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January 27, 2021

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.

Contents:

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

- GSF&L is always researching 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 Oil Center 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.
- We are pleased to announce that we have admitted Amy Broussard Spellman, CPA as an associate partner to the firm. GSF&L welcomes all of the clients from Broussard and Broussard, CPA who are following Amy and are now part of our firm. We look forward to continue to service your needs for many years to come

Investment Views:

- ***Market Watch - Through December 31, 2020 - Year-to-date returns –*** Dow Jones Industrial Average 7.25%, S&P 500 16.26%, NASDAQ Composite 43.64%, Global Dow -0.02%, Russell 2000 18.36%, and Morgan Stanley Capital International Europe, Australasia, Far East 14.08%, Barclays US Aggregate Bond 7.36%.

- **American Institute for Economic Research Rates of Interest (As of December 21, 2020 – Average National Rates) –**

Federal Funds Rate	0.09%	10-Year TIPS	-1.00%
3-Month Treasury Bill	0.08%	10-Year Muni Bonds – Nat'l	0.65%
10-Year Treasury Note	0.94%	15-Year Mortgage Fixed	2.21%
30-Year Treasury Bond	1.68%	30-Year Mortgage Fixed	2.67%
Savings	0.05%	Money Market	0.07%
12-month CD	0.16%		

- ***Northern Trust – Weekly Economic Commentary – January 15, 2021 –*** …After more than a year of disruptions, cancelled plans and minimal socializing, many of us are eager to get back to our old habits. That could bring a rush of demand and economic growth at mid-year. The foundations for future spending are strong. We observe: **Savings.** Consumers have increased their savings rates during the course of the crisis. Pent-up demand for dining out, entertainment and traveling could be expressed powerfully once the pandemic is under firm control. **Wealth effects.** Diversified stock owners ended up having another winning year in 2020, giving a boost to confidence and spending power. Similarly, homeowners in most of the country have enjoyed watching residential real estate values rise. **Stimulus.** As Joe Biden takes office with a narrow majority in Congress, the prospects for more stimulus have grown.

- ***Bureau of Economic Analysis – December 22, 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 33.4% in the third quarter of 2020, according to the "third" estimate released by the Bureau. Real GDP decreased 31.4% in the second quarter. Personal income decreased 1.1% in November as compared to a 0.6% decrease in October. Consumer spending decreased 0.4% in November as compared to a 0.3% increase in October.

- ***Bureau of Labor Statistics – January 13, 2021 –*** On a seasonally adjusted basis, the Consumer Price Index for All Urban Consumers (CPI-U) increased 0.4% in December after rising 0.2% in November. Over the last 12 months ending in December, the all items index increased 1.4% before seasonal adjustment. The index for all items less food and energy rose 1.6 percent over the last 12 months. The food index rose 3.9 percent over the last 12 months, while the energy index fell 7.0 percent.

Craig's Thoughts and Views:

Pre-Retirement – Insurance and Annuities

Investors approaching retirement should reevaluate their risks in retirement. Insurance policies of all types should be reviewed, with particular emphasis on currently owned life insurance policies. Immediate annuities can play an important role as a source of supplemental income.

Life insurance is an important risk management device for working people with families. Life insurance can provide peace of mind that a surviving spouse and children of a worker will have the assets and income they need if the worker were to die. For young and healthy people, life insurance is a relatively low-cost way to provide this protection in the event of a catastrophe.

Pre-retirees should assess their current life insurance needs and think about what to do with any policies currently in force. Although there are a variety of life insurance products they generally fall into two categories: those with cash value and those without.

Term Life

Life insurance without cash value is usually called “term life” or “group term life” insurance. This provides a death benefit only, so it does not include an investment component. The policy does not carry any vale except the lump sum paid in the event the insured passes away before the end of the stated term. Individually owned term policies are common, as are group term life insurance, which is often provided as an employment benefit.

Since the term policy terminates at the end of the term, this type of life insurance can generally be purchased at a relatively low cost. For example, a healthy 35-year old can buy a $525,000, 20-year term policy for a few hundred dollars annually. There is a good chance the policy will expire worthless after 20 years, but such a policy is affordable and offers an easy benefit to understand. However, as the policy owner gets older or health deteriorates, the term policy gets more expensive.

If you are approaching retirement, get familiar with the term of the product, if you are not, and determine if you still need coverage.

Cash Value Life Insurance

Cash value policies are more complicated. The most common type is called “whole life,” but there are variations called variable life and universal life. Whole life policies do not expire after a set term if the policy is kept in force; the death benefit extends over the entire (whole) life of the insured. Whole life policies offer a death benefit and an investment component known as the cash value. This cash value is potentially accessible by the owner for spending needs in retirement. Since the policy has a cash value and it does not expire, these types of policies are more expensive than term life policies.

There are a range of life insurance products with many ways to access cash value. The important question to ask as you approach retirement is whether you think you might need to access the accumulated cash value. First, you will have to decide whether and for how much longer you want to keep the death benefits. If you decide the death benefit is an important part of your estate plan, and you want to leave it to your heirs, then you will want to keep the policy in force. If you decide that the death benefit from a whole life policy is not a primary objective, you may consider cashing out the policy. There will likely be tax consequences if you do so, so you may want to consult with a tax professional and the insurance company.

Annuity Basics

Annuities consist of two basic types: immediate and deferred. Immediate annuities allow investors to make a lump-sum purchase of an income stream that will continue for a certain period, often the remainder of the annuitant’s life. It is an insurance product that guarantees the annuitant will not outlive his income. Insurance companies offer various payouts, such as joint and survivor annuities, that ensure payments will continue after the death of the primary annuitant.

