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July 10, 2020

Dear Client,

This letter contains news and views that I feel will be of interest to you. As always, please call us at your convenience to set up your quarterly investment meeting.

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Going, Sebastien, Fisher & Le Bouef, LLP News:

- GSF&L constantly researches asset classes that may be suitable for clients' portfolios to add diversification (reduce risk). We offer Insurance-Linked Securities, Alternative Lending, Market Insurance, and other Alternative Strategy Securities, Realty, and Real Assets, so feel free to contact us for more details. The strategies have a low to moderate correlation to a Global Equities/Global Fixed Income mix; therefore, adding diversification to portfolios.
- Please make note of the above letterhead indicating our other office located in Lafayette. We have been operating in Lafayette since early 2017. Should you wish to meet or come visit please do not hesitate to do so.

Investment Views:

- ***Market Watch - Through Jun 30, 2020 - Year-to-date returns –*** Dow Jones Industrial Average -9.55%, S&P 500 -4.04%, NASDAQ Composite -12.11%, Russell 2000 -13.61%, S&P 400 Mid Cap -13.56%, Barclays US Aggregate Bond 4.91%, and Morgan Stanley Capital International Europe, Australasia, Far East -12.59%.

- **American Institute for Economic Research Rates of Interest (As of June 24, 2020 – Average National Rates) –**

Federal Funds Rate	0.08%	10-Year TIPS	-0.66%
3-Month Treasury Bill	0.16%	10-Year Muni Bonds – Nat'l	0.90%

10-Year Treasury Note	0.72%	15-Year Mortgage Fixed	2.58%
30-Year Treasury Bond	1.49%	30-Year Mortgage Fixed	3.13%

- ***Northern Trust – Weekly Economic Commentary – July 2, 2020 –*** In sum, trade was very much on the back foot when the pandemic began. COVID-19 has made regaining balance even more difficult. When the outbreak arose in China, it prompted broad-based business closures. The interruption of supply from Chinese factories was a stark reminder of how dependent the rest of the world had become on China's supplies. China accounts for about 60% of the global production of surgical gowns and masks. When the virus struck, China kept a greater share of that output at home, leaving others short-handed. So far this year, 90 governments have temporarily blocked the export of medical goods. A desire for increased self-sufficiency will require favoring domestic producers, even if they are more expensive.

- ***Bureau of Economic Analysis – June 26, 2020 -*** Real Gross Domestic Product (GDP) – the value of goods and services produced by the nation's economy less the value of the goods and services used up in production increased at an annual rate of 5.0% in the first quarter of 2020, according to the "third" estimate released by the Bureau. Real GDP increased 2.1% in the fourth quarter of 2019. Personal income decreased 4.2% in May as compared to a 10.8% increase in April. Consumer spending increased 8.2% in May as compared to a 12.6% decrease in April.

- ***Bureau of Labor Statistics – June 10, 2020 –*** On a seasonally adjusted basis, the Consumer Price Index for All Urban Consumers decreased 0.1% in May after falling 0.8% in April. Over the last 12 months, the all items index increased 0.1% before seasonal adjustment. Declines in the indexes form motor vehicle insurance, energy, and apparel more than offset increases in food and shelter indexes to result in the decrease in the seasonally adjusted all items index.

Craig's Thoughts and Views:

Social Security

Each year the Trustees of the Social Security and Medicare trust funds report on the current and projected financial status of the two programs. The reports include extensive information about these social programs and careful analysis of their outlook. The projections and analysis in these reports do not reflect the potential effects of the COVID-19 pandemic of the Social Security and Medicare programs. The Trustees believe that it is not possible to adjust their estimates accurately at this time. Based on the Trustees best estimates, a recap of the reports show:

- Social Security trustees announced on April 22, 2020 that the trust fund backing the payment of Social Security benefits (OASI retirement benefits) would be zero in 2034. A zero "trust fund" does not mean the payment of Social Security benefits would also go to zero, but rather would drop to 76% of their originally promised levels through the year 2095. When the trustees released their report in 2010 (i.e., 10 years ago), the Social Security Trust Fund was projected to be depleted in 2040 (source: Social Security Trustees 2020 Report).

- The estimated Social Security shortfall today (i.e., a present value number) between the future taxes anticipated being collected and the future benefits expected to be paid out over the next 75 years is $16.8 trillion. The entire $16.8 trillion deficit could be eliminated by an immediate 3.14 percentage point increase in the combined Social Security payroll tax rate (from 12.40% to 15.54%) or an immediate 19% reduction in benefits that are paid out to current and future beneficiaries (source: Social Security Trustees 2020 Report).
- In 2019, 54.1 million people received Social Security benefits and 61.2 million were covered under Medicare.
- For Social Security and Medicare, the major source of financing is payroll taxes on earnings paid by employees and their employers. Self-employed workers pay the equivalent of the combined employers and employee tax rates. During 2019, an estimated 177.9 million people had earnings covered by Social Security and paid payroll taxes; for Medicare the corresponding figure was 181.9 million.

Pre-Retirement – Long Term Care

When considering retirement planning, which by definition requires considering the unknown, uncertainty can be worrisome when assessing your long-term needs.

