



# OnWealth

Financial Advice from Wealth Management Services



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## \$352 billion

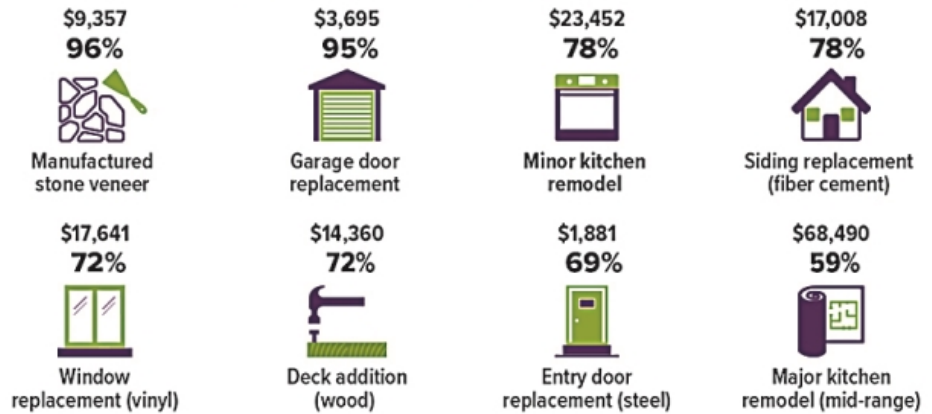
Projected U.S. spending on home remodeling and repairs in 2021.

Source: Joint Center for Housing Studies of Harvard University, 2021

## Unexpected Surge in Renovation Projects

Home-improvement spending normally lags during recessions, but COVID-19 sparked an unexpected surge in do-it-yourself renovation and maintenance projects. Many households whose finances held up during the pandemic devoted time and money to making their indoor and outdoor living spaces more functional and comfortable for working, learning, and recreation.

### Project costs and percentages recouped



Sources: Joint Center for Housing Studies of Harvard University, 2020; 2020 Cost vs. Value Report, *Remodeling* magazine (national averages)

# International Investing: Opportunity Overseas?

For the past decade, U.S. stocks have outperformed foreign stocks by a wide margin, due in large part to the stronger U.S. recovery after the Great Recession. In general, U.S. companies have been more nimble and innovative in response to changing business dynamics, while aging populations in Japan and many European countries have slowed economic growth.<sup>1</sup>

Despite these challenges, some analysts believe that foreign stocks may be poised for a comeback as other countries recover more quickly from the effects of COVID-19 than the United States. On a more fundamental level, the lower valuations of foreign stocks could make them a potential bargain compared with the extremely high valuations of U.S. stocks.<sup>2-3</sup>

## Global Growth and Diversification

Investing globally provides access to growth opportunities outside the United States, while also helping to diversify your portfolio. Domestic stocks and foreign stocks tend to perform differently from year to year as well as over longer periods of time (see chart). Although some active investors may shift assets between domestic and foreign stocks based on near- or mid-term strategies, the wisest approach for most investors is to determine an appropriate international stock allocation for a long-term strategy.

## A World of Choices

The most convenient way to participate in global markets is by investing in mutual funds or exchange-traded funds (ETFs) — and there are plenty of choices available. In Q1 2021, there were more than 1,400 mutual funds and 600 ETFs focused on global equities.<sup>4</sup>

International funds range from broad, global funds that attempt to capture worldwide economic activity to regional funds and those that focus on a single country. Some funds are limited to developed nations, whereas others may focus on nations with emerging economies.

The term "ex U.S." or "ex US" typically means that the fund does not include domestic stocks. On the other hand, "global" or "world" funds may include a mix of U.S. and international stocks, with some offering a fairly equal balance between the two. These funds offer built-in diversification and may be appropriate for investors who want some exposure to foreign markets balanced by U.S. stocks. For any international stock fund, it's important to understand the mix of countries represented by the securities in the fund.

