GREENLEAF® TRUST

Perspectives

A Greenleaf Trust Newsletter

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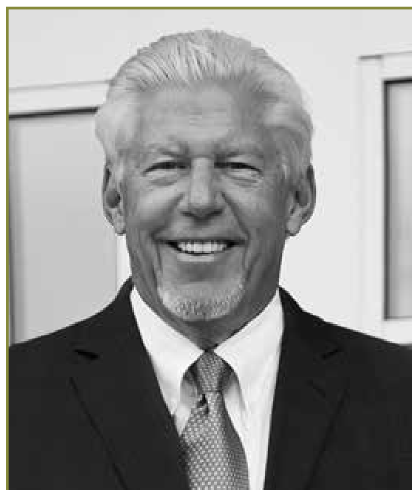

William D. Johnston
Chairman, Greenleaf Trust

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Economic Commentary

Evidenced by the spring break crowds as well as daily airline passenger totals, it is clear people are experiencing real COVID-19 fatigue and are increasing their appetite for risk. Further evidence is the infection rate among younger individuals that helps to explain increased case rates and hospitalizations. Fortunately, duration of stays in hospitals have been shortened and recoveries have improved — both of which were aided by the benefits of increased vaccinations and developed treatment protocols. Although the late fall appears to be the light at the end of the tunnel, it seems that a good portion of the population is wishing its way to the light, rather than staying patiently on the best track.

Through March 28, 143 million doses of the vaccine have been administered in the United States, and nearly 51 million people, 15.5% of the population, have been fully vaccinated. The current seven-day average administration of the vaccine is 2.4 million doses per day, with the highest single daily dosage being recorded at 3.4 million. The administration's goal has been to increase the vaccinated total to 200 million people by the end of May, and to make the vaccine available to all people age 16 and above beginning May 1. Those producing the vaccine have stated that the goals can be met from the production side of the equation.

Assuming we achieve consistency in vaccination rate, as well as antibody development by those already infected and those who are likely to be infected, the late July or early August target to achieve 70% immunity remains within reach. Getting to the upper band of 85% immunity is not likely to occur until late fall and also depends upon shrinking the level of those who remain opposed to the vaccine from its current level of 35%. We have maintained from the outset of the pandemic that structural recovery of the economy will not occur until the pandemic is in remission, thus economic data will continue to reflect only incremental improvement until the vaccination targets of late fall are met. Consumer confidence, buoyed by improving demand and employment, will be the determining factors that propel us to sustainable growth and eliminate the need for continued stimulus packages from Congress.

Our unemployment rate has changed little from previous

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Commentary, continued

communications and remains at 6.2%, and the number of unemployed is hovering at 10.0 million people. Both measures are well below their April of 2020 highs, but substantially above the pre-pandemic levels that everyone yearns to return to. The various demographic measures of age, race and sex with respect to unemployment did not change during the period. Continuing to decline within the statistics is the number of people on temporary layoff. At the depth of the economic crash during the March 2020 shut down, nearly 18.0 million unemployed persons considered themselves temporarily unemployed, and their individual circumstances certainly justified that self-classification. At least two things have occurred during the last twelve months for this segment of the unemployed. First, many self-selected and permanently changed employment with the greatest migration according to the data of workers transitioning from hospitality to logistics. Secondly, many who believed their employers would call them back as the need required have received official notice that their employers have permanently closed. This is further evidenced by those small business owners who have responded to surveys indicating that they themselves were looking for employment, and had insufficient resources to reopen and employ others.

"The appetite to return to in-classroom learning is strong, and it is almost a certainty that most school districts throughout the country will face significant pressure to be fully in-person this fall."

Duration of unemployment, long term unemployed (27 weeks) and labor participation rate (61.4%) remained unchanged, as did average hours worked and average wage. More states are reducing required COVID-19 restrictions, primarily around gathering, occupancy within businesses and hospitality. The appetite to return to in-classroom learning is strong, and it is almost a certainty that most school districts throughout the country will face significant pressure to be fully in-person this fall. Several state legislatures have threatened severe revenue penalties for school districts that do not open for in-person learning. As more businesses and schools return to pre-pandemic settings we are likely to see an increase in COVID-19 cases, but also an increase in employment activity to support that migration back to the office, classroom, restaurant, hospitality venue and leisure activity. The shift in employment activity and GDP growth rate will be gradual as we migrate our way towards immunity; however, both will be necessary for consumer confidence and spending to improve.

