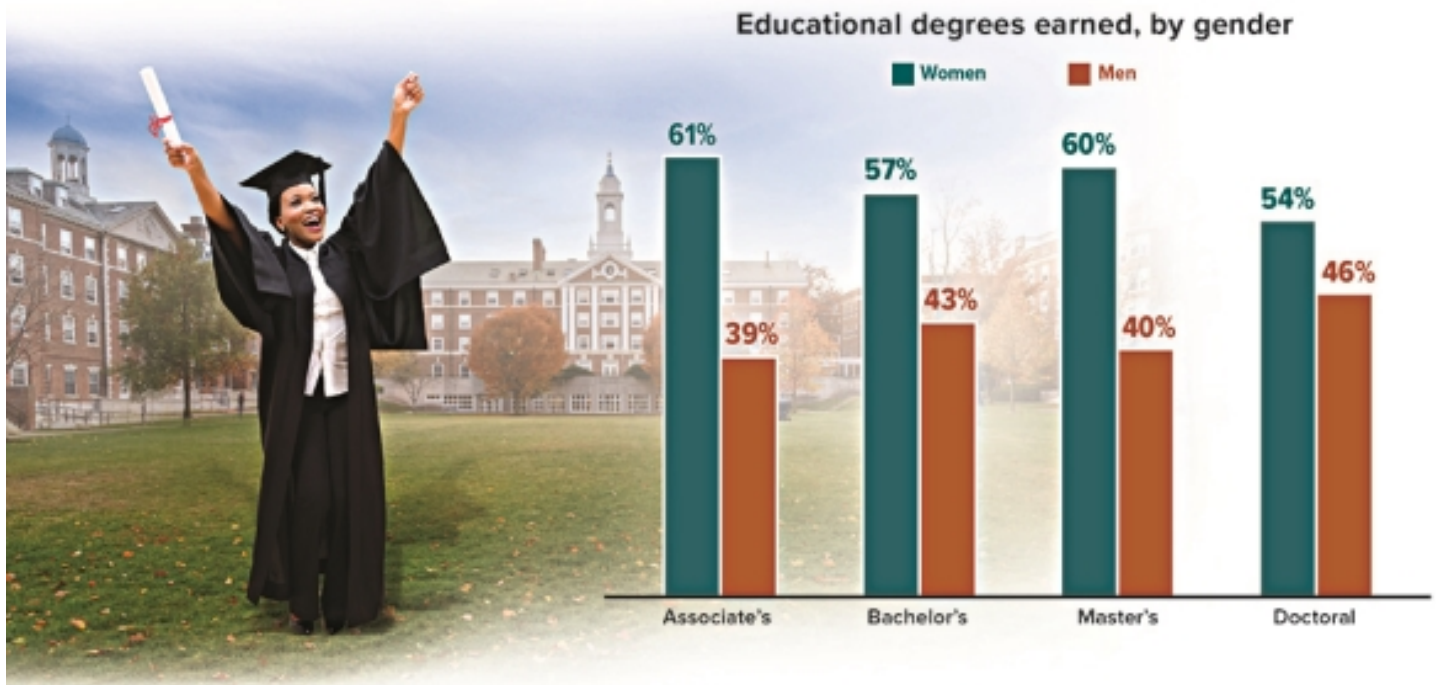
101 S. Phillips Ave. • Suite 103 • Sioux Falls • SD • 57104  
605-332-3832  
trust@frontierbk.com • www.frontierbk.com



We live in a world where oftentimes we are consumed by the latest news stories. As the media begins to ramp up full-scale coverage of the upcoming presidential election, individuals can easily lose perspective. The latest news story - which will be replaced by another "more important" news story the next day - often takes precedent over the background reality. This is precisely why it is so important to have a solid plan in place that accommodates features to handle a variety of potential "disruptions" as they come and go on a regular basis. Let us help you develop a steady plan to guide you to your destination!

## Women Outpace Men in Degrees Earned

During the 2019-2020 academic year, U.S. colleges and universities conferred an estimated 989,000 associate's degrees, 1,975,000 bachelor's degrees, 820,000 master's degrees, and 184,000 doctoral degrees. Women attain more degrees than men at every level.



Source: U.S. Department of Education, 2019 (projected data)

# Surge in COVID-19 Scams

Fraudsters and scam artists have always looked for new ways to prey on consumers. Many are now using their tactics to take advantage of consumers' heightened financial and health concerns over the coronavirus pandemic. Federal, state, and local law enforcement have issued warnings on the surge in coronavirus scams and offer advice on how consumers can help protect themselves.

Here are some of the more prevalent coronavirus scams that consumers need to watch out for, along with some tips for protecting yourself from becoming the victim of a scam.

