THE QUARTERLY

JNBA FINANCIAL ADVISORS

Volume 20 Issue 3 August 2020

Economic & Market Update

By: Investment Committee

THE NUMBERS

MARKET WRAP	8/26/20
S&P 500	8.0%
S&P Small Cap	-10.0%
MSCI EAFE Int'l	-4.6%
U.S. Aggregate Bond	6.8%

U.S. TREASURY YIELDS	8/26/20
91-day T-Bill	0.08%
5-Year	0.28%
10-Year	0.69%

MORTGAGE RATES	8/26/20
15-Year Fixed	2.62%
30-Year Fixed	3.07%

OIL (per barrel)	$42
GOLD (per ounce)	$1,940
UNEMPLOYMENT JULY 2020	10.2%
2ND QUARTER GROSS DOMESTIC PRODUCT	-32.9%

With millions of lives upended and many households dealing with ongoing disruptions to normal daily life, investors are curious as to how the economic recovery will take shape – especially now that many financial markets have rallied back to pre-virus or even record levels. After the initial surge from pent-up demand and government transfer payments that elevated household savings, the private sector has begun a lengthy process of backfilling the gigantic employment crater from the pandemic's aftermath.

However, we are now living in a world where people are less likely to consume, travel, or work in the same manner as they previously did, and the rate of economic growth is beginning to show signs of slowing down. Even well-insulated businesses must figure out how to connect with consumers who have modified their interests and entertainment habits (e.g., streaming video), as well as their daily behaviors (e.g., working from home). A vaccine would likely speed up the recovery process, but widespread availability is not expected until well into 2021 when long-lasting damage could already be done to consumer confidence and corporate balance sheets as bankruptcies mount.

Fortunately, as we peer into the second half of 2020, we do not envision another nationwide economic shutdown absent a mutation of the virus to a more lethal state, combined with rapidly rising case growth. We see further economic growth but expect additional improvement to come in fits and starts. After all, the virus is still with us, and there will likely continue to be emerging hotspots, followed by a rise in more cautious behavior. Recently, we have seen several universities begin classes, only to quickly retreat to a 100% virtual learning environment given a spike in COVID-19 cases. For the moment, job growth depends on a return of consumer confidence, which may not fully recover until a vaccine has been developed, tested, approved, produced, and distributed across the globe. Until then, government stimulus will be critical to replacing lost income and Congress is currently negotiating a fifth round of relief. Not to be outdone, the European Union experienced a watershed moment last month when it announced plans to issue commonly funded debt to provide fiscal stimulus to the hardest hit EU countries.

Government to the Rescue

All this stimulus, while necessary to halt a full-blown market panic which could have led to corporate solvency issues, has sparked a sharp rebound in performance. Markets have looked past weak economic data, and central bank liquidity may now be artificially puffing up valuations beyond what is reasonable for many stocks based on their underlying fundamentals (e.g., earnings, growth prospects, financial strength). With any further rally in financial markets, it may be viewed as increasingly disconnected from economic reality on Main Street. Therefore, we strongly believe active rebalancing makes sense for most investors as it has for the last decade. We anticipate stocks could be stuck in a range as the pace of market increase slows and expect volatility to remain above average in the year ahead as uncertainty reigns: When will there be a vaccine? Will we continue to pull back on our trade relationship with China? Will a new U.S. administration come to power, and what does that mean for taxes?

In addition to assets being priced close to perfection for an ongoing V-shaped economic recovery that appears to be losing some momentum, we are increasingly worried over rising nationalism in the U.S. and China and what it means for one of the world's largest trading partnerships. In our view, any economic grievances will not be easily resolved as in the past, as they center around the use of intellectual property. As such, we would expect additional frictions in this relationship as the election draws near, with the prospect for geopolitical tensions creating additional market turbulence that may create the opportunity to redeploy low-yielding fixed income into stocks with their prospects for higher long-term returns. We are currently finding meaningful opportunities in international and value-oriented stocks, as well as inflation-hedges.

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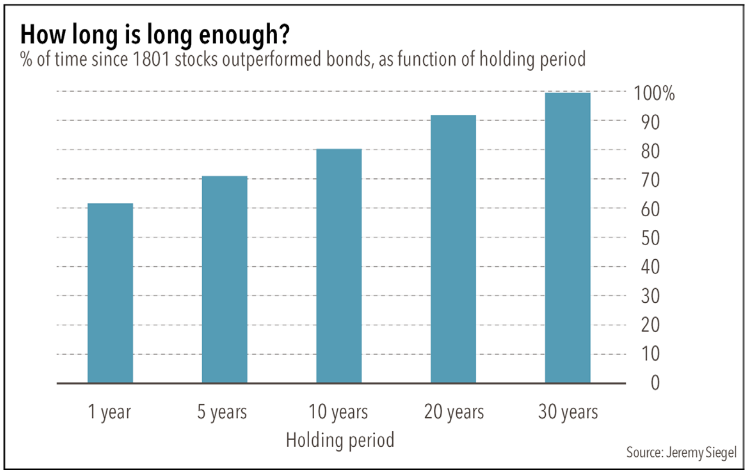
What's Your Time Horizon?