The Biden administration is experiencing just how fleeting political capital can be. It is clear that they believed the low hanging fruit in their reach was to make substantial and quick progress on suppression of the pandemic by rolling out a successful administration of the vaccine. What was not in their line of sight, nor does it appear they were prepared for, was the influx of unaccompanied minors at the southern

border. Every crisis competes for the same political oxygen, and progress on vaccinations quickly gave way to the border crisis. No administration wants a crisis, but no amount of wordsmithing makes a crisis go away. Modern political reality is that you have to solve and address multiple emergencies at the same time and be prepared for more emergencies in the future. When your domestic and foreign political adversaries see that your plate appears full they will send more your way.

Immigration reform is hard political work that takes significant legislative time even for those Presidents who have enjoyed the benefit of having their own party control both branches of government, just ask Presidents Clinton, Bush (George W.) and Obama. During twenty-four years of failed starts and stops, no meaningful immigration reform has passed any legislative effort. After four more years of constant political dialogue about our "southern border" under the Trump administration, we now stand at nearly thirty years of immigration reform inaction.

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Crisis, be it natural or political in nature, is dealt with in quick sprints and immediate actions that address the immediacy of the crisis but rarely the conditions that created it. The mass migration out of Syria into and through the borders of Western Europe created chaos at borders, xenophobic reactions within European nation states, refugee camps, and extreme and horrific family destruction that had to be handled with immediate aid and relocation attempts. The condition that created the crisis which was attributed to the authoritarian dictator of Syria, Assad, was never effectively addressed by the international community. The examples of treating symptoms and not the cause of immigrants seeking asylum are many and have been repeated throughout our globe's history. So how does the process of immigration reform begin within the context of a border crisis? Where does the political dialogue start when one party sees the migration as an attempt at illegal immigration and the other party sees the migration as largely asylum seekers? These answers are not clearly obvious.

What is obvious is that we are a mature, industrialized and advanced economy with a very low birth rate. Over the past three decades, our population has grown from 300 million to 330 million people, which is a growth rate of barely 1% per year. Without immigration, our growth rate would be negative. The long-term implications of negative population growth rates are troubling at best and are, from a macro perspective, fewer people paying for increasingly greater costs to preserve the same, and ultimately declining, standard of living. The impact is not immediate, which is why growth of population is a tough immigration selling point. The current generation is not likely to witness it nor feel it and when you add self and political power preservation to the mix the benefits of

Commentary, continued

"We as a country have 97,000 miles of borders… the reality is that the current crisis is defined by far fewer than 150 miles."

immigration to boost population growth get quickly dismissed.

What is not going to change is the following. We as a country have 97,000 miles of borders. Think about that number for a bit. For the last four years we have been focusing on about 800 miles of the 97,000 miles of borders we own; the reality is that the current crisis is defined by far fewer than 150 miles. If countries in our hemisphere or across the ocean are destabilized, populations within those countries will seek safety, stability and opportunity elsewhere. I would, and you would too. If we don't create a rigorous, fair process that is appropriately resourced to meet the needs of the current and future political fluidity in the world, we will forever be in crisis. Along the way we also might define a way that upholds our nation's history of welcoming refugees and asylum seekers, helps our neighbors build free and prosperous nations, meets our country's needs in the 21st century economy, solves our population's negative growth rate and allows for a pathway to citizenship for those who are undocumented but want to get in line in a way that honors our current policies.

Hitting the Wall

Michael F. Odar, CFA®
President

After a miserable February in Michigan, I felt like all of us at Greenleaf Trust needed some acknowledgement of where we have been and some encouragement regarding the way forward. Below is an excerpt from what I wrote to our team and I am sharing it here with the idea that we can all benefit from a little reset.

When I first started at Greenleaf Trust (Greenleaf Asset Management) in 1999, I was training for the Cincinnati marathon – my first and only. Training took discipline and commitment. There definitely was the fear of the unknown. One unknown in particular. For those that have run a marathon, you consistently read about and hear from other runners about the dreaded "Wall."

