THE ADVANCED CONNECTION

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The year of Covid-19

What a difference one year can make. This time one year ago there was no toilet paper or disinfectant in stores, people were still figuring out how Covid-19 was spreading and how we could combat it, and there was still hope that by "flattening the curve" we would be able to return to our "normal" lives relatively soon. A lot has happened since, in the real world and in the financial markets, and both good and bad.

A year ago stock and bond markets had rebounded from their lows in March, but with more cases of the disease spreading around the world there was a very real sense of impending doom. Many "experts" predicted that markets would drop again in the near future as more government-mandated shutdowns would devastate economies locally and abroad. And yet, despite the fact that there were (and continue to be) many quarantines and other measures that have caused many people financial difficulty, overall economies around the world have generally continued to improve. There have been "winners," of course, such as technology companies and delivery specialists, and "losers," such as the travel industry and many services industries. However, despite everything, markets in general have come roaring back, and stock markets now are again close to all-time highs.

Looking forward, things look as uncertain as ever. There are serious concerns that developments with the pandemic, geopolitical crises, political changes here in the US, and increasing inflation could derail our post-pandemic recovery and the red-hot financial markets. However, there is an equal or greater chance that pent-up demand being unleashed, increased international cooperation, scientific and technological advancements, and continued government stimulus and other supportive measures will lead to an economic boom that will fuel another "Roaring '20s" (although hopefully without terrible ending the 1920s had).

Trying to guess which narrative will play out is impossible to do correctly and consistently, as always. However, one thing that the last year has shown us is the benefit of the investing philosophy that we have always advocated for: be balanced, diversified, and focused on your long-term goals. Not trying to guess where markets will move in the short term, and instead buying when things are low and taking profit when things are high, is the best way to build for the future (while hopefully avoiding undue stress) and ideally enjoying the present!

A Short Review of the Interest Rates and the Bond Market

The Federal Reserve (The Fed) sets very short-term interest rates, which affect primarily things like money market accounts and interest-bearing bank accounts. In the 1980s when inflation was high, interest rates for these kinds of accounts reached 15% and higher. Owning bank deposits seemed safe and profitable, although savers did not always appreciate how inflation and taxes reduced their "real return."

Following the financial crisis of 2008, in an effort to stimulate the economy, the Fed lowered interest rates almost to zero, which is where they are today. This is why FDIC insured deposits seem so unattractive; they provide almost zero real return with the low interest rate environment.

The Fed does not control interest rates in the bond market, however. Bonds trade on the open market somewhat like stocks, but there is a massively greater number of traded bonds than there are stocks. The prices buyers and sellers settle on are affected by the daily and long-term outlook on the economy, employment, taxation and inflation. Usually (but not always) if the economic outlook appears strong, it can be predicted interest rates will rise eventually to avoid runaway inflation. If the economy is weak and unemployment increasing, then there might be a sense that interest rates will decline to help companies issue more bonds at lower interest rates to make it easier to raise cash for business purposes.

Here is the tricky part. Generally, when interest rates are rising, a buyer of this 5% bond will insist on getting more than the 5%. Why get a 5% yield if a new bond will provide a 6% yield? Thus, if an owner of this bond wants to sell, they must discount their bond so that the buyers can get the real-time yield that matches what is available with other bonds. Thus, the value of this $10,000 bond will go down, let's say for easy illustration, to $9,500. But if interest rates are dropping because the economy is gloomy, investors will begin to bet that interest rates will decline. Then the $10,000 bond with a 5% yield will become MORE valuable. If the market is only making a 4% yield available, then the seller has the advantage and can insist on a price higher than $10,000 for the sale of this bond, let's say for easy illustration, $10,500, giving the buyer a real-time yield of (say) 4%.

Confusing? You bet! One way we illustrate this inverse relationship between changing interest rates and changing bond prices is to think of a teeter-totter. When interest rates go up, bond prices go down. When interest rates go down, bond prices go up.

