BEDELFINANCIAL

Spring 2021
Who's In Charge Of Your Household Finances?

By: Sarah Mahaffa, CFP®
Sr. Wealth Advisor and Manager of Financial Planning

Who manages the finances in your household? Often, maintaining a home is split between spouses, roommates, etc., which helps with everyone's sanity as not to overwhelm one person with all the tasks. Everyone must be familiar with the other's contribution to the home upkeep; however, sharing or documenting the details of the financial management side is even more important.

Does your family have a designated "CFO?" Just as businesses have succession plans in the event leaders cannot serve, families must also take a similar approach. The family CFO knows when bills are due and how to access investment accounts. If no one else has that information, unnecessary stress will be created if/when another member of the household needs to step in to help. Your family should proactively take steps to document the role of "CFO."

The household CFO should compile a list of assets/liabilities, associated login credentials, and pertinent details. Bank accounts and investment accounts will come to mind first. But don't forget to include physical stock certificates, safe deposit boxes (and the location of the key), and health savings accounts. Titling of assets should be noted and the location of important documents, such as deeds and titles to vehicles/boats. Please review this information a few times a year to ensure it is kept current, especially passwords.

A list of household bills should also be drafted, including how they are received (regular mail or email) and paid. For example, is your electric bill set up on auto-pay or do you initiate a payment every month? The CFO will need to include login credentials for these accounts as well. Bills that are due infrequently, like insurance premiums and property taxes, should also be noted.

Don't forget to document all insurance policies: homeowners, auto, life, disability, health, and long-term care. Be sure to include the insurance broker/contact person, telephone number, premium amounts, payment schedules, beneficiary designations, and location of policy documents for each. The insurance policies help cover risk, but you can't utilize them if the right people can't access them or know they exist.

Next up, digital assets and accounts. The first thing that comes to mind might be cryptocurrency. Yes, that's very important, but also be sure to note any personal photo libraries or rights to domain names. Making a list of all email accounts, social media profiles, and other online accounts, along with their respective login information, is very important. Access to the related email accounts is also necessary should your family reset a password or retrieve e-statements.

Ensure that another household member knows where to find the CFO's estate documents (i.e., last will & testament, financial power of attorney, health care power of attorney, and living will documents). By the way, when was the last time an estate attorney reviewed those documents? If it hasn't been within the previous five years, it would be ideal for the CFO to make an appointment with an attorney to review them as soon as possible. Life, along with estate tax laws, change. The documents must remain current amidst these changes. Even if a household member knows the location of the documents, the appointed financial power of attorney and health care power of attorney must have a copy of the respective document as well. The CFO's medical provider should also have a copy of the living will.

Creating a thorough inventory of the items above will undoubtedly take some time. However, gathering the information with a clear mind is much easier than trying to piece together all the relevant material during an unexpected event. Even worse if the family has to do it alone. If your family CFO has already organized the financial detail of your household and shared the information with the appropriate individuals, congratulations! You should have peace of mind knowing that most, if not everything, financial-related will be manageable for the successor CFO.

Contact Sarah if you have questions or want additional information regarding this topic.

In This Issue

BLT Corner

Welcome Summer 2021!

While the first part of this year has been a bit unpredictable with the temperature swings and snow in April (which is strange even for Indiana weather), many of us look forward to summertime cookouts and pool parties. We are also excited to embark upon our new "normal" as Indiana strives to reopen after 15 months of limitations and extreme caution.

As for the staff at Bedel, we are looking forward to getting back together. The office is now fully reopen as of July 1st, and we are looking forward to seeing everyone again. This includes you, too, our clients and advisors! While we would love to see you in person, we understand some might not be quite ready. So, we will continue to offer the option of virtual meetings. Many clients love the convenience, and the time it saves on a commute to our office. We are currently working to enhance our technology to provide additional options for virtual meetings.

Think "three-way" meetings, which would allow one client to be in-office with their Bedel Team while the other client is joining virtually. Please know that we will respect your personal preference regarding social distancing and wearing masks for those who want to meet in person. Just let us know what we can do to make you most at ease during your time with us.

Amidst all the challenges of the past few months, we have had quite a few reasons to celebrate employees who have achieved milestones regarding tenure with Bedel and a new addition to the Bedel Family.