For most, the wall typically occurs at mile 20 of the 26.2-mile race. It is the point in the marathon where you begin to wonder about finishing and your body breaking down. Your legs feel heavier, your stride slows, your breathing becomes labored, and feelings of negativity slip into your psyche. In short, it's the exhaustion of mind, body, and soul.

I feel like we are at a point in the pandemic where we could "bonk" (technical term for hitting the wall). We have been running extremely hard for almost a year now. Our Business as Unusual mantra has helped us be successful, but it's hard work serving our clients at the level of excellence for which we strive. We know the finish line is up ahead with vaccines getting rolled out, but still can't see it. Although March has been sunny, the end of February was draining. And, we have all been apart.

What do we do?

In short, my recommendation was exactly what the experts would tell us if we were actually running a marathon – slow down, think positively, and breathe. So, that is what we are doing as we work towards business as usual.

We are focused on the important tasks at hand, instead of worrying about the next 6.2 miles. It takes a lot of focused execution of the little things to finish a marathon. Positivity is a multiplier. Our outlook remains constructive and bright spots can be found in many different places around our business. Our 2021 strategic initiatives are robust and focused on our culture, the client experience, scalability, and purposeful growth. We also recognize we have the advantage of running this race together and are continuing to make sure all our teammates are supported. If our teammates are supported then we know our clients will be supported.

Finally, we continue to follow the Centers for Disease Control (CDC) and the State of Michigan's guidelines on safety and working remotely. We will open our offices for in person meetings as soon as those guidelines allow. Until then it's Business as Unusual.

"We… are continuing to make sure all our teammates are supported. If our teammates are supported then we know our clients will be supported."

Seth E. Kritzman, CFA®
Fixed Income Analyst

Don't be Fooled by the Spread

Here is a quiz for our readers. Currently, credit spreads on 1-10 year corporate bonds are 81 basis points, meaning, yields on these bonds are 0.81% higher than on comparable Treasury bonds. Will these corporate bonds outperform Treasury bonds by roughly 0.81% over the next year?

If history is our guide, the answer is actually no. In fact, on average, corporate bonds have underperformed Treasuries (negative excess returns) by about 1% during similar historical periods despite their higher starting yields. Why is that? This article will explain the dynamics of investing in corporate bonds and how to avoid being fooled by the spread.

Why Corporate Bonds Yield More than Treasuries

Investors demand higher yields on corporate bonds because of the inherent additional risk. Corporate borrowers can default or be downgraded, whereas Treasuries are thought to be default-risk-free. This difference between yields on corporate bonds and Treasuries is known as "credit spread."

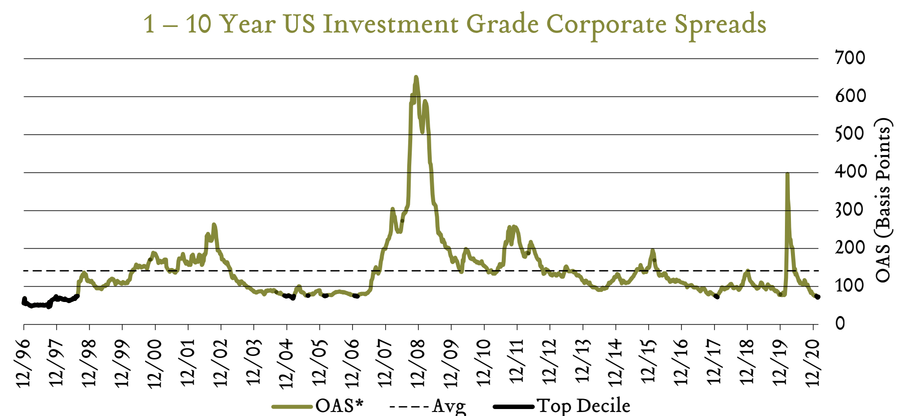
"Investors demand higher yields on corporate bonds because of the inherent additional risk."

Credit spreads are not stationary. They are continuously moving, just like stock prices. Credit spreads widen (increase) during market sell-offs, and spreads tighten (decrease) during market rallies. Tighter spreads mean investors expect lower default and downgrade risk, but corporate bonds offer less additional yield. Wider spreads mean there is more expected risk alongside higher yields.

