Pursuing Financial Independence: Savings and Investment Basics

Presented By Infinity Financial Partners

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Ronnie Poindexter, LPL Financial Advisor, CHFC, AIF

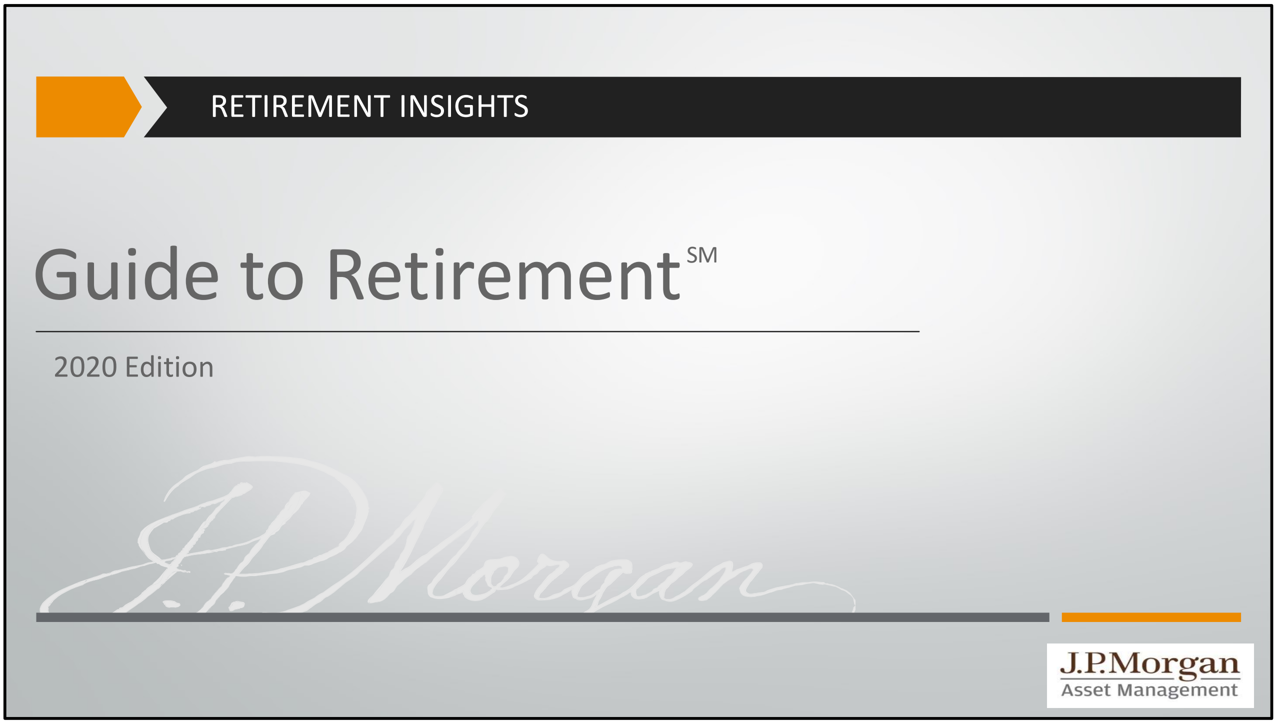
Ronnie started his financial career in 1983 after graduating from Virginia Polytechnic Institute in 1982 with a BS in Finance. He has put his 30+ years of financial planning to use for both his immediate office and multiple advisors in surrounding areas. His genuine friendly manner and knowledge of the industry can be a benefit to his clients and fellow advisors alike. He believes in doing what is best for his clients so that they can achieve their financial goals.
Ronnie has earned the Accredited Investment Fiduciary® professional designation from the Center for Fiduciary Studies. The AIF designation certifies he has specialized knowledge of fiduciary standards of care and their application to the investment management process.
Ronnie is an avid VA Tech football and Tar Heel Basketball fan. In his spare time, he enjoys restoring antique tractors and is especially proud of his children Ellen and Daniel. He lives with his wife Pat, in Glen Allen.

Alex Robinson, LPL Financial Advisor

Alex joined the firm in August 2013 after a four-year career with SagePoint Financial and enjoys the challenge and fulfillment of working with individuals and families on pursuing their financial and retirement goals.
Alex moved to the Richmond area in 2009 after graduating Cum Laude from Christopher Newport University with a BSBA in both Finance and Economics, and is a native of Windsor, Virginia.
Out of the office, Alex enjoys competing in several sports leagues around Richmond, occasional hunting outings, and renovation of his North Chesterfield home.

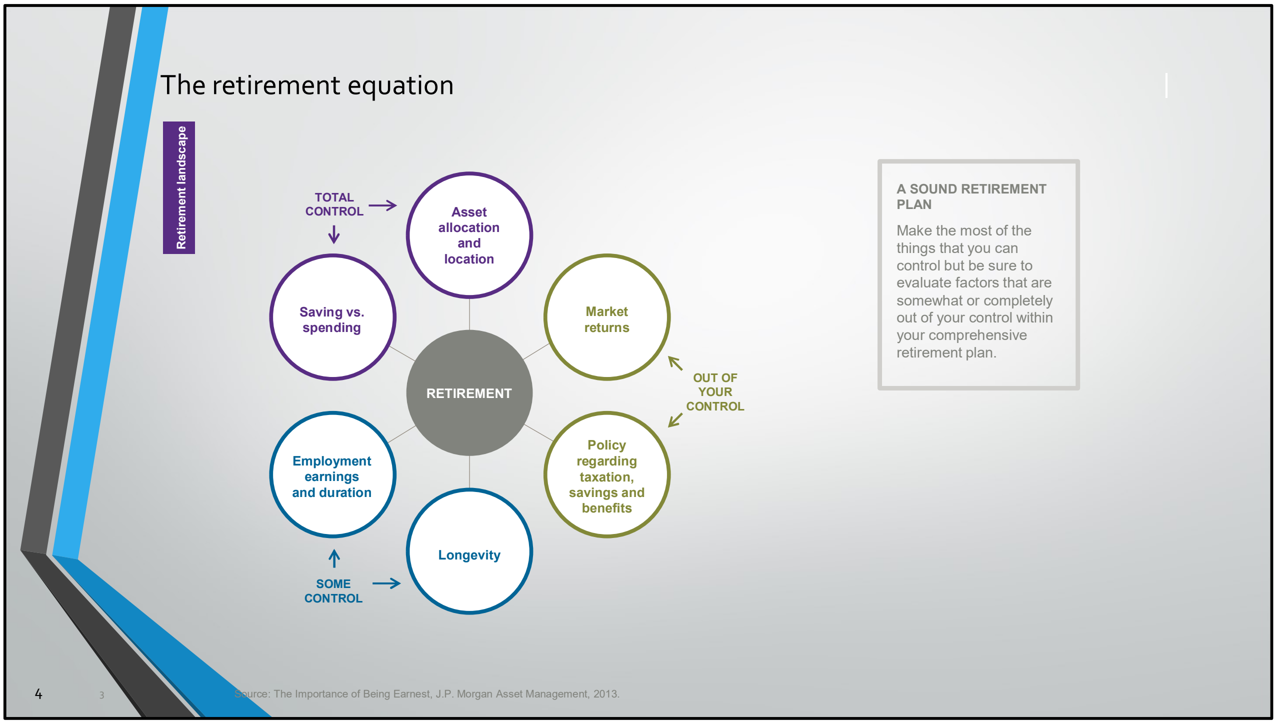
Brooks Billings, LPL Financial Advisor

Brooks began his tenure with the firm in December of 2018 after spending a year and a half at SagePoint Financial and is committed to helping individuals and families plan through life transitions by working with them to prioritize their goals.
Before his Financial career, Brooks graduated from Christopher Newport University with a BSBA in Business Administration. He prides himself on educating and consulting with his clients on financial matters relevant to their situation and believes being a resource in good and bad times is of utmost importance.
Brooks spends his free time with his dog Kona. He plays in various sports leagues throughout the year and is an avid fan of live music.



Updated annually, the award-winning* Guide to Retirement provides an effective framework for supporting your retirement planning conversations with clients. It includes charts and graphs to help you explain complex issues in a clear and concise manner. A description and audio commentary are available for every slide.

*The Guide to Retirement won the 2012 RIIA Retirement Income Communications award, the 2014 MFEA STAR Award for retail education and the 2015 WealthManagement.com Industry Award for Thought Leadership – Investing. In addition, in 2018 it won "**Highly Commended"** in the "**Best Pensions Paper 2018 (North America)**" category: https://www.savvyinvestor.net/blog/awards-best-pensions-white-paper-north-america-2018, and most recently won the Investment Management Education Alliance (IMEA) Star Awards for "Retirement Ongoing Education".



Planning for retirement can be overwhelming as individuals navigate various retirement factors over which we have varying levels of control. There are challenges in retirement planning over which we have no control, like the future of tax policy, legislative and regulatory reform and market returns, and factors over which we have limited control, like longevity and how long we plan to work. The best way to achieve a secure retirement is to develop a comprehensive retirement plan and to focus on the factors we can control: maximize savings, understand and manage spending and adhere to a disciplined approach to investing.

A closer look at tax rates – 2020

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Federal income tax rates applicable to taxable income

Tax rate	Single filers	Married filing jointly	Capital gains & dividends	Medicare tax on earned income	Medicare tax on investment income	Limits to itemized deductions
10%	Up to $9,875	Up to $19,750	0% [up to $40,000 (single) / $80,000 (married)]	1.45% (employee portion, employers also pay 1.45%)	0%	-Medical expenses greater than 7.5% of AGI deductible -SALT (state and local taxes) deduction capped at $10,000 -Mortgage interest deduction limited to primary/secondary homes with up to $750,000 new debt. Deduction is allowed on new home equity debt that is used to repair, build or improve upon home. -Cash charitable gifts deductible up to 60% of AGI
12%	$9,875-$40,125	$19,750-$80,250				
22%	$40,125-$85,525	$80,250-$171,050	15% [up to $441,050 (single) / $496,600 (married)]			
24%	$85,525-$163,300	$171,050-$326,600				
32%	$163,300-$207,350	$326,600-$414,700				
35%	$207,350-$518,400	$414,700-$622,050		2.35% (includes 1.45% employee tax referenced above plus additional 0.90% tax for earned income above MAGI* $200,000/$250,000 threshold)	3.80% (additional tax will be levied on lesser of i) net investment income or ii) excess MAGI above $200,000/$250,000 threshold)	
37%	$518,400 or more	$622,050 or more	20%			

The personal exemption has been repealed and individual tax rates and personal deductions sunset after 2025 as per the TCJA 2017.
*Modified adjusted gross income (MAGI) is AGI plus amount excluded from income as foreign earned income, tax-exempt interest and Social Security benefit.

Top/tax rates for ordinary income, capital gains and dividend income

Type of gain	Maximum rate
Top rate for ordinary income & non-qualified dividends	37%/40.8%*
Short-term capital gains (assets held 12 months or less)	37%/40.8%*
Long-term capital gains (assets held more than 12 months) & qualified dividends	20%/23.8%*

Alternative minimum tax (AMT) exemption**

Filing status	Exemption	Exemption phase-out range
Single/Head of Household	$72,900	$518,400-$810,000
Married filing jointly	$113,400	$1,036,800-$1,490,400

*Includes top tax rate plus 3.8% Medicare tax on the lessor of net investment income or excess of MAGI over threshold (single threshold $200,000; married filing jointly $250,000).
**The exemption amount is reduced .25 for every $1 of AMTI (income) above the threshold amount for the taxpayer's filing status. For AMTI above the top range the exemption will be $0.

Federal estate, generation-skipping transfer (GST) tax & gift tax exemption

Top federal estate tax rate	40%
Federal estate, GST & gift tax exemption	$11.58 million per individual/$23.16 million per couple*
Annual gift tax exclusion	$15,000 per donor, per donee ($30,000 per couple)

*Increased levels expire after 2025.

The presenter of this slide is not a tax or legal advisor. This slide is for informational purposes only and should not be relied on as tax or legal advice. Clients should consult their tax or legal advisor before making any tax- or legal-related investment decisions.
Source: IRS.gov

Reference

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At-a-glance individual federal income tax guide for 2020.

