FALL 2020

THE JENTNER REPORT

Wealth Management Strategies from Jentner Wealth Management

INSIDE THIS ISSUE

Should You Be Value Investing?

Value stocks have been underperforming, so is now the time to jump ship?

Value stocks have been underperforming growth stocks for some time now. You may be tempted to exit this important asset class. We counsel you to stay the course.

Value investing is a strategy of buying securities whose prices appear undervalued in the market when compared to certain fundamentals, like book value, earnings, or intrinsic value. Value investors and fund managers buy stocks of quality companies they believe are priced low and hold them long enough for the prices to increase to provide higher returns than stocks trading at higher valuations. On the other hand, growth investors invest in companies that offered strong earnings growth in recent years and are expected to continue to deliver profitable growth.

Why Have Value Funds Underperformed?

Interest rates are lower than before the financial crisis, which may negatively impact value stocks. Growth stocks, like Netflix, Amazon, and Google, have exceeded market expectations in the past decade. Growth stocks have longer duration assets, so falling interest rates potentially benefit their earnings and future cash flows. On the flip side, certain value sectors, like banking, could be negatively affected by lower interest rates.

Value stocks have become less expensive than growth stocks. This may be a result of the increase in spreads in valuations between the two in the past ten years or reflect investor pessimism about value stocks. Growth stocks tend to have high valuations. As they get more expensive, their valuations increase. The valuation gap between growth and value increases, and value stocks look cheaper, which contributes to the underperformance of value stocks.

Finally, the sectors included in value strategies and indexes can affect performance. Certain sectors that have been challenged in the market in the past ten years, like financial services and energy, tend to be over-weighted in value-oriented indexes, while stronger-performing sectors, like technology and healthcare, tend to be underweighted.

What Are the Pros of Value Investing?

Value stocks are lower priced than the overall market and may be priced lower than other companies in the same industry. Undervalued companies with good fundamentals are likely to generate a good return over time. Many value stocks pay dividends, unlike most growth companies.

If evaluated correctly, value stocks can produce significant returns if the investor is patient. Value investing may require investors to withstand long periods of underperformance but should reward them over the longer term. Combining growth and value stocks or funds increases the potential for higher returns with less risk because investors benefit from the different economic cycles and market situations that favor either growth or value investing over time.

A lot has been written lately that value investing is over because of its recent performance. Historically, value stocks outperformed growth stocks over the long term. We believe value stocks will likely make a comeback, although the timing is uncertain. If value stocks do rebound, there will likely be a period when they will over-perform growth stocks.

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JENTNER WEALTH MANAGEMENT

THE PRESIDENT'S WORD

Be on the Alert for Coronavirus Scams

Scammers often take advantage of bad situations, like the pandemic, so be on the watch for suspicious communication.

Bruce Jentner, CFP®, Chairman

Sadly, fears about personal health and finances relating to COVID-19 are feeding scammers. According to the Secret Service, "Coronavirus is a prime opportunity for enterprising criminals because it plays on one of the basic human conditions—fear." Unfortunately, scammers often choose seniors as their targets.

The FBI and Federal Trade Commission have warned seniors to be on higher guard for more creative scams. Here are some scams to watch out for:

Health Product Scams: There have been widespread shortages of masks, gloves, hand sanitizers, and other products to fight the coronavirus, along with household necessities like soap, toilet paper, and disinfectants. Scammers are taking advantage of this situation by selling ineffective or faulty supplies, mislabeling and providing false descriptions about products or where they were made, and even taking orders and payments and never sending any products. Only order from reliable sources that you have used before, or check the companies out before you order from them.

False Information about and Remedies for COVID-19: The FBI has had a number of cases of cybercriminals impersonating health authorities like the Center for Disease Control and World Health Organization and offering information about the coronavirus in exchange for personal information like Social Security numbers. Do not accept offers or make any payments to strangers relating to COVID-19 diagnosis, prevention, or treatments, and do your research before buying anything to make sure it is legitimate. Do not share your Social Security number, credit-card numbers, or bank-account details unless you are certain with whom you are dealing.

