B&C FINANCIAL ADVISORS

Accumulating Interest

April 2021 | VOLUME 10 | ISSUE 1

INSIDE THIS ISSUE:

THE OFFICE WILL BE CLOSED ON THE FOLLOWING DAYS:

May 31
Memorial Day

July 5
Independence Day

September 6
Labor Day

CONTACT US

P : (904) 273-9850
F : (904) 273-6920

www.BandCfinancial.com

THE B&C FINANCIAL BUILDING
110 PROFESSIONAL DRIVE
PONTE VEDRA BEACH, FL 32082

Office Hours:

Mon-Thurs 8:30am - 5:00pm
Friday 8:30am - 4:00pm
Sat-Sun CLOSED

Facebook.com/BandCfinancial

Follow our company on Linkedn

Is there a specific topic you would like for us to discuss? Don't be shy.

Contact us:

info@bandcfinancial.com

A Word from the Investment Department

by Sean Guldi, CFP®

Why Bonds?

We get this question often both from clients, prospective clients, friends, and family members. We are just over one year since the COVID pandemic began, and at that time the Federal Reserve lowered rates from 1.25% to 0.25%, and interest rates across the spectrum dropped to historic lows. This has helped cushion the blow from the pandemic, but it also created a conundrum for investors to consider – should I buy bonds at such low levels? The answer is nuanced and one that requires an understanding of one's overall goals and time horizon – ultimately the reason for bonds (or fixed income) goes beyond the interest rate, and in our opinion most investors should have some allocation to fixed income investments.

Some of the arguments against owning fixed income:

1. Yields are at historically low rates, when factoring for inflation the yields on government bonds are NEGATIVE. Why would you buy bonds with negative return?
2. If rates go up, I am going to lose money on my bonds (bond prices fall when rates go up), why not stay in cash until rates go up?
3. Compared to other investments (stocks, real estate, commodities, bitcoin, art, etc.) the return on fixed income is meager at best. Why not buy these investments instead
4. You must have a much larger portfolio to "just live off the interest" on your bonds.

(continued on next page)

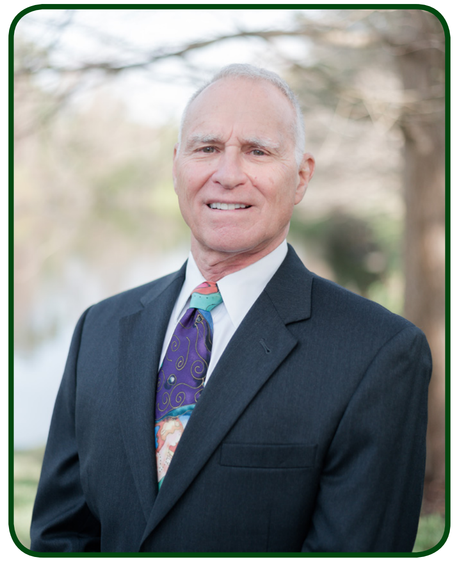
There are many reasons to consider owning fixed income:

1. Investing in bonds lets you sleep at night. The "fixed" in fixed income means you have some certainty of interest earned and principal received (especially in a laddered bond approach). We avoid permanent loss of capital in the portfolio by allocating to fixed income investments. This psychological factor is extremely important – especially for those investors who depend upon their portfolio assets to meet their financial goals.
2. Buying bonds is not just about buying government bonds (those with the greatest safety but lowest yield) but about diversifying into other areas corporate bonds have yields greater than those of treasuries, and if your tax rates are high enough, municipal bonds offer compelling after-tax yields. These higher returns more than compensate for the elevated risk relative to government bonds.
3. As a fixed income investor, you ultimately want rates to be higher to earn a higher yield on your investments. The lower yield you accept initially does impact your returns but depending on your strategy (assuming you are not investing only in long-term treasury bonds) you should increase your returns as rates rise. At higher rates you can invest income and rebalance from other parts of your portfolio into higher yielding bonds.
4. Portfolio construction is about diversification, and part of that diversification is owning assets that move in different directions at similar times (low or negative correlation). Bonds tend to change in value much slower than stocks. A bad year in bonds is like a bad day in stocks. At the end of March 2020 corporate bonds were down 2.5% for the year, meanwhile the S&P 500 was down 20% for the year. You can rebalance away from fixed income to equity investments when a correction occurs.