Traditional IRAs vs. Roth IRAs – 2019/2020

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	Traditional IRA	Roth IRA	Roth IRA conversion
Maximum contribution 2020	• $6,000 (earned income) • $7,000 (age 50 and over)[1] • Reduced by Roth IRA contributions	• $6,000 (earned income) • $7,000 (age 50 and over)[1] • Reduced by Traditional IRA contributions	No limit on conversions of Traditional IRAs, SEP IRAs, SIMPLE IRAs (if open 2+ years)
Income phase-out ranges for contribution deductibility	**2019** Single: $64,000-$74,000[2] Married: $103,000-$123,000[2] **2020** Single: $65,000-$75,000[2] Married: $104,000-$124,000[2]	All contributions are non-deductible	N/A
Phase-out ranges for Roth contribution eligibility	N/A	**2019** Single: $122,000-$137,000 Married: $193,000-$203,000 **2020** Single: $124,000-$139,000 Married: $196,000-$206,000	N/A
Federal tax treatment	• Investment growth is tax deferred and contributions may be tax deductible. Deductible contributions and investment gains are taxed as ordinary income upon withdrawal. • If non-deductible contributions have been made, each withdrawal is taxed proportionately on a pro-rata basis, taking into consideration all contributions made to all Traditional IRAs owned.	• Taxes are due upon conversion of account balances not yet taxed. • Qualified withdrawals of contributions at any time are tax free and IRS penalty free; converted amounts may be withdrawn tax free.[3] • Qualified withdrawals of earnings are tax free and IRS penalty free if taken after five years have passed since the account was initially funded and the account owner is age 59½ or older (other exceptions may be applicable). • Multiple Roth IRAs are considered one Roth IRA for withdrawal purposes and distributions MUST be withdrawn in a specific order deemed by the IRS that applies regardless of which Roth IRA is used to take that distribution.	
Early withdrawals	Early withdrawals before age 59½ are generally subject to a 10% IRS penalty unless certain exceptions apply.		
Mandatory withdrawals	By April 1 of the year after turning 72 (70½ for those born prior to 7/1/49).	None for account owner	None for account owner
Deadline to contribute	**2019:** April 15, 2020 **2020:** April 15, 2021	**2019:** April 15, 2020 **2020:** April 15, 2021	N/A

Reference

[1] Must be age 50 or older by December 31 of the contribution year. IRS Publication 590.

[2] Assumes participation in an employer's retirement plan. No income limits apply when investors and spouses are not covered by a retirement plan at work. Income limits based on MAGI. For the definition of MAGI, please see slide 49.

[3] Distributions from a conversion amount must satisfy a five-year investment period to avoid the 10% penalty. This pertains only to the conversion amount that was treated as income for tax purposes. The presenter of this slide is not a tax or legal advisor. Clients should consult a personal tax or legal advisor prior to making any tax- or legal-related investment decisions. IRS Publication 590.

Source: IRS.gov

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Stay on top of current IRA and Roth contribution limits, phase-out ranges for IRA contribution deductibility and for Roth contribution eligibility for 2019 and 2020.

Retirement plan contribution and deferral limits – 2019/2020

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Reference

Type of Retirement Account	Specifics	2019	2020
401(k), 403(b), 457(b)	401(k) elective deferral limit/catch-up contribution (age 50 and over)	$19,000 /$25,000	$19,500 /$25,500
	Annual defined contribution limit	$56,000	$57,000
	Annual compensation limit	$280,000	$285,000
	Highly compensated employees	$120,000	$125,000
	403(b)/457 elective deferrals/catch-up contribution (age 50 and over)	$19,000 /$25,000	$19,500 /$25,500
SIMPLE IRA	SIMPLE employee deferrals/catch-up deferral (age 50 and over)[1]	$13,000 /$16,000	$13,500 /$16,500
SEP IRA	Maximum contribution[2]	$56,000	$57,000
	SEP minimum compensation	$600	$600
	SEP annual compensation limit	$280,000	$280,000
Health Savings Accounts (HSAs)	Maximum contribution amount/over age 55	**Single:** $3,500 /$4,500 **Family:** $7,000 /$8,000	**Single:** $3,550 /$4,550 **Family:** $7,100 /$8,100[3]
	Minimum deductible	**Single:** $1,350 **Family:** $2,700	**Single:** $1,400 **Family:** $2,800
	Maximum out-of-pocket expenses	**Single:** $6,750 **Family:** $13,500	**Single:** $6,900 **Family:** $13,800
Social Security	Wage base	$132,900	$137,700
	Maximum earnings test exempt amounts under FRA for entire calendar year/during year of FRA[4]	$17,640 /year $46,920 /year	$18,240 /year $48,600 /year
	Maximum Social Security benefit at FRA	$2,861 /month	$3,011 /month
Defined benefit – Maximum annual benefit at retirement		$225,000	$230,000

[1] Employer may either match employee's salary reduction contributions dollar for dollar up to 3% of employee's compensation or make non-elective contributions equal to 2% of compensation up to $285,000 (2020). IRS Pub. 560 and Notice 2019-59.

[2] Employer contributions may not exceed $57,000 or 25% of compensation (2019). Other rules apply for self-employed individuals. IRS Pub. 560.

[3] Internal Revenue Procedure 2018-30, May 10, 2018 and Internal Revenue Procedure 2019-22, May 28, 2019.

[4] In calendar years before FRA, benefit reduced $1 for every $2 of earned income above the limit; during year of FRA, benefit reduced $1 for every $3 of earned income in months prior to FRA. SSA.gov as of November 19, 2019.

Source: IRS.gov

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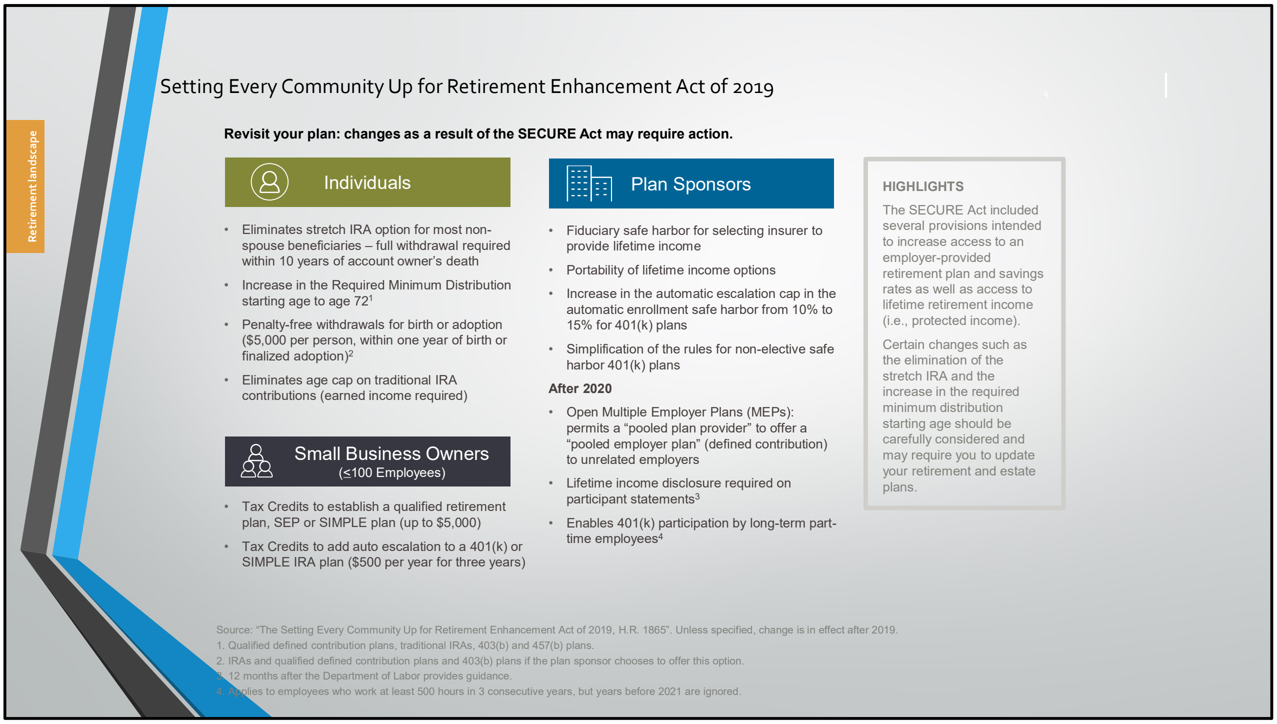
This is a useful guide to retirement plan contribution and deferral limits for 2019 and 2020, as well as Social Security limits and maximum benefits.

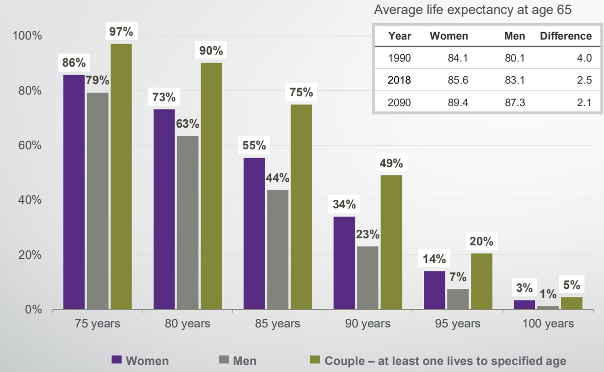


One of the factors in the retirement equation that an individual cannot control is legislative changes that affect the American retirement system. The Setting Every Community Up for Retirement Enhancement Act was passed with strong bipartisan support at the end of 2019. It included several significant changes that should be carefully reviewed by individuals, small business owners and plan sponsors. The changes go into effect either beginning in 2020 or after 2020.

Life expectancy probabilities

Retirement landscape

If you're 65 today, the probability of living to a specific age or beyond



Average life expectancy at age 65

Year	Women	Men	Difference
1990	84.1	80.1	4.0
2018	85.6	83.1	2.5
2090	89.4	87.3	2.1

PLAN FOR LONGEVITY

Average life expectancy continues to increase and is a mid-point not an end-point. You may need to plan on the probability of living much longer – perhaps 30+ years in retirement – and invest a portion of your portfolio for growth to maintain your purchasing power over time.

Chart: Social Security Administration, Period Life Table, 2016 (published in 2019), J.P. Morgan Asset Management.
Table: Social Security Administration 2019 OASDI Trustees Report.
Probability at least one member of a same-sex female couple lives to age 90 is 56% and a same-sex male couple is 41%.

