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Issue 1

Looking to 2021

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Client Access: Add Outside Accounts

The Financial Advisor Newsletter

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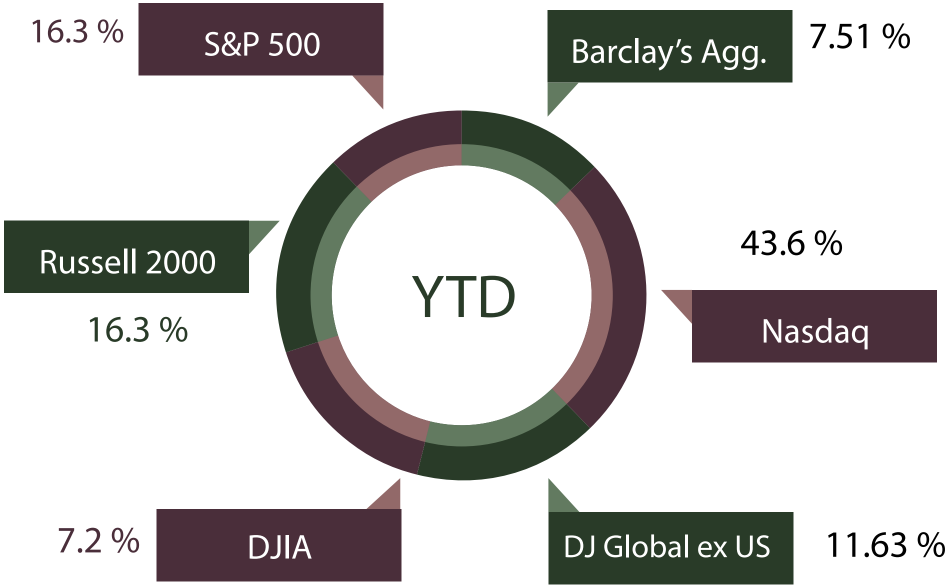
Front cover photo taken by Patrick L. Sullivan

ECONOMIC SNAPSHOT



Source: WSJ, January 2, 2021. Inclusion of these unmanaged indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will effect actual investment performance. Individual investor results will vary. Past performance does not guarantee future results. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing the stocks of 30 companies maintained and reviewed by the editors of the Wall Street Journal. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Nasdaq composite is an unmanaged index of securities traded on the Nasdaq system. The Dow Jones Global ex US is a stock market index measuring equity securities traded globally in 64 countries, excluding the U.S. The Barclays Capital US Aggregate Bond Index is a benchmark index composed of US securities in Treasury, Government-related, Corporate, and Securitized sectors. The Russell 2000 index measures the performance of the 2000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

KEVIN'S VIEW

LOOKING TO 2021

How does one even begin to sum up 2020? It is very tempting to catalog everything that happened, but let's leave that effort to the news organizations and the historians. Instead, let us look forward. As we look at 2021 three major trends are emerging: political disruption, Coronavirus changes, and economic evolution.

It seems after every election we are amazed by the vitriol that has been injected into the political sphere. The 2020 election had more than its fair share. The results show us a country that is deeply divided on a number of issues and this division brings with it increased uncertainty for businesses as both regulation and taxation will be oscillating from one extreme to the other. That being said, American businesses are extremely flexible and should be able to handle it. No matter what the make-up is of the U.S Congress, the reality is there will be only so much the new administration will be able to get done before the mid-term elections. While politics will continue to dominate headlines there may not be much in the way of sustained market moving actions.

Regarding COVID-19, the vaccine rollout has started. Most estimates seem to put the achievement of some type of "herd immunity" due to vaccinations and survivors of COVID-19 as sometime around late summer. As that effort comes to fruition and we get back to "normal" there will likely be some amount of walking back of the major COVID-19 trends. Those trends include working from home, suspension of business travel, movement to smaller communities, and de-globalization. It is hard to put the genie back into the bottle though. While some rebound will occur, these were trends that existed before COVID-19 and will likely continue into the future.

One other change out of 2020 will be harder to walk back, fiscal and monetary support for the economy. As I mentioned in my last newsletter, we have seen an unprecedented amount of support for the economy both

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from the U.S. Government (fiscal) and from the U.S. Federal Reserve (monetary). Similar support, but on a much smaller scale, happened during the 2008 Financial Crisis, but what happened in 2020 dwarfs the efforts in 2008. This will likely continue into 2021.

Far from just supporting those individuals hardest hit by COVID-19, a fair amount of the stimulus seems to have found its way into asset prices. We've seen record prices in stocks, some real estate (Location, Location, Location), gold, cryptocurrencies, and even collectable sneakers! Do these prices reflect a bubble? The answer to that question will likely depend on whether or not it continues.