## Fraudulent Treatments, Vaccinations, and Home Test Kits

The Federal Trade Commission (FTC) issued warnings about scam artists attempting to sell fraudulent products that claim to treat, prevent, or diagnose COVID-19. The FDA has warned consumers to be wary of companies selling products that are not authorized or approved by the FDA. You can visit [fda.gov](https://www.fda.gov) for more information.

## Phishing Scams

Scammers have been using phishing scams related to the coronavirus pandemic to obtain personal and financial information. Phishing scams usually involve unsolicited phone calls, letters, emails, text messages, or fake websites that pose as legitimate organizations and try to convince you to provide personal or financial information. Once scam artists obtain this information, they use it to commit identity or financial theft.

Be wary of anyone claiming to be from an official organization, such as the Centers for Disease Control and Prevention or the World Health Organization. And remember that government organizations, such as the Social Security Administration and the Internal Revenue Service, will never initiate contact with you to ask for personal and financial information, such as your Social Security number. In addition, be on the lookout for nongovernment websites with domain names that include the words "coronavirus" or "COVID-19," as they are likely to be malicious.

## Coronavirus-Related Charity Scams

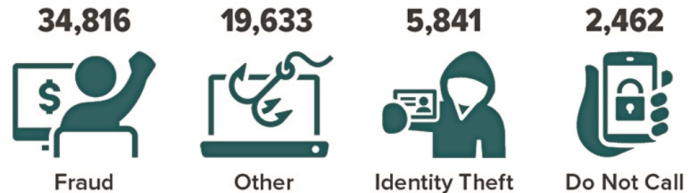
During the coronavirus pandemic, many charitable organizations have been established to help those affected by COVID-19. Unfortunately, scammers sometimes try to pose as legitimate charitable organizations in order to solicit donations from unsuspecting donors. Watch out for charities with names that are similar to more familiar or nationally known organizations such as the American Red Cross.

Before donating to a charity, make sure it is legitimate. Never donate cash, gift cards, or funds by wire transfer. The IRS website has a tool to assist you in checking out the status of a charitable organization at [irs.gov/charities-and-nonprofits](https://www.irs.gov/charities-and-nonprofits).

---

## FTC COVID-19 Complaints

Over 60,000 complaints related to COVID-19 were reported to the Federal Trade Commission during the period between January 1 and June 3, 2020, with a total fraud loss of \$45.32 million.



Source: Federal Trade Commission, 2020

---

## Protecting Yourself from Scams

Here are some steps you can take to help protect yourself from becoming the victim of a scam, including a scam related to the coronavirus pandemic:

- Don't click on suspicious or unfamiliar links in emails, text messages, social media feeds and instant messaging services.
- Don't answer a phone call if you don't recognize the phone number — let it go to voicemail and check later to verify the caller.
- Never download email attachments unless you can verify that the sender is legitimate.
- Keep device and security software up-to-date.
- Maintain strong passwords and use multi-factor authentication whenever possible.
- Never share personal or financial information via email, text message, or over the phone.

If you receive a fraudulent email, text or phone call, report it to the appropriate government agency such as the Federal Trade Commission or Internal Revenue Service and your local police department.

# Printing Money: The Fed's Bond-Buying Program

The Federal Reserve's unprecedented efforts to support the U.S economy during the COVID-19 pandemic include a commitment by the Federal Open Market Committee (FOMC) to purchase Treasury securities and agency mortgage-backed securities "in the amounts needed to support smooth market functioning and effective transmission of monetary policy."<sup>1</sup>

The Fed buys and sells Treasury securities as part of its regular operations and added mortgage-backed securities to its portfolio during the Great Recession, but the essentially unlimited commitment underscores the severity of the crisis. The Fed is also entering uncharted territory by purchasing corporate, state, and local government bonds and extending other loans to the private sector.

## Increasing Liquidity

The Federal Open Market Committee sets interest rates and controls the money supply to support the Fed's dual mandate to promote maximum employment and stable prices, along with its underlying responsibility to promote the stability of the U.S. financial system. By purchasing Treasury securities, the FOMC increases the supply of money in the broader economy, while its purchases of mortgage-backed securities increase supply in the mortgage market. The key to increasing liquidity — called quantitative easing — is that the Fed can make these purchases with funds it creates out of air.

The FOMC purchases the securities through banks within the Federal Reserve System. Rather than using money it already holds on deposit, the Fed adds the appropriate amount to the bank's balance. This provides the bank with more money to lend to consumers, businesses, or the government (through purchasing more government securities). It also empowers the Treasury or mortgage agency to issue additional bonds knowing that the Fed is ready to buy them. The surge of bond buying by the Fed that began in March helped the Treasury to finance its massive stimulus program in response to the coronavirus.