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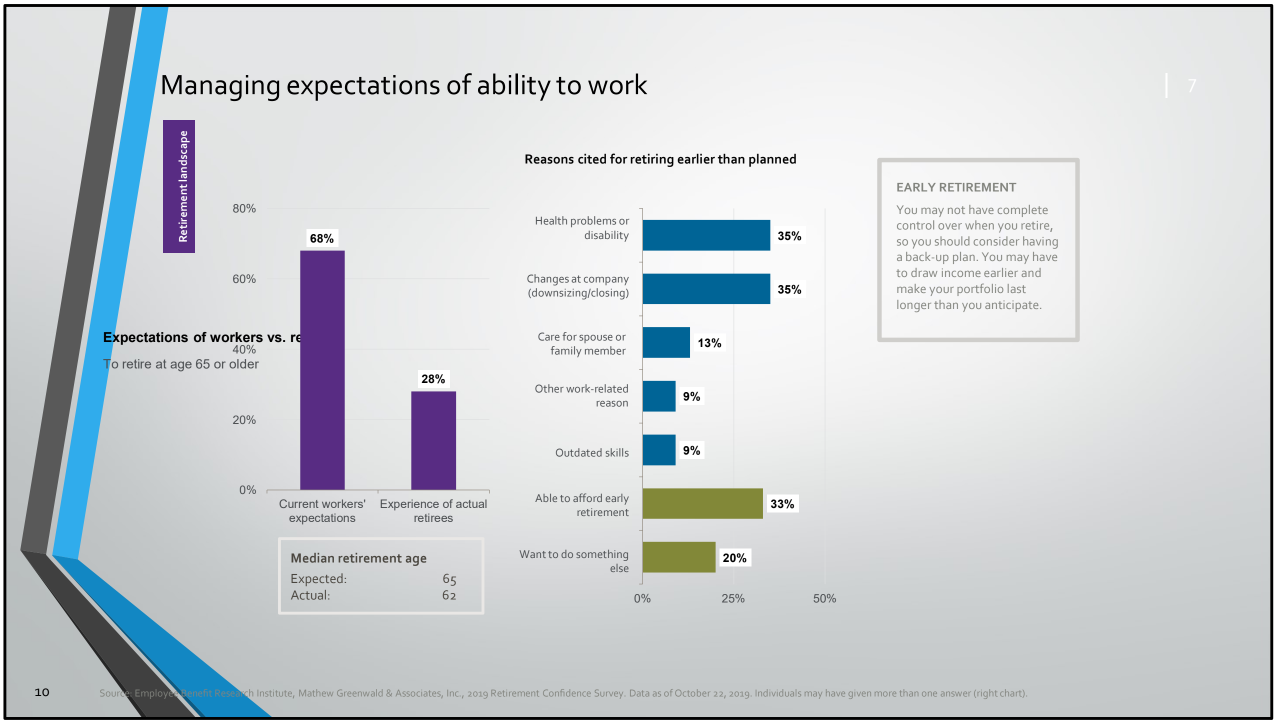
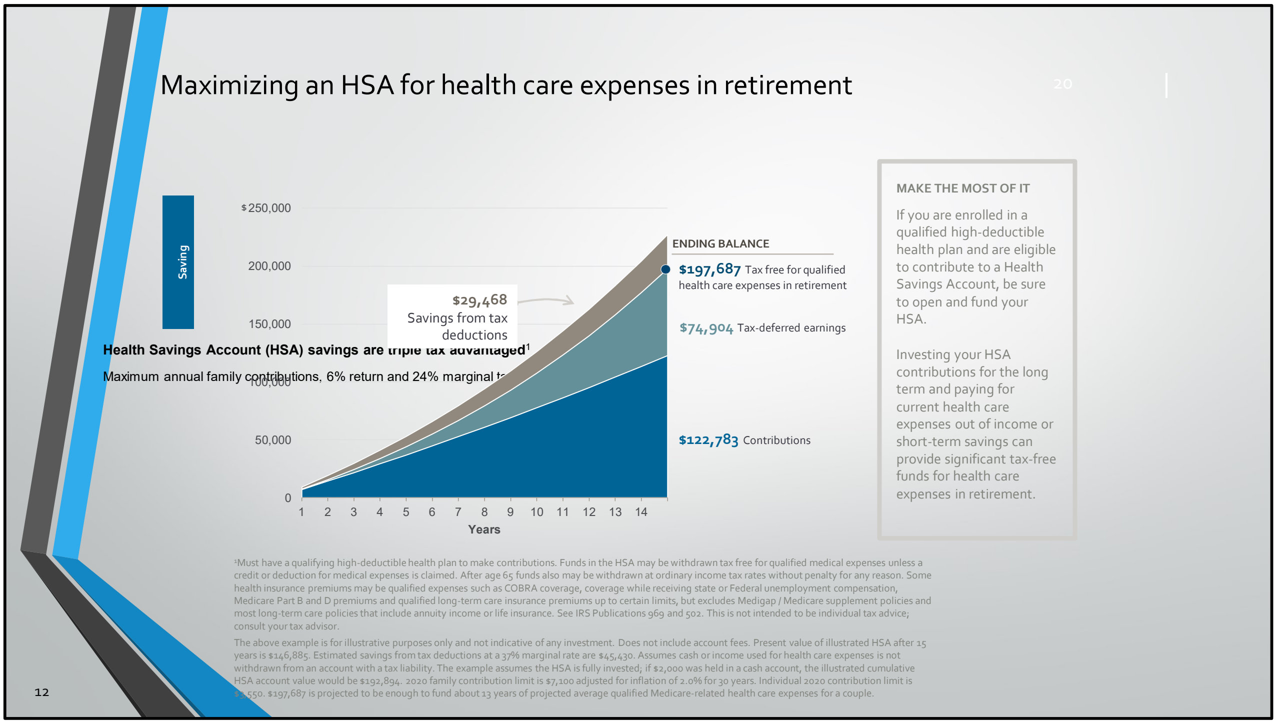
Life expectancies in the United States continue to increase as more people are living to older ages than ever before. This chart shows the probability that 65-year-old men and women today will reach various ages. For a 65-year-old couple, there is nearly an even chance that one of them will live to age 90 or beyond. Individuals should plan for living well beyond the average – to age 95 or even 100 – especially those in good health and with a family history of longevity.



While many people want to work at older ages, everyone may not be able to do so. Current workers overwhelmingly expect to work to 65 or later, but the experience of actual retirees is quite different. Nearly a third of retirees said they retired before they planned primarily due to health problems or disability, or due to changes at their company. It is very important that clients have a financial back-up plan in the event that they are not able to work as long as they desire, which should include appropriate disability coverage to protect their income.

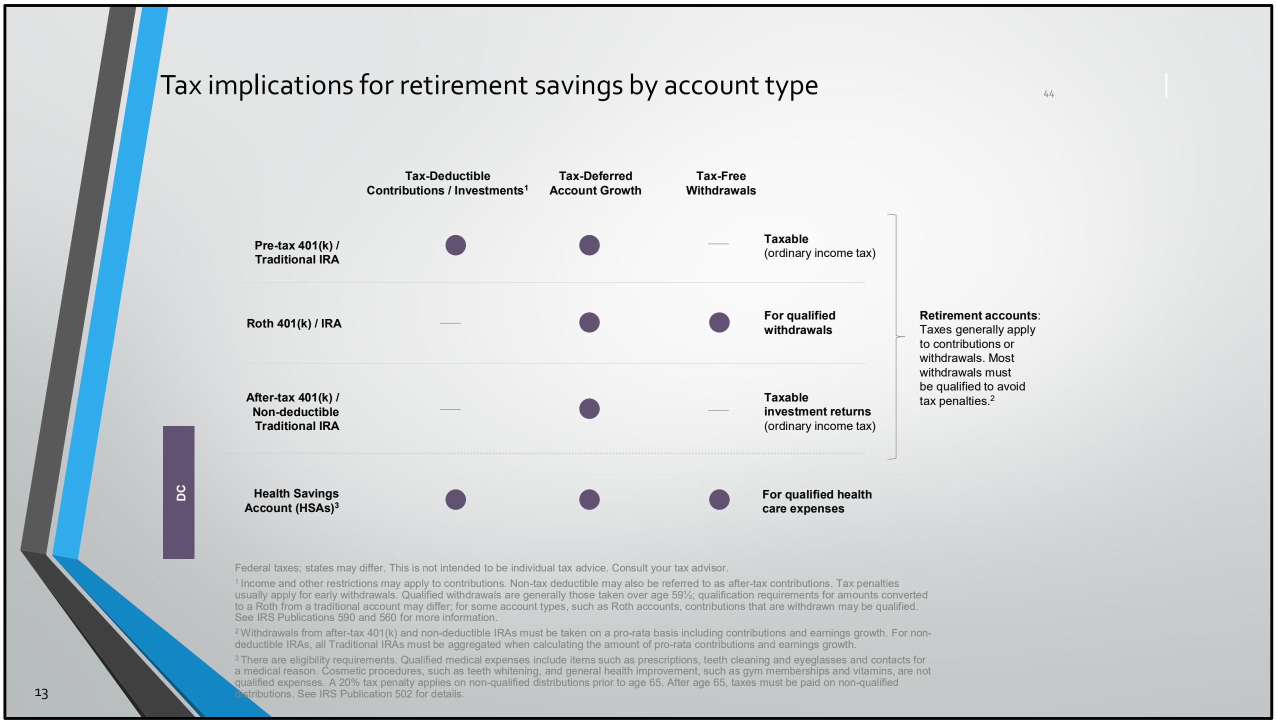
Start at the bottom of our chart, then work your way up. First, have employees build an emergency reserve of 3 to 6 months of living expenses. Then they should take advantage of any company match. Unless they have relatively high interest loans, they may want to put more funds in their retirement accounts or Health Savings Accounts before paying off their loan balances.



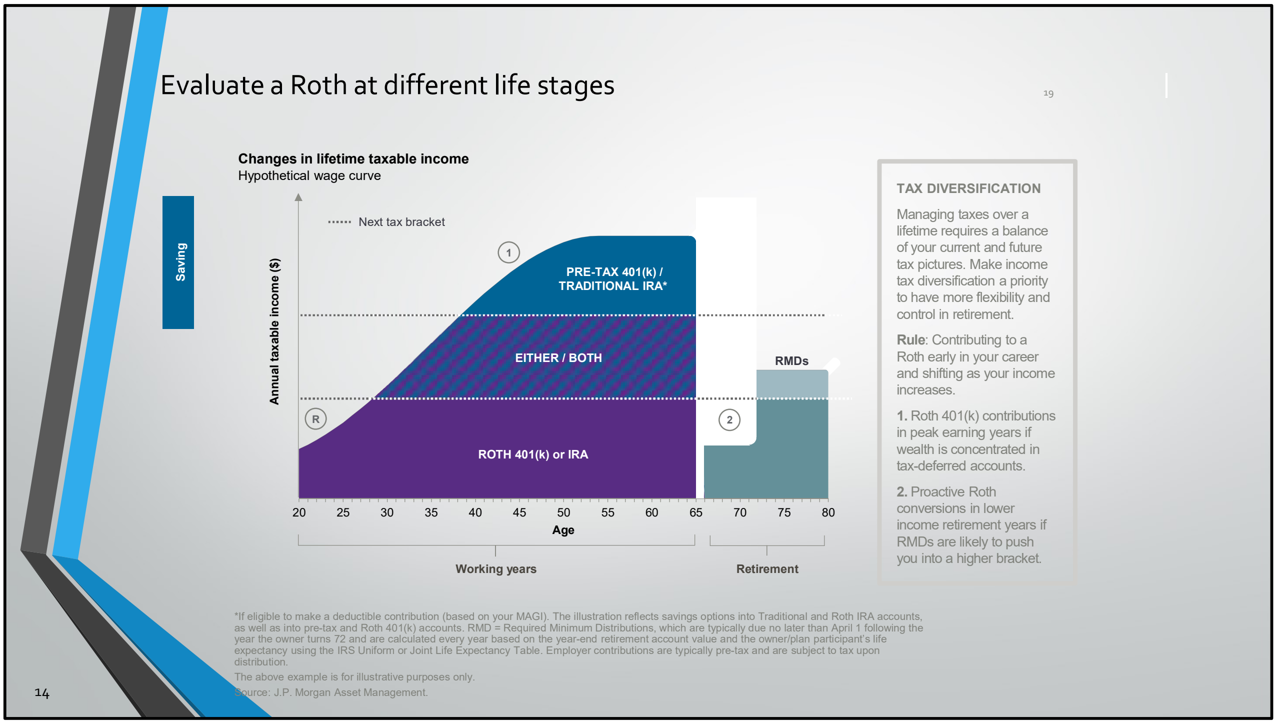
Health Savings Accounts are triple-tax free, so if you are eligible to contribute, make the most of it. Tax advantages include tax-free or tax-deductible contributions, tax-deferred earnings in the account and tax-free withdrawals for qualified health care expenses. If you invest your HSA dollars, the earnings inside your account may be significant. You are likely to have the best chance to accumulate earnings if you are able to pay for health care expenses outside of your HSA. This approach may help you defray qualified health care expenses in retirement.

A quick note: If you lack other funds and need to pay for some or all of your qualified health care expenses out of your HSA, don't worry – you will likely have a lower balance at retirement, but you will still have the benefit of some important tax advantages.

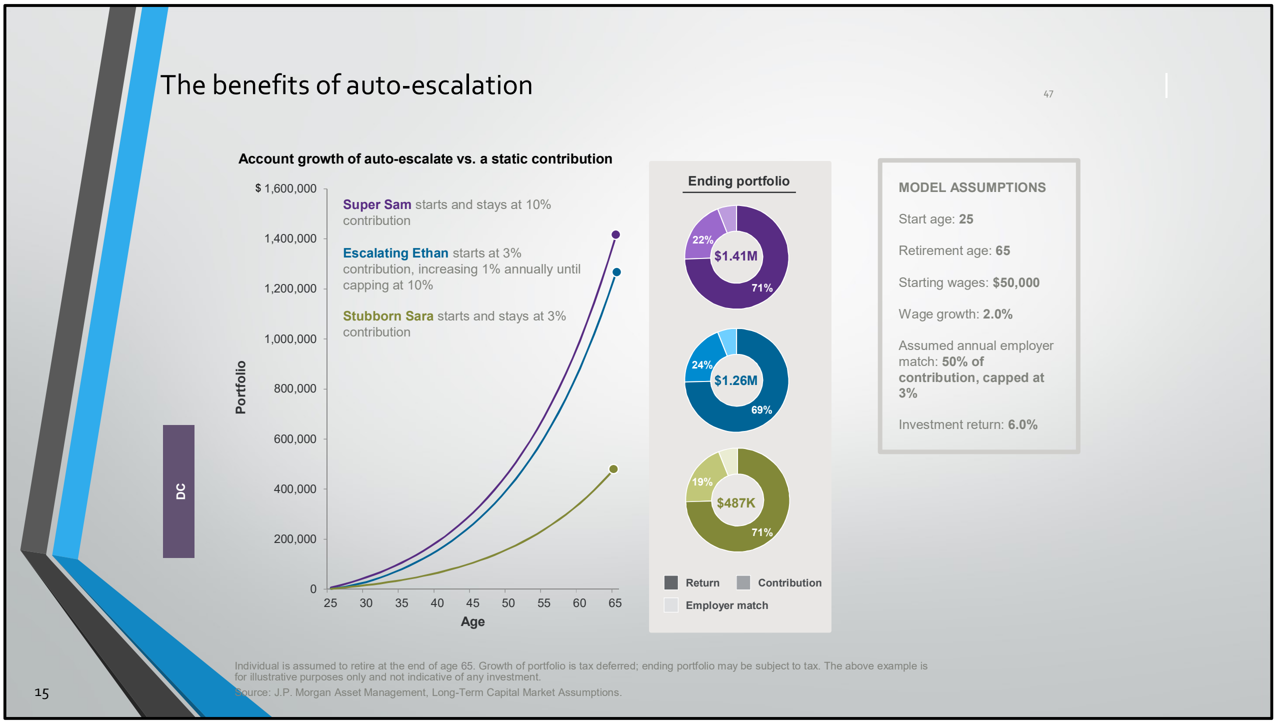
While HSAs are very tax-advantaged, there will be tax penalties for withdrawals that are not qualified before the age of 65; therefore, it is important to have a separate emergency savings account. See IRS publications 502 and 969 for details on qualified withdrawals.



