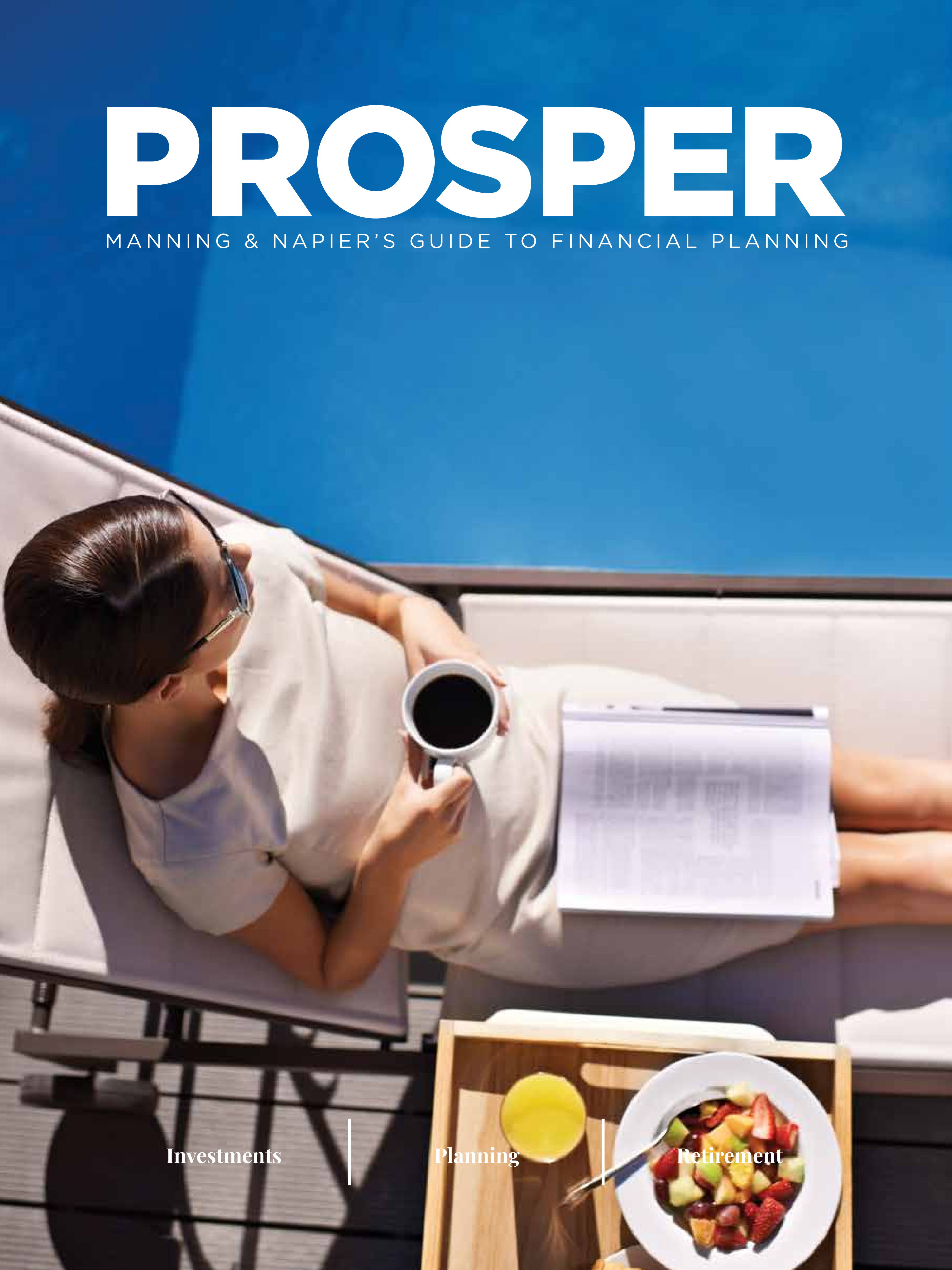
PROSPER

MANNING & NAPIER'S GUIDE TO FINANCIAL PLANNING



Investments | Planning | Retirement

MANNING & NAPIER®

50 YEARS

EST. 1970

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Contents

Wealth management is about more than managing money. It is about surrounding you with the tools and expertise you need to succeed.

Three years ago, we started our Prosper magazine with the goal of empowering people to make confident financial decisions in all aspects of their lives. Providing this resource is just one of the many steps in our firm's ongoing evolution.

2020 marks the 50th year in Manning & Napier's history. As a company founded on helping clients meet their goals in all market environments, it is with no great irony that we find ourselves facing a great challenge in our anniversary year.

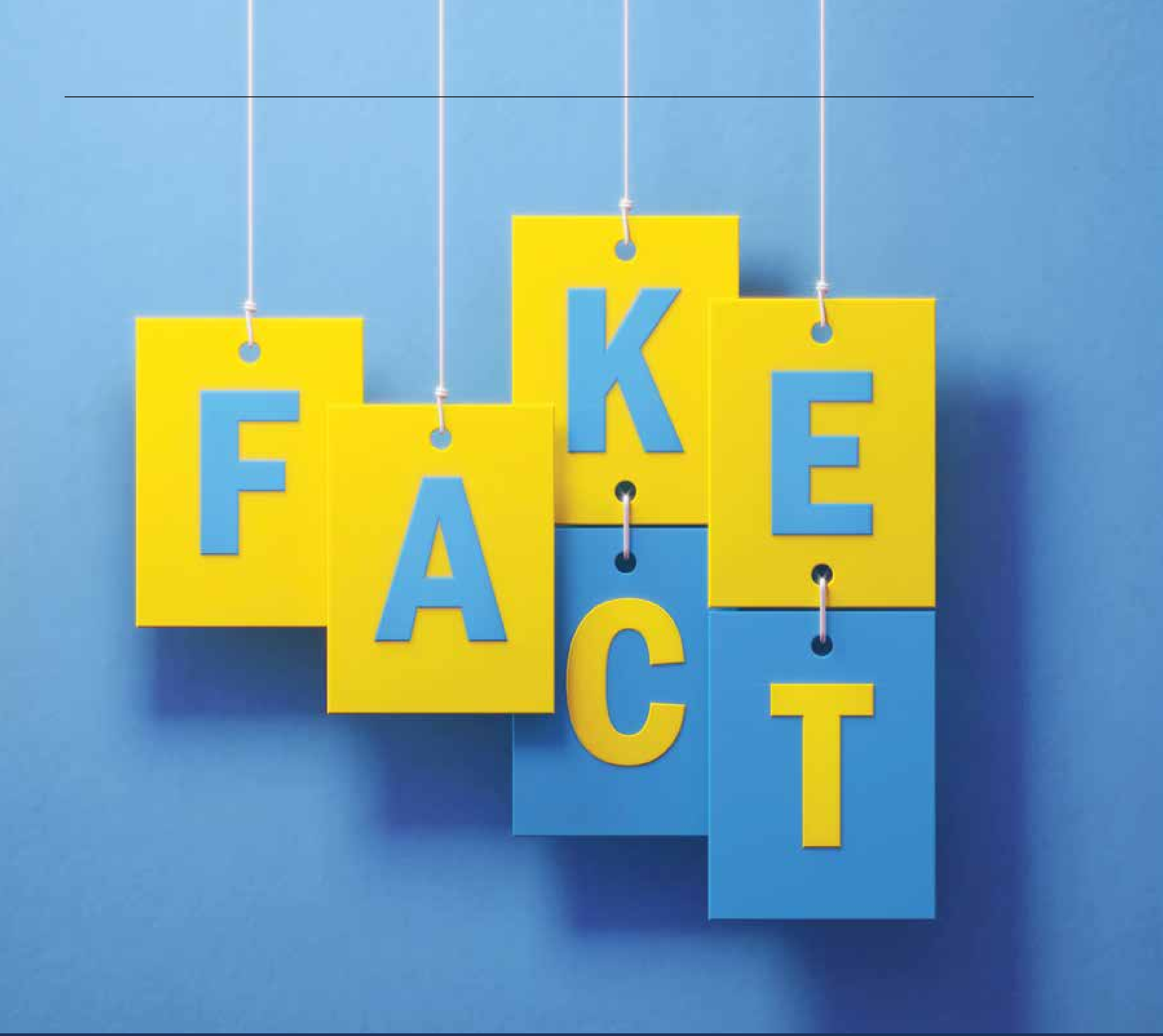
With so much change happening all around us, proper financial planning requires a team and a clear understanding of your needs.

This year has presented us all with an unprecedented test, and it's more important than ever to focus on how you can remain on track to meet your goals. With so much change happening all around us, proper financial planning requires a team and a clear understanding of your needs.

