BCSWM

the BENCHMARK

BCS Wealth Management's Quarterly Newsletter

ISSUE NO. 24 JUL 2023

04

Quarter Review

Myra addresses the recent positivity in the stock market as well as the factors that have contributed to its growth.

02

Who's Watching Your 401(k)?

John reveals our latest investment in technology that will allow our team to better serve your workplace retirement plan needs.

06

25 for 25 Update

Nathan reflects on the service projects the team has completed year-to-date in our effort to reach our anniversary goal.

Who's Watching Your 401(k)?

By John Brandon

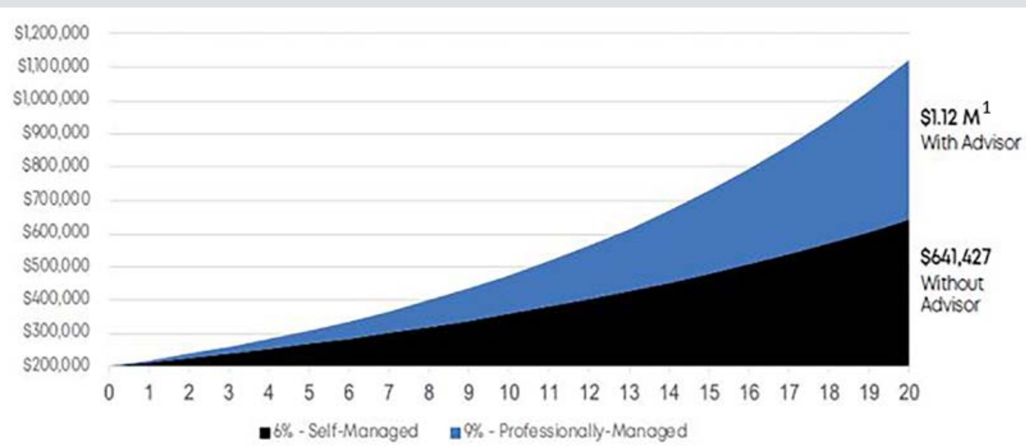
BCS Wealth Management is an independent financial planning firm. One of the benefits of independence is flexibility to explore and choose industry-leading technology solutions. In previous years, we have implemented various software solutions for tax strategy and planning (Holistiplan); portfolio risk management (Nitrogen, formerly Riskalyze); monitoring and reporting for individual and institutional accounts (Schwab Advisor Center, Tamarac, and Fi360); and holistic financial planning (MoneyGuidePro).

According to the U.S. Census Bureau, excluding extremely wealthy households (top 1% of wealth), 401(k) accounts make up approximately 36% of an American household's wealth. While the importance of managing 401(k) and similar accounts has long been acknowledged, BCS Wealth Management had not been able to provide proactive management services on such accounts until now. Our newest technology tool, Pontera, enables us to manage, monitor, and trade these "held away" retirement accounts just like your other accounts with us.

It is crucial to manage these types of retirement assets just as diligently as other investments. Studies have shown that individuals who manage their own 401(k)s often face challenges, leading to suboptimal performance. Vanguard[1] released a white paper in 2001, which is revised annually, indicating that professional management of investment accounts could potentially generate an average of 3% additional performance each year, net of fees. For a 45-year-old 401(k) participant, this could translate to 75% more wealth at age 65.

You no longer need to bring in your 401(k) or similar account statements for our review, nor do you need to have the burden of setting and tracking the investment allocations yourself. Our advisors can make sure your "held away" retirement account complements your other investments that we oversee. We believe this should enhance holistic financial planning and long-term investment outcomes.

1 Vanguard. "Putting a Value on Your Value: Quantifying Vanguard Advisor's Alpha." July 2022. Hypothetical performance calculations are shown for illustrative purposes only.



Your 401(k) or 403(b) plan will remain at your employer's custodian. Nothing will be disrupted from your company's HR standpoint. Pontera's platform lets us manage the investments on your behalf while your 401(k) or 403(b) account remains at the other financial institution.

Our commitment is to help you grow and oversee your wealth broadly. To that end, Pontera lets us provide even better service on these held-away accounts. If your 401(k) or similar account is currently unmonitored, we encourage you to contact us for an in-depth review.