In May, Tonya Kee joined Bedel's Operations team and is working diligently to learn the processes and technology to begin working with clients as soon as possible. You may be hearing from Tonya in the coming weeks. Welcome, Tonya!

If you haven't already heard, we recently celebrated Bill Wendling's 25th anniversary with Bedel on May 21st. Bill is a Sr. Portfolio Manager and our Chief Investment Officer. Other than Elaine, he is our most tenured staff member. Congratulations to Bill!

Also, Kate Arndt, a Financial Planner and member of the GenNext Team, celebrated her 5th anniversary. We couldn't imagine Bedel without you both, and we wouldn't want to!

Another cause to celebrate was the recognition of Cassi Vanderpool, Director of Administration. Cassi was selected to participate in the 2021 Most Pivotal Leaders program in Indianapolis hosted by Open Pivot. Congratulations, Cassi!

One thing that we are forever thankful for is the opportunity to work with our amazing clients; we can't thank you all enough for your trust and grace over the past year. We can't wait to see you in person!

The Bedel Leadership Team

Generation NeXt

The Financial Transition to Stay-at-Home Parent

By: Kate Arndt, CFP®
Financial Planner

There comes a time in some parents' lives when they decide to step away from work and raise their family. If your household is considering making this adjustment, be sure to have your financial system in place before committing to your new lifestyle.

Cash Flow Changes

The most apparent change to the household of a newly minted stay-at-home parent is the loss of income. Going from two incomes down to one might be a major shock to the system. However, a parent often chooses to stay home to watch their child(ren), so the loss of income may have less impact when you take away daycare expenses. Review your budget well in advance of the transition and reassess your emergency fund. If you were operating with an emergency fund with three months of living expenses, it might make sense to double that amount and err on the side of caution.

Retirement Planning

Leaving the workforce doesn't have to mean losing your ability to save for retirement. Although you will no longer contribute to a 401(k), you can make what's called a spousal IRA contribution. Normally, you must have earned income to contribute to an IRA; however, a working spouse can make an IRA contribution on behalf of their stay-at-home counterpart. The type of contribution (Roth vs. Traditional) depends on household income for the calendar year. If you were phased out of Roth eligibility or IRA deductibility as a dual-income household, you might find yourself under the limits with a single earner.

Another retirement planning topic to consider is whether to roll your now inactive 401(k) to an IRA. Often times, 401(k) plans have fewer investment options than IRAs. However, rolling the account is not always the best option, especially if you're making backdoor Roth IRA contributions.

Employee Benefits

A paycheck represents just one piece of compensation. Employee benefits make up the rest. Both disappear when you leave the workforce. This could disrupt your health insurance coverage.

If you were enrolled through your employer's plan, you have a few options:

- Join your spouse's plan mid-year due to your change in employment
- Purchase coverage on the healthcare marketplace.
- Maintain your previous coverage through COBRA for 18 months at 100% of the cost, plus an administrative fee.

This may also mean that you lack adequate life insurance coverage. Although group life policies may be portable, sometimes it makes more sense to purchase individually owned coverage.

Conclusion

Being a stay-at-home parent is a full-time job with different types of "employee benefits." Review the details of your household finances with your financial planner and enter your new career with confidence.

Contact Kate if you have questions or want additional information regarding this topic.

Industry News

Inflation and the Market: Back to the Future

By: Jonathan Koop, CFA
Sr. Investment Manager and
Manager of Investment Management

While it is safe to say that there is always uncertainty surrounding the market, rising inflation and the prospects of a massive tax bill on the horizon are increasingly causing investors angst. With the market near all-time highs and an economy recovering from crippling lockdowns, it can be helpful to look at how previous episodes of inflation and tax increases have affected the market in the past.

Inflation and the Market

While several factors like supply chain disruptions, shortages, or changes in consumer preference can lead to an increase in price inflation, the growth of the money supply is the most influential over the long run.

In 2020, Congress and the Federal Reserve intervened by flooding an unprecedented amount of newly created money into the system. As lockdowns eased, bailout and stimulus money began flowing into the economy, driving up prices. Expectations by consumers for inflation are at their highest levels in a decade, putting upward pressure on prices.