The Current Credit Environment

Currently, credit spreads are near historic lows. At 0.81%, 1-10 year spreads are in the tightest decile over the last 25 years. The chart below illustrates the change in investment grade credit spreads over the last 25 years.

1 – 10 Year US Investment Grade Corporate Spreads

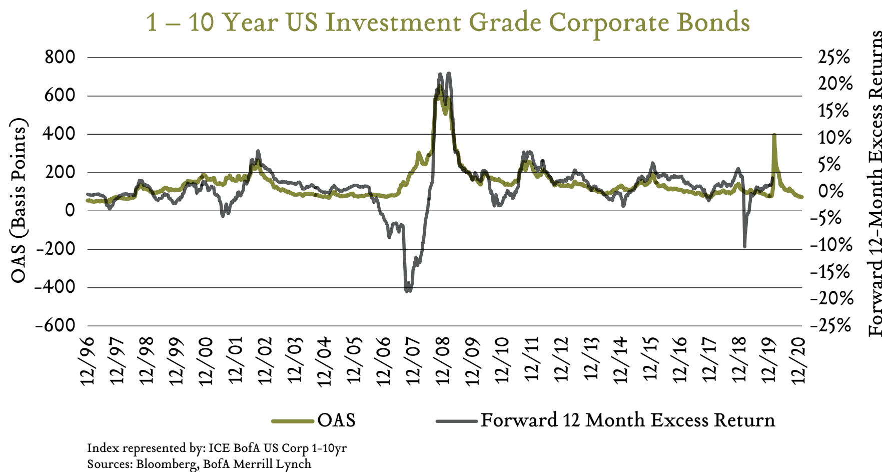


Index represented by: ICE BofA US Corp 1-10yr
Sources: Bloomberg, BofA Merrill Lynch

What to Expect from Today's Corporate Bond Market

Historically, these tight spread levels do not bode well for excess returns of corporate bonds. The corresponding chart details starting credit spreads and forward 12-month excess returns. It is clear that wide starting spreads correspond with higher corporate bond returns, and vice versa. As an example, during the Lehman Brothers' bankruptcy period in 2009, credit spreads hit 600 basis points. Over the forward 12 months, corporate bonds outperformed Treasuries by over 20%.

From today's spread levels of 81 basis points, the implied excess return is actually around -1%. Does that mean you should have no investment-grade corporates in your portfolio? Not necessarily. However, it does call for selectivity.



Index represented by: ICE BofA US Corp 1-10yr
Sources: Bloomberg, BofA Merrill Lynch

"Historically… tight spread levels do not bode well for excess returns of corporate bonds."

Longer Corporate Bonds Carry Higher Risk

The following table compares risk and return metrics for different corporate bond maturities. The longer a bond's maturity, the greater the yield and the greater the uncertainty about excess returns. Whereas, shorter bonds have observed more frequent but more controlled levels of risk and excess returns.

For instance, 1-3 year corporate bonds have outperformed Treasuries 82% of the time, with median 12-month excess returns of 0.72%. While, 7-10 year corporate bonds have a median 12-month excess return of 0.84%, a mere 0.12% higher, but have only outperformed just 58% of the time. Undeniably, there is greater risk associated with longer maturities.

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Don't be Fooled by the Spread, continued

12-Month Rolling Excess Returns

	% of Periods Outperforming	Median Outperformance	Worst 12 Months	Volatility
1-3 Year Corp	82.52%	0.72%	-11.12%	2.90%
3-5 Year Corp	69.76%	0.91%	-16.39%	4.17%
5-7 Year Corp	63.63%	1.13%	-20.89%	5.87%
7-10 Year Corp	58.66%	0.84%	-24.59%	6.40%

Indexes represented by: ICE BofA US Corp 1-3yr, ICE BofA US Corp 3-5yr, ICE BofA US Corp 5-7yr, ICE BofA US Corp 7-10yr
Time period: 12/31/1996 – 02/28/2021
Sources: Bloomberg, BofA Merrill Lynch

"We do not foresee a damaging default cycle; however, we believe future excess returns might be subdued."