This is all the room we have now for this discussion. It will have seemed basic to many of you, and confusing perhaps to others. Please let us know if you would like to hear more about this and how these concepts affect the management of your accounts.

What is a Non-Fungible Token (NFT)?

In the world of investors there is a new trend that has emerged and is making headlines: Non-Fungible Tokens, also known as NFTs. We wanted to take a moment to share our understanding of what an NFT is and the basic functions of how they work.

An NFT is a unique asset linked to a digital object. When you buy an NFT you are in essence purchasing the right to claim ownership of the NFT. This ownership is recorded in blockchain, which is a digital ledger that is theoretically unchangeable, meaning your ownership of an NFT is irrefutable and other investors are unable to claim ownership. Interestingly, when you purchase an NFT you are not purchasing the digital object itself. For example, if you purchase an NFT for a digital art animation, you do not own the copyright to the animation or the digital art itself, rather you simply own the right to claim ownership over the NFT linked to that digital art animation.

So, what can you do with your NFT? Well, this is one of the questions that many are still trying to understand. At the moment, it seems similar to any other commodity. The value of the asset or NFT is determined by the market of buyers and sellers, so those who purchase NFTs likely do so with the hope they can sell it for more than they purchased it.

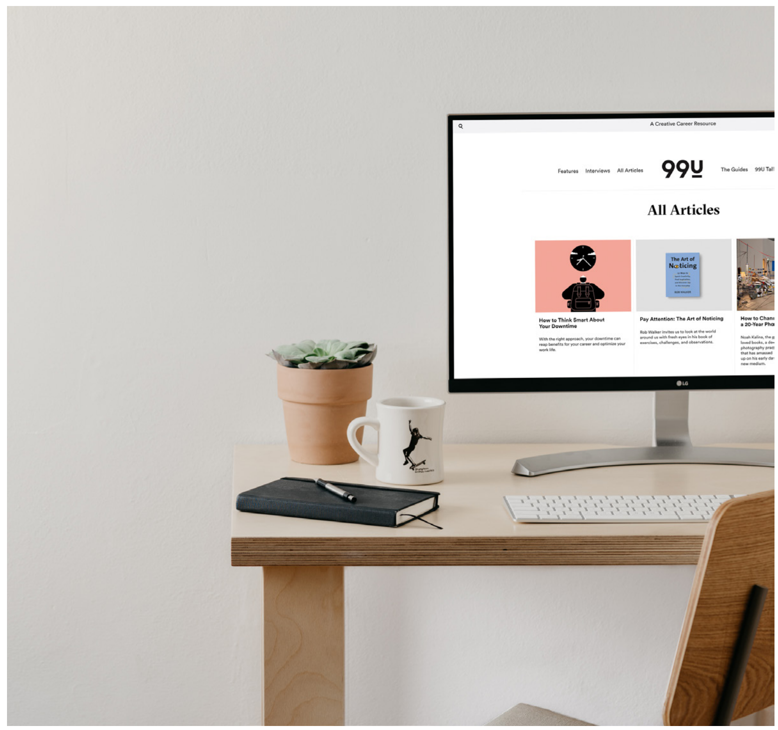
There are many legal considerations that are sure to be raised if this new trend continues to gain traction. Our office does not offer direct investments in cryptocurrency or NFTs and we are in no way experts in this area of investing. We simply find these new trends fascinating to watch and hope to better understand how the market, economy, and government will keep up and regulate these emerging trends.

Still meeting remotely but looking forward to being in-person again!

We have now passed the one-year mark of working remotely at AWM. We are grateful to have been able to transition our team to working remotely and still provide our clients with the highest level of service. We all look forward to being able to work together in our office and to meet with our clients face to face once again. For the time being we are continuing to monitor the situation and are offering phone and Zoom meetings with clients.