As in previous editions, we've done our best to cover all the financial planning topics that may interest you today. As events continue to unfold, you can always find the most up-to-date information, insights, and tips by subscribing to our Financial Planning blog.

On behalf of our new leadership team of Greg Woodard, Managing Director of Wealth Management; Megan Henry, President of Exeter Trust Company; Mark Macpherson, Head of Wealth Management Strategy, and myself, we look forward to working with you to help meet your needs.

— Dana Vosburgh, CFP®
Managing Director of Advisory Services



6 Financial Planning Myths

Our industry is filled with rules of thumb and so-called best practices, but not all the advice should be taken. The reality is that wealth management is as complex as it has ever been, and some answers just aren't that simple. Below, we tackle six of the most common financial planning misconceptions, sorting out the fact from fiction.

Myth 1

Stocks are risky, while bonds and cash are safe.

Bonds and cash are less volatile than stocks, but that doesn't mean they are entirely safe. Bonds and cash can still be the wrong place to put money.

In the short-term, cash is in fact quite safe, but bonds can lose value just like any other investment: when yields rise. Bond yields can rise for any number of reasons, but in general, prices fall when yields rise. For unsuspecting investors, seeing prices fall on your existing bonds may come as a bit of a shock.

Over the long-term, both bonds and cash tend to face an entirely different kind of risk, inflation and reinvestment risk. Inflation risk is relatively straightforward. Bonds and cash lose value when inflation is high. Reinvestment risk describes a situation when you can't find good investment options in the future. For example, an investor who chooses to hold cash or short-term bonds runs the risk that he or she will regret having not locked in a higher yield for longer.

With so many risks for the short- and long-term, we advocate a hands-on investment approach that can adjust portfolios accordingly.

Myth 2

100 minus my age should be my portfolio's stock allocation.

This is a decent "rule of thumb" as far as general investing advice goes, but everyone's situation is different. Your asset allocation recommendation should be tailored to your specific needs, such as your time horizon, savings, and overall wealth needs.

It may make sense for a 25-year-old to own fewer stocks than the rule of thumb because they need the money to buy a home. On the other hand, an 80-year-old may own more stocks because they're investing to benefit their heirs. Working with a financial consultant can help you create a better investment plan tailored to your specific needs.

Myth 3

I can't afford to save money right now.

The truth is, you probably can't afford NOT to save, even in today's uncertain economic environment. Most experts recommend that individuals first develop enough savings to cover 3-6 months' worth of expenses. The specific amount will depend on your comfort level, debt payments, and other life circumstances.

After that, the earlier you start saving and investing, the more compound interest can help you reach your financial goals. For example, in an account earning 7% annually, you would need to save about $5,000 per year, beginning at age 25, to reach $1 million by age 65. But, when starting at age 45, you would have to save approximately $24,400 per year to reach the same $1 million by age 65.

Myth 4

Once created, stick to your financial plan, no matter what.

Your financial plan is a living, breathing document. Continually monitoring and updating your financial plan is as important as drafting it. We advise you to revisit your plan as your life changes. Major changes in your financial goals, like having a child or buying a second home, are a few common reasons to adjust your plan.

In general, financial market volatility is NOT a reason to change your plan. A good financial plan should have proactively built-in realistic assumptions for market performance and volatility. If you are concerned, reach out and we can discuss with one of our planners.

Myth 5

I don't need an estate expert for my will, any attorney can do it.

The real question is should you trust just anyone? Although it may seem like an unnecessary expense, working with an experienced estate planning attorney can end up saving you a good deal of money in the long run.

Details matter and one wrong word or phrase can have big consequences. Mistakes could cost you more in court fees, professional fees, and taxes. An estate attorney knows what questions to ask and the best way to help you secure additional tax and financial benefits. The attorney can provide an objective look at your plan and can be a voice of reason in a potentially emotional process.

It's necessary to have regular reviews and updates of your estate plan as significant financial and personal changes can render an old plan irrelevant.

Myth 6

My health-savings account is "use it or lose it".

If you are covered under a high-deductible health plan, chances are you also have access to both a health-savings account (HSA) and flexible spending account (FSA) to be used to pay for qualified medical expenses.

While they are both tax-preferred accounts, they function very differently. For FSAs, pre-tax contributions made during a calendar year must be used by the end of that year with a maximum $500 roll-over option. These accounts are truly "use it or lose it".

With an HSA, your contributions roll over from year to year. What's more, HSAs are triple tax-advantaged: they are funded with pre-tax dollars, can be invested and grow tax-free, and can be withdrawn for qualified medical expenses tax-free as well. With the power of compounding, these accounts can be a useful tool to not only pay for medical costs, but also as an additional vehicle to save tax-deferred assets for retirement.

New Laws Rewrite Retirement Rules

Politicians are always promoting new ideas, but rarely do they become reality. Well, in 2020, we've had two of the largest overhauls in retirement regulation in decades. The SECURE and CARES Acts produced a number of major changes for individuals and organizations alike, and we break down those key takeaways on the following pages.

The SECURE Act

The Setting Every Community Up for Retirement (SECURE) Act was passed late last year, making several adjustments to longstanding rules in the US tax code. The changes can be grouped into two categories: those for individuals, and those for organizations.

Individuals

RMD Age Increase: The age when individuals must begin taking required minimum distributions (RMD) was increased to 72 from 70 ½ for most people. Raising the age of RMD withdrawals may alter when and how retirees should access their individual retirement account (IRA) assets.

Elimination of Stretch IRA: Previously, this rule allowed children and grandchildren inheriting IRA wealth to stretch out mandatory IRA distributions based on their life expectancy. This provision was reduced to a maximum of ten years, applying to all non-spousal inherited IRAs starting in 2020 with few exceptions.

Childbirth Withdrawal Exception: Within one year of adopting or giving birth to a child, new parents can withdraw up to $5,000 each penalty-free from a 401(k) or IRA. Income taxes would still be due on the amount withdrawn.

529 Plan Expansion: A lifetime amount of up to $10,000 of 529 plan funds may now be used for student loan repayments, trade schools, apprenticeships and private elementary, secondary, and religious schools.

Revisions to the TCJA: The 2017's Tax Cuts and Jobs Act's (TCJA) "Kiddie Tax" formula has been repealed, meaning that a dependent child's unearned income will be taxed at the parent's marginal tax rate. The change applies retroactively to unearned income in tax years 2018 and 2019.

Organizations

Expanded Access to Annuities

The SECURE Act expands access to lifetime-income contracts, commonly called annuities, within retirement plans. The aim is to help retirees establish reliable income streams in their retirement.

Retirement Plan Statements

Retirement plan statements are now required to include a lifetime income disclosure annually. The intent is to help those saving for retirement, as well as retirees, understand approximately how much monthly income they can expect based on the total benefits they have accrued in their retirement plan.

Multiple-Employer Plans

Unaffiliated small businesses and employers can now band together more easily to create multiple-employer retirement plans. This allows one provider to administer it, which should result in lower costs for everyone.

Long-Term Part-Time Employees

Certain long-term employees who work at least 1,000 hours in one year or at least 500 hours in three consecutive years are now allowed to participate in their workplace retirement plan.

Small Employer Tax Credits

The Act increases the tax credit for small employer pension plan startup costs, and it creates a new three-year credit for costs associated with new pension plans that build in automatic enrollment.

The CARES Act

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed in late March to ease the economic impact of the COVID-19 pandemic. This bill has had several implications for families and individuals, including:

Direct Cash Rebates: for qualifying individuals, up to $1,200 per individual, $2,400 for couples who file taxes jointly, and $500 for every child under the age of 17. The benefit phaseout is $75,000 - $99,000 for singles, $150,000 - $198,000 for joint filers.

Required Minimum Distributions (RMDs): All RMDs for 2020 have been waived for Roth and Traditional retirement accounts, and inherited IRAs. A one-time rollover of RMDs already taken in 2020 may be possible but must meet qualifications. Any taxes withheld on a previously taken distribution will need to be paid from non-retirement account money or the withholding amount will be reported as a taxable distribution.

Relief for Small Businesses: $349 billion will be allocated to small businesses with less than 500 employees to assist in covering expenses and payroll until June 30th. This only pertains to companies who do not lay off any employees between February 15, 2020 through June 30, 2020. Amounts are limited to $10 million and any amount used to cover payroll, mortgage interest, rent, utilities, and health insurance will be forgiven.