Conclusion

How should investors respond to the current environment? Based on history:

- Spreads are relatively tight.
- Future excess returns tend to be negative when spreads get to the tightest decile.
- Longer dated maturities are historically more volatile.

We do not foresee a damaging default cycle; however, we believe future excess returns might be subdued. The environment calls for patience and discipline. Shorter corporate bonds may be a better place to allocate capital currently. We are taking steps to respond in client portfolios and will diligently monitor positioning for opportunities to fulfill our mission of maximizing returns subject to prudent risk management.

*OAS: Option Adjusted Spread, measures the difference in yield between an option-embedded bond and the risk-free rate.

Asset Returns and Spending Rates

Mark A. Jackson, CFA®
Vice President
Senior Wealth Management Advisor

The financial markets provided strong returns in 2020, despite the staggering human and economic impacts of the COVID-19 pandemic. The strong returns and the resulting increase in endowment values have been beneficial to many nonprofits, which continue to see a heightened demand for their essential support services. As the disease has come under greater control, many of our nonprofit clients are looking to the future and discussing with us what portfolio spending rates should apply over the next several years. Our conclusion is that asset returns are likely to be lower over the ensuing years, which presents challenges to the spending rate decision.

In the early stages of the pandemic, a broad-based index of US stocks declined by 35% from the February 2020 high to the March 2020 low, as investors assessed the potential impacts of the Coronavirus. Lower interest rates, government stimulus and monetary programs, and progress on vaccine development were among the factors that helped the broad US market to not only recover from the initial sell-off, but also close the year with an 18% return. An index for the developed international equity markets returned over 10% for the year, while an emerging markets equity index returned over 18%. Responding to the decline in interest rates, an intermediate maturity, government and corporate bond index returned over 6% in 2020. The financial markets provided growth of principal last year and now, particularly for the U. S. equity markets, the 3-year, 5-year and 10-year annualized returns are all well into double digits.

"In the early stages of the pandemic, a broad-based index of US stocks declined by -35% from the February 2020 high to the March 2020 low..."

However, while the strong returns of recent years are welcome, past performance is not indicative of future results. Twice a year, Greenleaf's Research team prepares longer-term projections for the investment markets. We currently forecast that US equity markets could provide a return in the mid-single digits per year, while the projected returns for international equities, particularly the emerging markets, are modestly higher. With interest rates at historic lows, the return on a fixed income portfolio is likely to be in the low single digits per year.

What do these projections mean for a nonprofit's spending rate decision? A typical asset mix or allocation for a nonprofit is 70% equities, 25% fixed income and 5% cash, while a typical spending rate is between 4% and 5%. Using our team's projections, this asset allocation would imply a nominal portfolio return of 3.5% to 4% per year over the next ten years. Our longer-term inflation forecast is 1.8% per year, meaning

that for some nonprofits, the investment return may fall below the inflation adjusted spending rate and the value of the invested assets, when adjusted for inflation, could diminish over time. Some organizations will need to decide if spending levels should be maintained or if they should be reduced to increase the potential for maintenance of the inflation adjusted value of the organization's investment portfolio.

For many nonprofits, it may be an opportune time to discuss a reduction in their spending rate. The majority of public nonprofits and many private nonprofit organizations use a spending formula based on a trailing average of their portfolio's asset value, which generally provides a stable and predictable level of spending. During periods of strong market performance when portfolio returns are well above a spending rate plus inflation, the portfolio can support annual increases in the spending level. A spending rate calculation that uses a rolling average of the value of the investments, will experience a gradual increase in spending, which could allow growth in the portfolio's inflation adjusted value if the markets are performing well. It is an extended market environment of returns below long-term averages that presents difficulties for planning. If the markets decline and a fixed percentage spending rate formula is used, the year over year decline in spending could be significant. If a spending formula uses a rolling average market value, the dollar rate of spending could rise over the short term, even as asset prices are falling. A spending formula which follows the percentage return of the portfolio, could pose a risk to future spending levels if the markets enter a period of below average returns. Now is an opportunity for nonprofits to discuss the impact of lower returns on their spending levels and portfolio values.