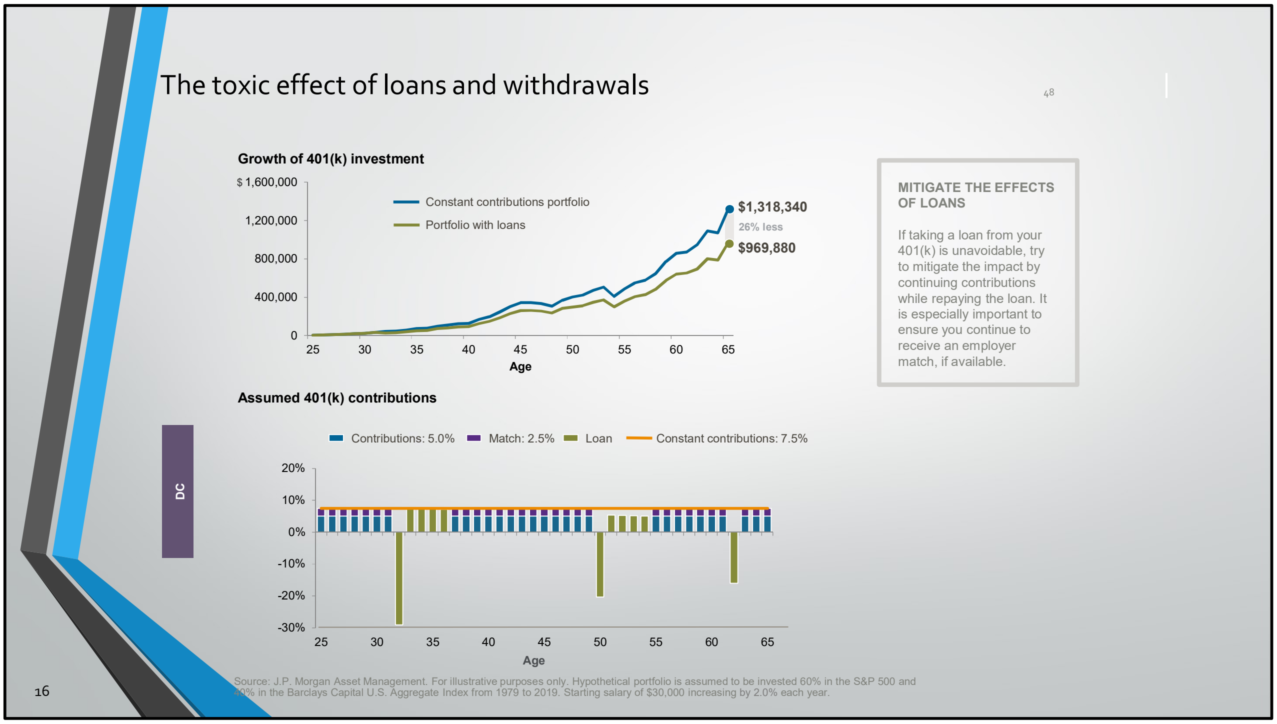
All the different tax-advantaged savings types can get confusing, so we created this chart. Earnings in tax-advantaged accounts are usually tax-free while within the account. For retirement accounts, money may go into the account or come out of the account tax-free, depending on the account type and if deposits and withdrawals are qualified. Non-deductible or after-tax contributions are less tax advantaged and should be considered after exhausting opportunities to save in the other tax-advantaged accounts. These accounts are designed for long-term retirement saving, so there may be penalties on early or non-qualified withdrawals. Health Savings Accounts, or HSAs, are especially tax advantaged. They must be paired with a qualified high-deductible health plan. Prior to age 65, withdrawals from an HSA must be used for qualified medical expenses, or taxes and penalties will apply. No contributions may be made to an HSA while on Medicare, but the funds may be used to pay for qualified health expenses in retirement tax-free. After age 65, the account owner may withdraw funds free of penalties but must pay taxes on non-qualified withdrawals. See IRS publications for details.



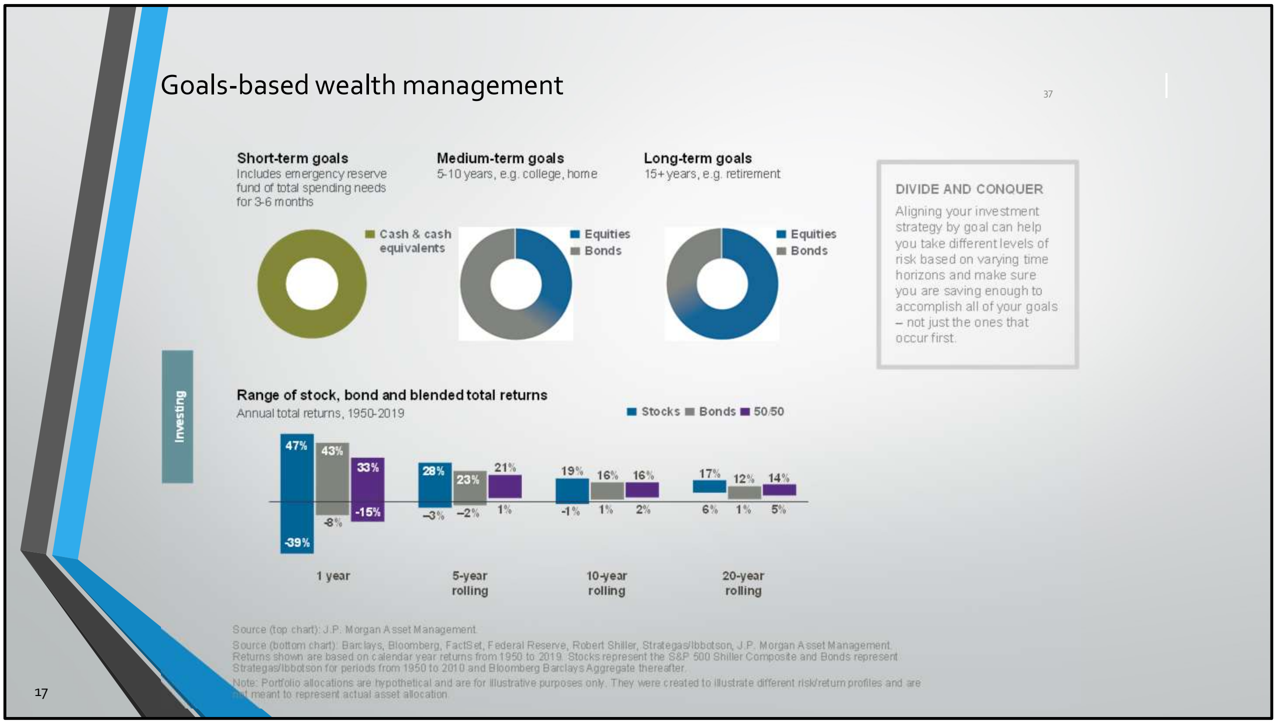
The decision to make a pre-tax/deductible contribution to a Traditional 401(k) or IRA or an after-tax contribution to a Roth 401(k) or Roth IRA is based on the income tax rate of the individual at the time of the contribution, and his/her anticipated tax rate in the future. The difference in tax rates can be caused by an investor's personal situation and/or tax policy over time. This chart shows a typical wage curve and the general "rule of thumb" about what type of contribution may be most appropriate based on current income and the bracket in retirement. An additional consideration is to maintain a healthy mix of taxable, tax-free (Roth) and tax-deferred accounts so that you can have greater flexibility to manage your income taxes. The numbers on the chart specify situations in which contributing to a Roth option should be carefully considered.



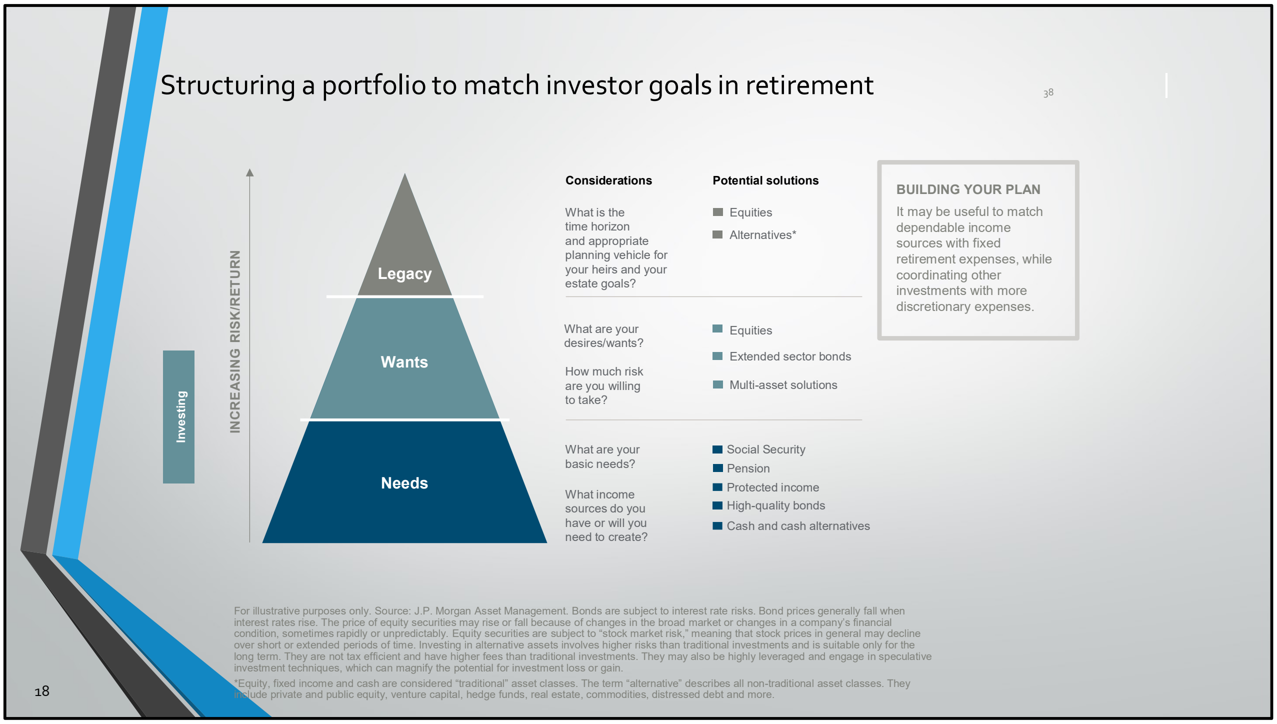
Increasing the contribution each year can be an effective way to save for retirement. This chart shows 3 employees who each have a starting salary of $50,000 that increases with inflation and a 50% employer match capped at 3%. Stubborn Sara – who gets stuck at a 3% contribution rate – is left far behind. However, Escalating Ethan – who ends up not far behind Super Sam – shows the power and value of escalating contributions each year.



The top chart shows that employees who take loans or withdrawals from their accounts may end up with significantly lower balances in the end. The bottom chart shows that the employee did not get the benefit of contributions and a company match when paying back their loans. To avoid this scenario, stress the importance of an emergency reserve and savings for other goals outside of the retirement account. If the employee must borrow, if they keep contributing while paying back the loan, it may mitigate the negative impact of the loan.