Charitable Giving Provisions: The act introduced a new above-the-line deduction for up to $300 worth of cash donations to qualifying charitable organizations. This doesn't apply to those who itemize deductions. In addition, the Act increases the Adjusted Gross Income limit on cash donations to charities from 60% to 100%.

2019 Tax Filing and IRA Contribution: While not explicitly part of the CARES Act, the traditional April 15th deadline for filing Federal taxes and paying your first quarter 2020 estimated taxes has been postponed to July 15th, 2020. This change also extends the deadline for 2019 contributions to IRAs, Roth IRAs, and HSAs.

Other Initiatives

With so much economic uncertainty still facing many Americans, there are additional legislative initiatives being considered that would further overhaul US financial regulations.

Social Security 2100 Act: To address the Social Security imbalance, the House of Representatives is closely debating a proposal to raise payroll taxes, while also raising the average benefit, the minimum benefit, and the Social Security income tax threshold.

Indexing Cost Basis: The Trump Administration is exploring whether they can, via executive order, change tax code to allow the cost basis of securities to be annually increased to adjust for inflation. If legally allowed, this rule could reduce capital gains taxes paid on realized gains.

Other Legislation: Among the other legislation we're following is a bill to provide relief for multiemployer pension plans, a proposal to allow individuals on Medicare to contribute to a health-savings account, and finally, a potential to change to the Windfall Elimination Provision regarding the Social Security Benefits to public employees.

Is a Roth Conversion Right for You?

This year has been filled with unprecedented economic turmoil. While it may be challenging on investment portfolios, the market volatility presents you with an opportunity to reorganize your retirement accounts in a way that may not have been practical in the past.

This holds true for your IRA accounts. In traditional accounts, you deduct contributions when they're made, and pay taxes on withdrawals later. In Roth accounts, you're taxed on contributions, and make withdrawals tax-free. For more details on the differences between the two account types, see page 23.

The environment now is one of the best for a Roth conversion. This involves transforming your current IRA into a Roth-style account by paying income taxes on the balance of the IRA.

A low-income year can be a good time for a conversion, because the IRA balance is tacked onto existing taxable income during the year you convert. The balance will therefore be taxed at your current rate. With the market in such a volatile state in 2020, it's likely your balance may be lower than you had expected, and this can make the option more attractive than in a strong market year.

You should keep in mind that this option may not be right for everyone. Consider the following items before you decide to convert:

1. ***Your future tax rate:*** do you expect that it's meaningfully lower now than in the future? If so, now may be a good time to convert. If not, it may not make sense
2. ***Withdrawals from the IRA:*** do you need them to support future spending? If not, your assets can grow tax-advantaged for longer with a Roth account
3. ***How you'll pay the taxes on the conversion:*** if you can afford to pay this with taxable, non-IRA assets, it is better for both short- and long-term tax purposes
4. ***Your age and retirement status:*** will your assets transfer to the next generation soon? If your estate is over the estate tax exclusion amounts, or you wish to limit your heirs' future tax liability, you may want to convert
5. ***Your charitable plans:*** if you plan to make significant gifts during your lifetime or at your passing, qualified charitable distributions or IRA balances left to charities can avoid taxation completely if held in a traditional account

A Roth conversion is no longer reversable, so there are several factors to consider before making this kind of financial decision. It's best to consult with your financial consultant and CPA before converting your account balance, they can help you decide if this is the right move for you.


FRANKLIN

Dollar by Dollar

Explaining Marginal & Effective Tax Rates

Our federal tax system is a progressive tax system, meaning that your first dollar is taxed at a lower rate than your last dollar. Therefore, two individuals in the same tax bracket can have very different effective tax rates.

For example, let's consider two households, the Anderson family and Booker family. The Andersons have a taxable income of $160,000 and are in the 24% tax bracket. The Bookers have a taxable income of $190,000 and are in the 32% tax bracket.

When they calculate their federal taxes, both families start off the same. With our progressive system, they each pay 10% on their first $19,750 of income and 12% on income up to $80,250.

The Andersons then pay 24% on their remaining income to $160,000. The Bookers pay 24% up to $171,050, the top of that bracket, and then 32% on their remaining income to $190,000.

Even though the rates on their tax brackets are very different, they pay almost the same effective rate: The Andersons' effective tax rate is 18%, and the Bookers' is 19%.

Marginal tax rates are often quicker and easier to talk about, but your effective tax rate is far more meaningful—and this analysis doesn't even consider the various tax rates on investment income! Make the effort to calculate your effective tax rate when thinking about how much you actually pay in taxes.

2020 Tax Brackets

Individuals

Tax Bracket	Marginal Tax Rate
$0 - $9,875	10%
Over $9,875	12%
Over $40,125	22%
Over $85,525	24%
Over $163,300	32%
Over $207,350	35%
Over $518,400	37%

Married Couples

Tax Bracket	Marginal Tax Rate
$0 - $19,750	10%
Over $19,750	12%
Over $80,250	22%
Over $171,050	24%
Over $326,600	32%
Over $414,700	35%
Over $622,050	37%

Source: Internal Revenue Service

Women & Wealth

Women think about wealth differently, invest it differently, and spend it differently. While motivations vary from person-to-person, as a whole, female investors have several preferences that make them distinctly different from men.

Although the wealth management industry has made many strides in the ways it speaks to and helps women investors, there is still a long way to go. The differences between male and female investors are many, and we list some of the most striking ones below.

More women control the family wallet.

Women have been responsible for the majority of consumer purchases for many years, but the number becomes more staggering as their wealth grows. They now influence or control 70-80% of consumer purchases and are responsible for some of the largest retail trends.

Their influence extends beyond day-to-day purchases. From an income perspective, women are already the primary breadwinners in 40% of US households. They're not just spending the family money, they're earning it, too.

On top of that, women's total wealth is expected to rise to $22 trillion in 2020. This staggering sum makes women's wealth management needs larger than many in the industry are expecting. More and more wealth managers should be drawing women into conversations about family finances.

Women tend to be more risk averse.

Women statistically play it safer than men. They are less likely to run yellow lights, more likely to wear their seat belts, and get their blood pressure checked.

Perhaps it's no surprise that this prudence extends to their investments. Women keep a full 11% more of their assets in cash than men, and surveys have found that women are more eager to avoid large losses and less inclined to act on incomplete information.

This risk aversion is partly due to emotional differences. Men tend to display anger in the face of negative events, while women are more likely to react with fear. This 'lens of fear' contributes to uncertainty, and it may lead female investors to be more conservative.

Women are less confident about their finances.

Men are often self-directed learners and like to do their own research, whereas women tend to prefer a more social learning experience. This would be fine, but it often causes women to miss out when the topic is taboo.

One survey found that 65% of women were less likely to talk about finances with friends than topics such as health or work issues. These financial literacy issues are exacerbated by a financial services industry that is notoriously unapproachable and still run by mostly men.

Along with women's greater risk aversion than men, this can be a challenging combination. Underconfidence makes it more difficult for female investors to have enough risk in their investment portfolios. Without an appropriate asset allocation, women may struggle to reach their financial goals.

When women do invest, they tend to perform better.

Studies have shown that female investors often outperform their male peers. There are a number of potential reasons why.

The average male investor tends to be more confident and trade more often, whereas women are more likely to buy and hold. It has been shown that for the vast majority of investors, long-term investing is more effective than short-term trading.

Even among professional investors, diverse perspectives can be the difference between outperformance or missing your benchmark. Having a diverse team can help investors recognize trends and insights that are likely to otherwise go unnoticed.

Charity is more important to women.

Women are far more giving then men. They are two times more likely to name charitable giving as the most fulfilling aspect of their wealth. 68% of women consider themselves very involved in charitable giving. This can take the form of donating, fundraising efforts, sitting on boards, or helping plan larger non-profit and charity events.

Not only do they contribute monetarily, but they also contribute their time. The non-profit sector is largely made up of female staff, but men are still overrepresented in leadership roles. In the US, women comprise 75% of the workforce in the non-profit sector, but only 18% hold the position of CEO. For women, wealth management and philanthropy are two sides of the same coin.

There are more obstacles to building wealth for women.

Women already face unique obstacles in wealth accumulation. The gender wage gap, less access to financial education, and more lengthy and frequent career breaks to care for children or aging parents all conspire to hold women back. Worse still, hesitancy to invest can make the results of this more severe.

Per one projection by Ellevest, over the course of a 35-year career, the cost of the investing gap between men and women can add up to a staggering $1 million depending on salary and market performance. Not developing an appropriate investment strategy to make up for this accumulation difference can be devastating.

"Studies have shown that female investors often outperform their male peers."

Women entrepreneurs are on the rise, but they have less access to support.