While the bond market is not currently confirming optimism about the prospects for an economic recovery, for investors with longer time horizons, history shows that stocks typically beat bonds as one lengthens their time horizon. In fact, over a decade, stocks have beaten bonds most of the time (see chart). However, we counsel investors to avoid rushing headstrong into equities after such a powerful rally, in case they experience a potential bout of volatility ahead of the election and COVID-19 uncertainty this fall. When combined with an asset allocation that is appropriately tailored for your risk tolerance, time horizon, and investment needs, the JNBA Investment Committee continues to believe a globally diversified, tax-efficient, and low-cost portfolio will continue to prove its mettle over the test of time. In addition, our discipline in reviewing portfolios every 10 business days and rebalancing when opportunities present themselves should continue to serve clients well.



In summary, we know this environment has been challenging for most investors, which is why it is critical to have a strategy to implement when uncertainty reigns. After all, stocks have re-rated to higher valuations so the path from here is now likely to follow the economic recovery, and that in turn depends on how policymakers and consumers respond to its health impact.

Thank you for your continued trust in JNBA as your financial advocate. Please reach out to your Advisory Team if you have any questions.

BACK–TO–SCHOOL

By: Financial Planning Committee

As we enter the back-to-school season, many families are trying to navigate decisions around distance learning, in-person learning, and a hybrid approach from kindergarten all the way through college. The JNBA Financial Planning Committee has provided some reminders for parents and students as you prepare for the upcoming school year.

☑ Estate Planning Documents

Once your child turns 18 years old, it is important for them to have documents in place that will allow you as parent or guardian to help with health or financial matters if needed. These could include a Health Care Directive and Durable Power of Attorney.

☑ Create a Budget

It is never too early to start learning good money management skills that will be helpful to your child in the future. This can be especially important for college students as they prepare to manage their finances as a young adult.

We also know many families are and will be juggling tutors, camps, and other activities to help create structure for kids during this period of distance learning. A budget is a good way to have financial peace of mind that all expenses are covered for this school year.

☑ IRA Contributions

If your child had a summer job and earned income, there may be opportunity for them to contribute to an IRA or Roth IRA for 2020. Assuming the child does not need the funds in the short- or mid-term, this is a great opportunity to start retirement savings habits.

☑ Build Credit

For college-aged children, a good credit score is important to create financial opportunities post-college, such as qualifying for an apartment, purchasing a vehicle, qualifying for a loan with a lower interest rate, etc. There are different strategies for building a credit score, but some options might be making payments on a student loan while in school or getting a secured credit card (where your credit limit is equal to the amount of money you deposit).

These are just a few of the things parents and students should consider as we enter the start of the school year. For a more comprehensive list for those in college, please visit jnba.com/resources to view our Planning for College checklist.

We understand that families are navigating a lot of changes this year due to COVID-19, so please reach out to your JNBA Advisory Team should you have any questions or need assistance planning for the changes this year.

DID YOU KNOW

Getting It All Back, And Quickly

There have been six bear markets over the last 75 years in which the S&P 500 has suffered at least a 30% decline, the latest being a 34% drop ending 3/23/20. In each case, the market recovered 100% of the loss sustained, taking an average of 43 months to do so. That compares to just a five month bounce-back that was needed this time to recover losses through the March low.

Source: BTN Research

Socially Responsible Investing (ESG)

We care about what you care about. If you would like to further explore how to incorporate ESG (Environmental, Social, and Governance) into your JNBA portfolio, please talk with your Advisory Team.

EXECUTIVE CORNER

By: Kim Brown, President

To our valued clients,

I'm certain we have all seen brighter times than we are currently experiencing, which is why I was intrigued when I found a little book recently called "The Persistence of Yellow: Inspiration for Living Brightly." It has quickly become one of my favorite reads. This book was written as an inspiration for living brightly – something we all get to choose to do regardless of our circumstances. I'm not saying it's easy, but it is always an option.