Achieving multiple goals with varying time horizons and savings requirements can be challenging if wealth and savings are grouped all together. For greater clarity and control, consider using a goals-based wealth management approach in which assets are invested according to the time horizon of major goals, and the savings required to achieve each goal is determined and managed on an individual basis. This goals-based approach is only successful if an emergency reserve fund of at least three to six months of total expenses is maintained in cash or cash equivalents, or is accessible through a short-term liquidity option to be readily available, if needed.



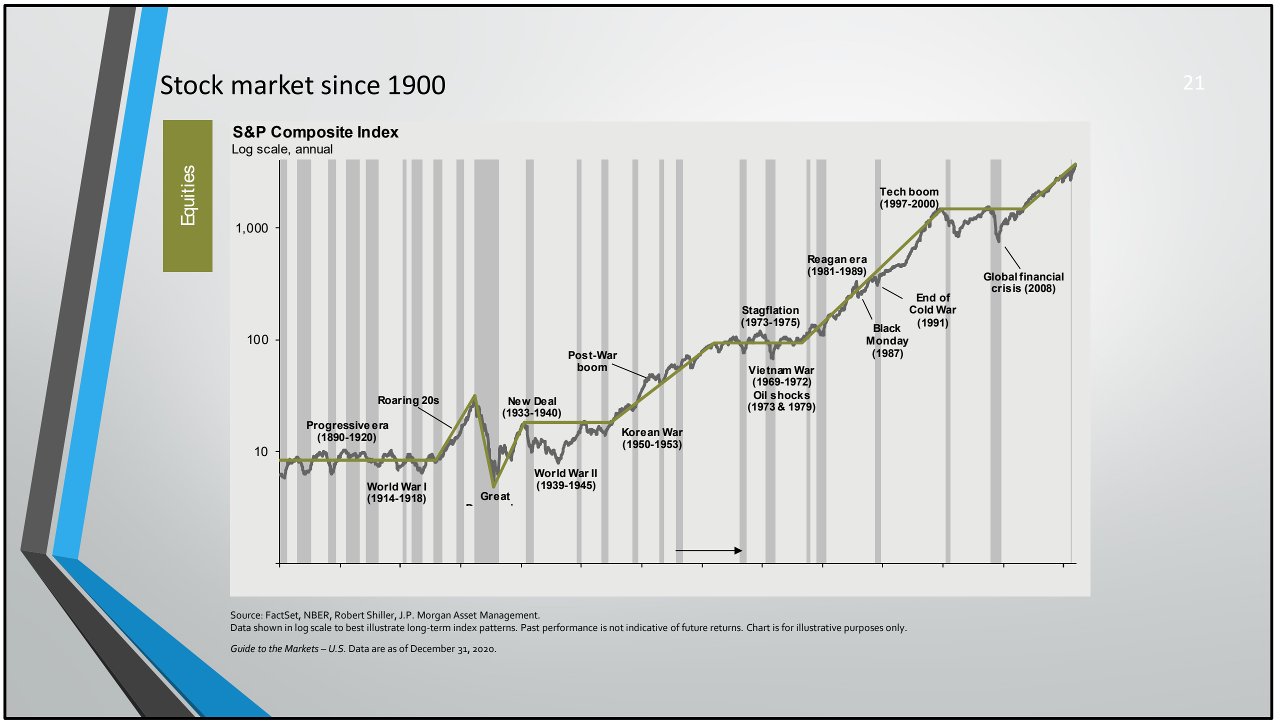
Aligning retirement assets based on how they will be used to support an individual's retirement lifestyle is one way to ensure a higher degree of confidence through retirement. Known as "guarantee the floor," this chart shows how needs, or non-discretionary spending, can be aligned with relatively safe or guaranteed funding sources, while wants can align to more of a balanced portfolio. If leaving a legacy is a goal, a more aggressive portfolio may make sense given the longer time horizon.

MARKET INSIGHTS

Guide to the Markets®

U.S. | 1Q 2021 | As of December 31, 2020

J.P.Morgan Asset Management

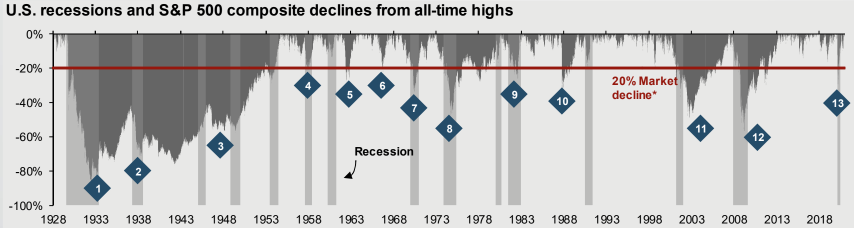


This chart shows the S&P Composite Index, on a logarithmic scale, since 1900. The log scale helps illustrate long-term index patterns, namely the distinct periods of range- and trend-bound markets. Annotations help to indicate what caused movements in the market.

Bear markets and subsequent bull runs 20

Equities

U.S. recessions and S&P 500 composite declines from all-time highs



Characteristics of bull and bear markets

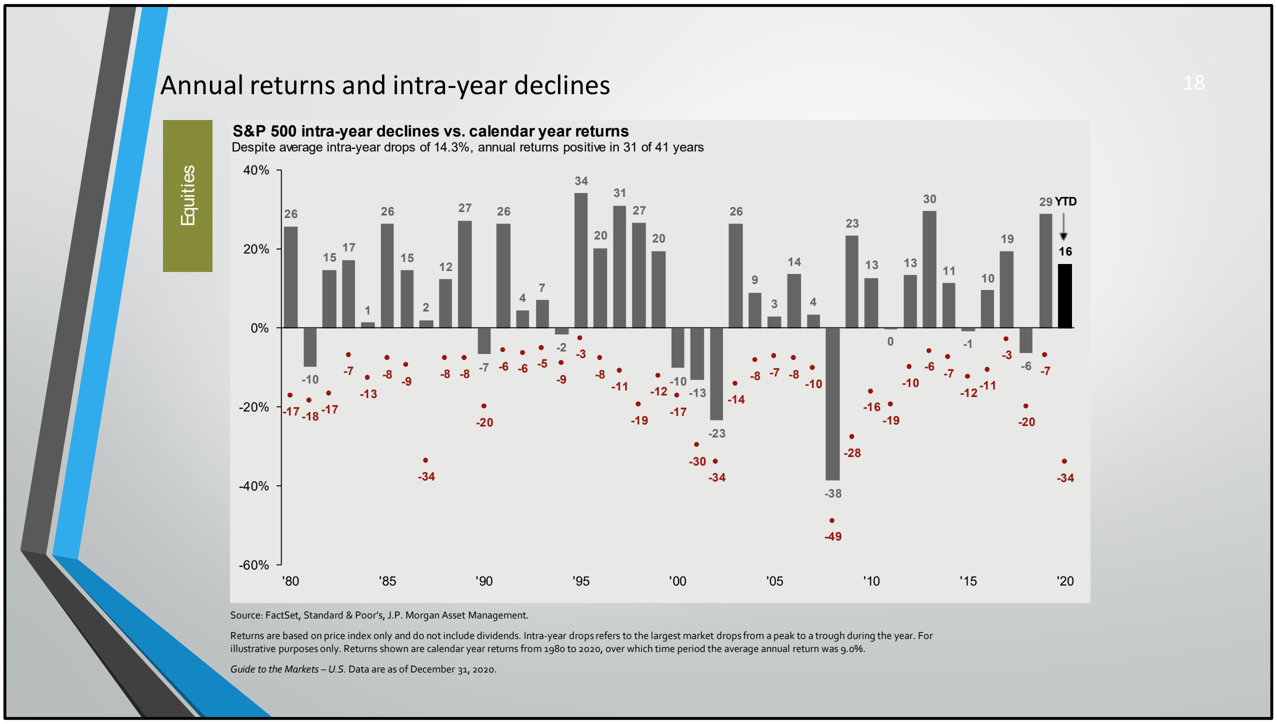
	Market correction	Bear Market			Macro environment				Bull markets		
		Market peak	Bear return*	Duration (months)*	Recession	Commodity Spike	Aggressive Fed	Extreme Valuation	Bull begin date	Bull return	Duration (months)
1	Crash of 1929 - Excessive leverage, irrational exuberance	Sep 1929	-86%	32	◆			◆	Jul 1926	152%	37
2	1937 Fed Tightening - Premature policy tightening	Mar 1937	-60%	61	◆		◆		Mar 1935	129%	23
3	Post WWII Crash - Post-war demobilization, recession fears	May 1946	-30%	36	◆			◆	Apr 1942	158%	49
4	Eisenhower Recession - Worldwide recession	Aug 1956	-22%	14	◆		◆	◆	Jun 1949	267%	85
5	Flash Crash of 1962 - Flash crash, Cuban Missile Crisis	Dec 1961	-28%	6				◆	Oct 1960	39%	13
6	1966 Financial Crisis - Credit crunch	Feb 1966	-22%	7			◆	◆	Oct 1962	76%	39
7	Tech Crash of 1970 - Economic overheating, civil unrest	Nov 1968	-36%	17	◆	◆	◆		Oct 1966	48%	25
8	Stagflation - OPEC oil embargo	Jan 1973	-48%	20	◆	◆			May 1970	74%	31
9	Volcker Tightening - Whip Inflation Now	Nov 1980	-27%	20	◆	◆	◆		Mar 1978	62%	32
10	1987 Crash - Program trading, overheating markets	Aug 1987	-34%	3				◆	Aug 1982	229%	60
11	Tech Bubble - Extreme valuations, .com boom/bust	Mar 2000	-49%	30	◆			◆	Oct 1990	417%	113
12	Global Financial Crisis - Leverage/housing, Lehman collapse	Oct 2007	-57%	17	◆	◆	◆		Oct 2002	101%	60
13	Global Slowdown - COVID-19, oil price war	Feb 2020	-34%	1	◆				Mar 2009	401%	141
	Averages	-	**-42%**	**22**					-	**166%**	**54**

Source: FactSet, NBER, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management.

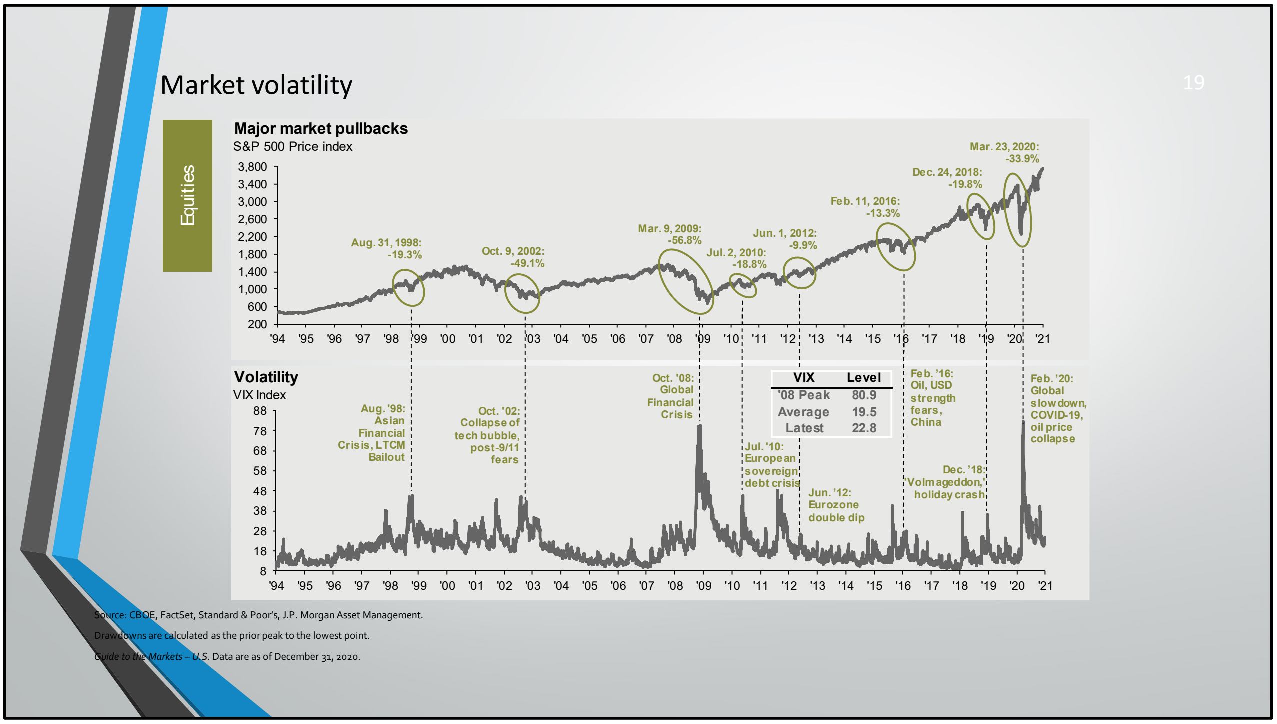
*A bear market is defined as a 20% or more decline from the previous market high. The related market return is the peak to trough return over the cycle. Periods of "Recession" are defined using NBER business cycle dates. "Commodity spikes" are defined as movement in oil prices of over 100% over an 18-month period. Periods of "Extreme Valuations" are those where S&P 500 last 12-months P/E levels were approximately two standard deviations above long-run averages, or time periods where equity market valuations appeared expensive given the broader macroeconomic environment. "Aggressive Fed Tightening" is defined as Federal Reserve monetary tightening that was unexpected and/or significant in magnitude. Bear and bull returns are price returns.