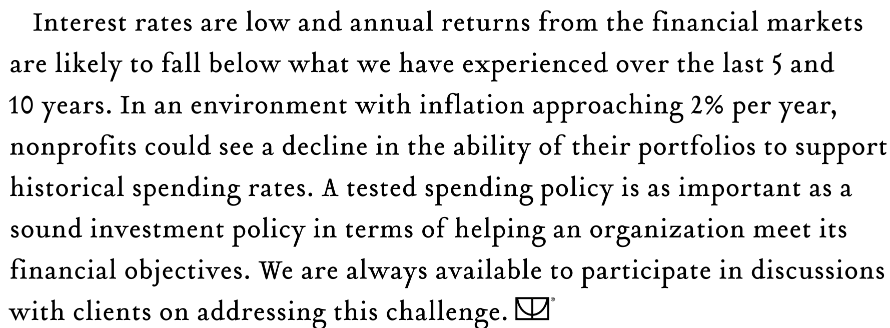
> "In an environment with inflation approaching 2% per year, nonprofits could see a decline in the ability of their portfolios to support historical spending rates."

Greenleaf Trust assists many of our nonprofit clients with an analysis of various considerations in the spending rate decision, as well as administrative support in implementation. For example, potential discussion items include portfolio projections under different spending rate decisions and modeling the impact on portfolio values from different asset allocation and investment decisions. We also assist clients with the spendable calculation and tracking the distributions.

Private, non-operating foundations are required to distribute 5% annually. If a low asset return environment persisted for multiple years, the perpetual life of some of these organizations may be challenged.

We are not an advocate for frequent changes to an organization's investment policy statement target to equities. As the market volatility

in 2020 demonstrated, it is difficult to time exiting or reducing an equity allocation and then reentering the market or adding back to stocks. The risk is missing a rise in equity prices. Instead, we advocate establishing a long-term target to equities, with a modest permitted range around that target and then adjusting the long-term target when the circumstances for the organization change. For example, the level of reserves at an organization versus the spending level may encourage a review of the investment policy statement. We help clients with this analysis and decision.



Interest rates are low and annual returns from the financial markets are likely to fall below what we have experienced over the last 5 and 10 years. In an environment with inflation approaching 2% per year, nonprofits could see a decline in the ability of their portfolios to support historical spending rates. A tested spending policy is as important as a sound investment policy in terms of helping an organization meet its financial objectives. We are always available to participate in discussions with clients on addressing this challenge.

"Greenleaf Trustc assists many nonprofit clients with an analysis of various considerations in the spending rate decision…"

Kristen M. Tidd, CTFA
Trust Relationship Officer

Estate Planning: A Thoughtful Approach to Tangible Property

With proper estate planning, the big-ticket items like real estate, valuable artwork, and heirloom jewelry are often addressed directly in the estate planning documents. Some of the most argued-about items during the estate settlement process are often not over money or items of monetary value. The disagreements often stem from claims to personal property or stuff that people accumulate over their lifetimes. The holiday candle holders that grandma would get out each Christmas, grandpa's fishing lures, a souvenir coffee cup used for serving hot cocoa after an afternoon playing in the snow at grandpa and grandma's house, the antique rocking chair that sat on the front porch at Aunt Betty's — these are the sentimental items that can create turmoil amongst family members when a loved one passes away. Loving, well-behaved family members can dig in their heels, staking claim to what would otherwise be considered trivial objects.

"... [it may be] the sentimental items that can create turmoil amongst family members when a loved one passes away."

Many of us would like to think that this won't happen in our families; but it can happen, and often does, even to the best of us. This type of conflict has the potential to inflict serious damage to a family that is already in mourning over the loss of a loved one. Adult siblings often resort to behaviors they thought they had outgrown, seemingly transporting them to when they were squabbling children. Even in-laws that had been considered an integral part of the family can try to interject their opinions on the division of sentimental items.

This begs the question: How do we prevent such consternation at a time when families should be coming together, united in shared sadness and remembrance of the loved who has passed on? The answer is simple: a list. That's right, a tried and true list. Those of us in the industry often refer to this list as a personal property memorandum. Michigan law provides in MCL 700.2513 that a Last Will and Testament or Trust may refer to a written statement or list disposing of items of personal property not otherwise disposed of by the Will or Trust, other than money.