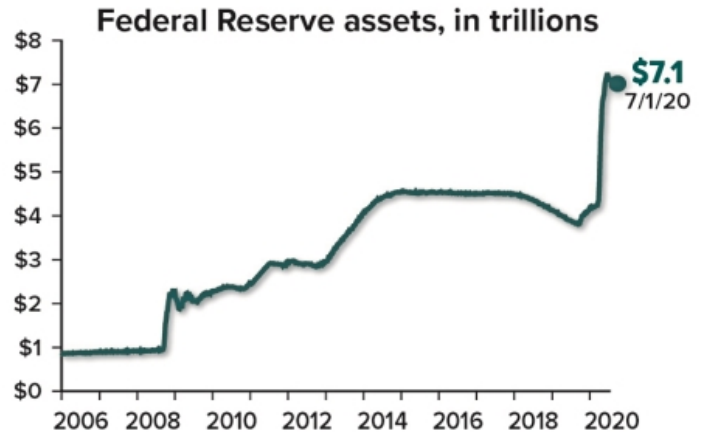
By law, the Fed returns its net interest income to the Treasury, so the Treasury securities are essentially interest-free loans. The principal must be paid when the bond matures, and the bonds add to the national debt. But the Treasury issues new bonds as it pays off the old ones, thus shifting the ever-growing debt forward.

## Protecting Against Inflation

Considering the seemingly endless need for government spending and private lending, you may wonder why the Fed doesn't just create an endless supply of money. The controlling factor is the potential for inflation if there is too much money in the economy.

## Big Balance Sheet

The Federal Reserve's assets grew with quantitative easing during and after the Great Recession. In late 2018, the Fed began to reverse the process by allowing bonds to mature without replacing them, only to back off when markets reacted negatively to the move. The 2020 emergency measures quickly pushed the balance sheet over \$7 trillion.



Source: Federal Reserve, 2020

Low interest rates and "money printing" led to high inflation after World War II and during the 1970s, but the current situation is different.<sup>2</sup> Inflation has been low for more than a decade, and the economic crisis has severely curtailed consumer spending, making inflation unlikely in the near term.

The longer-term potential for inflation remains, however, and the Fed does not want to increase the money supply more than necessary to meet the crisis. From a peak of \$75 billion in daily Treasury purchases during the second half of March, the FOMC began to gradually reduce the purchase pace in early April. By mid-June, it was down to an average of \$4 billion per day and scheduled to continue at that pace through mid-August, with further adjustments as necessary in response to economic conditions.<sup>3</sup>

*U.S. Treasury securities are backed by the full faith and credit of the U.S. government as to the timely payment of principal and interest. The principal value of Treasury securities fluctuates with market conditions. If not held to maturity, they could be worth more or less than the original amount paid.*

1) Federal Reserve, March 23, 2020

2) *The Wall Street Journal*, April 27, 2020

3) Federal Reserve Bank of New York, 2020

# Accumulating Funds for Short-Term Goals

Stock market volatility in 2020 has clearly reinforced at least one important investing principle: Short-term goals typically require a conservative investment approach. If your portfolio loses 20% of its value due to a temporary event, it would require a 25% gain just to regain that loss. This could take months or even years to achieve.

So how should you strive to accumulate funds for a short-term goal, such as a wedding or a down payment on a home? First, you'll need to define "short term," and then select appropriate vehicles for your money.

Investing time periods are usually expressed in general terms. Long term is typically considered 15 years or longer; mid term is between five and 15 years; and short term is generally five or fewer years.

The basic guidelines of investing apply to short-term goals just as they do for longer-term goals. When determining your investment mix, three factors come into play — your goals, time horizon, and risk tolerance. While all three factors are important, your risk tolerance — or ability to withstand losses while pursuing your goals — may warrant careful consideration.

**Example:** Say you're trying to save \$50,000 for a down payment on your first home. You'd like to achieve that goal in three years. As you're approaching your target, the market suddenly drops and your portfolio loses 10% of its value. How

*concerned would you feel? Would you be able to make up that loss from another source without risking other financial goals? Or might you be able to delay buying your new home until you could recoup your loss?*

These are the types of questions you should consider before you decide where to put those short-term dollars. If your time frame is not flexible or you would not be able to make up a loss, an appropriate choice may be lower-risk, conservative vehicles. Examples include standard savings accounts, certificates of deposit, and conservative mutual funds. Although these vehicles typically earn lower returns than higher-risk investments, a disciplined (and automated) saving habit combined with a realistic goal and time horizon can help you stay on course.

*The FDIC insures CDs and savings accounts, which generally provide a fixed rate of return, up to \$250,000 per depositor, per insured institution.*

*All investments are subject to market fluctuation, risk, and loss of principal. When sold, investments may be worth more or less than their original cost.*

*Mutual funds are sold by prospectus. 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.*

---

## IMPORTANT DISCLOSURES

Frontier Bank Wealth Management does not provide tax or legal advice. The information presented here is not specific to any individual's personal circumstances.

To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.