Ultimately, each investor should have an allocation that is right for them, one that aligns with their goals and values for their financial life. In most (not all) cases, the use of bonds or fixed income in a portfolio is necessary to meet these goals and allow for proper diversification. You should have a plan that takes into account a variety of market situations and is suited to meet your future needs.

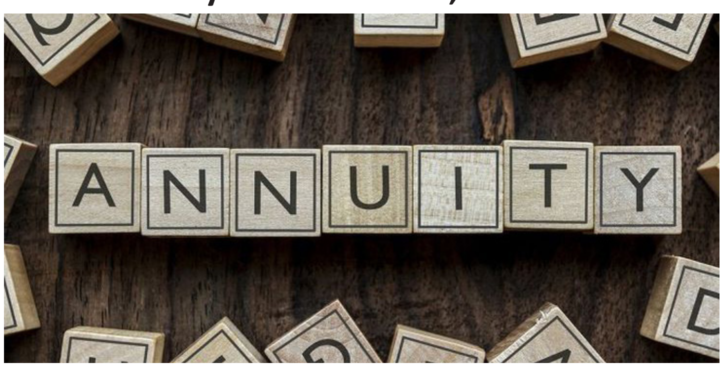
Forbes Names Allan Cohen One of Florida’s Top Advisors

Have you heard the news? Allan Cohen, CFP®, and CEO of B&C Financial Advisors was once again ranked North Florida’s #30 top wealth advisor according to Forbes’ Best-In-State Wealth Advisors list. Over 3,000 advisors across the country were chosen for this list out of almost 30,000 nominees. Forbes looks at a number of requirements to compile their list, including industry experience, assets under management, compliance records, and using “best practices” both within their practices and with clients.



Annuity Series – Part 3: Sample Annuity Contract

by Adam Oerther, CFP®



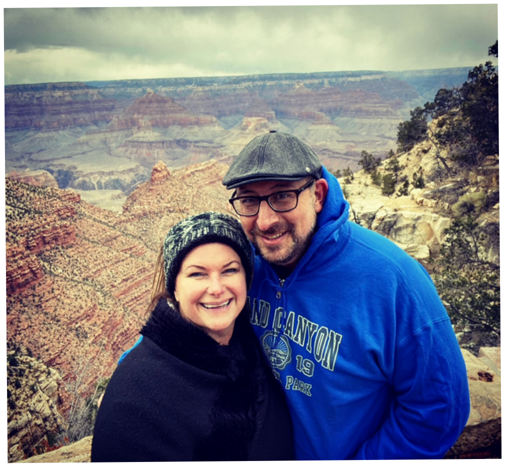
In the second part of our series on annuities, we looked at some pros and cons of annuities. To end the series, we walked through an example of an actual annuity contract one of our clients purchased before becoming a client of B&C Financial Advisors.

(We have removed the client’s name to protect their privacy.)

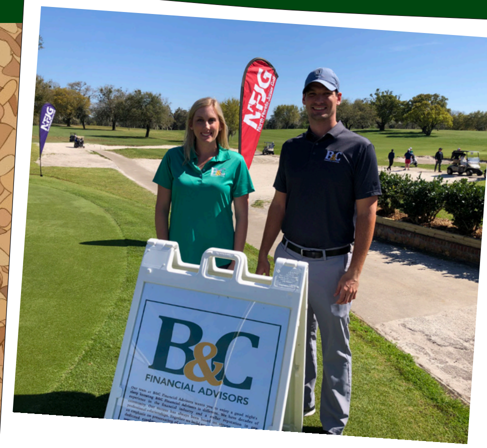
The post contains a summary of the contract our client purchased in 2017 from a large, national life insurance company. We used this summary to highlight some of the features of this annuity.

To view the contract and read more about the types of annuities, contract fees and other observations visit the **blog** on our website.

Keeping up with B&C



Chief Compliance Officer Jaqcue Bos went to the Grand Canyon for her birthday!



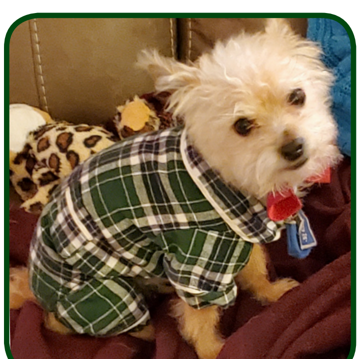
Investment Manager Adam Oerther and Admin Assistant Caitlin Howard at a NFJG event in Palatka.