Phishing Scams: Scammers use phishing in emails, calls, texts, websites, and social media links by pretending to be an official or trusted source to get access to your computer and your personal information. In the case of the pandemic, they are preying on concerns by using keywords like "COVID-19" and "coronavirus" and seeming to offer new health and safety information and financial and personal advice on how to deal with the crisis. Do not answer any personal questions on the phone or respond to requests for information in emails or on websites if you have any question about the caller or sender.

Charitable Scams: During these difficult times, there are many people in need. Scammers are taking advantage of people's generosity and concern for others by creating fake charities and other scams to take money by pretending they are going to use it to help others affected by the pandemic when they are not. Do not donate over the phone or through emails or websites to organizations you are not familiar with. Donate directly to legitimate charities by calling them or using their websites.

Identity Theft: Be aware of websites that have misspelled words, show certificate errors, or include urgent messages about your personal information or other reasons you need to take actions immediately. All of these could be signals of fake websites or scam attempts. Do not respond to any of these emails or click on any links in them. If you are concerned that your bank, credit-card company, or other merchants may be trying to contact you, get their phone numbers from a different, reputable source and contact them by phone.

Criminals take advantage of bad situations, like the pandemic, and vulnerable people, like seniors. These are just some of the potential scams related to COVID-19. Be on guard right now to these and other suspect practices and communications to keep yourself safe from scammers.

The Markets' Best August in 36 Years

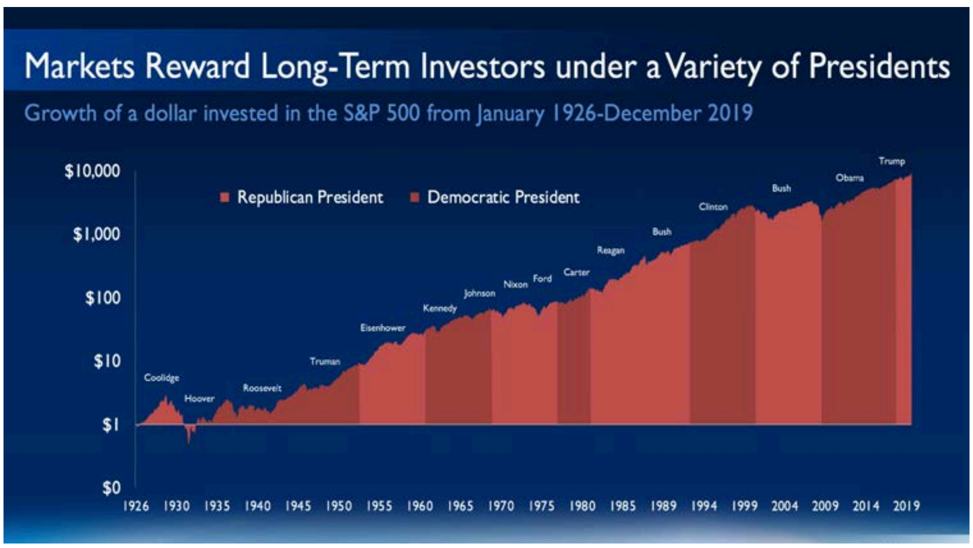
Equity markets continued to shrug off COVID-19 fears and push to fresh highs going into September. Just a few months ago, broad indexes were down more than 35%. According to Dow Jones Market Data, as of mid-September, the Dow advanced nearly 30%, and the S&P 500 recovered 35.4%, its best five months since 1938. The Nasdaq outperformed its peer indexes with an impressive 52.9% recovery.

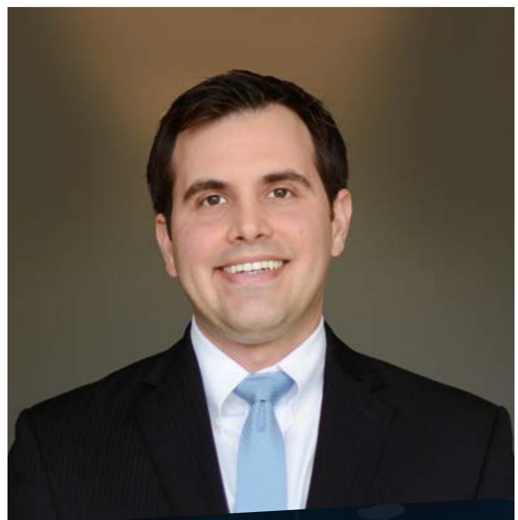
Much of the rebound has been attributed to investors pricing in future COVID therapeutics and possible vaccines for the virus, which ravaged economies across the globe. "Over the course of the next eight weeks, we're going to have a raft of announcements on a vaccine. If they are all positive, it's going to trump everything," said Quincy Krosby, chief market strategist at Prudential Financial. Adding to the optimism around potential COVID-19 cures, the Food and Drug Administration's commissioner, Stephen Hahn, said the U.S. could fast-track a trio of vaccines.

