Accumulating Interest

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THE OFFICE WILL BE CLOSED ON THE FOLLOWING DAYS:

November 25-26
Thanksgiving

December 24
Christmas

January 17
Martin Luther King, Jr. Day

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Office Hours:

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

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

Contact us:

info@bandcfinancial.com

B&C Firm Update

A Message from our President & CEO:

It's impossible to overstate how the events of 2020 have touched every aspect of our lives and business. At times they presented challenges that sometimes looked insurmountable; however, these challenges also presented new opportunities which we have taken advantage of, making us a stronger firm. Our building is now 100% owned by current stockholders of the firm, meaning we now control our physical destiny. Additionally, we have a tenant who occupies approximately a third of the building which gives us room for expansion if needed in the future.

B&C Financial Security, Inc currently has 5 stockholders: Allan Cohen (Founder), Jacque Bos, Sean Guldi, Thomas Ellis, and Adam Oerther. We are fortunate to have a very diverse group of shareholders with many different ages as well as many different talents. This depth in our management team allows us to better serve our clients because we can see results from many different perspectives. We enjoy strong diversity with proficiency in managing assets, servicing clients, technology, sales, and financial planning. These attributes are a major advantage to our firm, because typically, most firms in our industry are run by a much older management team. This age diversity has also allowed us to develop a well-rounded succession plan. While we have received multiple inquiries from many companies wanting to purchase B&C Financial, we have made the decision not to sell, but rather to pass the baton to younger partners through that succession plan.

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Each of our clients has a team assigned to them that includes a shareholder, and all meetings & conferences are reviewed by both members of the team. You can feel extremely comfortable meeting with any employee because of this team approach. It might also be appropriate to reiterate some of the services we provide in addition to the management of your assets: cash flow analysis (because many of you want guidance towards how long your funds will last, or whether you are spending principal or income on an annual basis, etc.), Social Security analysis (when is the best age to begin benefits), advice on trust and will preparation, financial planning with a sophisticated computer program that can model many different financial scenarios. All these services are offered at no additional cost.

Now, more than ever, you should see the growing need for working with a competent fiduciary to guide you through this maze of financial avenues. I am pleased to say that our clients came through this recent financial volatility in better shape than ever. I'm also happy to report to you that all necessary precautions were taken along the way to ensure the health and well-being of our valuable staff and in meeting with you, our clients.

B&C Financial remains committed to delivering first class financial advice to all our clients for many years to come. We will maintain our philosophy of buying companies rather than merely purchasing stock as we continue our belief in the long-term benefits of our capital markets. However, we also believe strongly that only a small percentage of your net worth should be invested in any one of those companies. This takes place during that periodic review of each of your accounts, in which we continually examine your asset allocation, financial objectives, and much more.

Thank you all for continuing the trust and confidence you placed in us so we can assist in delivering a good night's sleep, it is what motivates us most. We look forward to many more years of a successful relationship.

For those of you wondering about my future, I have no plans to pursue any retirement as I enjoy working with all of you, my partners, and our employees. I have received tremendous satisfaction from the kind comments many of you have made to me regarding steering you thru financial markets for the last 30 years, and I look forward to continuing to strengthen that relationship.

Allan Cohen
President, CEO & Founder

A Word from the Investment Department

Social Security Trust Fund Running Out of Money

by Sean Guldi, Chief Investment Officer

The latest news from Social Security Trust Fund Report (**https://www.ssa.gov/oact/TR/2021/tr2021.pdf)** indicates the trust fund will be depleted in 2034, one year earlier than last year's report. This is a daunting headline for anyone who may rely on Social Security for their retirement (a majority of Americans to some extent) or in some cases their disability. While the news of the report makes for good headlines, it is important to understand the details of the report and the implication on your personal retirement plan.

Firstly, a few facts (**https://www.ssa.gov/policy/docs/chartbooks/fast_facts/2020/fast_facts20.html**) about Social Security. It is a pension based on your (or your spouse's) earnings history. The taxation of earnings is capped at a certain threshold ($142,800 in 2021), as are your benefits ($3,148 / month at Full Retirement Age). Payments from Social Security are inflation-adjusted annually. The system derives most (89%) of its income from the payroll taxes paid by workers and employers (currently 2.8 workers for each beneficiary, projected to lower to 2.3 by 2035), with interest (7.6%) and taxation of benefits (3.4%) accounting for the other portion.

If the Social Security Trust Fund is depleted in 2034, Social Security Benefits will not cease but will be reduced roughly 20% if Congress does nothing. The impending demographic changes (e.g. the Baby Boomer generation will be 65+ by 2030 and lower birth rates) in the U.S. are the main driver of the depletion of the Social Security resources. The last revisions to the Social Security system were implemented in 1983 (at the start of the Millennial generation) and it seems likely that some changes will be necessary to the current system. In the 1983 reform, Congress increased Social Security tax rates gradually over 7 years, pushed back the "Full Retirement Age" from 65 to 67 over a two-decade period, and adjusted many other rules around Social Security claiming. The Social Security Trust Fund is the reserve account for the Social Security Payments, thus most benefits will continue to be paid if workers continue to work and pay Social Security taxes..