Expenses could be minimal or in the hundreds of thousands of dollars, and the need could last for a few months to several years. Care can be provided at home or by utilizing a long-term care facility such as a nursing home, skilled nursing home, or assisted living facility. Decades ago, most long-term care was provided by close family members. In that day and time, most children lived near their parents and would usually take over to help with daily living. Today, family members are more geographically disbursed, and the percentage of elderly people in need of assisted living and care is increasing.

According to an AARP report, an estimated 52 percent of people turning age 65 will develop a severe disability that will require long-term support and services at some point. The average duration of need over a lifetime is about two years, and the percentage of women who will need long-term care is even higher. Studies have shown that about 42.5 percent of people turning age 65 between 2015 and 2019 will spend at least $25,000 on long-term care, and 15 percent will spend more than $250,000 during their lifetimes. According to the Alzheimer's Association, the estimated lifetime cost for dementia is $342,000.

These statistics can be an eye opener, so the exercise of planning can help prepare to adapt and hopefully give more assurance today. There are three main ways to plan for long-term care expenses, and we will discuss them below.

Long-Term Care Insurance

You can purchase long-term care insurance, but it will require personal expenditures on premiums. Depending on your age and how close you are to retirement, the insurance may be unavailable or the cost unjustifiable. If you are in your fifties or early sixties and in good health, you may be able to find a good policy. Today, more long-term care policies are sold as a hybrid of life insurance and long-term care. However, these policies can me more complicated than just a stand-alone long-term care policy when weighing benefits and costs. You should not purchase a policy if you don't understand the details of coverage and premium structure. You may be better off purchasing a long-term care policy and life insurance separately.

After considering the above, you will have to think about other variables if you decide to buy a long-term care policy. For instance, you should decide on how much the policy will cover, its duration, the waiting period before the policy starts to pay, and should you get inflation protection.

Medicaid

The second way to pay for long-term care is Medicaid, which may be the most common method. Medicaid covers long-term care needs for an estimated 51 percent of long-term care recipients. To qualify, you and your spouse must have limited assets that you own.

Medicaid is intended to help those who have used up most or all of their financial resources. For many, this option of last resort can be the only realistic long-term alternative when expenses are significant.

Self-Funding

The third way to pay for long-term care is to self-fund it, which means to pay for care expenses out-of-pocket with no help from insurance proceeds. Some estimates are to set aside $150,000 plus per spouse for potential long-term care needs. It is not absolutely necessary to set up a separate (reserve) account for this, but it is important to have a specific amount earmarked.

Home equity is another asset that can be tapped to cover long-term care expenses that could arise. The equity can be accessed by selling a primary residence and downsizing to a long-term care facility. Other options to access home equity are home equity loans and reverse mortgages. Equity in one's residence can represent a possible large asset that can be considered if you don't plan to access it for other purposes. If you consider this option, the home equity should be adequate to potentially cover the needs of two elderly individuals, and as the subprime crisis of 2008 showed, home values can quickly vanish.

GSF&L, LLP Registered Investment Advisors:

We can never know what the future holds, but we can make informed decisions regarding investment strategies and portfolio allocations. We (GSF&L) make changes based on our perception of opportunities in the capital markets. We assimilate fundamental, technical, and economic information to make informed decisions. Of course, it is important to have long-term focus on portfolio management, but with a critical analysis of intermediate strategies.

Managing risks and opportunities are important to portfolios and reaching one's financial needs and goals. Having a complimentary understanding of investment horizon and attitude toward risk are equally important. Markets and economies do not always behave as we expect them to. That is the problem with investing! There is no luck to professional investing. You can no more have a successful, disciplined approach by luck or accident than you can win a chess tournament by luck or accident.

If you know of someone who may fit our financial and investment planning philosophy, please mention our name. We are a small organization and intend to remain so. A solid organization makes it possible for us to spend our time managing our business rather than each other. Because everyone has so much to do, much gets done. We will forego any growth opportunity that may detract from our ability to serve our clients as they have become accustomed to. We never expect to be among the biggest, but our attention to be among the best is not subject to compromise.

Regards,

Craig

Craig C. Le Bouef, MBA, CPA/PFS, CFP®

NASDAQ composite measures the performance of all issues listed in the NASDAQ Stock Market, except for rights, warrants, units, and convertible debentures. The S&P 500 is made up of 500 common stocks representing major U.S. industry sectors. The Dow Jones Industrial Average contains 30 stocks that trade on the New York Stock Exchange (NYSE) which reflect the performance of 30 large American companies. The Morgan Stanley Capital International Europe, Australia, and Far East Index (MSCI EAFE) is a market-weighted aggregate of 20 individual country indexes that collectively represent many of the major markets of the world, excluding Canada and the U.S. The Lehman Brothers U.S. Aggregate Bond Index tracks performance of debt instruments issued by corporations and the U.S. Government and its agencies. The returns for this index are total returns, which includes reinvestment of dividends. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 8% of the total market capitalization of the Russell 3000 index.

All indices are unmanaged. It is not possible to invest in an index.

Past performance is no guarantee of future results. Diversification does not assure against market loss.