John Brandon, AAMS®, CPFA™
Financial Advisor

Demystifying Social Security and Overcoming Concerns for the Future

President Franklin D. Roosevelt signed the Social Security program into existence in 1935. In the world of retirement planning and wealth management, Social Security has come to be the cornerstone for tens of millions of Americans. This retirement benefit comes in the form of a monthly check that replaces part of your income after you begin working less or retire.

Benefits are funded through Social Security taxes. The Social Security Administration computes benefits based on your earnings history and your age when payments begin. The earliest someone may claim Social Security retirement benefits is age 62. Claiming at age 62 or any time before Full Retirement Age will result in reduced benefits. (Full Retirement Age is between ages 65 and 67 based on a person's year of birth. For most unretired workers presently, it is between age 66 and 67.)

For every year beyond Full Retirement Age one waits to receive benefits, the monthly payout will increase by 8 percent. If financially capable to defer claiming benefits, this decision could provide a much more significant sum of benefits down the road. Often the decision of when to claim benefits is based on one's life expectancy, plans about how long to work, and other personal financial considerations.

Despite the decades-old program's historic stability, the Social Security Trustees project that Social Security may be unable to pay every scheduled benefit starting in 2034. Demographic shifts and an aging population are placing strains on its longevity. However, we believe the program should remain intact for current and future beneficiaries.

Many fears surrounding the depletion of the Social Security trust funds by 2034 are unfounded. Even then, Social Security will not cease. Rather, it will continue to collect taxes and provide benefits. According to the most recent estimates, the program will still bring in enough to pay 80 percent of scheduled benefits.

The last time the program nearly depleted its funds was in 1983. Congress then took steps to prevent a collapse. There are a few arrows in Congress' quiver that could once again be used to prolong the program's lifespan.

One of those options is adjusting the cap for taxable income. According to the Social Security Administration, eliminating it would keep the fund solvent until 2060. Increasing the payroll tax rate or broadening the definition of what types of income can be taxed are other possible avenues.

In contrast to taxation, there could also be reductions. These alternatives include reducing benefits for the newly retired and/or increasing the retirement age for younger workers. These options would likely be a gradual change for future generations just as it was done in the past.

A final – though unlikely – option would be for the program to consider investments besides U.S. Treasuries. Expanding the program's allowed investment types could deliver higher growth over time. In short, policymakers have a range of strategies at their disposal to ensure its future sustainability.

Despite confidence that Social Security will endure, smart retirement planning considers various retirement income sources. Social Security was never intended to be the only source of later-life income. Diversifying your retirement savings through personal investments or employer-sponsored retirement plans is prudent personal financial planning.

Our team at BCS Wealth Management is here to help if you have questions about your Social Security benefits, the timing of those benefits, or any other retirement planning concern that may weigh on your mind.

Andrew Farmer,
Intern for BCSWM

Quarter Review

By Myra O'Dell

Having worked in this industry for almost 20 years, I can certainly say that green is one of my favorite colors, and red makes me cringe a little every time I see it. When I see the table on this page with lots of green, it makes writing this letter much more enjoyable.

It's difficult sometimes to determine, in the short run, why the market behaves one way or another. At the start of 2023, I suspect that most of us were anticipating (or at least hoping for) a better year in the market than what we experienced in 2022. After all, that is not setting the bar very high! Anything better than a negative 19% for the S&P 500 for the year would accomplish that expectation!

Well, for the first half of the year, I suspect most of us have been surprised by the resilience that the market has shown. Several of the indexes are in double-digit territory for the year.

On the other hand, some things that have occurred during the first half of the year are not surprising. For instance, inflation, while still high, is indeed falling as anticipated. Prices within the manufacturing sector have fallen into contraction territory. Prices in the services industries are also easing but not to the point of contracting. This means that inflation appears to be heading in the right direction. Consumers

Major Stock Indexes	2nd Quarter 2023	YTD
DJIA	3.4%	3.8%
Nasdaq Composite	12.8%	31.7%
S&P 500	8.3%	15.9%
Russell 2000	4.8%	7.2%
Global Dow	4.6%	11.0%
Japan: Nikkei 225	18.4%	27.2%
Stoxx Europe 600	0.9%	8.7%
UK: FTSE 100	-1.3%	1.1%
Major Bond Index	**2nd Quarter 2023**	**YTD**
Bloomberg Barclays US Aggregate (Total Return)	-0.8%	2.1%

can see some relief from the fast pace of increasing prices we have been experiencing.