When writing your personal property memorandum, it is best to keep things simple. It should generally resemble a list of items with a corresponding person you wish to inherit each item. It can be handwritten or typed but must be signed and dated. One of the most appealing aspects of a personal property memorandum is that this list can be revised, changed, thrown out, and begun anew at any time, without having to change the Will or Trust itself.

The following requirements must be met in order for a personal property memorandum to be legally effective:

- Your Will and/or Trust must state that you may leave such a list.
- If you are using a living trust to distribute your estate, your attorney should also draft an Assignment of Personal Property that defines what you mean by tangible personal property and generally describes the property to be disposed of by the list, i.e., "household furnishings" or "electronic equipment."
- The list must describe the items to be disposed of with reasonable certainty to provide clarity for your personal representative or trustee.
- It must be dated and signed by you.

In addition to the legal requirements, an effective personal property memorandum should address the following practical considerations:

- Have a discussion with your children, or other individuals, who are going to inherit personal property from you about what each of them would like to receive. As is often true in other areas of life, we may think we know what someone else wants but until you ask, you won't know for certain.
- Having these discussions will iron out who wants what or, in some cases, you will be lucky enough to learn that nobody really wants your stuff, in which case you can save yourself the headache by not having to make a personal property memorandum.
- If this discussion reveals that multiple people want the same thing, then you will need to decide who gets it and make sure the other person gets something else that they really want. I recommend having a frank discussion with each of them so all parties are aware both wanted the same item, that you have attempted to divide the items up fairly, and because one of them got something they both wanted, the other got something else they really wanted. If your beneficiaries know you knew they both wanted the same thing, the person who did not get it (or their husband or wife) will not be able to make trouble by claiming you would have left it to them if you knew they wanted it, someone else filled out the list for you, etc. In other words, if you have this conversation, everyone is more likely to honor your wishes without creating conflict later.
- Simplicity is key. It should describe the property and who gets it. There should be no conditions or additional language that is open to interpretation or that may conflict with your Will or Trust. Ambiguities can lead to legal work or the need to go to probate court, which may slow down settling your estate and increase attorney fees associated with finding a resolution.

The Will or Trust should describe who gets the rest of the items of tangible personal property that you own that are not distributed per the list. Provisions to consider including in your Will or Trust are:

- Give your personal representative or trustee the authority to use a rotation system so that your heirs select the other items they want (that you

"How do we prevent such consternation…? The answer is simple: a list."

Estate Planning: A Thoughtful Approach to Tangible Property, continued

did not include on your personal property memorandum) whereby they each pick one item and repeat the process until everything has been divided.

- Alternatively, you may give your personal representative or trustee the authority to divide these items up amongst a group of people that you define.
- Another option worthy of consideration is that the personal representative or trustee has an estate sale and then divides up the money amongst your children or other beneficiaries.

"… a personal property memorandum… can avoid legal costs and family disputes…"

A personal property memorandum for your individual effects is an important part of an estate plan to address how you want your personal property to be distributed. A well drafted Will or Trust accompanied by a personal property memorandum, completed after following the recommendations outlined above, can avoid legal costs and family disputes along with the potentially permanent damage to family relationships that can occur when the distribution of your stuff is not properly addressed by you. Please reach out to your Trust Relationship Officer for a review of your existing Will and Trust to determine if a codicil or amendment is needed to allow a personal property memorandum.

Celebrating Financial Literacy Month

Michelle M. Gray
Participant Services Specialist

Did you know that April is financial literacy month? You may be asking yourself, what exactly is "financial literacy"? Financial literacy is often defined as "the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing."

You may be wondering how financial literacy is related to retirement planning. Simply, if you aren't able to manage your finances and budget, you won't have any money to invest for your future. In addition, people who are financially literate are generally less vulnerable to financial fraud. It is estimated that 66% of Americans lack financial literacy. Lacking financial literacy can lead to accumulating unsustainable debt burdens through poor spending decisions or through a lack of long-term preparation. This in turn could lead to poor credit, bankruptcy, housing foreclosure or other negative consequences.

