Private Wealth *perspectives*

VERSION 21.2

INVESTMENT MANAGEMENT • FINANCIAL AND ESTATE PLANNING • PRIVATE BANKING • FIDUCIARY ADMINISTRATION • RETIREMENT PLAN SERVICES

"Hope springs eternal" – Alexander Pope wrote this oft repeated phrase almost 300 years ago, yet it may be more applicable today than ever. Emerging from a wild and unpredictable 2020, the winter of 2021 offered a continuation of uncertainty, lockdowns and restlessness. However, with the distribution and efficacy of the Covid-19 vaccines there appears to be legitimate reason to believe a return to normalcy is upon us.

Please enjoy the thoughts shared in this edition of Perspectives from Private Wealth. Our goal is to provide you with actionable ideas and insights into how we help guide clients on their financial journey. We appreciate the trust you have placed in our team.

Stay Healthy. Stay Safe. Stay Positive.
Michael Joyce
President, Private Wealth Advisors

INVESTMENT MANAGEMENT

Numbers & NUMBERS

Every day in the financial media, we are inundated with numbers and statistics; "The market was up 1.2% today", "The S&P hit an all-time high", "The market had it worst 11 day period ever", "The market had its best 3 day run in the last 40 years"…. The last two quotes, were very similar to quotes we saw last year during the height of the pandemic and happened within a few days of each other. While factual, they leave something to be desired in the helpfulness department. Therefore focusing on the numbers that are most important is what I hope to leave you with.

Numbers

We have experienced an incredible rebound in the market since the height of the pandemic in the spring of 2020. Investors have been pleased and surprised with the positive returns. The return for the S&P 500 for 2020 was 18.40% and the Barclays Agg. Index (bond market) was 7.51%. For the quarter ending March 31 2021, the returns were 6.18% and 3.37%, respectfully. The bond market experienced negative returns as a result of rising longer term rates. Looking at the performance of the bond market for the quarter while factual, doesn't tell the whole story. The returns for a 60/40 portfolio (stocks/bonds) for the quarter would have been 2.36%. The lesson here is to focus on the total return of the portfolio and less on individual securities or asset classes. In addition, having an allocation to bonds is critical in providing the safety net to help offset the volatility of the equity markets. Bonds generally helped offset the very dramatic drop in the equity markets in 2020. In this case there is more to a number than just the number.

NUMBERS

Of greatest importance are the NUMBERS that have the most impact on you as an investor. The overall economy impacts the financial markets and we know the financial markets are forward looking and anticipatory. Therefore, focusing on data that is forward looking is beneficial. We have used rail data and weekly unemployment claims to get an idea of both the direction and the strength of the economy. Without getting into the weeds, rail data continues to recover and weekly unemployment claims, while still extremely high by historical standards, are trending down. Both indicate a growing economy. The Federal Reserve publishes a forecast of GDP for the coming years and the current median forecast for 2021 is 6.5%. Looking at GDP for the last quarter or year is akin to looking in the rearview mirror. The 6.5% forecasted number is very strong and bodes well for corporate earnings in 2021. Corporate earnings ultimately drive stock returns. Earnings expectations for the full year 2021 have been rising over the last several quarters, with the market expecting earnings growth of 27.1% for the S&P 500, up from the year-end projection of 22.3%.

Moving away from economic numbers and market performance, an individual's numbers are even more critical in reaching their goals. For example, time horizon, amount saved during the accumulation period, and the withdrawal rate are extremely important in putting together a comprehensive plan that will allow investors to achieve their goals. **These are the most important numbers and ones in which you have control over.**

Sitting down with your First Merchants Private Wealth Team and having a conversation allows you to focus on the numbers that are meaningful and help put aside the day to day numbers (noise) we are all inundated with.

Dave Rever

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WEALTH MANAGEMENT

> *I always dreamed of seeing the future.*
>
> DOC BROWN
> *Back to the Future*

SEEING YOUR FUTURE

October 21, 2015 - that's the date Doc Brown set to travel forward in time at the end of the movie "Back to the Future". If you are old enough to remember 1985, you likely watched it on the big screen and heard Doc Brown's excitement as he said "I always dreamed of seeing the future". If you were too young or born later, you may have stumbled across it while channel surfing or perhaps, you've at least heard of Michael J. Fox and the "Back to the Future" movie series. The storyline is about the consequences of altering life through time travel. Marty McFly, played by Fox, and Doc Brown bounced between the past, present and future in this movie and stationed themselves squarely in 2015 in the 1989 sequel. For the writers, exploring the past and present was the easy part. But as they moved Doc and Marty into 2015, they had the more challenging and arguably more fun, task of imagining life almost thirty years into future. Since we've long passed October 21, 2015, fans enjoy celebrating "Back to the Future Day" each year and comparing what the writers imagined to our lives today. Jaws 19 and the holographic billboard to go with it, flying cars and turning trash into fuel on demand through the help of a handy Mr. Fusion are not part of our daily lives. For that matter, neither is time travel. But, they did get some things right or close to it. The writers were not far off in their illustration of the role technology would play in our daily lives along with hints of social media. They got pretty close with hover boards too.

