HELPING YOU RETIRE

Market Recap - Third Quarter, 2020

There isn’t anything new to say about 2020. The internet has said it all. Let’s just look at the numbers: The third quarter was overall, pretty great. Large Growth companies are leading the way with an 11.2% positive performance. We need it because the mid-size and small companies are still hurting pretty badly from the COVID shutdowns. Likely story, the big businesses get bigger and the smaller businesses, well, it’s another bootstrap moment for them.

The other thing to notice is the presence of negative numbers all through the 1-month, year-to-date and even some 1-year returns. It was just stated that the 3rd quarter was pretty great, that was in spite of the 1-month returns. The roller coaster may not be over. We are still in the midst of a pandemic and election aftermath. There is a lot of uncertainty but based on the recovery we’ve seen from the 1st quarter, there is still hope.

Election Results: Is the Market Doomed?

The election results are in! Or maybe they are. It’s all being sorted out. If the results stay as they are, our market is doomed. Right? And if the presidency remains republican, the market will skyrocket. No? Well, it turns out a lot of what people think happens with certain party as president, isn’t actually what happens. There is more to it than the existence of one man being in office over another. Thank goodness! Forbes, and a number of other reputable sources have done a lot of research and digging around on the topic. Probably since as a country, we really had no idea how the election was going to go. The Forbes article which you can read in its entirety here, shows that market was best during Democratic Presidential terms. There were times when one president was inheriting the issues of his predecessor, which didn’t help Republican President’s records. Ultimately, the article argues that uncertainty is the worst thing for the market. Another Forbes article that you can read here, looks at Congress and the President. When Congress is split, meaning the House being dominated by one party and the Senate by the other, regardless of the President’s party, the market does best. Any time one party dominated Congress and the Presidency, regardless of party, things didn’t go as well.

Then there is another piece, which you can read here, that comes from a Global Asset Allocation Analyst at Fidelity that says the same thing in a different way. The election itself doesn’t impact the market as heavily as politicians want you to believe, it’s about the fundamentals, like taxes, spending, demographic changes.
and effective monetary policy. Those are all very complicated issues in themselves. We don’t need to explore them individually. This analyst has considered them and still doesn’t think the market is going to be heavily impacted by Trump or Biden. Go ahead and breathe that sigh of relief. If you are properly allocated, you will be just fine. It doesn’t mean that returns will always be positive, it means that if we are taking the appropriate amount of risk for our financial goals, a single election should not doom your account to non-existence. If you have more than four years until retirement, we’re going to go through this again and this will be the year that we lived through. And I hope that by then, the only thing we’ll complain about is the year we didn’t get to hug everyone as much as we wanted to, and didn’t get to have regular school, or go to the office and see our beloved colleagues every day. Check your risk tolerance and keep fighting the good fight!

**Taxes: Pay Now or Later? Roth Says NOW**

Did you know that the Chico State Enterprises 403b allows for Roth contributions? This is a newer feature to this plan. It was added just this year in July. If you are unfamiliar with what Roth contributions are, you are not alone. In fact, the majority of people across the country aren’t sure what the benefit of Roth contributions are or how they differ from Traditional/Pre-tax contributions. Roth contributions are made on an after-tax basis. Your gross pay has all its medical benefits paid, taxes are taken out, then the Roth contributions come from the NET pay. Those taxed dollars are invested in your 403b and grow over time as any other dollars put in your 403b. When you retire and use the Roth dollars (contributions and earnings), you will not pay taxes on any of it. The longer you have until that time comes, the larger amount of money will likely escape taxes. The Standard shows how this works in your Retirement Readiness score. Log into your account HERE and play with the contribution sliders. If you increase the pre-tax contribution slider, your Retirement Readiness score will increase. But try the exact same increase with the Roth slider and see how our Retirement Readiness score changes in comparison. Just for fun, try using the sliders to see what happens when you switch entirely from pre-tax to Roth.

The further you are from your anticipated retirement age, the bigger the difference you should see between pre-tax and Roth. While we don’t know what our tax brackets will look like many years from now, we do know the power of compounding interest. Roth allows you to fully use your compounded interest without the tax implication. Unsure about switching from pre-tax to Roth or how much of each you should do? Speak to a tax professional and an advisor to see what type of contribution might optimize your retirement savings.

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**Glass Half Full?**

According to the 2020 Financial Stress Survey by John Hancock, when asked about economic optimism and their personal economic situations, most of us feel that things will stay the same or get better.

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**Don’t Worry, Ask A Pro**

Perceived impact of professional management of investments and savings to retirement preparation:
- 51% Major impact
- 36% Minor impact
- 13% No impact

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**Before You Go:**

“Although the world is full of suffering, it is also full of the overcoming of it.”

-Helen Keller

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**February**

Keep an eye out for February invites for One-On-One meetings with Alex Rasmussen, with The LBL Group, and group education with Ken Schlosser, with The Standard. While we hope they are in person, we will still hold them virtually to make sure you receive the same service from your retirement team, because we LOVE Chico State Enterprises!