The pace of rate hikes by the Federal Reserve has slowed as expected. At their latest meeting in June, the committee left rates unchanged for the first time since February 2022. However, they did communicate possible hikes totaling 50 basis points later in the year. This leaves the potential for short-term rates to rise and likely continue the inverted yield curve that we have been experiencing.

The U.S. government debt ceiling standoff was resolved before a potential default. With a U.S. debt ceiling deal in place until early 2025, we can punt this one down the road for a while.

While the year-to-date stock market performance has been a pleasant surprise, a peek behind the curtain shows that performance was dominated by only a handful of companies. In fact, the top 10 stocks recently represented about one-third of the S&P 500, and the top five represented nearly one-fourth. The majority of member stocks are actually underperforming the index, which means the market might not be quite as resilient overall as it seems.

As of May 31, a post-1990 record low of only 15% of S&P 500 stocks were outperforming the overall index over the prior three months. By June 9, that had improved to 24%. If this statistic continues to improve, it would indicate an overall healthier market rally.

In contrast, international stocks have experienced broader upward performance. The equal-weighted MSCI EAFE index of international stocks is up well over 20% (measured in U.S. dollars) from the end of October 2022 through June 13, 2023, meeting the technical definition of a new bull market. The equal-weighted S&P 500 index is up only 5% over the same period. The average international stock continues to outpace the average U.S. stock, suggesting a broader base of support for the bull market in international stocks.

I don't feel like I can write about the first half of 2023 without mentioning artificial intelligence (AI). Adoption of ChatGPT, an AI chatbot launched in late 2022, surpassed 100 million users in only two months. Trust me when I say that I don't understand the technology. It is way over my head, but I do understand the hype. One of the cool things about AI is that it can train itself and become smarter. The main areas of focus so far have been in the media industry, software development and coding industries, FinTech, and professional services. The ability for AI to create songs, artwork, and literary works has also received plenty of attention lately.

There are still plenty of kinks to work out and questions to answer. How is the AI being trained? What data is being used? Has that data been checked for accuracy and unintended bias? These are just a few. AI outcomes are only as good as the training data built into the AI model. Transparency, explainability, and objectivity are three keys to using AI on a massive scale.

Evolution is still to take place in use and regulations, but AI is likely to have a significant impact on how we live and work, as well as on productivity and perhaps longer-term inflation (or disinflation) trends. However, the timing of all of this is uncertain, even if the enthusiasm is high. It will be interesting to see how it all unfolds in the future.

I'll end this as I typically do by saying stay disciplined to your financial and investment plan. While it is not bad to stay abreast of current events and news, short-term knee-jerk reactions to the information tend to be detrimental to long-term plans. We're here for you. Thanks for letting us be a part of your journey to reaching your goals.

Myra O'Dell,
CFP®, MBA
Partner & Senior
Financial Advisor

Connect with us!

Stay up to date on the latest news regarding upcoming legislation, planning opportunities, and BCSWM firm updates by subscribing to our blog and following us on social media.

Sign up for our blog here: **bcswealth.com/blog**

@bcswealth

facebook.com/bcswealth

BCS Wealth Management

BCS Wealth Management

25 for 25 Update

by Nathan Goodwin

If you've seen the last two editions of the Benchmark, you know that we're on a quest to complete 25 community service projects this year to commemorate the 25th anniversary of BCS Wealth Management. We start the second half of the year in good shape, having completed 14 projects so far. Some of the projects we've participated in include: Random Acts of Kindness Week, Read Across America Day, the Children's Hospital Radiothon, Brother's Keeper Bowling Tournament, Marsh Blood Drive, the United Way Week of Caring, and several others!

Thank you for going on this journey with us and for allowing us to serve you. Be on the lookout for more updates as well as for opportunities to join us as we help our community.

Helping Elders Find Care

by Philip Bachman and Scott Linn

Have you noticed Mom or Dad showing signs of decline? Are you worried about your elderly uncle living at home by himself? You're not alone. Many of us will find ourselves making care decisions for our parents or other beloved elders.

It's not an easy place to be because it's hard to see them struggle to live independently. While we can't make the process any easier for you, we hope we can offer some guidance on your journey. Here are 7 tips to help make helping your loved ones go more smoothly.