From a monetary point of view, it is unlikely to change. The current Chairperson of the U.S. Federal Reserve has stated that they plan on keeping interest rates low thru 2021 at least. Of course, he may be replaced with the incoming of the new administration, but it would very surprising if that view changed. Likely the Federal Reserve will continue to offer material support for the economy until it sees clear signs of the economy strengthening like near full employment or strong inflation.

From a fiscal point of view the outlook is murkier. A lot may depend on the makeup of the Congress, but no matter which party controls the different chambers they would be hard pressed to not continue with some sort of stimulus early in 2021. The only real question is the amount and how it is distributed.

As we look to 2021, we will be offsetting the (hopefully diminishing) effects of COVID-19 against the fiscal and monetary support. We think the market should continue to show some strength and interest rates should continue to stay low.

On a personal note, I would like to thank you, our clients, for the flexibility you've continued to show my staff and myself with online meetings and dealing with the vagaries of sending documents through the mail or over the internet. We are planning to continue to meet virtually or over the phone well into 2021. As always if there is anything we can be doing better to help you understand your financial situation, please don't hesitate to reach out to me. □

SOME REASONS TO BE OPTIMISTIC ABOUT THE US ECONOMIC REBOUND

Housing Strong

2.9%

30-Year Fixed Mortgage Rate, Lowest on Record

Manufacturing Rebound

2004

Manufacturing New Orders Highest Since 2004

Capex Boost

29%

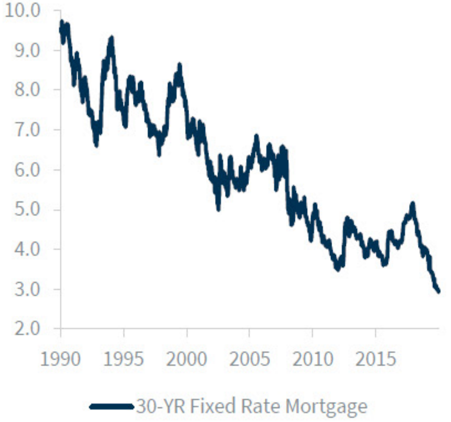
Capex Plans at the Pre-COVID Highs

Weaker Dollar

90.7

Dollar at 2.5 Year Low Supportive of Exports

Housing Likely to Remain Strong



Manufacturing New Orders Surge

Capex to Increase

Weaker Dollar to Boost Exports

Source: FactSet. All charts as of 12/4/2020.

DID YOU KNOW...

Social Security
The Social Security Administration has announced a cost-of-living adjustment (COLA) to recipients' monthly Social Security and Supplemental Security Income (SSI) benefits of 1.3%.

Charitable Giving
Enhancements to the normal charitable gifts deduction rules in 2020 have been extended through 2021. For those who itemize deductions, the limit on the charitable gifts deduction has been increased to 100% of AGI for direct cash gifts to public charities. For nonitemizers, a $300 (increased to $600 in 2021 for joint returns) charitable deduction

Required Minimum Distributions
RMDs were suspended for 2020, and have been reinstated for 2021.

WINTER 2020 MARKET CLOSURES

Monday, January 18: Martin Luther King Jr. Day

Monday, February 15: Presidents Day

HOW COVID-19 HAS CHANGED CONSUMER BEHAVIOR AND THE FUTURE OF RETAIL

Stay-at-home spending shifts
Some workers with stable incomes have been able to save money they would normally spend on transportation, gym memberships, restaurant meals, and expensive "experiences" such as vacations, concerts, sporting events, and other live shows. On the other hand, many households are spending more on home improvements, household goods, fitness equipment, and other lifestyle purchases that make sheltering in place more tolerable. For example, huge demand for bicycles resulted in surprising shortages. And with offices closed and most special events cancelled or postponed, a preference for casual and comfortable clothing has decimated consumer demand for more formal attire like business suits and dresses.

A swift expansion of e-commerce was also unleashed. New online habits were created in the first three months of the pandemic, accelerating the adoption of digital technologies that might have taken 10 years to achieve otherwise. When lockdowns and social distancing measures were put in place, many consumers were compelled to shop online and use other digital services (e.g., video chat, virtual doctor visits, and online classes) for the first time. Surveys suggest that a vast majority of new users found online services to be useful and convenient; many said they will continue to use them permanently.

Source, Raymond James,

But anxious consumers have also been boosting their savings. The personal saving rate — the percentage of disposable income that people don't spend — hit a record 33.6% in April before falling to 14.1% in August, far above February's 8.3% rate. When consumers prioritize saving, it may help individual households build financial stability and prepare for retirement, but it can also hold back the nation's economic growth.

