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Different Inflation Measures, Different Purposes

The inflation measure most often mentioned in the media is the Consumer Price Index for All Urban Consumers (CPI-U), which tracks the average change in prices paid by consumers over time for a fixed basket of goods and services. In setting economic policy, however, the Federal Reserve Open Market Committee focuses on a different measure of inflation — the Personal Consumption Expenditures (PCE) Price Index, which is based on a broader range of expenditures and reflects changes in consumer choices. More specifically, the Fed focuses on "core PCE," which strips out volatile food and energy categories that are less likely to respond to monetary policy. Over the last 10 years, core PCE prices have generally run below the Fed's 2% inflation target.

Sources: U.S. Bureau of Labor Statistics and U.S. Bureau of Economic Analysis, 2020 (data for the period September 2010 to September 2020)

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Are Value Stocks Poised for a Comeback?

Growth stocks have dominated the market for the last decade, led by tech giants and other fast-growing companies. While it's possible this trend may continue, some analysts think that value stocks may have strong appeal during the economic recovery.[1]

No one can predict the market, of course. And past results are never a guarantee of future performance. But it may be helpful to consider these two types of stocks and the place they hold in your portfolio.

Value stocks are associated with companies that appear to be undervalued by the market or are in an industry that is currently out of favor. These stocks may be priced lower than might be expected in relation to their earnings, assets, or growth potential. In an expensive market, value stocks can offer bargains.

Established companies are more likely than younger companies to be considered value stocks. Older businesses may be more conservative with spending and emphasize paying dividends over reinvesting profits. The potential for solid dividend returns regardless of market direction is one reason why value stocks can be appealing, especially in the current low-interest environment. An investor who purchases a value stock typically expects the broader market to eventually recognize the company's full potential, which might push the stock price upward. One risk is that a stock may be undervalued for reasons that cannot be easily remedied, such as legal difficulties, poor management, or tough competition.

Growth stocks are associated with companies that appear to have above-average growth potential. These companies may be on the verge of a market breakthrough or acquisition, or they might occupy a strong position in a growing industry. The dominance of large technology stocks over the last few years is one example of this.

Growth companies may be more aggressive with spending and place more emphasis on reinvesting profits than paying dividends (although many larger growth companies do offer dividends). Investors generally hope to benefit from future capital appreciation. Growth stocks may be priced higher in relation to current earnings or assets, so investors are essentially paying a premium for growth potential. This is one reason why growth stocks are typically considered to carry higher risk than value stocks.

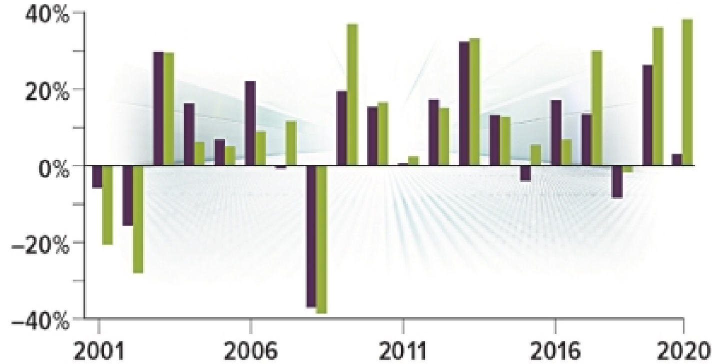
Diversification and Weighting

Value and growth stocks tend to perform differently under different market conditions (see chart). For diversification, it may be wise to hold both value and growth stocks in your portfolio, but this can be accomplished by investing in broad index funds, which generally include a mix of value and growth stocks. These are considered *blended funds.*

Different Styles for Different Times

Value and growth are considered investing *styles.* The last 10 years have been a strong period for growth stocks, but value stocks were stronger during the previous decade, which included two recessions with extended bear markets.

Average annual returns	2001–2010	2011–2020
Value stocks	3.26%	10.50%
Growth stocks	0.02%	17.21%



Source: FTSE Russell, 2021, for the period 1/1/2001 to 12/31/2020. Value stocks and growth stocks are represented by the Russell 1000 Value Index and the Russell 1000 Growth Index, respectively. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in an index. Investment fees, charges, and taxes were not taken into account and would reduce the performance shown if they were included. Rates of return will vary over time, particularly for long-term investments. Past performance is no guarantee of future results. Actual results will vary.

Typically, investors who follow a value or growth strategy weight their portfolios to one side or the other through funds or individual stocks. If you use a mutual fund or exchange traded fund (ETF) to emphasize value or growth in your equity portfolio, it's important to understand the fund's objectives and structure, including the index that the fund uses as a benchmark.

Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against loss. The return and principal value of stocks, mutual funds, and ETFs fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. The amount of a company's dividend can fluctuate with earnings, which are influenced by economic, market, and political events. Dividends are typically not guaranteed and could be changed or eliminated.