Guide to the Markets – U.S. Data are as of December 31, 2020.

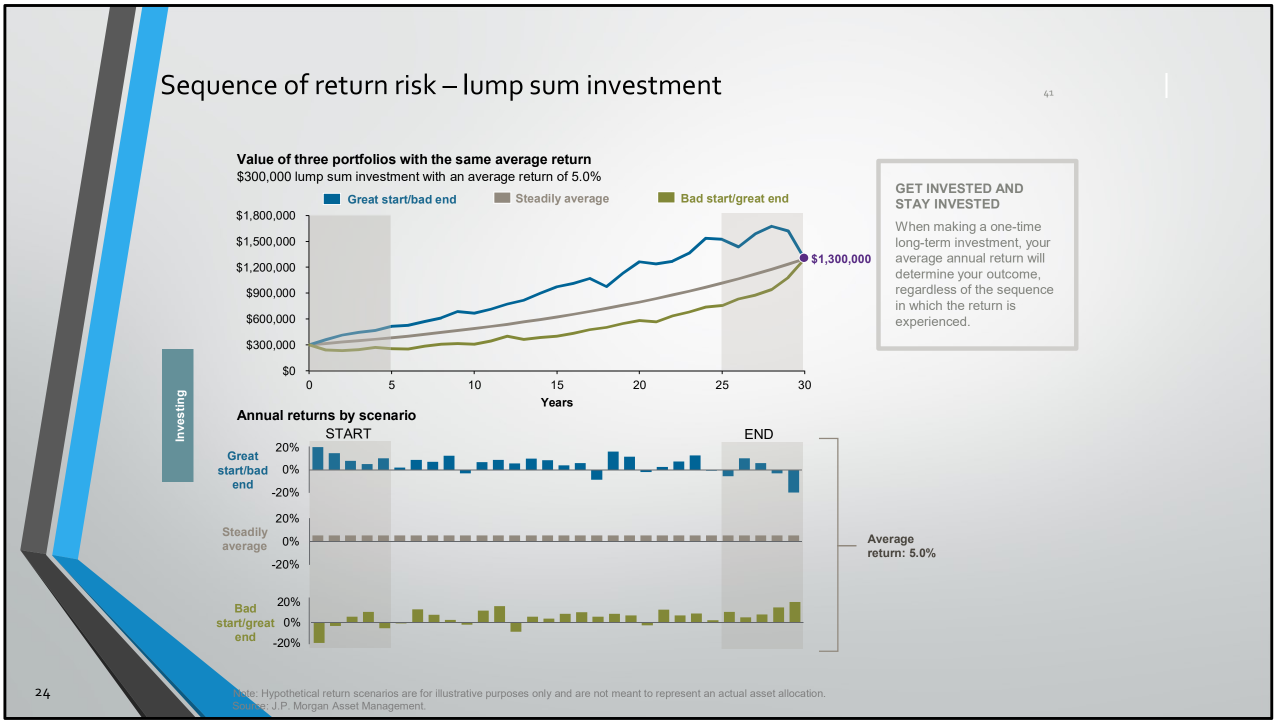
This chart shows historical recessions, their corresponding bear markets (a 20% market decline from the previous all-time high), what caused them, and the magnitude of the drawdown. This is meant to illustrate that lofty valuations are not predictors of bear markets, but rather, bear markets are caused by external factors such as geopolitical conflict, monetary policy action and recessions.



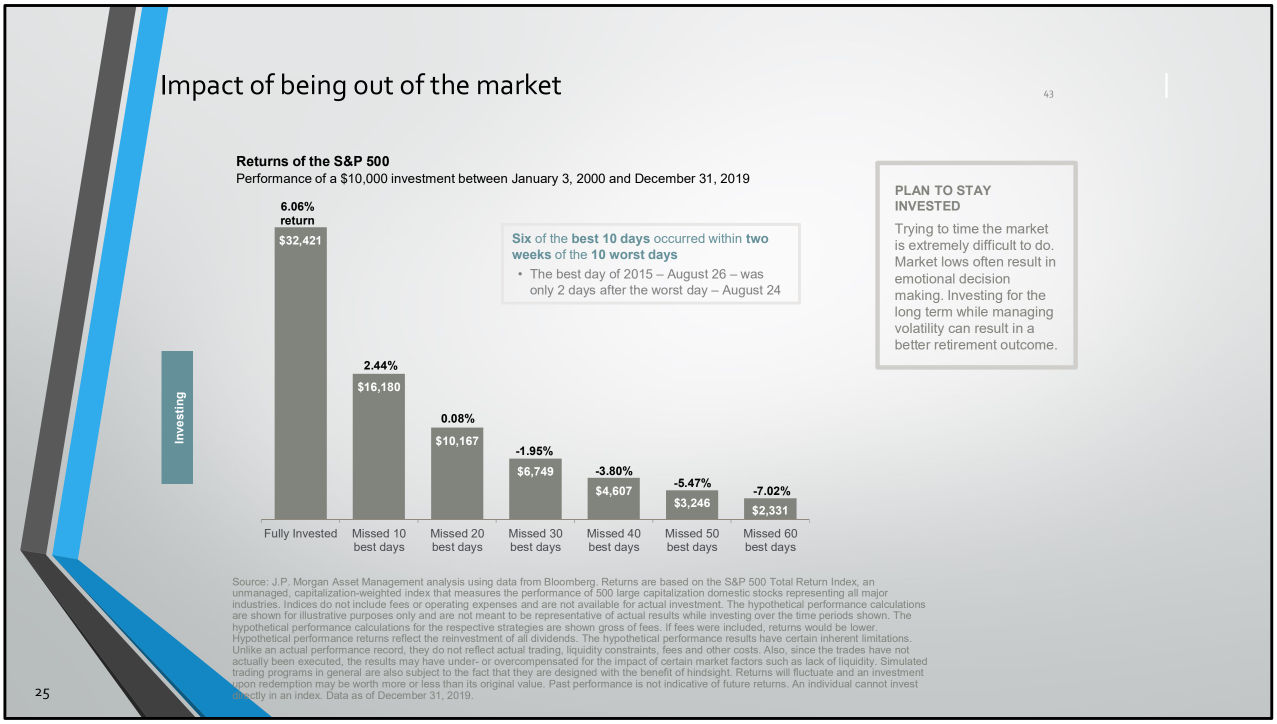
This chart shows intra-year stock market declines (red dot and number), as well as the market's return for the full year (gray bar). What is clear is that the market is capable of recovering from intra-year drops and finishing the year in positive territory, which should encourage investors to stay the course when markets get choppy.



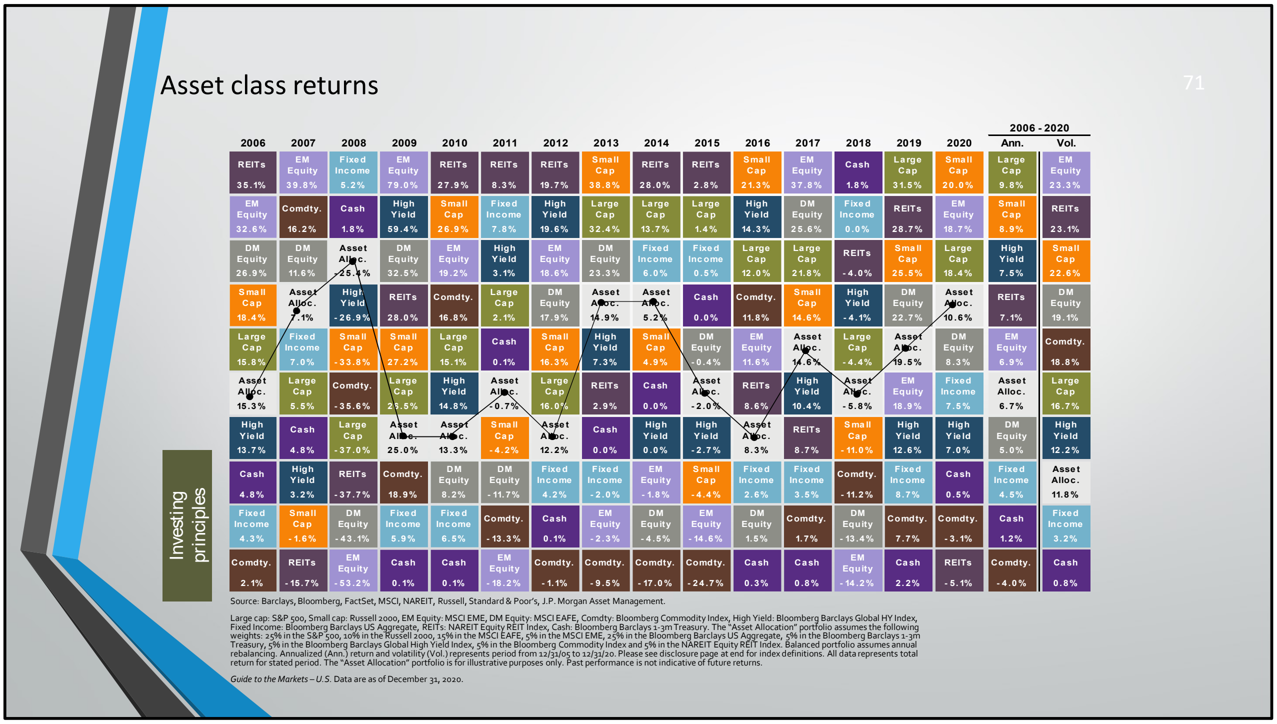
This slide looks at various measures of market volatility, with the top chart showing the magnitude and date of significant pullbacks since the Global Financial Crisis and the bottom chart showing the corresponding spike in the VIX, the volatility index.