Tip #1: Start talking about care plans as early as possible

Many elders shy away from conversations about their future care needs. However, gently bringing attention to the topic from a place of love and support long before urgent needs arise can help the whole family get on board with a plan. With many desirable communities experiencing high demand, finding a placement may take longer than expected, so planning ahead helps.

Tip #2: Identify any current needs

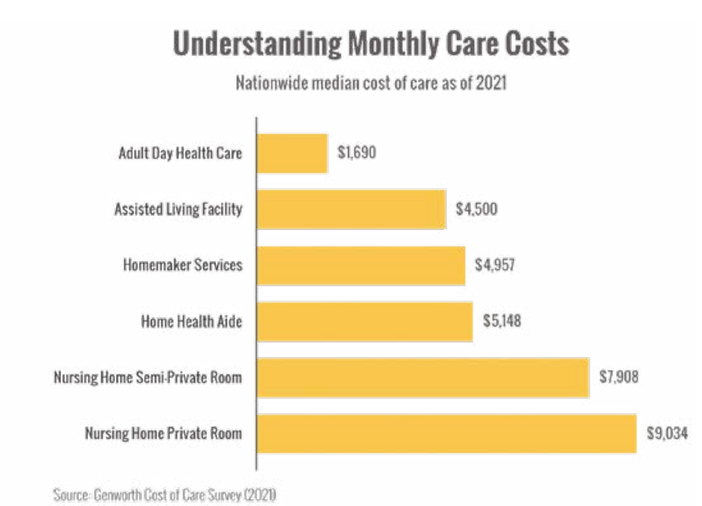
If you already know that your parent or elder needs help, it's useful to identify which "activities of daily living" they may no longer be able to manage. Knowing this will help you gauge what kind of assistance they need. An elder with physical issues may struggle with bathing or dressing but still be able to handle their finances. An elder experiencing cognitive decline may be able to handle their personal care but need help with transportation, money management, and housekeeping. Finding the right level of care for their needs can help them remain independent as long as possible and keep costs in check.

Tip #3: Identify their financial resources

Care can cost quite a bit, so knowing what assets your parents have—income, investments, long-term care policies, insurance, benefits, etc.—can help determine what they can afford. The chart below shows some nationwide care statistics, but the actual cost of a placement will be influenced by location, level of care, type of facility, pricing structures, and more.

Tip #4: Be clear about your own resources and expectations

Many, many factors influence care expectations within families. Being clear with your family about what you can and cannot contribute in terms of time, money, and caregiving is critical. It may be a difficult conversation, especially if your family's expectations of you are outside what you can provide. However, setting boundaries and accountability creates clarity about what services mom and dad will need.



Tip #5: Research their options

There are a lot of ways to help your loved ones age gracefully. Learning about which services and facilities are available and within their resources can empower you to help them make good decisions. Sometimes, home renovations and local support can be enough to support aging-in-place. In other cases, moving to a care community can offer elders the support they need to thrive.

Tip #6: Understand the steps involved in getting into a community

Many facilities operate with a waitlist, so it may be challenging to quickly find a placement when the time comes to move. Starting early helps. Asking for referrals, taking tours of facilities together (if they're willing), and becoming informed about how each community works can help you all understand the process. When you've identified a place you may be able to place a deposit to get on the waitlist, giving them the option to accept a spot when it opens.

Tip #7: Ask for help

You're not alone in this journey. If you're facing a need to find care for your parents, know that there are several resources for helping you navigate the process. Let us know how we might be helpful in the process, whether it might be planning the financial implications of care needs or connecting you to appropriate resources. We're here to be your sounding board and an outside opinion to help your family navigate the emotions and find a good path forward.

BCS Wealth Management

801 F Sunset Drive, Suite 1
Johnson City, TN 37604
423.283.9821

BCS Wealth Management is an independent financial planning firm in Johnson City, TN. We help individuals, families, and businesses reach goals important to their financial wellbeing. We provide investments and financial planning, insurance, and group benefits.

bcswealth.com

Coming Soon!

The Benchmark Podcast

The team at BCS Wealth Management will be introducing a new Podcast in the coming weeks. Sharing the name with our newsletter, The Benchmark Podcast will focus on many different topics of interest for our listeners, and will be short enough to enjoy on your daily commute. We're excited to share our insights to various topics in a more intimate and relaxed setting. Be on the lookout for our first few episodes, coming soon!