If female entrepreneurs received as much support as their male counterparts, the global economy could experience up to a $5 trillion boost. It's more difficult for women to obtain startup capital, and for them to gain ongoing support from investors. Only 2.2% of venture capital in the US goes to women-founded companies.

The lack of funding isn't the only issue harming the longevity of female companies. Female business owner networks are less robust and fewer in number than their male counterparts.

Despite this gap, women are still making huge progress. Even with fewer resources, women-founded and cofounded startups actually perform better over time. When women entrepreneurs gain access to the same kind of resources, the entire global economy stands to benefit.

Women are underrepresented as portfolio managers.

The differences between men and women extend beyond just investing habits. Even among women who are already in the financial services industry, there is severe underrepresentation.

For investment professionals, reaching the role of portfolio manager is considered the pinnacle of a career. From 1990 through the end of September 2017, men gained between 85% and 90% of net new portfolio management roles, according to a Morningstar study. Today, the ratio of men to women mutual fund portfolio managers sits at an astounding nine to one.

This ratio is more than just a moral issue, it actively harms investment performance. A PNAS study in 2014 found that diverse investment teams were 58% more likely to price stocks correctly than their homogeneous counterparts.

Diversity of all kinds (i.e. race, gender, socioeconomic upbringing, etc.) has been shown to correlate with more successful, profitable businesses, and investment firms are no different. The financial industry is finally starting to adapt with new programs tackling unconscious bias issues and promoting diversity.

Women are solving workplace frustration by starting their own businesses.

Four of every ten US businesses are owned by women, and the number continues to grow. Women list a variety of reasons for pursuing business ownership. Among these are a desire to follow a new idea, work for themselves, or leave a difficult work environment.

Working for themselves provides women highly desirable flexibility that they often are not afforded at many enterprises, allowing them to create their own schedule. In this way, women can remain a household's primary or sole breadwinner, without sacrificing on caretaking duties for children or aging parents.

Nearly 90% of women will be solely in charge of their own finances at some point in life. We expect that percentage will only go up as women delay marriage, divorce, and often outlive their spouses. It is vital for both men and women alike to be fully aware and in control of their wealth.

Sources: MarketWatch, Money Magazine, Business Insider, Bloomberg Finance, Investor's Business Daily, Bankrate, NonProfit PRO, Forbes, Guidant Financial, Boston Consulting Group, Bizwomen.

Retiring to a Different State

Considerations When Making a Move

Retiring to a different state is exciting. If you are looking to make a move, and if it happens to be to a more "tax-friendly" state, there are a number of things to consider.

States such as New York, New Jersey, and Massachusetts have notoriously high all-in taxes. Many retirees are interested in moving to more tax-friendly states such as Florida, Nevada, and Wyoming. These states have no state income or estate tax, and generally low sales and property taxes that can meaningfully reduce your total tax liability.

Some retirees don't choose to move outright but are simply looking to buy a second home in another state. If this is you, you may want to use the more tax-friendly state as your permanent residence.

While Wyoming is the most tax-friendly state overall, Florida is more popular for snowbirds. Snowbirds are a group of people that live in a northern state like New York during the summer, but flock to Florida for the rest of the year to escape the cold, as well as estate and income taxes.

The process of changing residency to a state like Florida isn't always that simple. The less tax-friendly state may still try to claim that you're subject to its income and estate taxes. Often, the burden of proof is on you to show that you're no longer a resident.

"Some retirees don't choose to move outright but are simply looking to buy a second home in another state."

There are two ways to show this. One is to prove that your permanent residence has changed. This is called changing your domicile. The second way is to show that you spend more time in your second home than in your original home. This is called being a statutory resident, and usually the threshold is lower.

There are five primary factors the state considers in determining where you are domiciled. If these factors are not conclusive in establishing domicile, an auditor may look at secondary factors such as voting and automobile registration, drivers' licenses, addresses used for tax returns and legal documents, location of the safe deposit boxes, telephone activity at each residence, etc.

Factors Considered in Determining Your Domicile

1. ***Housing*** – Which of your homes is bigger? Which one do you physically use more?
2. ***Business*** – Are you actively involved in a business, and if so, where is it located?
3. ***Time*** – Where did you spend the most time?
4. ***Near & Dear Possessions*** – Where are your most prized possessions kept?
5. ***Family*** – Where are your closest family members located? Where do family functions take place?

Proving Your Statutory Residency
In the alternative, a state may determine an individual is still a 'statutory resident' for tax purposes, even if he or she is domiciled in a different state. The threshold for proving statutory residency is if you have spent more than 183 days of the taxable year in the state.

The taxpayer has the burden of proof on the 183 days, and any part of any day spent in the state is counted as a full day. Proof may be provided by an examination of diaries, calendars, credit card slips, phone bills, bank statements, and other business or personal records.

Even if mandatory shelter-in-place orders kept you in one home or state longer than you had intended this year, you still need you need to reside in the state for over half the year to be considered a statutory resident.

Consider Your Taxes and Estate
These are the two main factors used to determine your current tax liabilities, as well as potential estate tax considerations. Because there are both tax and trust implications, it is to your advantage to establish statutory residency and domicile in the state with more favorable taxes and regulations.

Familiarize yourself with any state guidelines that may impact your personal situation. Common concerns include what assets are protected from creditors, eligibility for certain government benefits such as Medicaid, the deductibility of 529 Plan contributions, etc.

When considering a move, whether to reduce taxes, be closer to family, or be somewhere with a more picturesque view, you should be aware of the state and local tax laws to avoid any nasty surprises down the road.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Talking to Your Children About Money

Opening Lines of Communication



Your children grow up looking to you for guidance and expertise as they take on life's challenges. You give them advice on everything from school to work to marriage, why would money be any different?

Talking to your kids about money is awkward but avoiding the topic can be disastrous. Many parents are reluctant to talk about such a sensitive issue. This is even more the case when the stakes are higher, like during a financially troubling time.

Setting up your kids with good financial habits when they're young can save them—and you—considerable stress. Establishing these habits early on can make all the difference in terms of loan approvals, credit scores, student debt, mortgages, and more.

There are several great opportunities throughout your child's life to talk about money. The more open your communication, the less uncomfortable these conversations become. This year's economic turmoil can be a great introductory topic for establishing good financial practices.

Establishing Credit
Financial freedom also comes with responsibility. As your children begin opening up credit cards or taking out loans, they will need a well-established credit score. Talk to your children about when, how, and why to check their credit score.

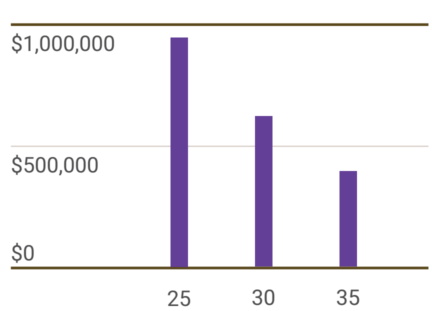
Make sure they understand the importance of paying bills and making payments on time, and the consequences of failing to do so. Discuss different interest rates and fees, and how these can affect their savings. For example, carrying a balance of $3000 for a year on a 20% APR credit card will result in paying over $600 in interest on the debt.

Investing vs Saving
When your kids finally establish a nest egg, their first thought may not be investing. After paying for tuition, housing, or car loans, it can feel unnerving to move it out of the bank.

Warm them up to the idea by discussing the power of compounding. For example, if you put away $250 a month for 40 years, at 8% annual return, you'd have over $872,000. If you did the same, but for only 35 years instead, you'd have approximately $572,000. That's $300k more for starting just 5 years earlier!

If conceptual conversations aren't resonating, you can also discuss the costs of not investing. Bring up other low-risk ways to invest and discuss how even relatively safe investments can add up to huge earnings over the long run, especially when compared to leaving everything in low-interest savings accounts.

THE POWER OF COMPOUNDING
(BASED ON STARTING AGE)



The most essential lesson is to establish a good savings base. Maintaining an emergency fund is the first step before then moving on to realistic savings goals, such as paying for a home, car, or further higher education. Should these purchases be made with cash or with loans? Are they prepared to keep up with payments if they lose their income? What is the cost of a master's degree versus the expected return?

Estate Planning
Be transparent with your children about what they can expect from your estate. Tell them about the importance of having their own financial plan as they age and grow their own assets and families.

They should have a good idea about what will happen to your estate, property, savings, and other assets upon your passing. They should also begin thinking about their own estates as they age. You may want to encourage them to draft a will if they haven't already, or revisit theirs as their lives change.

