



# Income or Growth or Protection

*How to decide*

MARKET INSIGHT · SPRING 2021 EDITION

# Common Trends

After reading almost all the market commentary and outlooks for 2021, we have noticed some common trends:

- Valuations are increasing,
- The COVID recovery is in full swing,
- Rates have risen (but should remain low for some time),
- Value is making a come back in the last six months (is this a trend reversal from the last decade)
- Taxes are changing
- Bitcoin, bitcoin, bitcoin – no further comment

We have uncovered the common themes but still struggle with what to do. Either they are backward-looking or they lack conviction. When we listen to end clients, they always come back to two primary needs:

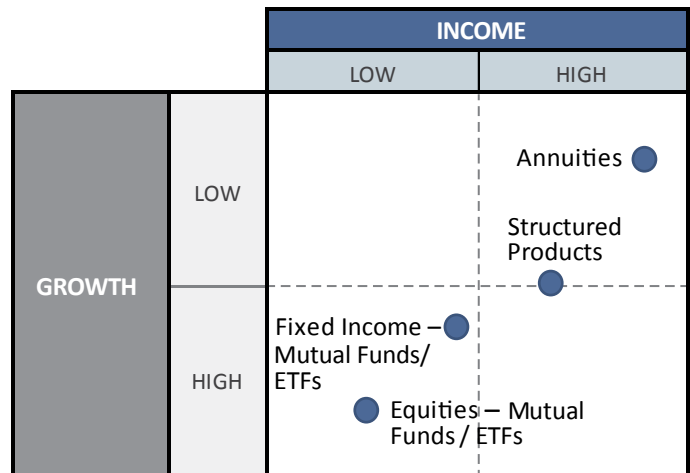
- Income
- Accumulation



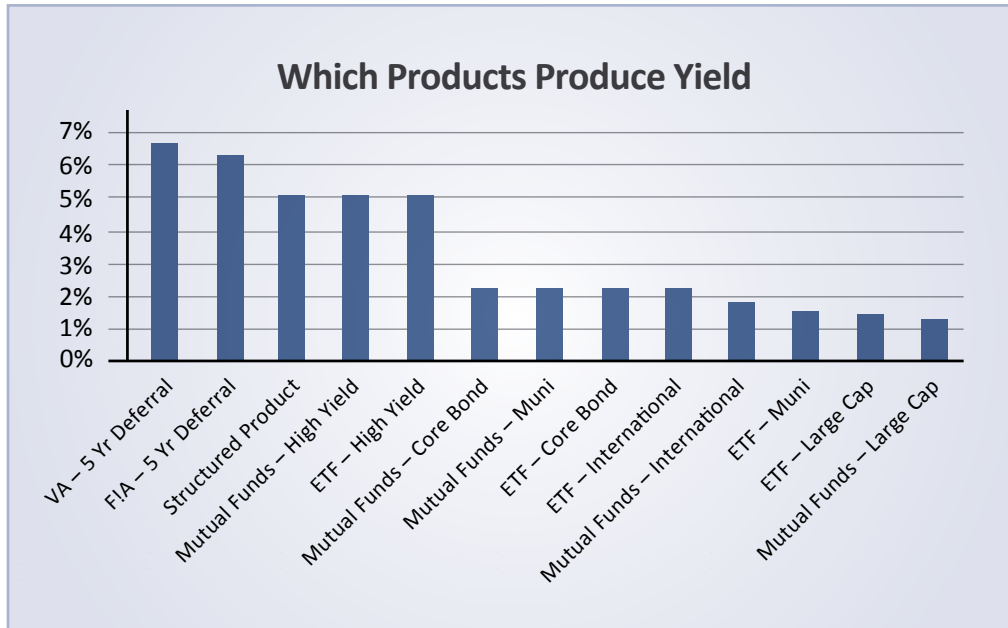
These are the keys to helping clients achieve their financial goals, which will serve most investors out there. A smaller minority may be focused on the market themes and how to play these themes, but not most clients. With this backdrop, we will focus on what we do best; research products and help find ways to produce income and accumulation.

## INCOME

Income is difficult in normal times but even harder in a low rate environment. Advisors who can demonstrate proficiency and skill in the income need can differentiate their practice. Numbers can tell part of the story, but understanding the different product dynamics is important as well.

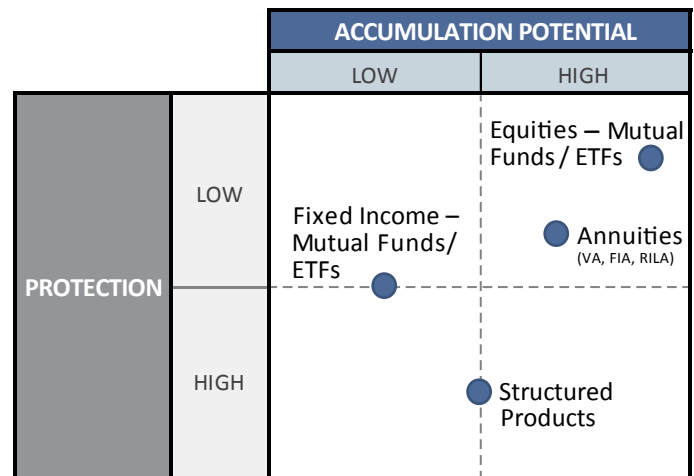


- **Annuities** provide the safest income stream, with some opportunity to grow the portfolio and provide a raise in income in the future.
- **Structured Products** provide a shorter-term income stream with the ability to choose a different product after the product term. This provides some flexibility if you think rates may go up in the future.
- **Mutual Funds and ETFs** provide the least income but typically a greater ability to grow the portfolio and provide a raise in the future. With this opportunity for growth, comes the risk of losing value as well.



## ACCUMULATION

Simpler in concept than an income strategy, but difficult in a time when the market has been on a ten-plus year run and making record highs every other day. There are many ways to think about helping clients accumulate wealth, and we have found distilling it down to a few is most helpful; Accumulation and Protection. The third, for a smaller sub-set of clients, is tax deferral.



Once the best structure is chosen, which asset class is best for your client? Some structures will limit your asset allocation choices, which may help you decide through the process of elimination. Picking the asset class is one of personal preference in building a portfolio, but picking the best product type is where clients can gain that peace of mind.

		Returns		
Index Name	Asset Class	3 Year	5 Year	10 Year
Bloomberg Barclays US Aggregate Bond TR USD	Fixed Income Core	4.65	3.10	3.44
S&P U.S. High Yield Corporate Bond	Fixed Income – Hi Yield	0.70	0.81	0.66
Russell 1000 TR	US Equities	17.31	16.66	13.97
S&P 500 TR	US Equities – Large Cap	16.78	16.29	13.91
MSCI World Index	International Equities	13.42	13.98	10.50

Helping achieve income or accumulation goals by understanding the risk and rewards and distilling this down to a few dimensions for clients to think through can really add value to the conversation. Income and Growth; Accumulation and Protection can help find the best products for clients and help Advisors to become that trusted Advisor.

FOOTNOTES

- *Mutual Fund is the average yield for inst share class in the category*
- *ETF is the average yield in the category*
- *VA and FIA — shows the minimum adjusted income for a single individual investing at age 60, assuming no withdrawals for five years.*
- *Performance numbers as of Q1 2021*

