BUILDING AND PRESERVING WEALTH
INVESTMENTS | TAX | RETIREMENT | INSURANCE | ESTATE

Quarterly Update
April 2021

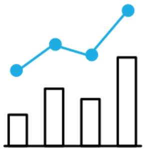
New Product at Fidelity

Fidelity HSA (Health Savings Account)

With a health savings account (HSA), you can pay for qualified medical expenses in a tax-advantaged way, now through retirement.

Triple tax advantages

Your HSA contributions are tax-deductible, you can spend your money tax-free, (when used to pay for qualified medical expenses) and any growth is tax-free too.



It's investable

Investing your unused HSA money can be a great way to take the sting out of retirement health care costs.

It's your money

Your unused HSA money rolls over every year. Keep your HSA if you move or change employers or insurance.

You can open and contribute to an HSA if you are covered by an HSA eligible health plan however you cannot be claimed as a dependent on someone else's tax return or covered by an ineligible health plan, such as Medicare.

The Millennial Investor


Ryan Cobb
Client Advisor Associate

At the writing of this article, the S&P 500 has hit a new record high of $4,086, a 53% rebound from the momentary market drop we experienced due to COVID-19 one year ago. In that time, we have seen a record increase in first-time investors. According to a *Chief Investment Officer Magazine* poll of 1,300 investor households, 38% of those polled were new investors, and most of them were under 45 years old marking them as "Millennials".

This sudden increase in retail investing and planning for the future by Millennials is no surprise. For years, we have heard of the ongoing student loan debt crisis. The impending doom of rampant inflation and stagnant wage growth. The explosion of sovereign debt that this generation, and those that follow, will be saddled with for the rest of their lives. Each of these crises threatens to overwhelm the new Millennial investor, the young professional just starting their careers, or young couple just starting their family. When faced with this adversity what is a Millennial investor to do when it comes to looking towards retirement? Most would say the answer, like always, is to adapt.

A Pew Research Center study in 2019 found that Millennial behavior is already quite different than previous generations. Almost 39% of Millennials ages 25-37 hold a bachelor's degree or higher, nearly 15% more than Baby Boomers at the same age. Even though the median income for college-educated workers has not increased materially since 2001, we know that on average more education correlates with higher incomes. In regard to housing, as of 2018 almost 15% of Millennials were still living at home and only 16% had moved at all in the past year. Millennials are also waiting longer to get married, or not marrying, with nearly 25% not expecting to wed until they hit their 40's and 50's. Each of these behaviors serves to adjust to a trying financial picture. Becoming better educated means more income on average. Finding affordable housing until it makes sense to upgrade helps to lower cash outflows. Delaying, or avoiding, marriage and a family also serves to lower cash outflows in many cases.

As a wealth management firm, it is our job to look at this macroeconomic picture and adapt as well. As stewards of wealth and partners in meeting financial goals, we must think about what can be done to achieve retirement for the Millennial generation. It is our belief that retirement is possible for the Millennial investor. Many prognosticators spell doom and gloom in the markets, but we see that new technological and business endeavors are created every day. The turn of the century will be known for the dawn of the Worldwide Web and powerful computers. Perhaps in 50 years they will point to renewable energy, bio-tech, and machine learning as our growth drivers? That outlook speaks to the necessity that is not only controlling costs now, but saving and investing what dollars are available for the future. It is more important than ever for all generations, but particularly Millennials, to start owning their financial future and doing what can be done to make that future achievable.

OFFICE hours

Monday—Thursday 8:30-4:30
Fridays 8:30-3:30 (May-September)
952-837-3200

On February 1, 2021, we celebrated 5 years at Southtown Office Park with the opportunity to remodel our office. The project will come to an end the final week of April. We are excited to show the updates and encourage clients to stop by. Until we reopen, please continue sending mail to our normal address. Be sure to contact your advisor before sending important documents.

Also on display are many art pieces by local artist Michael Birawer—this special piece was commissioned in memory of one of our clients.

Attention Snowbirds:

Be sure to call us with your summer address so you are able to receive your mail during the summer months.

Webb Financial Group provides comprehensive wealth management solutions to individuals and businesses. For over thirty-nine years, we have helped our clients achieve financial security.

Michael Bischoff, *CFP® & COO*
Gary Webb, *RFC®, CKA® & CEO*
Dave Verbeke, *Financial Advisor*
Tim Greife, *Financial Advisor*
Michelle Brennan, *FPQP™ Financial Paraplanner*
Kristi Mattiuz, *Controller*
Ryan Cobb, *Client Advisor Associate*

Don't get overheated about inflation just yet

Commentary was provided by Columbia Threadneedle on March 23, 2021

Sustained inflation is unlikely, but there are structural and economic factors to monitor over the next 12 to 24 months.

Michael Bischoff, CFP®

As we emerge from COVID-19 lockdowns, the U.S. appears poised for a period of high growth. With rising GDP prospects, inflation hawks have begun sounding alarms, unsettling investors. While we agree that the potential for rising inflation is something to take seriously, the inflation story is not so simple - partly because the Federal Reserve has been clear that its reaction to inflationary pressures will be different this time. We think that there are three important phases to consider in the inflation story.

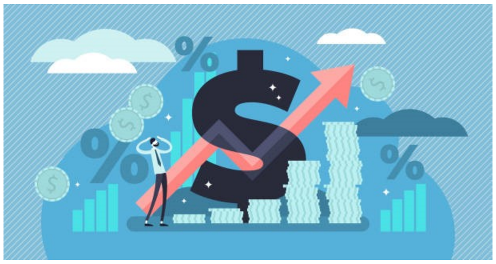
Phase 1: The impact of base effects

Currently, core PCE (personal consumption expenditure) inflation, the preferred metric of the Federal Reserve, is about 1.5% year-over-year and expected to rise this year. This is mostly due to the increased demand for services as the economy reopens, and the expiration of certain pandemic-related medical reimbursement programs (health care spending is approximately 18% of PCE.) Because of the sharp drop in inflation in March and April of 2020, any normalization this year will look and feel inflationary.

Phase 2: Capacity constraints, supply chain issues and increasing fiscal spending

As vaccinations increase and the economy fully reopens, we expect to see a return to the activities we've all missed while in quarantine like traveling and dining out. The resumption of these activities, likely in the summer/early fall (assuming there will be no adverse impact from COVID variants), will generate inflationary pressures. There could also be upward pressures on prices from supply constraints in revived sectors. We expect that this inflationary pressure will be transitory in nature - since, at some point, demand for services will be normalized.

Phase 3: Employment rebounds and inflation meets - or exceeds - the 2% target



Historically, the Fed's inflation bogey has been core PCE above 2%, and the market has extrapolated that a level above that threshold would trigger the central bank to raise rates. However, the Federal Reserve has evolved its thinking around inflation. In statements this year, Fed Chair Powell has stated that the central bank would not act to counter inflation by raising interest rates, until labor market conditions have reached levels consistent with it's assessments of maximum employment.

The bottom line: Keep calm and carry on (being vigilant)

Near term, inflation will be transient rather than persistent. However, this doesn't mean the pressures will be any less real for markets and investors as the economy recovers.

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