## Additional Risks and Volatility

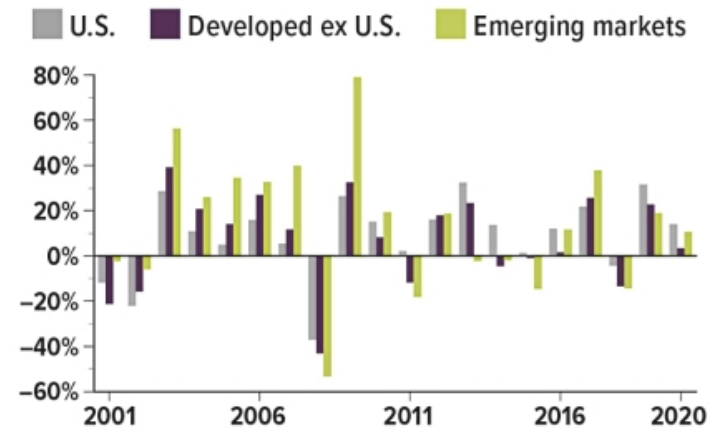
All investments are subject to market volatility, risk, and loss of principal. However, investing internationally carries additional risks such as differences in financial reporting, currency exchange risk, and economic and political risk unique to a specific country. Emerging

economies might offer greater growth potential than advanced economies, but the stocks of companies located in emerging markets could be substantially more volatile, risky, and less liquid than the stocks of companies located in more developed foreign markets.

## Domestic vs. Foreign

Over the past 20 years, stocks in emerging markets have outperformed U.S. stocks but have been much more volatile. Stocks of developed economies outside the United States have yielded less than domestic stocks over the 20-year period, but have outperformed in nine of those 20 years.

## Stock performance, annual total returns



Source: Refinitiv, 2021, for the period 12/31/2000 to 12/31/2020. U.S. stocks are represented by the S&P 500 Composite Total Return Index, developed ex US stocks are represented by the MSCI EAFE GTR Index, and emerging market stocks are represented by the MSCI EM GTR Index; all are considered representative of their asset classes. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Rates of return will vary over time, especially for long-term investments. Past performance is not a guarantee of future results. Actual results will vary.

Diversification is a method to help manage risk; it does not guarantee a profit or protect against loss. The return and principal value of all stocks, mutual funds, and ETFs fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Supply and demand for ETF shares may cause them to trade at a premium or a discount relative to the value of the underlying shares.

*Mutual funds and ETFs are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.*

1, 2) U.S. News & World Report, October 1, 2020

3) CNBC, January 23, 2021

4) Investment Company Institute, 2021

# Decisions, Decisions: Weighing the Pros and Cons of an IRA Rollover

If you lose a job, switch employers, or step into retirement, you might consider rolling your retirement plan savings into an IRA. But this isn't your only option; it could make more sense to keep the money in your previous employer's plan or move it to your new employer's plan (if allowed by the plan).

You could also cash out, but that's rarely a good idea. Withdrawals from tax-deferred retirement accounts are taxed as ordinary income, and you could be hit with a 10% tax penalty if you are younger than 59½, unless an exception applies.

Some employer plans permit in-service distributions, which allow employees to take a partial distribution from the plan and roll the money into an IRA. When deciding what to do with your retirement assets, be aware that IRAs are subject to different rules and restrictions than employer plans such as 401(k)s.

## What IRAs Have to Offer

There are many reasons to consider an IRA rollover.

**Investment choice.** The universe of investment options in an IRA is typically much larger than the selection offered by most employer plans. An IRA can include individual securities and alternative investments as well.

**Retirement income.** Some employer plans may require you to take a lump-sum distribution when you reach the plan's retirement age, and your distribution options could be limited if you can leave your assets in the plan. With an IRA, it's likely that there will be more possibilities for generating income, and the timing and amount of distributions are generally your decision [until you must start taking required minimum distributions (RMDs) at age 72].

**Account consolidation.** Consolidating your investments into a single IRA may provide a clearer picture of your portfolio's asset allocation. This could make it easier to adjust your holdings as needed and calculate RMDs.

**Different exceptions.** There are circumstances when IRA owners may be able to withdraw money penalty-free prior to age 59½, options that are not available to employer plan participants. First-time homebuyers (including those who haven't owned a home in the previous two years) may be able to withdraw up to \$10,000 (lifetime limit) toward the purchase of a home. IRA funds can also be withdrawn to pay qualified higher-education expenses for yourself, a spouse, children, or grandchildren. IRA funds can even be used to pay for health insurance premiums if you are unemployed.