It can be a good idea to have your kids talk to your financial advisor as they set up their own money habits. Sitting down to have these conversations can provide them with the necessary tools and expertise to create a financial plan that works for them.

Retirement Accounts
As your children begin to save, you should discuss the benefits of retirement accounts and employer matches. Investing just enough to qualify for an employer match can add up to thousands of 'free' retirement dollars per year.

Other benefits that come with their first job can make a big difference to your children's early financial management, like HSA or FSA employer contributions. You should also discuss other long-term retirement savings options, such as traditional and Roth IRAs. Make sure they know the difference between these two, as well as the tax benefits of opening a Roth account while they're young.

DIFFERENCES BETWEEN A 401(K), ROTH IRA, AND TRADITIONAL IRA

TRADITIONAL 401(K)

- Employer may contribute
- Taxed as ordinary income at withdrawal
- High contribution limit (increases periodically)
- Subject to required minimum distributions after age 72
- Penalty for withdrawing before 59 1/2

ROTH IRA

- Taxed when going in with all future withdrawals tax-free
- Income level ceiling above which you can't contribute
- Lower annual contribution limit (increases periodically)
- Contributions can be made as long as you're earning income
- No required minimum distribution
- Penalty for withdrawing before 59 1/2

TRADITIONAL IRA

- Taxed as ordinary income at withdrawal
- Required minimum distributions start at age 72
- Lower annual contribution limit (increases periodically)
- Income level ceiling above which you can't contribute
- Penalty for withdrawing before 59 1/2

Chart shown is for illustrative purposes only and is based on starting age, saving $250 a month over a 25, 30, and 35 year period with 8% annual return.

College Planning 101

Questions & Answers with Jodi Atkin

Jodi Rosenshein Atkin is an independent college admissions counselor in private practice, working with students throughout the United States. She provides personalized guidance to students and families throughout the college choice process, helping them find a "best fit" academically, financially, and socially. Jodi holds a BA and MA in psychology from the University of Rochester. She is a Professional Member of the Independent Educational Consultants Association and has been featured in national and local publications, including the Wall Street Journal, Teen Vogue, and the Rochester Business Journal.

As your children and grandchildren prepare to make one of the most significant choices of their lives, there are many things to consider. We've compiled five of the most frequently asked questions that come up during the college search.

We hope that you and your loved ones find these questions thought-provoking and help spark a discussion on the best college choice —even if being a college student may look different right now than it usually does.

How do I narrow down which colleges to consider?

When I talk to clients about creating their preferred college list, we focus our discussion on academic, social, geographic, and financial factors.

Start by making a list of your academic interests and extracurricular activities. What are your intellectual curiosities? What extracurricular activities have been most meaningful? What things have you always wanted to explore?

Make sure the schools you are considering offer the types of programs, as well as social activities, that you may want to get involved in. There's no point in spending a lot of time looking at a school that doesn't offer classes in the visual arts if you are considering studying art. The same goes for activities. If you think you might want to get involved in Greek life, you can ignore any schools that don't have sororities and fraternities on campus.

Geography is another factor to consider. Even if campuses are closed currently, you'll need to move to attend in-person classes when they reopen. A school's convenience goes beyond where it's located on a map. Many schools located near large airports can be relatively quick and easy to get to. A school with no transportation options other than hours of driving can be more of a hassle to get to than many students realize.

A five hour drive from home may seem close, but if the only way to get from where you are to where you want to go is by car—no plane, train, or bus routes available—students are either going to need to take a car to school, or the parent is looking at a ten hour drive to pick them up and bring them back for Thanksgiving dinner!

Lastly, don't fall in love with a school that you cannot afford. Every college has a net price calculator online. It is required by law. Fill it out. The tool will give you an estimate of the financial aid a student like yours can expect. It is based on grades, test scores, and family income. Read the results carefully to determine how much of the total cost will be offset by grants, scholarships, and work-study.

Should I concentrate on applying to the most elite colleges I can find?

No, and this is particularly true if you are seeking merit-based financial aid. Those awards can be used to attract students who add to the school's academic and extracurricular culture. If you are roughly in the top third of the applicant pool, you have a better chance of receiving merit-based aid.

In addition, the hardest place to get into is not necessarily the best place to be. I prefer students not refer to certain colleges as reach schools. What exactly are you reaching for? Being in an environment that will not support the student's academic needs can make the goal of a bachelor's degree feel more like a four-year ride on a struggle bus!

Higher education is more about the experience of the student than the brand name of the college. Getting in is only the first step. Staying in and finishing on time are the true measure of success. Will simply being on an Ivy League campus really help you reach your full potential? Or will it only look good on your sweatshirt and raise your anxiety levels? What is the likelihood you would have necessary access to internships, research, and faculty support?

The first thing to consider in choosing potential colleges is your wants and needs. In the end, the only name that really matters on a diploma is yours.

What if I don't know what I want to major in?

It's okay not to know what you want to major in when applying to college. The vast majority of subjects offered in colleges and universities are ones that high school students may have never heard of.

It is also okay to not know what you want to be when you apply to college. Given the rapidly changing labor market, it is estimated that 65% or more of the jobs that will be available in the next five years do not currently exist today!

Many students are fixated on figuring out what they want to major in or what career they are going to pursue. Consider a different approach. What are the questions you are interested in answering? What are some problems you are interested in solving? What are you curious about?

The reality is that you will almost certainly find interesting subjects that have not even occurred to you as you're applying. If you don't have a major in mind, do the research and be sure the schools you are exploring offer enough opportunity once you get there.

How do I avoid making a mistake and picking the wrong college?

The college choice should be a mutual one. It is a pairing that should be voluntary and agreed upon by both parties. Contrary to experiences in gym class, being chosen does not obligate you to join that team. Applying to a school regular decision does not bind you. It does not require you to attend.

It is important to consider what aspects of college life will be most important to you. For example, if your exercise regime is focused on turning the pages of a book, all the fitness facilities in the world don't matter to you. Instead, make sure the library has windows and comfy chairs. If you find you focus best in small, discussion-based learning settings, then you should avoid choosing a school where you'll be in lectures with hundreds of other students.

At the end of the day, picking a college is like going on a date. A school wants to be chosen as much as the student does. The application process is a courtship for everyone, and a successful process means reciprocal enthusiasm from both you and the school.

What is the best way for a normal student to get into a good college?

The average admission rate for four-year colleges is approximately 65%. Unfortunately, students and the media seem to primarily focus on schools whose admission rates hover around 10% or less. There are only a dozen or so schools in the country that are that selective. The reality is that most schools admit the majority of applicants.

There is also a shrinking population of high school students, and that demographic is expected to decline for the foreseeable future. Schools are looking for students just as much as students are looking for schools. There are scholarships, honors programs, and other opportunities that highlight what types of students a campus may be seeking. By researching and pursuing all available opportunities, you will make it easier for colleges to find exactly what they are looking for – you.

FACTS ON FUNDING COLLEGE

Picking the right school isn't the only challenge. Funding four years of either public or private college is a serious undertaking. With tuition rising every year, having a plan that uses every possible tax and investment advantage is imperative. Below, we highlight eight key facts on paying for college today.

80%+

The difference between the earnings of someone with a bachelor's degree vs someone without one

9X

The amount college tuition has risen since 1983, almost double the rate of inflation

500K+

Projected total cost of a four-year private college education for a 2020 newborn

0.3%

Percentage of students who receive enough grant and scholarship awards to amount to a 'free-ride'

2%

High school athletes who are selected to receive some degree of athletic scholarship

9/10

The number of parents who want to pay for at least half of college costs

85K+

Total difference between saving $500 a month starting at birth vs. starting when your child is age 6

~100K

Total difference in growth if one saver generated 2% more annualized investment return than another

Source: JP Morgan.

Resource in Focus

T65 & Beyond Medicare Specialists

Manning & Napier strives to provide insights and advice to help with our clients' entire financial picture.

Sometimes that means working with external resources that can provide additional guidance on more specific areas. T65 & Beyond, a Rochester-based advisory firm, does the deep dive on Medicare so you don't have to.

We reached out to T65 & Beyond for their insight on how financial planning and Medicare work together. If you are approaching the qualifying Medicare age, it's important to consider all of your options.

Our firm, T65 & Beyond, focuses on Medicare healthcare advising for individuals who are approaching or have reached the eligible age. We find health care coverage for individuals and their significant others, focusing on those who are under 65 in New York State.

There are three steps someone should take in holistically evaluating their Medicare situation. The first is gaining a comprehensive understanding of Medicare. We recommend our clients clearly know what Medicare will cost them. The second element is determining if, how, or when they should enroll. The answers to these questions are based upon employment status, financial situation, and possible existing healthcare offerings. The third element involves understanding the difference between a Medicare Advantage Plan and a Medicare Supplement Plan, and how they combine with a prescription drug plan.