Additional factors in the market recovery have been the unprecedented actions by the Federal Reserve and the stimulus. A $3 trillion stimulus was injected into the economy and appears to be helping. Recently, Fed Vice Chairman Richard Clarida outlined further steps by the Fed that would allow wages to significantly rise. The central bank shift to average inflation targeting means they will allow inflation to rise moderately. According to MarketWatch's Mark DeCambre, "The shift implies the central bank would pursue lower rates for a longer period, even if the unemployment rate, which is historically associated with rising price pressures, started to fall substantially."

While the temptation might have been to sell during the panic in March, investing for the long term means doing your best to ignore the daily noise from the news and social media. Since the low on March 23, 2020, markets have reinforced our belief that stocks are too unpredictable in the short term. The next major driver of uncertainty will be the election. But don't panic. Over the last nearly 100 years and 16 different Presidential administrations from both parties, markets moved higher after the elections.

As the chart illustrates, the U.S. corporations that made up the S&P 500 were profitable under both Democrat and Republican parties. Those profits rewarded investors who stayed invested, and they grew their wealth exponentially. Despite all the headwinds in the spring, markets moved higher. We believe investors willing to take calculated risks by investing globally will be rewarded over time. They surely were this August.





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Legacy Planning Is More Than Estate Planning

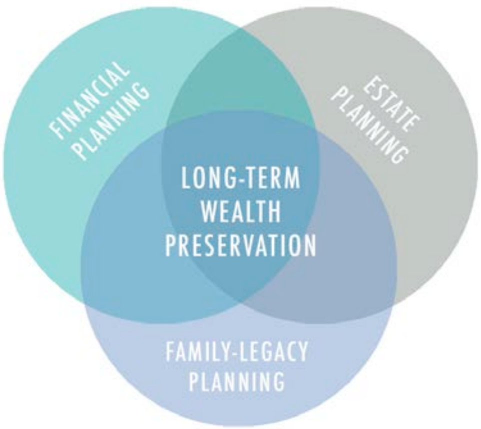
Having an adequate estate plan can help minimize the effects of taxes on your estate, but it isn't sufficient to ensure a successful wealth transfer. One Vanguard study shows that in 90% of cases, an inheritance will be depleted by the third generation, meaning that by the time most families' grandchildren are grown, their inheritance may be significantly diminished.

We have found clients often focus on the technical aspects of their estate plan: the important legal framework, wills, trusts, and supporting documents. However, these documents are only one aspect of the wealth-transfer process. The next critical step is to ask how well prepared one's family and beneficiaries are to receive assets. Vanguard found several reasons for the deterioration in family wealth as it passes. The most often cited was a lack of communication within the family. Another reason was that beneficiaries were not prepared to handle the money.

That's where family-legacy planning comes in—to complement your wealth plan by preparing your family to navigate the responsibilities and opportunities that lie ahead. Have a good understanding of your children's and grandchildren's financial situation. Consider developing a family mission statement around common goals, such as charitable giving.

As the diagram to the right illustrates, the foundation of long-term wealth preservation lies in the combination of financial planning, estate planning, and family-legacy planning. Over time, family-legacy planning becomes the essential groundwork to support the other key components, including various family assets, estate-planning documents, trusts, and long-term portfolio management. At the highest level, family meetings and governance help to execute your vision and maintain a healthy legacy.

Of course, no one can plan for every situation because life is too complicated and unpredictable. However, already having in place a holistic plan family can rally around during a major life event provides a sense of wellbeing. A 2019 Kiplinger article described it this way, "Take care of the tough stuff, and then you'll be able to enjoy your time with your loved ones more as you have the peace of mind knowing you have provided them with increased financial security down the road."



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