Traditional retailers on the ropes

Big-box retailers that sell groceries and other goods in one place and home-improvement stores were deemed "essential" in the spring. Regardless of local virus conditions, these businesses have remained open for a steady flow of customers eager to stock up on food and other necessities. As a result, they have generally been able to book healthy profits.

Meanwhile, temporary closures, capacity limits, and a drop-off in overall customer traffic have taken a toll on nonessential retailers that couldn't offer a convenient online shopping experience with home or curbside delivery. The pandemic may land the blow that knocks out some familiar brick-and-mortar retailers, many of which were already buckling under excessive debt and fierce competition from e-commerce giants. Retail bankruptcies and store closings are on track for a record year in 2020. By mid-August, 29 U.S. retailers had filed for Chapter 11 protection, including several long-standing department-store chains. More than 10,000 permanent store closings have already been announced in 2020, vacating roughly 130 million square feet of physical retail space.

A holiday season like no other

Higher unemployment and wage cuts might have had a more severe impact on consumer spending from March to October were it not for the expanded unemployment benefits and stimulus checks delivered to consumers by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. At the time of this writing, Congress had not passed a follow-up stimulus package, and consumers were facing new challenges going into the holiday season.

More than 11 million U.S. workers were still unemployed in October, before a nationwide surge in virus cases and hospitalizations sparked a new round of business restrictions and closures in mid-November.13-14 CARES Act provisions that offer financial support for affected consumers and small businesses expire by the end of December. Holiday sales figures are often considered an economic barometer, reflecting consumer confidence and funds for discretionary spending. In 2019, holiday spending in November and December rose 4.1% over 2018, suggesting that economic growth was picking up steam. But holiday shoppers were blissfully unaware that a pandemic was on its way.

Black Friday holiday deals are designed to create a frenzy and lure throngs of shoppers into stores. But retailers seemed to agree that a different approach was needed in 2020: Promotions were offered online and earlier; store hours were shortened and capacity was limited; and unlike in past years, most stores stayed closed on Thanksgiving.

Source, Raymond James,

12 Wishes for the New Year

1 One reliable COVID vaccine, bringing **'joy to the world.'**

2 Two parties coming together to give the **'gift' of stimulus** to the economy.

3 Mortgage rates below 3% would have homebuyers **'prancing' to purchase.**

4 Unemployment rates of 4% would make the labor market's **'spirits bright.'**

5 The weather outside may be frightful, but **five golden rings** would be so delightful.

6 6% increase in personal consumption would bring **'good tidings'** to GDP.

7 Seven continents with GDP growth **'up, up and away'** from depressed levels.

8 Eighth year of **'hot' tech** to 'light the way' for equity markets.

9 9-handle for invesment-grade spreads to **'jingle all the way'** back below prepandemic levels.

10 **10% price** return for the S&P 500 as US stocks keep 'dashing' to new record highs.

11 11 S&P 500 sectors with **'piping' performance** would have investors 'rocking around' the recovery rally.

12 Twelve months of payrolls 'drumming'

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Source, Raymond James,

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Enjoy a More Complete View of Your Finances

Sullivan & Associates is pleased to offer a new optional benefit allowing you to add accounts you own outside of Raymond James – such as bank accounts or outside loans – to your account summary in Client Access, providing a more complete view of your overall financial picture.

Sullivan & Associates has enabled this service to allow all clients enrolled in Client Access the ability to add external account data so that it appears on the Summary screen (Client Access's home page). Having external account information on the Summary screen, along with your Raymond James accounts, can assist you in attaining a net worth view.

We encourage you to take advantage of this feature. Once you add your accounts, the values will automatically update every day, making it easy and convenient for you to keep an eye on your finances. We'll also be able to work together to review your financial plan in a more comprehensive manner, to help keep you on target to meet your current and future needs and goals.

You can add two types of accounts:

- Accounts at external financial institutions – The account balances are updated daily using a secure, automated feed.
- Offline accounts – The account balances of offline accounts (assets and liabilities not available via online access) must be manually updated.