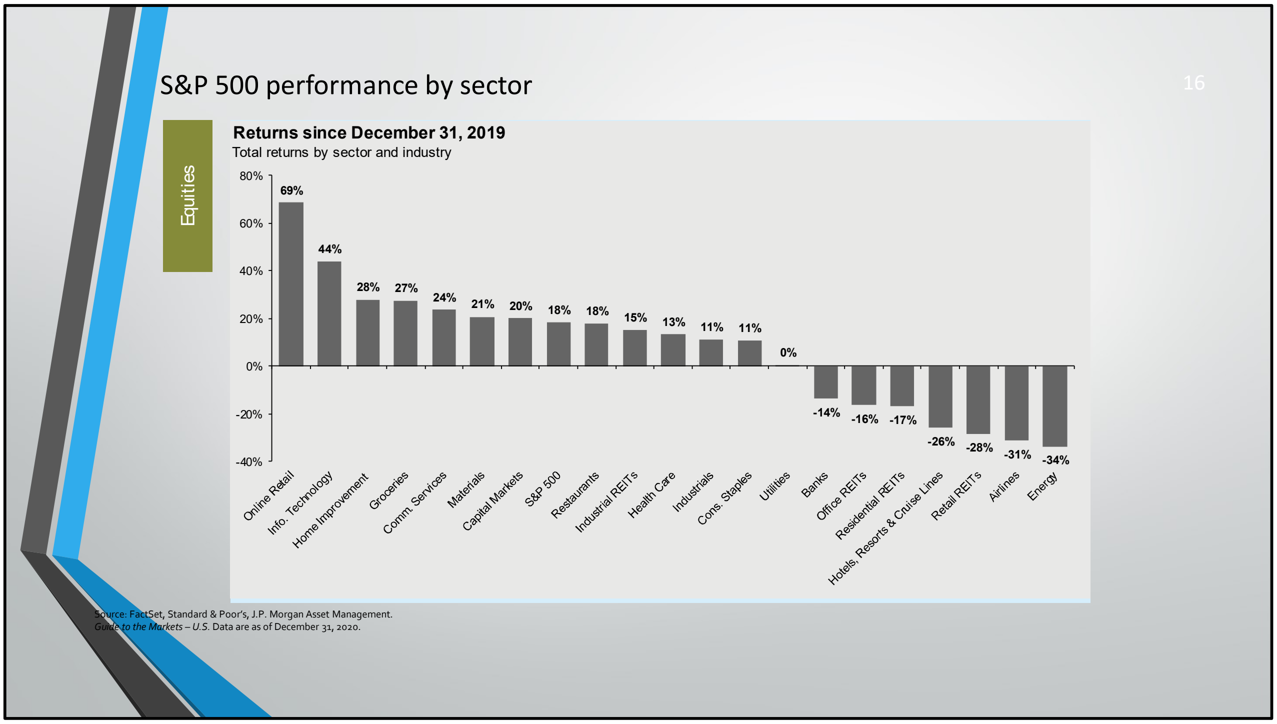
A portfolio's investment return will vary year to year. How does this variation affect retirement outcomes? The bottom chart shows three very different return scenarios. The first is a great start/bad end, shown in blue – which means that returns were higher or above average during the first 5 years, and the last 5 years, or "the end", experienced poor returns. The bad start/great end shown at the bottom in green is exactly the same "sequence of returns" but reversed with a poor first 5 years, and great final 5 years. The average of both of these sequence of return scenarios is 5% – meaning a 5% average annual return over 30 years. For illustrative purposes, we'll also look at a scenario in which that average return was achieved each and every year – the "steadily average" scenario in gray. It, of course, also averages 5% over 30 years, and we understand that this scenario would never happen in reality. The top chart shows the effect of these different return scenarios on a $300,000 lump sum investment. All three sequence of return scenarios result in a $1.3M portfolio after 30 years. This shows that in lump sum situations (no cash flows), the average return over the time period will drive the outcome, not the sequence in which that return was experienced.



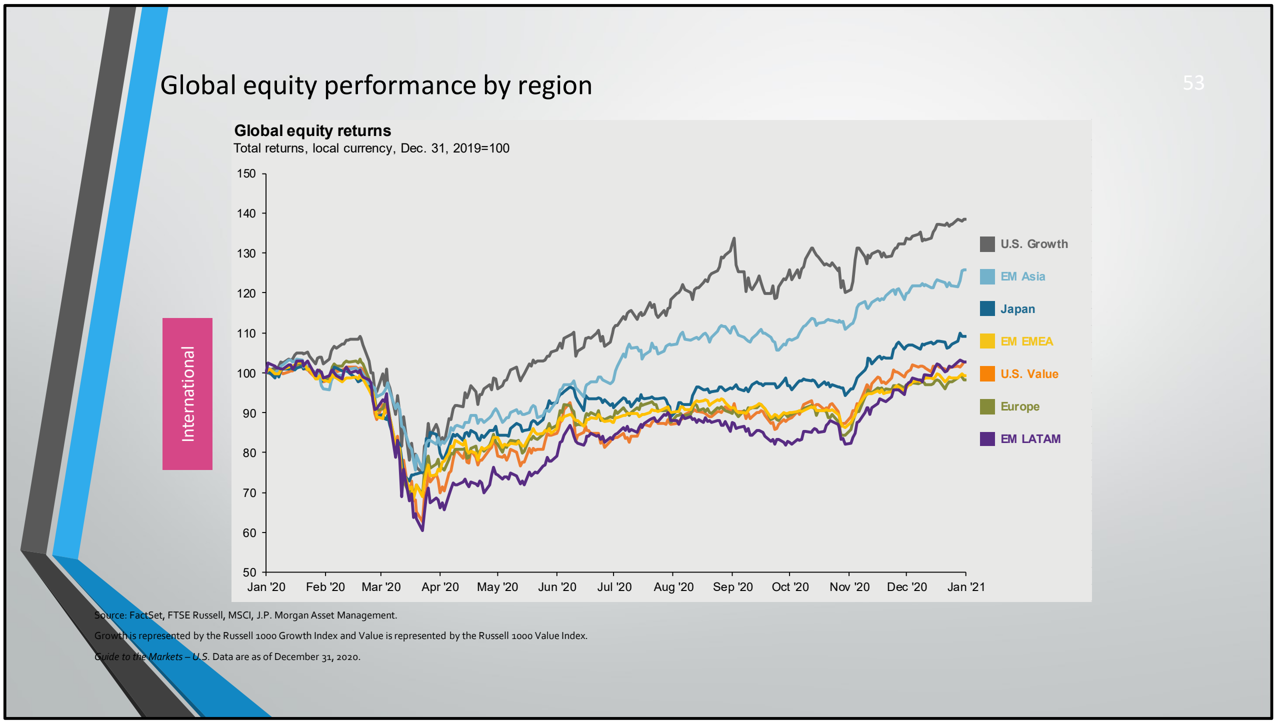
During periods of extreme market declines, a natural emotional reaction can be to sell out of the market and seek safety in cash. The results of this reaction can be devastating because often the best days occur close to the worst days during periods of market volatility. This chart compares an individual who was fully invested for the past 20 years in the S&P 500 to investors who missed some of the best days as a result of being out of the market for a period of time. Missing the top 10 best days will halve the annualized return; missing the top 30 days will result in a negative annualized return on the original $10,000 investment. Rather than emotionally reacting to or trying to time the market, adopting a disciplined long-term investment strategy may produce a better retirement outcome.



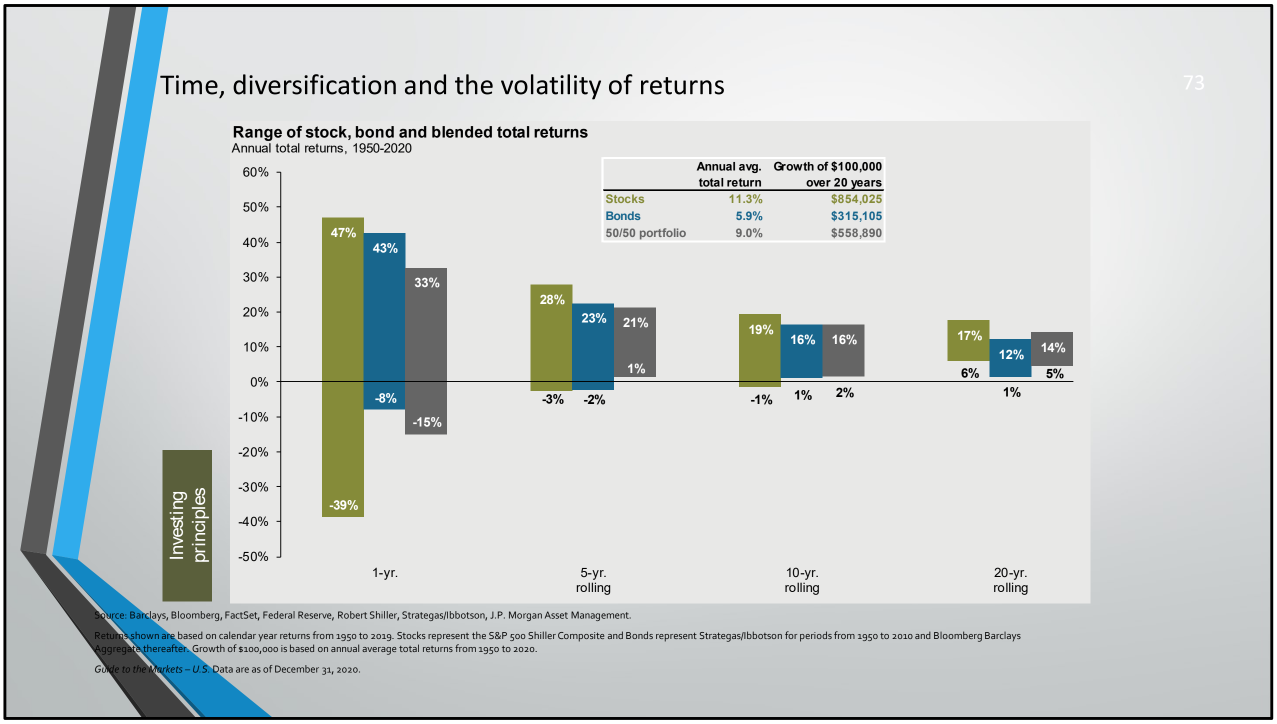
This chart shows the historical performance and volatility of different asset classes, as well as an annually rebalanced asset allocation portfolio. The asset allocation portfolio incorporates the various asset classes shown in the chart and highlights that balance and diversification can help reduce volatility and enhance returns.



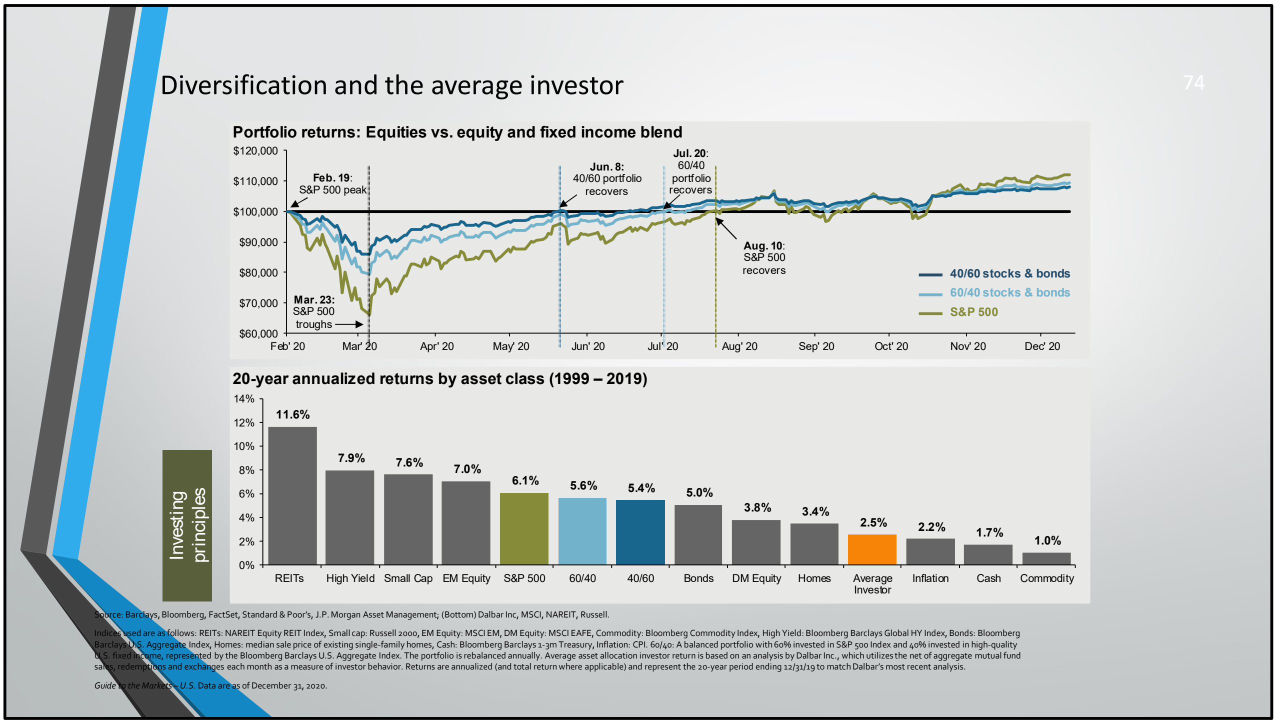
This page shows the year-to-date performance of the S&P 500 by sectors and select sub-sectors. The chart illustrates the incredibly uneven recovery when we look beneath the surface of the broad market. This recovery has been led by sectors such as online retail and home improvements, which have been winners of the pandemic-induced shutdowns. On the other extreme, we have sectors such as airlines, energy, and department stores which have been the losers.