But is inflation good or bad for the stock market? In reality, the data is inconclusive. As inflation ramps up, interest rates must eventually rise to reign it in. Rising interest rates put negative pressure on stock prices as it increases the cost of capital to do business. Since 1960, inflation and deflation have produced very similar returns, with deflationary periods slightly outperforming. 44% of the monthly market returns during inflationary periods were negative. Since 1947, the S&P 500 has benefited from mild inflation of between 1-4%, with an annualized gain of 9.5%. However, in environments with inflation above 4% the gains all but disappear, so the effect is not so clear after all.

Tax Reform and the Market

Early indications from the Biden administration hinted at a proposal that increased the top capital gains tax bracket from 20% to 39.6% (plus 3.8% Obamacare Medicare surtax). If tax laws do change, taxes are all but assured to be going higher.

However, while you may assume that higher capital gains taxes lead to negative stock market returns, history says otherwise. The last two major increases in the top capital gains rate were the Tax Reform Act of 1986 (which increased the top rate from 20% to 28%) and the American Taxpayer Relief Act of 2012 (which increased the top rate from 15% to 25.1%). In both cases, equity markets were meaningfully higher one year later (over 20% and 10% gains, respectively). While Biden's plan calls for much higher capital gains tax rates, a proposal to make the tax retroactive to the beginning of the year could discourage investors from preemptively realizing gains to avoid paying higher taxes in the future, preventing a potential sell-off in the stock market.

Conclusion

The cloudy picture presented by historical data from the impact of inflation and tax increases on the market underscores the importance of developing a long-term investment strategy and maintaining your diversified allocation to the proper mix of stock and bonds. Check with your advisor to ensure that your investment allocations are still appropriate for your goals, but do not overreact. Abandoning your financial plan in the face of uncertainty has repeatedly proven to be more of a gamble than a sound strategy, and this time is no different.

Contact Jonathan if you have questions or want additional information regarding this topic.

Ask Bedel

How is inflation measured?

By: Anthony Harcourt, CIMA®
Portfolio Manager

QUESTION: How is inflation measured?

ANSWER: There has been some controversy over the current CPI (Consumer Price Index) calculation methodology as it has changed over time. Originally, the CPI was used as a cost of goods index, measuring the price of a fixed basket of goods and services. However, it has evolved into a cost of living index, reflecting changes in the cost to maintain a constant standard of living. The new methodology incorporates changes in the quality of goods as well as substitution. Substitution, which is the change in purchases by consumers in response to shifting price, affects the basket's relative weighting. The overall result tends to be lower CPI with the new methodology.

QUESTION: Why has inflation been in the news recently?

ANSWER: The CPI reading for April 2021 was higher than expected, fueling concerns of an overheating economy. April's CPI showed a 0.8% month-to-month gain and 4.2% one-year gain from the April 2020 reading; the highest year-over-year gain since September 2008. However, a key factor to consider with these high readings is the base effects of the pandemic. Inflation was very low at this same point in 2020 as there was a widespread shutdown in the U.S. economy. The month-to-month CPI readings will be a more accurate indicator for a few more months.

QUESTION: Why are Treasury Inflation Protected Securities (TIPS) doing well?

ANSWER: The Federal Reserve has recently ramped up its purchasing of TIPS, thus lowering the supply of TIPS available for the public and driving up demand in the wake of recent data that points to inflationary pressures. When looking at bonds such as TIPS, a spike in demand leads to increased prices, pushing yields lower.

QUESTION: Why do lower TIPS yields matter?

ANSWER: Market inflation expectations are calculated as the yield difference between regular Treasuries and TIPS. If TIPS yields are being pushed downward because of elevated TIPS purchases by the FED, a possible result is overstated inflation expectations. This presents a potential risk to inflation-protection buyers who may be overpaying for that protection.

Contact Anthony if you have questions or want additional information regarding this topic.

25 YEARS OF BILL

Join us in wishing
Bill Wendling
a Happy

25th Anniversary

at Bedel Financial

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Corporate Calendar

Bedel Financial Consulting will be closed for business on the upcoming days:

July 5	**Independence Day (Observed)**
Sep. 6	**Labor Day**
Nov. 25	**Thanksgiving**
Nov. 26	**Day after Thanksgiving**
Dec. 24	**Christmas Day (Observed)**
Dec. 31	**New Year's Eve**

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