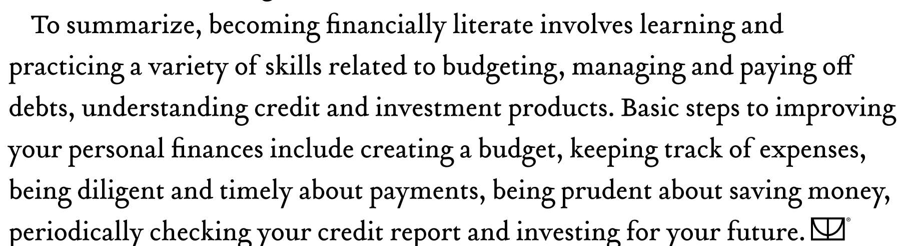
Popular skills that fall under the umbrella of financial literacy include household budgeting, learning how to manage and pay off debts, and evaluating the tradeoffs between different credit and investment products. It's

also important to have at least a working knowledge of key financial concepts such as compound interest and the time value of money.

Thankfully, there are now more resources than ever for those wishing to educate themselves about the world of finance. One such resource is the government-sponsored Financial Literacy and Education Commission, which offers a range of free learning resources.

There are several strategies you can employ to improve your financial literacy:

- Create a budget – two commonly used budgeting methods are the 50/30/20 and the 70/20/10 budgets. It's their simplicity that makes them popular. In both methods, the first number (the largest) is for your needs (food, shelter, clothing, etc.), the middle number is for your "wants" and the third number, the smallest, is for your investments. If you have a substantial debt load, you could use the third number for extra payments to pay off your debt and then begin investing that amount after you've paid down your debt.
- Manage your bill paying – make sure your bill payments are made on time to avoid paying unnecessary late fees. Consider taking advantage of automatic debits from a checking account or bill-pay apps.
- Check your credit report and score at least annually – you're entitled to a free credit report annually through the three major credit bureaus by going to www.annualcreditreport.com. If you find errors on your credit report, dispute them in a timely manner by notifying the credit bureaus of the inaccuracies.
- Manage your debt – reduce spending and increase repayment. Develop a debt reduction plan such as paying down the debt with the highest interest rate first. If debt is excessive, contact lenders or credit card companies to renegotiate repayment, consolidate loans or even find a debt-counseling program.
- Invest in your future – Be sure to take advantage of your employer's 401(k) plan. At minimum, contribute enough to receive the full employer match. Increase your contributions at least annually by a minimum of 1% until you reach the IRS contribution maximums. 1% from your paycheck is a small amount of money, but invested over the number of years until you reach retirement can have a significant impact on your retirement savings!



To summarize, becoming financially literate involves learning and practicing a variety of skills related to budgeting, managing and paying off debts, understanding credit and investment products. Basic steps to improving your personal finances include creating a budget, keeping track of expenses, being diligent and timely about payments, being prudent about saving money, periodically checking your credit report and investing for your future.

"...skills that fall under the umbrella of financial literacy include household budgeting, learning how to manage and pay off debts, and evaluating the tradeoffs between different credit and investment products."

Stock Market Pulse

Index	3/31/21	Total Return Since 12/31/2020
S&P 1500	913.66	6.90%
Dow Jones Industrials	32,981.55	8.29%
NASDAQ	13,246.87	2.95%
S&P 500	3,972.89	6.17%
S&P 400	2,609.24	13.47%
S&P 600	1,319.35	18.23%
NYSE Composite	15,601.74	8.03%
Dow Jones Utilities	880.34	2.75%
Barclays Aggregate Bond	2,311.35	-3.37%

P/E Multiples	3/31/21
S&P 1500	32.9x
Dow Jones Industrials	29.5x
NASDAQ	71.7x
S&P 500	32.4x
S&P 400	32.4x
S&P 600	65.7x

Key Rates

Rate	
Fed Funds Rate	0.00% to 0.25%
Tbill 90 Days	0.00%
T Bond 30 Yr	2.41%
Prime Rate	3.25%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	913.66	32.9x	1.44%
S&P 500	3,972.89	32.4x	1.46%
Dow Jones Industrials	32,981.55	29.5x	1.85%
Dow Jones Utilities	880.34	18.5x	3.52%

Spread Between 30 Year Government Yields and Market Dividend Yields: 0.97%

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