The McCrea - Bollinger Group

First Kentucky Securities Corporation

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We Are Moving Up!

We are saying goodbye to Suite 115
and are moving upstairs to Suite 300 on the third floor!

Can It All Go Right?

The second half of 2020 has proven the markets are forward looking as the anticipation of a new normal lifted the markets to all-time highs. The stock market seems focused on good economic news such as low interest rates, continued government stimulus, the economy coming back stronger than expected, pent up consumer demand, record high levels of corporate cash, a turbulent presidential election finally behind us and anticipation of the vaccine being widely available in the first quarter of 2021.

The question going forward isn't so much about what could go wrong, but rather what else could go right. It is likely most of the good economic news is already factored into the market's current price. We are seeing more signs of an already over valued market getting even more over extended. A much-anticipated correction is likely in the first half of 2021 followed by a general flattening of returns for the rest of the year. The overvalued market accompanied by record low interest rate are likely to lead to disappointing returns for most investors.

We are focused on which industries have or are likely to see significant changes due to the impact of the pandemic and how those changes will take place. It seems likely the new normal will bring more road trips and less cruise ships. While we anticipate an increase in foot traffic at malls compared to what it was during the pandemic, we believe shopping online will hang onto the positive momentum it grabbed during the pandemic. In addition, we look forward to dining out again even if it means less restaurant choices. Throughout the year businesses, consumers, and the government have made many adjustments dealing with the pandemic and the economy. Some of these changes will be short lived, while others are more permanent. It will take years to fully understand and appreciate the changes in the way we live and do business.

While we recommend staying fully invested, this is a good time to revisit your risk balance and current diversification. As always, we will look for good values within a diversification strategy that fits your current investment objectives and overall risk tolerance.

The investment markets are constantly changing. As long-term investors, we look at these changes as opportunities for your overall investment strategy. What is your timetable? How best to balance risk and rewards based on your objectives? What are the important reasons for you to build and protect wealth? We monitor each investor's portfolio against changing market conditions to maximize performance. It is our simple approach to produce wealth for you.

Your Team: Sheree Bollinger, Bruce McCrea, Chris McCrea, Caroline Flatt, & Bryan McCrea

Your Annual Financial Planning Checklist

If you've taken on the task of mapping out your annual financial plan, you deserve a pat on the back. Making sure you've covered all the bases is important to both your short- and long-term financial health. Keeping track of your progress with an annual financial planning checklist makes it easier to see which tasks have been completed and which you still need to tackle.

Create Your Personal Financial Inventory

-A list of assets, including items such as your emergency fund, retirement accounts, other investment and savings accounts, real estate equity, education savings, etc. (any valuable jewelry, such as an engagement ring, belongs here, too)
- A list of debts, including your mortgage, student loans, car loans, credit cards, and other loans
- A calculation of your credit utilization ratio, which is the amount of debt you have versus your total credit limit
- Your credit report and score
- A review of the fees you're paying to a financial advisor, if any, and the services they provide

Set Financial Goals

Once you have a personal financial inventory completed, you can move on to setting goals for the remainder of the year or and for the next 12 months. Your goals will be divided into short-term, mid-term, and long-term ones.

Your short-term goals might be to:
- Establish a budget
- Create an emergency fund or increase your emergency fund savings
- Pay off credit cards

Your mid-term goals might include:
- Getting life insurance and disability income insurance
- Thinking about your dreams, such as buying a first home or vacation home, renovating, moving, or saving so that you'll have money to have a family or to send children or grandchildren to college

Then review your long-term goals, including:
- Determining how much of a nest egg you'll need to save for a comfortable retirement
- Figuring out how to increase your retirement savings

Rebalance Your Portfolio

Periodically rebalancing your portfolio ensures that you're not carrying too much risk or wasting your investment dollars on securities that aren't generating a decent rate of return. It also makes sure that your current portfolio reflects your investment strategy, as changes in the market often cause a shift that needs to be corrected to maintain the diversification you originally planned.

-Look at which asset classes you have in your portfolio and where the gaps are. If necessary, refocus your investments to even out things.

By the Numbers

1.) TIME IN THE MARKET - Since 1950 (i.e., 1950-2020), the S&P 500 index has been up 54% of 17,866 trading days, 60% of 852 months, 67% of 284 quarters and 73% of 71 years (source: BTN Research).

2.) LONG-TERM - The S&P 500 has gained an average of +10.9% per year (total return) over the last 50 years (i.e., 1971-2020). The index has been positive in 16 of the last 18 years. Over the long-term, the S&P 500 has been up during 40 of the last 50 years, i.e., 80% of the time (source: BTN Research).

3.) JOBLESS - The lowest (3.5%) and the highest (14.7%) unemployment rates in the United States in the last 50 years (since 1970) both occurred in 2020, and they took place just 2 months apart (source: Department of Labor).

4.) HOUSING - The average interest rate nationwide on a 30-year fixed rate mortgage was 2.76% at the end of 2020. The all-time record low national average is 2.66%, set just 1 week earlier on 12/24/20 (source: Freddie Mac).

5.) OVERSPENDING - The national debt of the United States was $27.56 trillion as of the close of business on Wednesday 12/30/20, an increase of $4.36 trillion during calendar year 2020 (source: Treasury Department).

By the Numbers is our digital newsletter. If you would like to subscribe please call Krissy at (502) 238-7740 or e-mail Krissy@firstky.com

Plan on Addressing Tax Planning for Investments

While you're looking over your portfolio and rebalancing, don't forget to factor in how selling off assets may affect your tax liability. If you're selling investments at a profit, you'll be responsible for paying short- or long-term capital gains tax, depending on how long you held the assets. This step can wait until the end of the year. When you get to that point in time, you'll want to consider these strategies:

- Harvesting tax losses by replacing losing investments with different ones to offset a potentially higher tax bill
- Looking into whether you should offset capital gains and losses
- Investigating whether it makes sense to use appreciated securities to make charitable donations or support lower-income family members.

(Source: Investopedia)