## When to Think Twice

For some people, there may be advantages to leaving the money in an employer plan.

**Specific investment options.** Your employer's plan may offer investments that are not available in an IRA, and/or the costs for the investments offered in the plan may be lower than those offered in an IRA.

**Stronger creditor protection.** Most qualified employer plans receive virtually unlimited protection from creditors under federal law. Your creditors cannot attach your plan funds to satisfy any of your debts and obligations, regardless of whether you've declared bankruptcy. On the other hand, IRAs are generally protected under federal law (up to \$1,362,800) only if you declare bankruptcy. Any additional protection will depend on your state's laws.

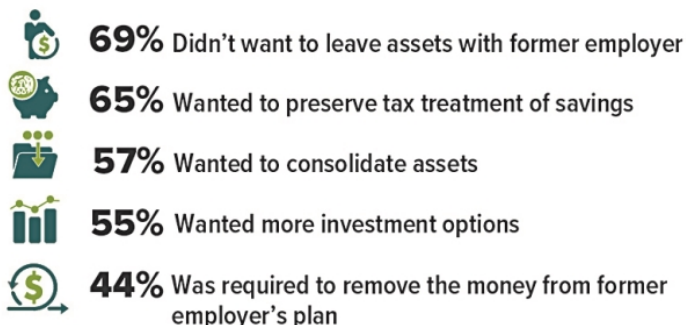
**The opportunity to borrow from yourself.** Many employer plans offer loan provisions, but you cannot borrow money from an IRA. The maximum amount that employer plan participants may borrow is 50% of their vested account balance or \$50,000, whichever is less.

**Penalty exception for separation from service.** Distributions from your employer plan won't be subject to the 10% tax penalty if you retire during the year you reach age 55 or later (age 50 for qualified public safety employees). There is no such exception for IRAs.

**Postponement of RMDs.** If you work past age 72, are still participating in your employer plan, and are not a 5% owner, you can delay your first RMD from that plan until April 1 following the year in which you retire.

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## Top Reasons for Most Recent IRA Rollover



Source: Investment Company Institute, 2021 (more than one reason allowed per respondent)

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# Is It Time to Cut Cable?

An explosion in the number and variety of streaming services, coupled with more time spent at home in the last year, might have you wondering whether it's time to cut the cord on cable. After all, cable isn't getting any cheaper. At the beginning of 2021, many large cable and satellite television companies announced higher prices and reinstated data caps, which were temporarily suspended in 2020 by the Federal Communications Commission.<sup>1</sup> But is it really worth it to ditch cable in favor of streaming services? Consider the following before you make the switch.

**Determine how much of your cable subscription you *actually* use.** Are you regularly watching all the channels you pay for, or do you watch only a few of them? Are the channels you watch worth what you pay each month? The answers to these questions may help you decide whether the cost of your cable subscription is worth it.

**Know your viewing preferences.** Streaming services often delay the release of new TV show episodes, which can be frustrating for dedicated viewers. And sports fans might be disappointed to learn that it's difficult to access live sports coverage through most streaming services. Comprehensive sports packages are offered by some services, but usually at a higher cost, and you may need to bundle a few services together depending on whether you want local, national, and/or international coverage. Plus, delays in live programming can make it tough to tune in to your

favorite teams.

**Compare streaming services.** A dizzying array of streaming services are available. Narrow down your choices by making a list of the ones that most appeal to you. If possible, sign up for free trials to find out what is (and what isn't) a good fit. And investigate the terms and conditions of any service that you decide to try — look for termination fees and how much any add-ons might cost.

**Consider the benefits and limitations.** In addition to being less expensive than cable, most streaming services are user-friendly. And as long as you have an Internet connection, streaming services allow you to view your favorite shows on the go on your cell phone or tablet. But not all streaming services offer extras such as digital video recording (DVR) or live television pausing, which are cable features you might miss. You may also have to subscribe to multiple streaming services to access all your preferred programs, which could mean you won't save much (or any) money in the long run.

**Factor in the cost of extra equipment.** You may need to invest in special streaming devices to access the programs you want. You might also consider the cost of high-speed Internet — you won't be able to successfully stream without a relatively fast Internet connection.

1) *Consumer Reports*, December 21, 2020

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