Accumulating Interest

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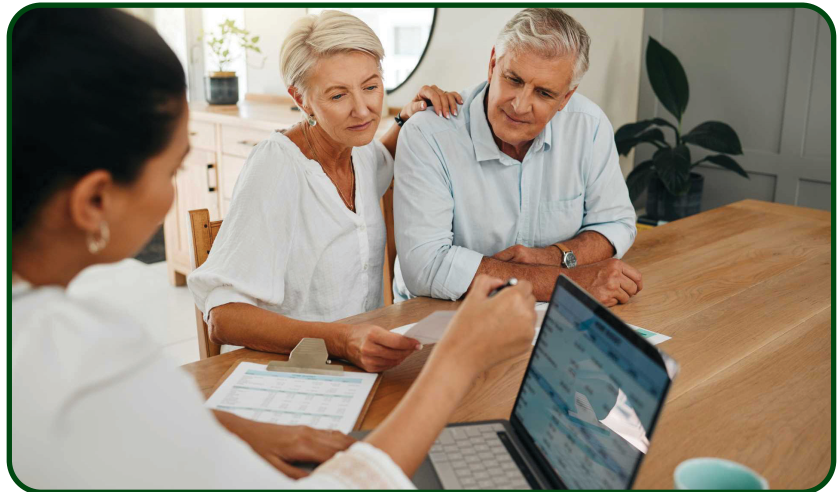
A Word from the Investment Department

If I Can Earn 5% in a Savings Account, Why Should I Invest?

by Sean Guldi, Chief Investment Officer



We've been hearing variations of this question from several clients recently. As interest rates continue to rise for money markets, CDs, high-yield savings accounts, and treasury bills, the decision on how to allocate your investment capital has become more complex compared to the "There Is No Alternative" (TINA) world we were in a few years ago. The short answer is—unfortunately—that it depends.

If you find yourself with excess cash savings languishing in a bank account earning you a mere 0.01% (or something less than 4%), it's worth exploring alternatives to earn a more competitive return on your liquid assets. We consistently advise our clients to seek out FDIC-insured high-yield savings accounts for parking their short-term reserves. We've also discussed the potential of investing in iBonds when inflation-adjusted rates are compelling. There are even options to achieve higher yields by locking up your money in short-term CDs and Treasury Bills, although these require you to commit your capital for specified periods (weeks or months) before accessing it again.

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THE OFFICE WILL BE CLOSED ON THE FOLLOWING DAYS:

November 23-24
Thanksgiving

December 25
Christmas

January 1
New Year's

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
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info@bandcfinancial.com

For those with diversified investment portfolios who are assessing their fixed income holdings, it's natural to question whether it still makes sense to invest in bonds (whether treasury, corporate, or municipal) given the current high short-term rates. However, when evaluating your investments against available short-term rates, it's crucial to consider the purpose and timeline of your investments. Our aim is to allocate a client's portfolio to generate returns that surpass the long-term rate of inflation, achieved through a mix of stocks and bonds. Stocks provide the portfolio's growth engine, while a laddered bond portfolio offers the dual benefits of consistent cash flow and principal repayment. With bonds maturing at regular intervals (monthly, quarterly, yearly), adjustments can be made to accommodate shifts in interest rates over time, including rebalancing into stocks when market conditions warrant.

Despite the current higher short-term rates compared to some longer-term investments, the yield curve (a chart depicting bond rates for different time periods) reflects the market's expectation that short-term rates will decrease in the future. This presents an opportunity, particularly for those with longer time horizons, to secure higher rates for extended periods by considering investments spanning 5, 7, 10, or more years.

As is the case with any comprehensive financial plan, the decision to invest in any asset should be made within the scope of all of your personal finances, as well as your time horizon for your investments. We have advised some clients to place short-term cash in high-yield savings accounts. Others with less pressing cash needs have changed their asset allocation to include a higher portion of their portfolio to fixed income. Our focus on preservation of capital requires us to assess a client's long-term financial plan, rather than looking solely at a relatively short time frame in their overall retirement plan, especially when there are indications (e.g. the inverted yield curve) the current investment environment may change in the coming years, as we have seen time and time again.

In conclusion, the most critical directive is to have a comprehensive financial plan that addresses your short, medium, and long-term goals. Making wise capital allocation decisions across diverse investment options requires us to navigate the entire landscape of fixed income investments, rather than fixating solely on current rates.

Changes to your Personal Information

If you have any changes to your address, email, phone number, etc., please let us know so that we can update our records and your accounts with Pershing.