Planning for retirement is a complex process with many assumptions and variables that are specific to each person/family. Ultimately, those already collecting Social Security likely face a low likelihood of reduced benefits and should plan for those benefits being a meaningful part of their retirement plan. For those further away from retirement (especially Millennial and Gen Z), it seems reasonable to plan for a reduced benefit or delayed retirement age, but not to assume no benefits will be received at all due to the funding structure of the benefits.

Keeping up with B&C: Employee Outing

On August 28th B&C had a fabulous outing at the Sawgrass Beach club. The day started with a beautiful brunch in the Oceans' Edge South room.
After brunch, the crew split up. Most went to the beach and others played golf at Atlantic Beach Country Club.

(Left to right) Robin Phillips, Caitlin Howard, Jacque Bos, Genny Stephenson, Jessica Schmidt, Adam Oerther, Allan Cohen, Sean Guldi, Adam Howard, and Thomas Ellis

Bottom Row: Robin Phillips and Caitlin Howard, Top Row: Genny Stephenson, Jessica Schmidt, and Allan Cohen

(From top left to right) Jessica Schmidt, Genny Stephenson, Caitlin Howard and Robin Phillips

Should You Buy "Guaranteed Income"?

by Adam Oerther, Vice President

During times of economic uncertainty, it is common for people to seek out financial advice as they seek to answer the question: Am I going to outlive my money, or is my money going to outlive me? In response to this higher demand for advice on how to not outlive their money, many financial advisors suggest buying financial products—namely **annuities**—promising to prevent that exact situation. Additionally, many employer-sponsored retirement plans (i.e., 401(k), 403(b), etc.) are beginning to offer annuities to retired employees who desire a steady stream of income for their lifetime.

On the surface, this may sound like an intriguing proposition. After all, there are not many guarantees when it comes to personal finance. It is not surprising, then, that **BlackRock's 2021 study** of defined contribution plan sponsors and retirees revealed "89% of retirement plan participants agree that having guaranteed income in retirement would have a positive impact on their current well-being." However, if you are considering buying guaranteed income, it is important to dig beneath the surface to reveal exactly what you are purchasing.

What is "Guaranteed Income"?

At its core, guaranteed income is a way to turn your retirement savings into a reliable income stream you cannot outlive. Examples include an employer-sponsored pension plan, variable annuities with guaranteed income riders, and fixed annuities. Annuities are much more prevalent by far, as the number of employer-sponsored pension plans has decreased dramatically over the last few decades. Essentially, you make a lump sum or periodic payments to an entity (i.e., the pension plan administrator or life insurance/annuity company), and in exchange you receive a stream of—usually monthly—payments for the rest of your life. The amount of the payment is based on several factors, including the total amount you paid in, your life expectancy, and any additional features or benefits you added to the policy (e.g., guaranteed period, payments based on multiple lives, etc.).

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What are the Advantages of “Guaranteed Income”?

There are several reasons you may consider buying into a guaranteed income product. First, it allows you to put away a larger amount of money than, say, contributing to a Traditional or Roth IRA. There is no annual contribution limit for an annuity (if buying an annuity using after-tax dollars), and, if the money is invested, any growth is tax-deferred until you begin receiving payments. Additionally, there is some amount of flexibility with respect to getting your money back, as you can typically choose between receiving a lump sum or monthly payments. Often, you are also able to add additional features or benefits onto the plan or policy, such as guaranteeing payments for a certain number of years (i.e., if you die prior to the end of the guaranteed period, your beneficiary can continue receiving benefits).

What are the Disadvantages of “Guaranteed Income”?

While you may be attracted to the benefits of these products, it is important to make your decision by balancing the pros with the cons. One of the main drawbacks of annuities is how complex they are: a typical annuity prospectus or contract can be 40 or more pages long. The insurance industry has created myriad variations of these products, each with their own unique fees, features, benefits, and drawbacks. These are often so complex the average investor has difficulty understanding exactly what they are being offered and how much they are really paying for it. Additionally, if you purchase the annuity through an insurance broker, the broker will earn a commission, which can be 5% of the contract value or more. Even if you are able to avoid this commission, the internal expenses of the contract can often be in excess of 2% annually. Annuities are also notoriously illiquid, due to surrender fees. Effectively, if you purchase an annuity and decide in the first 7 to 10 years to surrender, or cash in, the policy, you will likely pay a surrender charge, which can range from 1% to 10% of the contract value. If you purchase a non-qualified annuity (with after-tax money) and then elect to withdraw funds (i.e., not annuitize), you will pay taxes on any gains at regular income tax rates, unlike a traditional investment account with favorable dividend and capital gains rates. Finally, if you choose to begin receiving payments, two things typically happen: 1) you give up access to the capital you have invested, and 2) you cannot adjust the amount of the payments, no matter how much your monthly cash needs increase or decrease (e.g., due to receiving an inheritance or going back to work).

Ultimately, your decision to (or not to) purchase guaranteed income can be complicated and overwhelming. Thus, it is imperative to know exactly what you are buying and what alternatives there might be, or you may find that your retirement plan looks a lot different than you expected.

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