We recommend beginning to plan your healthcare benefit strategy three to four months in advance of turning 65, whether you plan to keep working or not. If you do plan to keep working after 65, we recommend a second follow-up about six to twelve months before you plan to retire.

Those already enrolled in Medicare may make changes during the annual enrollment period, during the open enrollment period, or if they have a special election they can use. When you begin to plan, you should make a list of medications and current insurance information. Remember to also keep in mind any financial and healthcare concerns, as well as travel plans and seasonal homes.

Medicare is not a one-size-fits-all program. It's important to seek out information from experts who know exactly how to best help you.

About T65 & Beyond: *We are Medicare-licensed in New York, Pennsylvania, Arizona, South Carolina, North Carolina, Virginia, and Florida. We conduct face-to-face appointments and remotely. When we work with clients, our goal is to provide the correct coverage, as well as the education clients need.*

Which Trust is Right for You?

In addition to making major changes to retirement rules, the SECURE Act has meaningful implications for IRA trusts. IRA trusts are legal entities specifically created to help you pass on your retirement assets to family and loved ones after death.

To understand how these changes may affect your estate, it's important to understand the distinctions between the two types of IRA trusts that are commonly used to facilitate asset transfers between generations: conduit trusts and accumulation trusts.

Conduit Trusts

Conduit trusts require all IRA required minimum distributions (RMDs) that the trust receives to be annually distributed. Accumulation trusts, however, give the trustee discretion on whether to pay out or retain those RMDs depending on the terms of the trust.

There are several reasons why an estate attorney would recommend one trust over another, but recent SECURE Act changes to long-standing IRA rules now present an issue for conduit trusts with substantial value.

Changes to the 'stretch IRA' rule mean that the value of the inherited IRA must now be paid out in full within a ten-year period as opposed to over the lifetime of the beneficiary as was previously allowed. This rule only requires that the full IRA be withdrawn by year ten. There are no annual RMDs. The trustee of the conduit trust could decide to pay out a series of distributions over that ten-year period, or a very large lump sum at once. Receiving the entire value of the IRA within ten years can have significant planning and income tax implications.

Accumulation Trust

An accumulation trust can provide an alternative solution for this issue. Using this type of trust allows the trustee to decide when a beneficiary may receive a distribution. The beneficiary will not have complete access to the distributions. This could be especially valuable if there is concern over how a beneficiary might spend a large, one-time distribution, or if, for example, you were in multiple marriages and would like to protect the remainder of your trust for your children.

The downside of this approach is that retaining IRA distributions often has significant income tax implications. Any income retained within a trust is taxed at the trust income tax rates, and it could result in reaching the highest marginal income tax rate very quickly.

Keeping all RMDs within the trust can result in high taxes, but for some families, that tax impact may be preferable to allowing a beneficiary complete access.

Use It or Lose It... Maybe

The Complexities of Estate Planning

Estate tax law has been fraught with uncertainty for decades. Policy keeps changing, and who is impacted keeps changing, too. For many, the estate tax exemption has become high enough that it is no longer an issue, but for others, paying estate taxes remains a major consideration.

Complicating estate tax law are sunset clauses on provisions that exist today but are slated to revert in future years. The temporary nature of these provisions makes it difficult for individuals to know what the estate tax landscape will look like at their deaths. For individuals living in a state such as New York, where the state exemption amount is is related to the federal amount, planning may be even more difficult.

The Clawback Concern

The prevailing belief is that your estate must pay taxes on any amount over a certain threshold when you die. While that is mostly true, it misses out on an obscure area of estate tax law called clawbacks.

When calculating the value of your estate, you must also think about any gifts. Specifically, if the value of any gifts you've made exceeds the annual gift tax exclusion amount, it is added to the value of your estate at death. In effect, the IRS can 'claw back' these gifts into the total value of your estate.

These clawbacks have become a very real concern for individuals with significant wealth. In 2019 and 2020, the annual gift tax exclusion amount is just $15,000. This number is so low that it's quite prohibitive for those seeking to transfer sizeable sums of wealth before death.

How Clawbacks Came to Be
The idea behind clawbacks began in 2001 with tax legislation that raised the estate tax limit, but just like today, only temporarily. The tax changes dramatically increased the estate tax exemption, but only for ten years.

By 2011, the thresholds were so far apart, that many estate planners feared that the IRS might attempt to clawback any gifts made in the proceeding years. This fear was exacerbated by the fact that the IRS never definitively addressed the issue. For most of the decade, people were left wondering what would happen to their estate if they died in the wrong year.

Today's Estate Tax Uncertainty

We are facing a similar situation today. The estate tax exemption limit was revised again after the Tax Cut and Jobs Act of 2017. Like in 2001, the bill again implemented a sunsetting provision on the now higher thresholds.

For 2018, the individual estate tax exemption limit is now $11,580,000, with estates above that value facing a 40% tax rate. The bill did not change the gift tax exclusion limit, leaving it at $15,000 per recipient. For 2026 and later, current federal tax policies are set to return the limit to its 2017 level of $5 million, indexed to inflation.

Unlike in the prior 2001–2011 episode, the good news is that the IRS has finally weighed in on clawbacks, issuing final guidance in November 2019. The ruling states that an individual who makes a substantial gift now, taking advantage of today's increased exemption amount, will not be penalized if the exemption reverts to a lower amount in 2026.

Why the Clawback Matters Today

Individuals with assets in excess of $7 million—or couples with $14 million or more—may want to consider making large gifts of assets today. By gifting these assets now, you are taking advantage of the higher exemption amount and moving any additional growth outside the estate.

Typically, the estate tax exemption amounts rarely get lower in future years. But these recent legislative changes and IRS rulings lead us to believe that it is likely the exemption amount may actually be lower in 2026 than it is currently.

It should also be mentioned that there is an election on the horizon, and estate tax laws are always subject to change. Stay tuned.

TAX ACT	EXEMPTION AMOUNT	RELEVANT YEARS
Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001	Increased from $675,000 to $3.5 million from 2001-2009	2001 – 2009
Post-EGTRRA	No estate tax	2010: for those who chose to allow for carryover basis
2010 Tax Relief Act	$5 million, indexed for inflation	2010 – 2012
American Taxpayer Relief Act of 2012 (ATRA)	$5 million, indexed for inflation	2013 – 2017
Tax Cuts and Jobs Act (TCJA) of 2017	$10 million, indexed for inflation	2018 – 2025
Post-TCJA	Reverts to 2017 figure, indexed for inflation	2026

Sources: The Balance, Nixon Peabody.

5 Questions You Need to Ask Your Financial Advisor

Everyone wants to work with a financial advisor that's right for them. But how do you know what advisor is right for you?

A period of economic volatility, like the one we're in currently, can have significant, long term impacts on your financial plans. Now is a good time to evaluate your current financial advisor or pursue a financial advisor if you've never worked with one before. It is important to ask targeted questions to determine if your advisor and their firm are a good match for you.

Here are five important questions to ask your financial advisor. You're entrusting this individual with your financial well-being, so you should feel comfortable asking the tough questions. Some of the questions that follow may seem too modest, and others too intrusive, but you have the right to know the answers.

1

Who is your ideal client and how many clients do you work with?

No one advisor can be an expert in everything. That is why most advisors have an area or two of expertise. Whether they have the knowledge to handle larger high-net-worth clients or deeply understand the cash flow needs of a non-profit, most advisors have a specialty. Be sure that specialty fits your needs, and if not, make sure to work with someone who collaborates with a team of individuals so you are getting the right advice for your situation.

It is also important that you understand the number of clients who work with your advisor. Some advisors are deeply entrenched in their relationships and can only handle a small number of clients. Others will have a large number of relationships. There is no right or wrong answer here. It is a preference each investor must assess on their own. It is important that you ask and understand if your advisor is providing the right service experience for your specific needs.

2

Is your financial professional required to act in your best interest?

Unlike other financial professionals you may have experience working with, registered investment advisors are required to act as a fiduciary. What does this mean? A fiduciary is legally required to place investor's interests ahead of their own and make recommendations and provide advice that is in the investor's best interest. They must avoid conflicts of interest, confirm that the information provided to clients is precise and exhaustive, and ensure that they do not use client assets for personal benefit.

In contrast, if you work with a financial professional who is not a fiduciary, they may have different regulations that they are required to follow. This is a big distinction. For example, a financial professional that does not act as a fiduciary can put investors into securities that are suitable for their time horizons and risk tolerances, even if they come with a higher cost to the client or other attributes that the investor doesn't need. For reasons like this, ask and ensure that you're working with a fiduciary.