Year End Planning Checklist

As we enter the fourth quarter we wanted to remind clients of a few items to review and consider as we get to year end:

1. Review Your Financial Goals / Asset Allocation:

- If you have had any changes in financial circumstances or haven't set a review with your advisor the end of the year is a great time to review and discuss

2. Tax Planning:

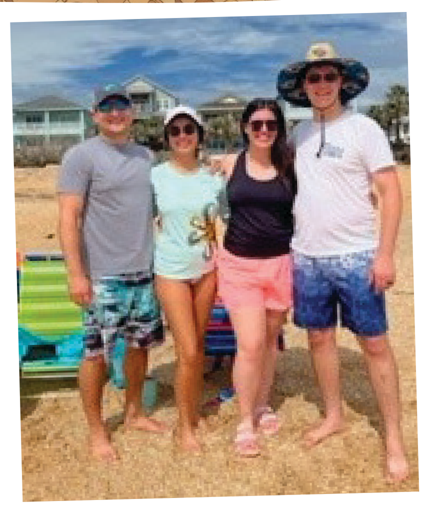
- Review your tax situation with your advisor to identify potential tax-saving opportunities
- Take losses in taxable account(s)
- Consider contributing to Donor Advised Fund (DAF) to offset larger taxable income items
- Evaluate filling up tax bracket with Retirement Distributions / ROTH Conversions

3. Retirement Planning:

- Ensure Required Minimum Distribution's (RMD) are processed before year end
- Consider maxing out retirement accounts

Keeping up with B&C

President/CEO Allan Cohen and his wife, Kathy, celebrated their 50th wedding anniversary on a cruise with their family!



Assistant Investment Manager Jonathan Bottaro and his fiancée Mariah went on vacation in Crescent Beach with friends Ashley and Joel Masters.

Investment Manager Jessica Schmidt and her boyfriend Alex got engaged!

HAPPY BIRTHDAY

(From left to right) Client Relationship Manager Robin Phillips, President/CEO Allan Cohen, and Client Service Manager/Marketing Coordinator Caitlin Howard celebrated birthdays!

Benefits of Consolidating Your Investment Accounts

by Adam Oerther, Vice President

Picture this: instead of juggling multiple investment accounts, each with its own set of statements, fees, and strategies, imagine the simplicity and clarity of having all your investments neatly organized in one place. By consolidating your investment accounts, you can streamline your financial life, gain better control over your assets, and unlock a host of other benefits. In this article, we will explore the advantages of consolidating your investment accounts and how this strategic move can help you make smarter financial decisions and strengthen your comprehensive financial plan.

Simplified Portfolio Management:

Managing multiple investment accounts can be a daunting task. Each account may have different investment goals, risk tolerances, and time horizons, making it challenging to keep track of your overall portfolio. Consolidating your investment accounts allows you to simplify your portfolio management. By centralizing your investments, you can monitor and evaluate your holdings more effectively, potentially saving time and reducing stress.

Comprehensive Financial Overview:

When your investments are scattered across various accounts, it's easy to lose sight of your overall financial picture. Consolidation provides you with a comprehensive view of your investments, giving you a clearer understanding of your net worth, asset allocation, and diversification. With this broader perspective, you can identify any gaps or imbalances in your portfolio and make informed decisions to optimize your investments.

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Enhanced Cost Efficiency:

Consolidating your investment accounts can lead to improved cost efficiency. Many financial institutions offer reduced fees or discounts for clients with larger account balances. By consolidating your assets, you may qualify for lower expense ratios, reduced transaction fees, and even waived account maintenance charges. These savings can add up significantly over time, leaving you with more money to reinvest or allocate towards other financial goals.

Strategic Asset Allocation:

A well-diversified portfolio is key to managing risk and maximizing returns. When you consolidate your investment accounts, you can analyze your asset allocation more effectively and ensure that your investments align with your risk tolerance and long-term goals. By understanding how your assets are distributed across different asset classes, such as stocks, bonds, and cash, you can make more informed decisions about rebalancing your portfolio and adjusting your investment strategy accordingly.

Streamlined Record-Keeping and Tax Reporting:

Tax season can be a stressful time for investors. Consolidating your investment accounts simplifies record-keeping and tax reporting. Instead of sifting through multiple statements and tax forms, you'll have one consolidated statement summarizing your investment activity. This consolidated record makes it easier to track your capital gains, losses, and dividends. Additionally, it simplifies the process of providing documentation to your tax advisor or preparing your taxes on your own.

Conclusion:

Consolidating your investment accounts can be a game-changer for your financial well-being. The benefits of streamlining your portfolio management, gaining a comprehensive financial overview, enhancing cost efficiency, optimizing asset allocation, and simplifying record-keeping and tax reporting are significant. Take the time to evaluate your investment accounts and consider the advantages of consolidation. Discuss your options with a trusted financial advisor or explore consolidation services offered by reputable financial institutions. By taking this step towards consolidation, you can simplify your financial life, make smarter investment decisions, and ultimately work towards achieving your long-term financial goals with greater confidence.

At B&C Financial Advisors, we have outlined these benefits for prospective clients and provided consolidation services for clients time and time again. As fiduciaries to our clients and stewards of their comprehensive financial plans, we understand the importance of taking the time and care to explain the benefits of financial strategies like consolidating investment accounts. If you believe your financial life could benefit from this type of thoughtful advice and dedicated service, please do not hesitate to contact our office.

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

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