"Your decisions from today forward will affect not only your life, but also your entire legacy." - Dave Ramsey

Client Relationship Manager Robin Phillips and her new mini goldendoodle puppy, Sully!

Show us Your Pets!

B&C would love to see the pets that are keeping you company during the pandemic! Please send your pictures to caitlin@bandcfinancial.com to be featured in the upcoming newsletters!



Client Heather Campbell's dog, Quentin, in his new plaid pajamas

5 Questions Everyone Can (and Should) Ask Themselves Before Retirement

by Adam Oerther, CFP®

What do you think of when you hear the word "retirement"? Do you think of travelling to far off, exotic places? Working on your golf game with all your newfound free time? Visiting your children and grandchildren as often as you (or they) want? Maybe you enjoy your career so much you will continue to work—at least in some capacity—as long as you can!

Everyone has a different view of what retirement (or semi-retirement) looks like for them. When it comes to planning for the retirement they envision, however, the answers are not always so clear. According to a recent survey of 11.5 million millennial and Gen X households by Hearts & Wallets, a market research and benchmarking firm for the financial industry, the ideal retirement age is 55. However, the report found most of these households have not yet reached $100,000 in investable assets, and only 18% of them save 15% or more of their income. Early retirement seems very unlikely for these people without some financial behavioral changes.

Whether you would like to retire early or late in life, it is important to have a plan to go along with your retirement goal. Below are five questions you can (and should) ask yourself when devising that plan, followed by an example:

1) What will I do with my time in retirement?

While it is not really a question about your personal finances, this is one of the most important questions you can answer before heading into retirement. People often enter retirement without knowing what they will do on a daily basis. Many of these same people find that, without a career to challenge them or a specific purpose for getting out of bed in the morning, their mental and physical health declines fairly rapidly. Some ideas for keeping your body and mind stimulated in retirement are reading, traveling, exercising, and volunteering.

Note: We at B&C do not intend to portray ourselves as psychologists or fitness experts. Instead, this is often the first question we ask clients who are thinking of retiring and reflects our experience serving hundreds of clients who have entered retirement in the past.

(continued on next page)

2) What income will I earn in retirement?

The need to budget is not unique to retirement, as everyone should have some understanding of how much money they earn, spend, and save. Without a budget, you are at risk of living above your means and/or not saving enough for retirement. In retirement, understanding your sources and amount of income is vitally important, as you are likely going to have a relatively fixed income (i.e., Social Security, pension, etc.) without much flexibility. Additionally, having a firm grasp of what you bring in will assist you in answering the following questions.

3) How much will (or can) I spend in retirement?

"Budgeting 101" would teach you it is not wise to spend more than you earn, which is simple enough when you are working and have a good idea of—if not exactly—what your paychecks are each pay period. In retirement, however, the amount you spend may end up being more than you bring in from various sources. Traditionally, financial planners estimate you will need around 70-80% of the salary you earned while working to sustain your lifestyle in retirement, though every situation is different. The fixed incomes available to you in retirement will often not be enough to cover that 70-80%. In that case, your options are to spend less or supplement your income by making withdrawals from your savings and investment accounts. Remember, also, you will likely spend your money on different things in retirement than while you were working. You may find that you spend more on travel and healthcare and less on daily transportation and clothing.

4) Do I want to leave a particular amount of inheritance for my heirs or give to charity?

In general, people become more charitable as they age, whether as a result of increased wealth (i.e., greater ability to give), desire to give back to those less fortunate, or both. Because each financial situation is different, each person's desired amount of charity or familial inheritance is also different. Thus, it is important to ask yourself how much you want to give (or leave behind), taking into consideration your own needs and resources.

5) How much money do I need to retire?

Ahh, the $1 million question—or is it $2 million? If you have not already figured it out, the answers to this question and the previous three questions all run parallel to each other; you cannot answer one without answering them all. Unfortunately (or perhaps fortunately), only you know what you would like to do in retirement, so you should only focus on your own situation to determine the amount you will need to retire. Your parents, cousins, neighbors, and acquaintances all have differing visions of retirement, so why should it matter to you how much they have saved?

Ultimately, the bottom line is the earlier you can begin planning for your retirement, the more likely you will be to answer each of these questions and enter retirement with confidence. If you delay such planning, you run the risk of your actual retirement looking much different than the one you envisioned.

B&C
FINANCIAL ADVISORS

110 Professional Drive, Ste. 101
Ponte Vedra Beach, FL 32082