That is worth considering if you plan to live a long time and have minimal assets. The insurance company is willing to offer this deal because some annuitants will surely live longer than others. The insurance companies do not know the longevity of any individual in the “risk pool,” but on average, insurers can promise to pay benefits to everyone because of the statistical likelihood that some people will not live a long time. If you are thinking about more guaranteed income in retirement, it may be worth exploring single premium immediate annuity (SPIA).

Immediate annuities can also have payouts that are variable, in which case the underlying assets are typically invested in stocks and bonds. The advantage of market-based payouts is that they have good prospects for payments that will at least keep pace with the cost of living. The downside is that payments from year-to-year can be volatile.

Deferred annuities on the other hand, do not provide income until at least one year (often many years) after the product is purchased. During the accumulation years, investors make a lump-sum purchase or periodic payments in an investment subaccount, which grows tax deferred. When the payout phase begins, the annuitant may choose to annuitize the account, or withdraw funds as needed. If annuitized, part of each payment will be tax-free depending on the annuitant's life expectancy and the size of his after-tax purchase payments. Withdrawals, on the other hand, are fully taxable at the owner's marginal tax rate until all the earnings have been paid out; then the remaining withdrawals of principal are tax free.

Deferred annuities are of two general types, fixed and variable. During the accumulation phase fixed annuities earn interest at a rate that is adjusted periodically by the insurance company, while the returns on variable annuities depend on the investment performance of the underlying subaccounts. In this respect variable annuities are very similar to mutual funds.

We have often encountered clients who own deferred annuities, but with "no rhyme or reason" regarding the contract's role in an investment portfolio. Typically, these are deferred variable annuities. All too often we have seen products with unneeded features, high fees, and prohibitive surrender penalties. The important item to note is how a deferred annuity is intended to fit within your retirement plan. What are the payout options and how will the income supplement Social Security and other pension income?

If you own an annuity that is not well integrated with your plan, don't let it languish. Insurance companies would love to keep your money forever, but it's your money. Contact the company directly and start asking questions about all associated costs, how the value can be accessed, and how much income it might provide in retirement. If you are thinking about purchasing and immediate annuity as a supplement to your retirement income, do your research. There are many products that are available, and they can be hard to understand.

IRA Review

If you are the owner of an IRA, there are some issues that you should be aware of. We assist our clients in avoiding these pitfalls, so they can maximize the use of their IRAs. Each IRA owner has different circumstances and these issues may impact individuals differently. Below are some areas that IRA owners should give attention to.

- First and foremost, it is important to review the current beneficiary of your IRA on at least an annual basis, especially if you have recently experienced an event such as a birth, death, marriage, or divorce. You should also make sure to list a contingent beneficiary or beneficiaries in the event the primary beneficiary predeceases the IRA owner or disclaims some or all of the IRA assets.
- Exercise caution before listing the estate or a trust as the beneficiary of your IRA. These can cause unnecessary required accelerated distribution methods that may be undesirable.
- When taking traditional IRA distributions, attempt to do so in a manner that does not cause IRS penalties. For example, traditional IRA distributions prior to the owner

reaching age 59 ½ are subject to a 10% IRS "early withdrawal" penalty. Exceptions to this penalty as defined under the Internal Revenue Code Section 72(t) may be for the following distributions:
  - that are part of a series of substantially equal periodic payments
  - made due to total and permanent disability
  - made due to death
  - to the extent the individual's unreimbursed medical expenses exceed 10% (7.5% if taxpayer or spouse age 65 or older) of adjusted gross income
  - to pay for health insurance premiums for certain unemployed individuals
  - for qualified higher education expenses of taxpayer, spouse, child, or grandchild
  - for first-time home purchases ($10,000 limit lifetime and no home ownership in prior 2 years)
  - due to an IRS levy on an IRA
  - to reservists or National Guardsmen while serving on active duty for at least 180 days
  - qualified birth or adoption for individuals under age 18 up to $5,000
- Effective for years 2010 and beyond, there is no adjusted gross income (AGI) limit for Roth conversions and married filing separate (MFS) taxpayers can make Roth conversions.
- A 2014 Tax Court decision concluded that the one-IRA-rollover-per-year limitation applies globally to all traditional IRAs owned by an individual rather than on an account-by-account basis. However, there are no limitations on direct rollovers (trustee-to-trustee).
- Beginning in 2015, IRA owners and beneficiaries age 70 ½ or older can make qualified charitable distributions (QCDs) by causing IRA funds to be paid directly from the IRA to the charity.
- Beginning in 2020, traditional IRA owners must begin taking required minimum withdrawals from their IRAs at age 72 (instead of age 70 ½). A penalty of 50% may be assessed on any shortfall below the required minimum distribution amount.
- Beginning after 2017, a recharacterization cannot be used to unwind a Roth IRA conversion.
- Eligible individuals can make a qualified HSA funding distribution from their traditional or Roth IRA to a health savings account (HSA). The distribution must be made directly by the trustee of the IRA to the trustee of the HSA. Only one lifetime qualified HSA funding distribution is allowed.
- Beginning in 2020, individuals of any age will be allowed to contribute to a traditional IRA. The individual still must have earned income to contribute.
- Beginning in 2020, the SECURE Act added a new 10% penalty exception for birth or adoption. This exception is limited to $5,000 per child, and the exception applies to IRAs and defined contribution plans.
- The SECURE Act limits most non-spouse beneficiaries of retirement accounts to 10 years of further compounding. By that deadline, accounts must be emptied with distributions added to the recipient's other taxable income and taxed at ordinary rates or face the 50% penalty.

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.