Our current environment and "new normal" have certainly caused many of us to pause and take inventory about what's really important to us as we live out our lives. This reflection has given us all an opportunity to take a harder look at our financial plans, which ultimately support our life plans. People are going deeper into what really matters, and we, as your financial advisor and advocate, want to go deeper with you.

Some of us feel on track while others are maybe adjusting their sails a bit – every situation is unique. We understand that and that's why we are here for you. Our hope is that you will be feeling our presence more as we continue to work with you to identify what really matters to you and your families and how we can help.

Our JNBA team is going deeper too. We are taking inventory with all of you to make sure we are connecting with you in meaningful ways. We want you to feel heard and understood. Many of you recently took the time to complete our client survey, and we thank you so much for doing that. It really does help us keep a pulse on how we are doing today and where me might be able to do better going forward. Over the past few weeks our advisory team has gotten the chance to talk to many of you about your feedback, and we have sincerely appreciated the conversations. Being an irreplaceable partner to you is one of our core values. And the feedback is invaluable. So thank you. For over 40 years we have remained steadfast in our commitment to never rest on our laurels, and your engagement in our mission allows us to keep that commitment. So much of the feedback has been rewarding for our team to hear. It's important to be reminded that what we do really matters, and we thank you for reminding us of that.

Over the past several quarters we have celebrated so much with our team members and clients alike: promotions, job transitions, engagements, weddings, new babies, fun Zoom calls to stay in touch, new clients joining us, and existing and valued clients appreciating us and adapting to COVID-19 along with us. We have also walked with families as they have said goodbye to loved ones. It's all such a privilege that we never take for granted. Working with you and helping you navigate some of life's most important decisions brings us incredible joy and satisfaction.

We are so grateful for the continued trust you place in us especially during these times. Thank you. We truly are navigating this journey together. As I sign off with more gratitude than you will ever know for all of you and our amazing and dedicated team, I'd like to share a little tidbit from the book: "Most of my life," she says, "I've been in search of IT. And I thought IT came inside a big box with a bow on top carefully marked and labeled and numbered. I brushed away all the 'incidental' discoveries like cobwebs. But now everything counts. Now I search for traces of miracles... and I find them everywhere."

Stay safe, live brightly, and know we are always here for you.

JNBA Tidbit

In mid-June we asked you, our clients, about your overall feeling about the U.S. economy over the next year.

56% responded that they were "optimistic that the strength of our economy will return, but it will likely take more than a year to see improvement."

Another 14% shared they were "extremely optimistic that our economy will be stronger a year from now."

SOMETHING TO CELEBRATE

Before COVID-19 became a part of our vocabulary, earlier this year our JNBA team raised a glass to three of our very own on their professional accomplishments and team contributions. Christopher Mastley and Lucas Traxler, who started with JNBA as part of our intern program 10 and eight years ago respectively and then earned their Certified Financial Planning designations, were promoted to Advisors. Elise Huston, who joined JNBA in 2017, also was promoted to Advisor – Advisory Services Manager for her role in leading the firm's advisory and financial planning initiatives. Chris, Luke and Elise's dedication to our advice driven by *advocacy*® approach in helping JNBA clients achieve their goals is something we hope you join us in celebrating.

Christopher Mastley, CFP®
Advisor

Lucas Traxler, CFP®
Advisor

Elise Huston, CFP®
Advisor –
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E-Newsletter Option

Would you prefer to receive this in your inbox vs. your mailbox?

Simply email us at info@jnba.com to let us know.

FINANCIAL HEALTH REMINDERS

In each *Quarterly* edition, the JNBA Financial Planning Committee will provide a reminder on how to keep your financial house up-to-date and sound.

Credit Reports

This edition's reminder:
Don't forget to check your credit report annually through AnnualCreditReport.com. Questions? Contact your Advisory Team.

Featured Investment Corner

By: Investment Committee

This feature profiles a new investment each quarter that the JNBA Investment Committee has chosen to reflect the strategies of many portfolios at our firm. Our hope is to provide additional insight behind the strategies implemented by our Investment Committee. If you have any questions about the featured investment or the specifics of your own portfolio, please contact your advisor.

Vanguard Dividend Appreciation ETF (VIG)

Objective: Seeks to track the performance of the NASDAQ U.S. Dividend Achievers Index. This is an index of U.S. Common stocks that have a history of increasing dividends for at least 10 consecutive years (excluding REITS).

Role in JNBA portfolios: To obtain broad exposure to quality U.S. Large-Cap companies that have a focus on dividend growth (versus just a high dividend yield).

30 Day SEC Yield:
1.8% (as of 8/24/2020)

Historical total return: 4.6% year to date, 14.3% 3-year, and 14.4% 5-year (all annualized - as of 8/24/2020)