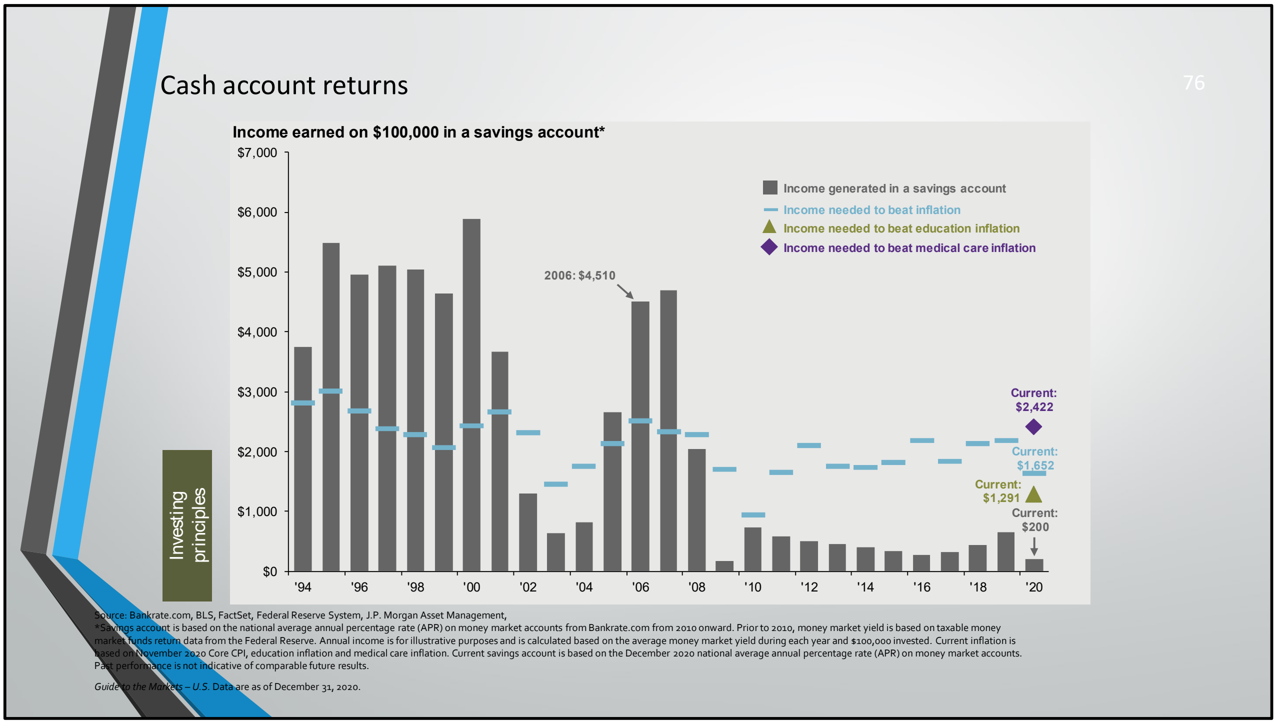
This page looks at the year-to-date performance of different regions in the world in local currencies. We can see that there is a great dispersion in style and regional performances this year. Growth stocks in the U.S. and EM Asia equities have led the gains, while Europe, Japan, Latin America, EMEA and U.S.value have been lagging.



This chart shows historical returns by holding period for stocks, bonds and a 50/50 portfolio, rebalanced annually, over different time horizons. The bars show the highest and lowest return that you could have gotten during each of the time periods (1-year, 5-year rolling, 10-year rolling and 20-year rolling). This page advocates for simple balanced portfolio, as well as for having an appropriate time horizon.



The top chart shows the powerful effects of portfolio diversification. It illustrates the difference in movements between the S&P 500, a 60/40 portfolio and a 40/60 portfolio indicating when each respective portfolio would have recovered its original value at the peak of the market in February 19th from the market bottom in March 23rd. It shows that the S&P 500 fell far more than either of the two diversified portfolio and also took longer to recover its value. The bottom chart shows 20-year annualized returns by asset class, as well as how an "average investor" would have fared. The average investor asset allocation return is based on an analysis by Dalbar, which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior.



This chart shows the annual income generated by a $100,000 investment in a typical banks savings account and the income that would have been needed to beat inflation.

J.P. Morgan Asset Management – Index definitions & disclosures

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Unless otherwise indicated, all illustrations are shown in U.S. dollars.

Past performance is no guarantee of comparable future results.

Diversification does not guarantee investment returns and does not eliminate the risk of loss.

Indexes are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses.

The **S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. This world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 Index focuses on the large cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market. An investor cannot invest directly in an index.

The **Barclays Capital U.S. Aggregate Index** represents securities that are SEC-registered, taxable and dollar denominated. The index covers the U.S. investment-grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. These major sectors are subdivided into more specific indexes that are calculated and reported on a regular basis.

Bonds are subject to interest rate risks. Bond prices generally fall when interest rates rise.

The price of **equity** securities may rise or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries, or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk," meaning that stock prices in general may decline over short or extended periods of time.

Investing in **alternative assets** involves higher risks than traditional investments and is suitable only for sophisticated investors. Alternative investments involve greater risks than traditional investments and should not be deemed a complete investment program. They are not tax efficient and an investor should consult with his/her tax advisor prior to investing. Alternative investments have higher fees than traditional investments and they may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain. The value of the investment may fall as well as rise and investors may get back less than they invested.

Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve.

This document is a general communication being provided for informational purposes only. It is educational in nature and not designed to be a recommendation for any specific investment product, strategy, plan feature or other purposes. By receiving this communication you agree with the intended purpose described above. Any examples used in this material are generic, hypothetical and for illustration purposes only. None of J.P. Morgan Asset Management, its affiliates or representatives is suggesting that the recipient or any other person take a specific course of action or any action at all. Communications such as this are not impartial and are provided in connection with the advertising and marketing of products and services. Prior to making any investment or financial decisions, you should seek individualized advice from your personal financial, legal, tax and other professional advisors that take into account all of the particular facts and circumstances of your own situation.

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J.P. Morgan Asset Management – Index definitions

All indexes are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses.

Equities:

The **Dow Jones Industrial Average** is a price-weighted average of 30 actively traded blue-chip U.S. stocks.

The **MSCI ACWI (All Country World Index)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

The **MSCI EAFE Index (Europe, Australasia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.

The **MSCI Pacific Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Pacific region.

The **Russell 1000 Index**® measures the performance of the 1,000 largest companies in the Russell 3000.

The **Russell 1000 Growth Index**® measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index**® measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index**® measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **Russell 2000 Growth Index**® measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 2000 Value Index**® measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 3000 Index**® measures the performance of the 3,000 largest U.S. companies based on total market capitalization.

The **Russell Midcap Index**® measures the performance of the 800 smallest companies in the Russell 1000 Index.

The **Russell Midcap Growth Index** ® measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index.

The **Russell Midcap Value Index** ® measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

The **S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The **S&P 500 Index** focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

Fixed income:

The **Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index** includes all publicly issued zero-coupon US Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non convertible.

The **Bloomberg Barclays Global High Yield Index** is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices. The high yield and emerging markets sub-components are mutually exclusive. Until January 1, 2011, the index also included CMBS high yield securities.

The **Bloomberg Barclays Municipal Index**: consists of a broad selection of investment- grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market.

The **Bloomberg Barclays US Dollar Floating Rate Note (FRN) Index** provides a measure of the U.S. dollar denominated floating rate note market.

The **Bloomberg Barclays US Corporate Investment Grade Index** is an unmanaged index consisting of publicly issued US Corporate and specified foreign debentures and secured notes that are rated investment grade (Baa3/BBB or higher) by at least two ratings agencies, have at least one year to final maturity and have at least $250 million par amount outstanding. To qualify, bonds must be SEC-registered.

The **Bloomberg Barclays US High Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.

The **Bloomberg Barclays US Mortgage Backed Securities Index** is an unmanaged index that measures the performance of investment grade fixed-rate mortgage backed pass-through securities of GNMA, FNMA and FHLMC.

The **Bloomberg Barclays US TIPS Index** consists of Inflation-Protection securities issued by the U.S. Treasury.

The **J.P. Morgan Emerging Market Bond Global Index (EMBI)** includes U.S. dollar denominated Brady bonds, Eurobonds, traded loans and local market debt instruments issued by sovereign and quasi-sovereign entities.

The **J.P. Morgan Domestic High Yield Index** is designed to mirror the investable universe of the U.S. dollar domestic high yield corporate debt market.

The **J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI Broad Diversified)** is an expansion of the **J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI)**. The CEMBI is a market capitalization weighted index consisting of U.S. dollar denominated emerging market corporate bonds.

The **J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI Global Diversified)** tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. The index limits the exposure of some of the larger countries.

The **J.P. Morgan GBI EM Global Diversified** tracks the performance of local currency debt issued by emerging market governments, whose debt is accessible by most of the international investor base.

The **U.S. Treasury Index** is a component of the U.S. Government index.

J.P. Morgan Asset Management – Index definitions & disclosures

Other asset classes:

The **Alerian MLP Index** is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs) that provides investors with an unbiased, comprehensive benchmark for the asset class.

The **Bloomberg Commodity Index** and related sub-indices are composed of futures contracts on physical commodities and represents twenty two separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc

The **Cambridge Associates U.S. Global Buyout and Growth Index®** is based on data compiled from 1,768 global (U.S. & ex – U.S.) buyout and growth equity funds, including fully liquidated partnerships, formed between 1986 and 2013.

The **CS/Tremont Hedge Fund Index** is compiled by Credit Suisse Tremont Index, LLC. It is an asset-weighted hedge fund index and includes only funds, as opposed to separate accounts. The Index uses the Credit Suisse/Tremont database, which tracks over 4500 funds, and consists only of funds with a minimum of US$50 million under management, a 12-month track record, and audited financial statements. It is calculated and rebalanced on a monthly basis, and shown net of all performance fees and expenses. It is the exclusive property of Credit Suisse Tremont Index, LLC.

The **HFRI Monthly Indices (HFRI)** are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. The HFRI are broken down into 4 main strategies, each with multiple sub strategies. All single-manager HFRI Index constituents are included in the HFRI Fund Weighted Composite, which accounts for over 2200 funds listed on the internal HFR Database.

The **NAREIT EQUITY REIT Index** is designed to provide the most comprehensive assessment of overall industry performance, and includes all tax-qualified real estate investment trusts (REITs) that are listed on the NYSE, the American Stock Exchange or the NASDAQ National Market List.

The **NFI-ODCE**, short for NCREIF Fund Index - Open End Diversified Core Equity, is an index of investment returns reporting on both a historical and current basis the results of 33 open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. The NFI-ODCE Index is capitalization-weighted and is reported gross of fees. Measurement is time-weighted.

Definitions:

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Bonds are subject to interest rate risks. Bond prices generally fall when interest rates rise.

Investments in **commodities** may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates an opportunity for increased return but, at the same time, creates the possibility for greater loss.

Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns.

Distressed Restructuring Strategies employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings.

Investments in **emerging markets** can be more volatile. The normal risks of investing in foreign countries are heightened when investing in emerging markets. In addition, the small size of securities markets and the low trading volume may lead to a lack of liquidity, which leads to increased volatility. Also, emerging markets may not provide adequate legal protection for private or foreign investment or private property.

The price of **equity** securities may rise, or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries, or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.

Equity market neutral strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. Equity Market Neutral Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.

Global macro strategies trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets.

International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Some overseas markets may not be as politically and economically stable as the United States and other nations.

There is no guarantee that the use of **long and short positions** will succeed in limiting an investor's exposure to domestic stock market movements, capitalization, sector swings or other risk factors. Using long and short selling strategies may have higher portfolio turnover rates. Short selling involves certain risks, including additional costs associated with covering short positions and a possibility of unlimited loss on certain short sale positions.

Merger arbitrage strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction.

Mid-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies. Historically, mid-cap companies' stock has experienced a greater degree of market volatility than the average stock.

Price to forward earnings is a measure of the price-to-earnings ratio (P/E) using forecasted earnings. **Price to book value** compares a stock's market value to its book value. **Price to cash flow** is a measure of the market's expectations of a firm's future financial health. **Price to dividends** is the ratio of the price of a share on a stock exchange to the dividends per share paid in the previous year, used as a measure of a company's potential as an investment.

Real estate investments may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical sector. Real estate investments may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower.

Relative Value Strategies maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities.

Small-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies since smaller companies generally have a higher risk of failure. Historically, smaller companies' stock has experienced a greater degree of market volatility than the average stock.

J.P. Morgan Asset Management – Risks & disclosures

The Market Insights program provides comprehensive data and commentary on global markets without reference to products. Designed as a tool to help clients understand the markets and support investment decision-making, the program explores the implications of current economic data and changing market conditions.

Prepared by: Samantha M. Azzarello, Jordan K. Jackson, David M. Lebovitz, Jennie Li, John C. Manley, Meera Pandit, Gabriela D. Santos, Nimish Vyas and David P. Kelly.

Unless otherwise stated, all data are as of December 31, 2020 or most recently available.

Guide to the Markets – U.S.

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