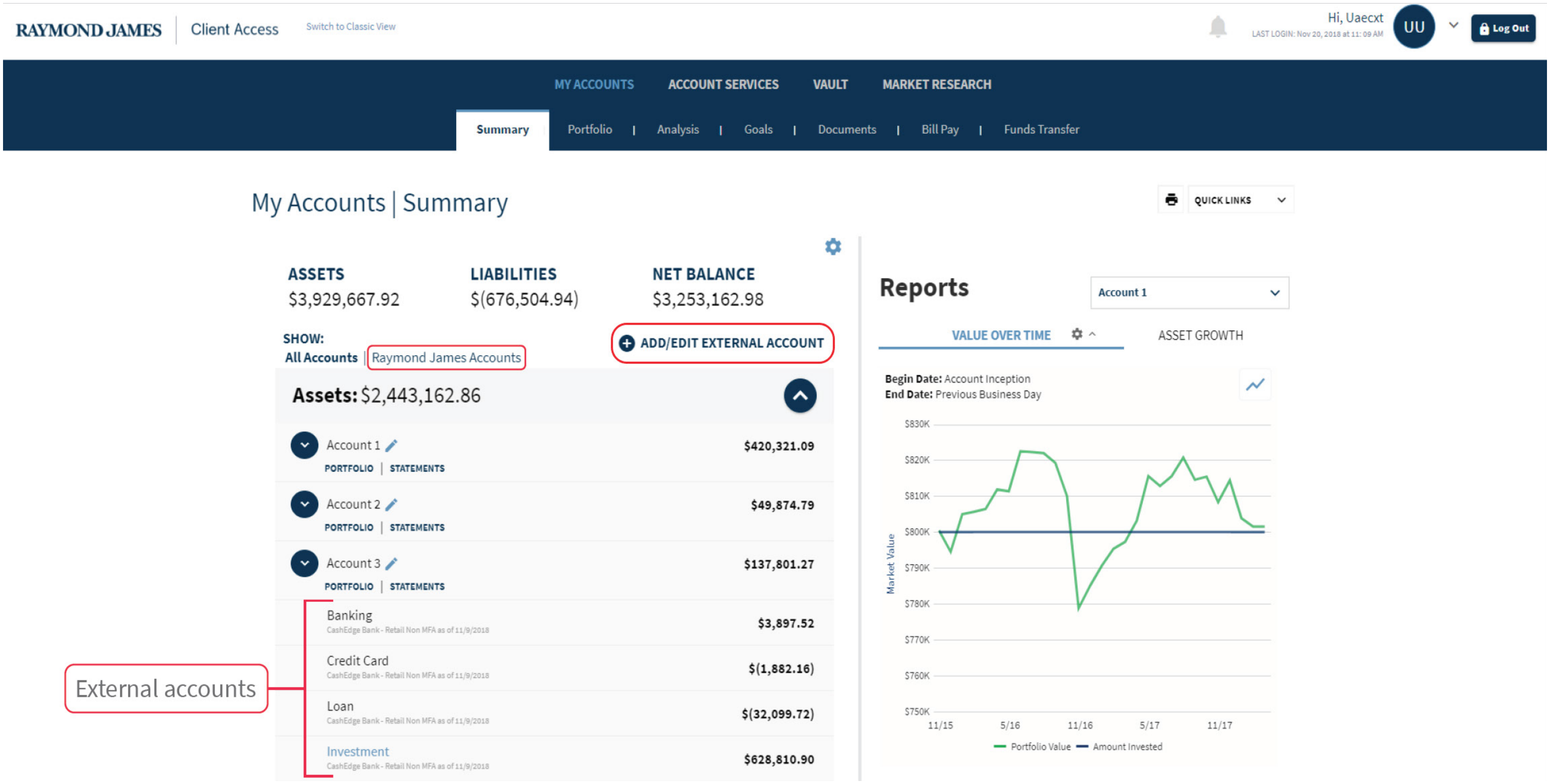
Please keep in mind that to utilize this feature, you will need to be registered for Client Access. If you have not yet done so, please call us so we can assist you in registering.

3 Simple Steps

1. From the Summary screen, click **Add** or **Edit** a Non-Raymond James Account.

2. Review and accept the Terms and Conditions and click **Next**.

3. Follow the **Add Accounts** wizard to search for institutions.



This is a hypothetical example for illustration purposes only and does not represent an actual investment.

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SULLIVAN & ASSOCIATES

AN INDEPENDENT REGISTERED INVESTMENT ADVISOR

1229 Lake Plaza Drive
Colorado Springs, CO 80906

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719-576-4500 or 877-423-7237

Kevin P. Sullivan, CFA, CFP®, AIF
Wealth Manager, Branch Manager
Kevin.Sullivan@RaymondJames.com

Kristin Maksimowicz
Client Service Manager/ Office Manager
Kristin.Maksimowicz@RaymondJames.com

Kristine McMorris
Client Service Manager
Kristine.McMorris@RaymondJames.com

Maryann Fulop, CRPS®
Investment Executive
Maryann.Fulop@RaymondJames.com

Katelyn Meeks
Administrative Assistant/Receptionist
Katelyn.Meeks@RaymondJames.com