You can access our online appointment scheduling tool on our website. From our homepage, click on the “clients” tab in the upper right-hand corner and scroll down to “Let’s Connect.” You’ll have the option to choose a shorter “check-in” type meeting or a holistic financial review. You’ll then be able to see available appointment dates and times, indicate whether you prefer a phone or Zoom meeting, and include a message about anything you’d like to discuss.

*www.advwealth.com/*clients



Congratulations to the New Parents!

We’d like to congratulate Reanna Edds and her husband, Josh, who recently welcomed their sweet baby boy, Levi River, to the world!

Another honor from Forbes for Advanced Wealth Management

We are honored to announce that Ted has once again been named as a Best-In-State Wealth Advisor by Forbes! While the honor names individuals, Ted emphasizes that this recognition is really a result of the efforts of all of our team members. Together we have been able to continue to help our clients build for their financial futures and grow, despite a global pandemic and unprecedented financial markets. This recognition, as well as the daily financial progress that we help our clients achieve, helps to ignite our purpose and excite us to solve whatever puzzles arise next!

The 2021 ranking of the Forbes' Best–in–State Wealth Advisors[1] list was developed by SHOOK Research and is based on in–person and telephone due–diligence meetings to evaluate each advisor qualitatively and on a ranking algorithm that includes client retention, industry experience, review of compliance records, firm nominations, and quantitative criteria (including assets under management and revenue generated for their firms). Overall, approximately 32,725 advisors were considered, and 5,000 (approximately 15.3 percent of candidates) were recognized. The full methodology[2] that Forbes developed in partnership with SHOOK Research is available at www.forbes.com.

[1]This recognition and the due–diligence process conducted are not indicative of the advisor's future performance. Your experience may vary. Winners are organized and ranked by state. Some states may have more advisors than others. You are encouraged to conduct your own research to determine if the advisor is right for you.

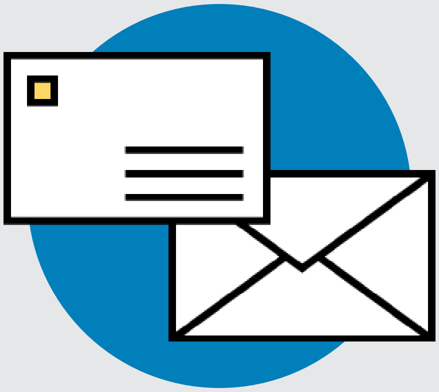
[2]Portfolio performance is not a criterion due to varying client objectives and lack of audited data. SHOOK does not receive a fee in exchange for rankings.

Traci is now an Accredited Investment Fiduciary (AIF®) designee!

Congratulations to Traci, who has completed the various requirements and earned the Accredited Investment Fiduciary (AIF®) designation! Similar to the Certified Financial Planner (CFP®) designation she had previously earned, Traci had to complete the education, exam, and Code of Ethics and Conduct Standards in order to achieve this important professional accomplishment. As the official website states, "The purpose of the AIF® Designation is to assure that those responsible for managing or advising on investor assets have a fundamental understanding of the principles of fiduciary duty, the standards of conduct for acting as a fiduciary, and a process for carrying out fiduciary responsibility." Congratulations again to Traci on her accomplishment!

Extended tax filing deadline again in 2021

The IRS has announced that the deadline to file 2020 taxes has been extended from the traditional April 15 to May 17th for this year. This also applies to other deadlines related to tax returns, such as the deadline to make a prior-year IRA contribution, although interestingly doesn't affect the normal April 15th deadline for estimated tax payments. Please reach out to your tax professional or our office if you have any questions!



Happy Mother's & Father's Day

We are sending our best wishes to all of the moms and dads in our lives and yours as we celebrate Mother's and Father's Day.

Mother's Day
Sunday, May 9th

Father's Day
Sunday, June 20th

Office Closures

Memorial Day May 31st	Labor Day September 6th	Christmas December 25th
Observance of Independence Day July 5th	Thanksgiving November 25th - 26th	New Year's Day January 1st

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