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) *The Wall Street Journal,* September 30, 2020

A Financial Wellness Plan Can Help Pave the Road to Retirement

If we've learned any lesson over the past year, it's that no matter how carefully we plan and prepare, we'll likely encounter unexpected hurdles. While a global pandemic has certainly underscored the need to pay close attention to our physical wellness, it has also revealed the need to shore up our financial wellness.

According to PwC's 9th Annual Financial Wellness Survey conducted in January 2020, financial matters were the top cause of stress for employees even well before the pandemic hit in earnest. More than one-third of full-time employed millennials, Gen Xers, and baby boomers had less than $1,000 in emergency savings. Only 29% of women said they would be able to cover their basic necessities if they found themselves out of work for an extended period, compared with 55% of men. And more than half of millennials and Gen Xers and 35% of baby boomers said they would likely use their retirement funds for something other than retirement, with most noting it would be for an unexpected expense or medical bills.[1]

Although tapping your retirement savings can help you get through a crisis, it can hinder your ability to afford a comfortable retirement. Having a plan to guard your financial wellness throughout your working years can help you avoid putting your retirement at risk.

What Is Financial Wellness?

The Consumer Financial Protection Bureau (CFPB) defines financial well-being as:[2]

1) Having control over day-to-day and month-to-month finances. In order to achieve this, your expenses need to be lower than your income.

2) Maintaining the capacity to absorb a financial shock. This typically refers to having adequate emergency savings and insurance.

3) Being on track to meet financial goals, meaning you have either a formal or informal plan to meet your goals and you are actively pursuing them.

4) Having the financial freedom to make choices that allow you to enjoy life, such as a splurge vacation.

The CFPB has identified several key factors that contribute to an individual's ability to achieve financial well-being. Among them are: (1) having the skills needed to find, process, and use relevant financial information when it's needed; and (2) exhibiting day-to-day financial behaviors and saving habits.

Assistance Is Available

Many employers have begun offering financial wellness benefits over the past decade. These programs have evolved from a focus on basic retirement readiness to those addressing broader financial challenges such as health-care costs, general finance and budgeting, and credit/debt management.[3]

If you have access to work-based financial wellness benefits, be sure to take time and explore all that is offered. The education and services can provide valuable information and help you build the skills to make sound decisions in challenging circumstances.

In addition, a financial professional can become a trusted coach throughout your life. A qualified financial professional can provide an objective third-party view during tough times, while helping you anticipate and manage challenges and risks and, most important, stay on course toward a comfortable retirement.

1) PwC, May 2020

2) Consumer Financial Protection Bureau, January 2015

3) Employee Benefit Research Institute, October 2020

The Four Elements of Financial Well-Being

	Present	Future
Security	Control over your day-to-day, month-to-month finances	Capacity to absorb a financial shock
Freedom of choice	Financial freedom to make choices to enjoy life	On track to meet your financial goals

Source: CFPB, September 2017

Four Things Investors Should Know About Stock Splits

In 2020, three companies in the S&P 500 index announced plans for stock share splits, down from 102 companies in 1997 and seven in 2016.[1]

As an investor, you may wonder what a stock split is and how it might affect your portfolio. Although splitting stock shares has been much less common in recent years, it's usually newsworthy when a high-profile company announces a planned split.

1. What is a stock split? A company may decide to lower the price of its stock by splitting each outstanding share into more than one share. With a traditional stock split, more shares are available, but the total value of all the shares (the company's stock market capitalization) remains the same. For example, if a company announces a 2-for-1 split and you owned one share worth $100, you would own two shares worth $50 each.

2. Why do companies split their stock? Typically, stock splits occur when the price of individual shares has risen to a level that might discourage potential investors. More affordable share prices are thought to improve the liquidity, or the ease with which shares are bought and sold. Companies may also split stock to show management's confidence in the future performance of the stock, as well as to stir up interest in the stock if it has been languishing.

3. What is a reverse stock split? In order to increase the per-share price of a stock, companies might opt for a reverse stock split, which creates one share from multiple shares. One reason why a company might issue a reverse stock split is to satisfy a stock exchange's minimum share price. By decreasing the number of shares outstanding, the company boosts its stock price. Reverse stock splits could also make a company's stock more appealing to investors who might perceive it as more valuable at a higher stock price.

4. How do stock splits affect investors? A common misconception is that splits automatically increase the value of an investor's holdings. In reality, the number of shares owned is increased in proportion to the reduced price per share, so the total value of an investor's holdings remains the same. Stock splits generally have no impact on the broader stock market or the fundamental value of the stock. Some argue that they may potentially pose at least one advantage to shareholders: A stock split draws wider attention to a company's rising share price and the fact that it has been doing well.

The return and principal value of stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Past performance is not a guarantee of future results.

1) *The Wall Street Journal,* August 28, 2020