3

How are you compensated?

This question sounds quite personal, but as long as you don't ask for a copy of their W2, this is actually a very reasonable question. Most advisors are rewarded for keeping the firm's business stable, which often includes trying to grow assets under management.

Some advisors are compensated to maintain client relationships (i.e., continue to help you on an ongoing basis). If you are seeking continued support and service beyond your initial engagement, you want to work with an advisor who is financially incentivized to support you in the future.

Although it may not occur to you to think of this, you may also want to know how other key personnel are compensated. Are research analysts incentivized in a manner that aligns their compensation with your success? Are executive and key business leaders motivated to continue to provide ongoing value-added services? While every detail is not necessary, you should have a general understanding of the firm's incentive structure.

4

What will happen to my account if you change firms or retire?

The wealth management business is about helping clients meet their goals and objectives. Everyone's situation is unique, and their financial solutions should be, too.

Gaining a proper understanding of a client's hopes and dreams allows advisors to create better solutions, but what happens if that advisor leaves?

There are a number of reasons, including retirement, why an advisor may leave a firm. If your advisor leaves the firm, your account could be transitioned to another advisor at the firm that you may not have any experience with at all. In extreme cases, the advisor's client relationships could even be sold to another firm.

Ask if your advisor works on his or her own, or if they use a team-based structure. Some firms choose to provide clients access to a team of financial consultants, believing that a group of people working together on your needs leads to better, more holistic solutions. And it also means that even if your advisor leaves, you'll still have a familiar team who understands your unique needs.

5

Does your firm invest in proprietary investment strategies?

Different financial organizations manage the investment process in different ways. Some firms use in-house research staff and proprietary investment strategies. Others place client portfolios into external investment products that they deem best-in-class.

At first glance, it would appear that selecting best-in-class funds is an obvious choice. Advisors look to select funds with high ratings using investment manager scoring tools, such as Morningstar. Often, an advisor will only consider a fund if it has a high Morningstar score, even though those scores are heavily influenced by short-term performance.

In practice, this type of best-in-class approach does not work as well as you might think. Investment managers who fail to have disciplined research processes tend to see their strong performance come and go over time.

As you can see in the following graphic, top-tier performance over one time period is often followed by significant periods of underperformance. Worse still, this type of strategy typically has a multi-tiered fee structure. This means that both the financial advisor and the fund managers each have their own fees, leading to much higher costs for you.

Firms that have in-house investment solutions with a rigorous research framework have the potential to avoid some of the pitfalls outlined above. In light of this, it is important to fully understand the strategies utilized and the general philosophy of the firm.

While these questions are not an exhaustive list, they should provide you with some initial guidance as you search for a financial advisor or evaluate your current advisor.

HOW DO "BEST-IN-BREED" MANAGERS HOLD UP

THE TOP 25% OF MANAGERS

OVER A FIVE YEAR PERIOD

17%
Stay in the top 25% of managers.

48%
Fall to the top 50% of managers.

35%
Fall to the bottom 25% of managers.

Source: Morningstar. Analysis: Manning & Napier.
 The universe includes 689 U.S. domiciled mutual funds in the Morningstar Direct database with a U.S. Category Group of U.S. Equity and an inception date on or before 01/01/1995. Rankings include both surviving investments and those liquidated and/or merged prior to the end of the full calculation period (01/01/1995 - 12/31/2019). The entire universe of funds is analyzed for each five year period, and each five year period includes only those funds with performance available for the entire period. Performance is calculated Net-of-Fees.

Waiting for the Golden Hour

When market volatility strikes and investors look for safety, they often turn to gold, and today is no different. Gold prices are on a run, reaching their highest level in seven years last month. The potential for negative economic growth is the primary driver of the gains, as well as a combination of factors including lower interest rates, higher levels of government debt, and geopolitical uncertainties.

In such an Unprecedented era, many investors are wondering if now is the time to own gold. Below, we take a closer look at gold as an investment and then answer the question of whether owning gold is something that we think makes sense today.

Why Gold is Special

Gold has immense historical significance. It is one of the oldest and most famous investments, and many investors believe it is a very safe way to store money.

It is this belief that makes gold special. Otherwise, it would just be a rock in the ground like any other mineral. Yes, it is shiny. Yes, it is scarce and essentially indestructible. But beyond those main attributes, there is little reason why gold would be particularly special.

We—people—give it its special nature by our belief that it is special. The logic is obviously circular, but it also is what makes its value resilient. So long as people continue to believe that this particular commodity has a special value, then others are likely to believe it too, and it will have value.

Certain other commodities have similar characteristics, such as the other so-called 'precious metals' like silver, but few have the special financial properties in such abundance as gold.

Gold as an Investment Today

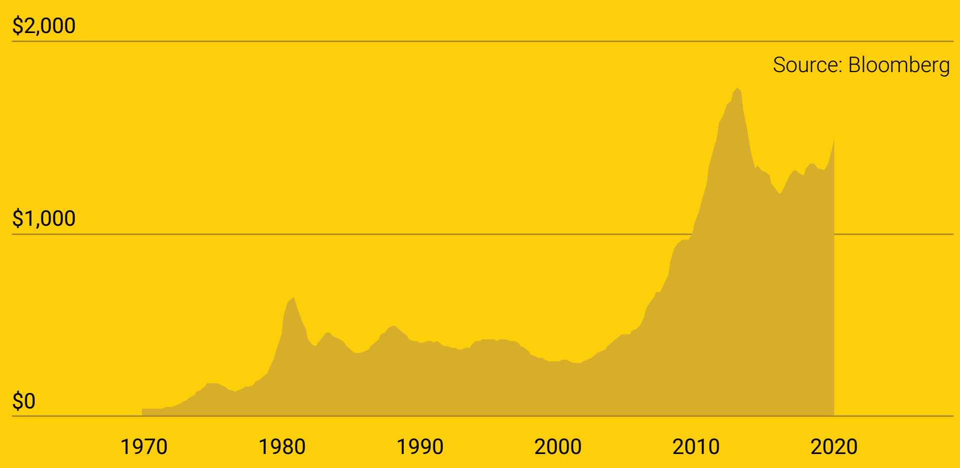
Investing in any commodity-related security requires a deep understanding of what drives its value. For most commodities, that requires a thorough analysis of supply and demand. For example, an investor would want to know how much copper is being made versus being used before investing in it.

The same is true for gold but with an extra twist. Gold's supply and demand dynamics are unique. Most metals are used primarily for industrial purposes, and their demand tends to be closely tied to economic growth.

Gold's primary uses are financial, and its price tends to move much more in-line with financial markets. Because gold's primary uses are financial, in order to forecast gold demand, you would have to also forecast investment demand, and investment demand is notoriously fickle.

In general, gold is viewed as a safe-haven asset. The primary macroeconomic factors impacting gold are inflation rates, interest rates, geopolitical uncertainty, and central bank reserves. When risks are rising, gold tends to do well.

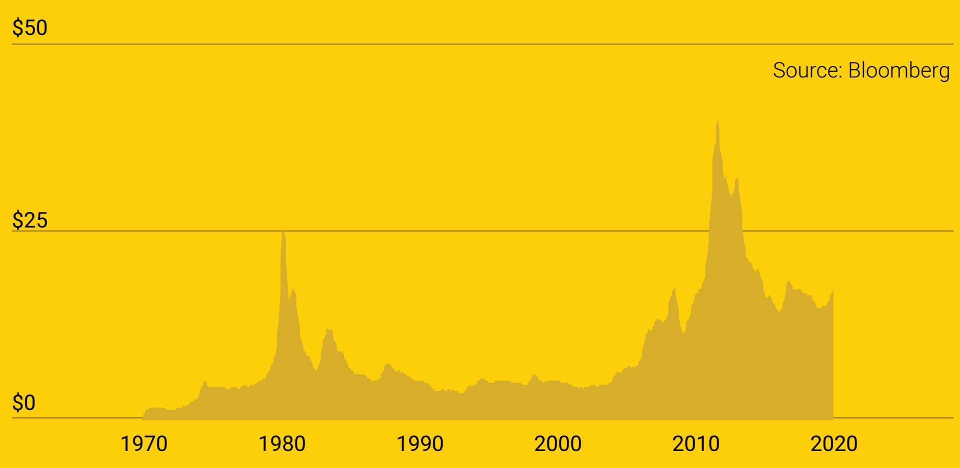
THE PRICE OF GOLD (PER OUNCE)



Gold vs Silver

Silver shares many of the same characteristics with gold, and their prices have historically moved in lockstep. Yet, even silver has many more industrial use cases than gold. These industrial needs diminish the relevance of investor demand, causing gold and silver to have key moments of divergence!