How much time do you spend dreaming of and "seeing" the future? Imagining life ten, twenty or thirty plus years from now may feel daunting and perhaps, even disconnected from things which demand your attention today. But like we saw in the movie, decisions you make now can and most likely will, impact your future.

How do you picture your journey as you move through the twists and turns of life and head toward retirement? How do you see your children's and grandchildren's futures? If you are already retired, how do you see your assets passing to the next generation? Do you have a vision for how you want them to be used? If you are a business owner, how do you envision the impact on you and your family as your company grows? How do you imagine transitioning when the time is right? Answers to these questions begin first with tapping into your mind's eye and creating visions for the future. It's important to "see" your future and from there develop a plan that moves through time with you. Once established, leaving your plan unattended or worse yet, shelved, will likely end up much like the writers imagined 2015, parts may materialize or get close and others will be total misses.

You may think of your Private Wealth Advisors team as having the expertise to manage your investments or serve as trustee for a family trust. But, did you know we can help as you imagine your future, now and as you travel toward it? First and foremost, our team is here to understand how you envision your life's journey by asking the right questions and being avid listeners, not just the first time we meet but every time. Taking your visions and dreams and translating them into a plan along with making sure it stays in synch as your life changes is the foundation for what we do. Managing investments, administering trusts, and developing strategies for retirement, taxes, borrowing and wealth transfer are essential parts of your plan, all of which begin with your dream of the future. Only in the movies can you go back in time. We can guide you through the important decisions that shape your future and make sure it remains in line with your vision. We look forward to being a part of it.

Audrey Mistor

2021

RETIREMENT PLAN

YOUR RETIREMENT: MAKE IT A SUCCESS

What do you feel when you hear the word retirement — joy or panic? Your reaction may depend on several factors such as how close you are to retirement, how well you've prepared and what you plan on doing during retirement.

Most articles you read about retirement, advise you to start saving as soon as you can and put in as much as you can and increase your contributions over the years to maximize the compounding effect. Getting ready for retirement involves more than simply accumulating enough money. To avoid mistakes that can haunt your retirement years, also make sure you consider the following in your planning.

YOUR DEBT. Personal loans and credit card payments can take a big chunk of your income if you carry the balances into retirement. Failing to pay down or eliminate high-interest debt before you retire is a mistake you should avoid. Ridding yourself of debt is one of the easiest ways to boost your income in retirement.

YOUR INCOME NEEDS. Your expenses in retirement may change, but different doesn't necessarily mean lower. Another mistake retirees make is being unrealistic about their income needs because they assume their expenses will go down. Some expenses will go down when you are retired, although you won't have job-related expenditures, you may spend more on health care and leisure activities (traveling can get expensive). Think carefully about the things you'll need money for and plan accordingly.

YOUR WITHDRAWAL RATE. Several factors are likely to affect how long your money lasts, including the rate at which you withdraw assets from your accounts, your investments' performance, and the inflation rate. While you can't control investment performance or the rate of inflation, you can control your withdrawal rate. Choosing a rate that's too high can quickly deplete your assets. Selecting a more conservative withdrawal rate can help make your money last. Start with a smaller amount of monthly benefits. It's easier to increase the amount if needed, rather than to be used to an income and try and scale it back.

YOUR ASSET ALLOCATION. Throughout your investing life, the mix of stocks, bonds, and cash you hold in your portfolio may have the greatest impact on how long your nest egg will last. Although stock volatility is always an issue, investing too conservatively may keep you from earning returns that will help you reach your goals. Choosing an investment strategy that helps your investments not only keep up with inflation, but actually beats inflation will keep your account growing during retirement without taking too much risk. Consider leaving a portion of your portfolio invested in stocks, even after retirement, to provide growth potential.

If you have any questions or would like to talk to one of our retirement plan team members, the Retirement Specialists at First Merchants Private Wealth Advisors are here to help:

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> *As the adage goes, clients do not care how much you know until they know how much you care. And more than the reward of effective expertise, it is the strength of the relationships we have with our clients that brings us charging through the door each day.*
>
> MICHAEL JOYCE
> *President, Private Wealth Advisors*