THE PRICE OF SILVER (PER OUNCE)




WELCOME
we're
OPEN

Coronavirus Will Change Us Forever, and it Won't

Any discussion of the Coronavirus (COVID-19) should first recognize all those directly impacted. Our hearts go out to those who have lost family and loved ones. The way this virus has impacted your lives is the most significant of all. We must also give particular attention to the front-line medical workers who are fighting this battle against an enemy they do not know and cannot see, with limited resources, on a day-in and day-out basis. They are the real heroes.

The Coronavirus pandemic has changed and will continue to change our lives in ways few could have predicted. Its impacts will stretch beyond the here and now, and beyond the next few quarters or years, but will resonate with us for decades to come.

Rising Unpredictability

Decades from now, the COVID-19 pandemic may cause a complete 180-degree shift in so many aspects of our lives, but that is not our expectation. Instead, we believe it will be looked back on for the way it accelerated trends that have already been put into motion.

More than almost any other, the biggest change in society over the past hundred years has been globalization. Enabled by cheap energy and technology, our world is as interconnected as it has ever been. Goods and services, knowledge and information, and people have been able to flow freely across borders with few limitations.

The steady march toward greater integration seems to be stalling out, and no doubt, the Brexit vote and 2016 US Election were early signs. It is likely that the pandemic and its economic disruptions will accelerate this trend. The US-China tit-for-tat tariff war may have been a threat to free trade, but the complete unwinding of global supply chains will make it seem minor by comparison. Reshoring jobs and relocating manufacturing are likely to be major initiatives, rather than partisan issues.

Beyond physical goods, capital flows may very well face their own new constraints. Financial assets have long since moved effortlessly across an interconnected global financial system. Incentives and tax code changes, both already made and likely to come in the years ahead, can be expected to continue prioritizing domestic investment. Those who flout this effort by offshoring jobs and production run an ever-higher risk of a public relations backlash.

These issues are all reflective of changing political winds. Populism has grown in, ahem, popularity, and it should be expected to accelerate ahead. Mass unemployment, the likes of which the US hasn't seen since the Great

Depression, will challenge the status quo. Our research team's expectation for a poor post-pandemic economic recovery may further enable a populist takeover of democratic societies. How leaders wield that power is hard to predict, but what we do know is that unpredictability is rising.

Crossing the Monetary Rubicon

As those longer-term shifts unfold, governments are turning to extreme financial measures to combat the downturn in the meantime. Alongside every major central bank around the world, policymakers are approving stimulus bills in a manner that we have hardly ever seen.

The CARES Act, discussed earlier in this publication, is a stimulus package several times larger than the bills passed during the depths of the financial crisis—and at the time of print, there are additional proposals up for debate that promise to further add to the overall bill. While these efforts may have a noble underpinning, their magnitude is staggering, and no one knows what the ultimate impact will be.

While size is an issue, the nature of the stimulus has presented its own set of challenges. Years from now, we may look back on direct cash payments to individuals as the crossing of a Rubicon. Will individuals demand consistent cash payments from populist leaders? Are we all now on an inevitable path toward universal basic income? It is far easier to establish new entitlements than to take them away, regardless of affordability.

The current rate of spending, along with the potential for more down the line, raises the obvious question: How will we pay for all of this? Once considered a fringe economic theory, the school of economic thought known as Modern Monetary Theory suggests an answer: don't. Simply print the money and deal with the consequences later.

We can reasonably expect higher inflation and a weaker dollar to result from too much spending for too long. Whether pressing our luck on these issues scares you has become a bit of a moot point. Inflation has been seemingly dormant for decades, and the political world has noticed. Even the most debt-fearing onlooker must admit that in today's partisan climate, corralling soaring deficit levels feels like a political impossibility. We are all Modern Monetary Theorists now.

How all this spending will impact markets and economies remains very much unclear. Along with greater unpredictability, our fiscal and monetary policies are moving us into the realm of the unknown, raising uncertainty for the years ahead.

Investing Lessons Remain the Same

Increasing economic and political turmoil may take a toll on investor enthusiasm. It is a well-known phrase that above all else, markets dislike uncertainty. But just because the future path forward is unclear and rapidly changing does not mean investors should pick up their bags and go home.

A look back at history shows time and again, the absolute best times to be an investor are during these moments of chaos:

Fixed income investors who bought bonds in 1980, at the absolute peak of inflation, enjoyed a multi-decade bond market bull run, plus double-digit interest rates to boot. Equity investors stepping into the market in 1945, a time when many believed the US would slip back into depression, experienced a fabulous run of baby-boom fueled growth. And most recently, real estate investors savvy enough to buy housing during the financial crisis picked up properties at fire sale prices, a decision that paid off handsomely. The list goes on.

Not every downturn is the greatest investment opportunity ever, and not every all-time high is a moment to panic sell. The lesson here is in perspective and patience.

Perspective because each time the market soars, it is often a moment to take a step back and realize that nothing is ever as sure as it seems; and each time the market falls, the end of the world isn't upon us. Bad news becomes the expectation, the not so bad news becomes a positive surprise, and then markets begin to rally. There is a reason why investors who bought in bear markets saw almost twice the return as in normal times.

Patience because investing success is about time in, not timing. Exactly picking market tops and bottoms is a fool's errand. Understand risk, build an appropriate asset allocation framework, and stick to your principles. Whatever wind is blowing through markets will pass and staying the course has proven to be the best way to achieve goals and objectives. Investment success is built with wisdom and time, not the latest hot trade.

Planning for an Uncertain Future

Knowing your risk tolerance and determining the right portfolio for your needs and objectives is all a part of having a plan, and we believe good financial planning is absolutely critical to investment success.

That is why we pair our time-tested investment strategies with custom-tailored planning solutions. Thoughtful and appropriate investment decisions first require a clear and documented understanding of your ultimate goal: This is where we are today, this is where we want to be, and this is how we get there. A good plan should account for the unknown, make realistic assumptions, incorporate market volatility, and be something you can understand and stick to.

The world is going through profound changes, don't feel like you have to have all the answers yourself. Whether you are an individual, small business, or organization, we're here to help.

Generational Differences in Investors

Differences between generations are hard to overlook. Those who are just beginning to amass wealth, those who are in their prime earning years, and those who are focused on preserving what they've grown have varying expectations for investing. They save differently, plan for retirement differently, and prioritize different monetary goals.

MILLENNIALS
(1981-1996)

Struggle with wage stagnation and are likely to turn to side jobs for supplemental income

Prefer a do-it-yourself approach and are more likely to trust robo-advisors and apps

Are driving trends toward socially responsible investing, and they enthusiastically follow cryptocurrencies

Current goals are short-term in nature, such as rent, student loans, and early childcare

Have grown up expecting to take responsibility for their own retirement and medical savings

GENERATION X
(1965-1980)

Skeptical investors who have lived through both the dot-com bust and financial crisis

Open to information, but they don't yet have much time to spend on financial planning

Prefer lower-risk investments and modern solutions such as target-date funds and exchange-traded funds

Current goals include property purchase or renovation, as well as saving for child(ren)'s college education

Grew up in a transitional period as the burden of retirement planning shifted from employers to individuals

BOOMERS
(1946-1964)

Still hold the majority of wealth, and they tend to have higher risk tolerances and trust in financial markets

Want to have a personal connection to their investment manager

More likely to stick to traditional portfolios of individual stocks and bonds

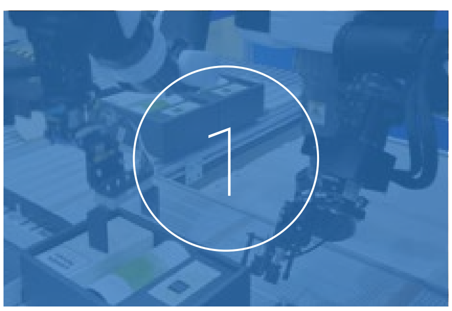
Current goals are focused on the preservation of wealth, estate planning, philanthropy, and health care

Traditionally stayed in one career and are more likely to depend on pensions and Social Security for retirement income

*There is no universal agreed definition of the generations. These are simply rough approximations

6 Investment Themes for the Long-Haul

At Manning & Napier, we believe successful results come from an active investment approach that balances finding short-term opportunities with a long-term perspective. Below, we highlight six investment themes we liked before the crisis, and we expect them to only accelerate through these uncertain times.

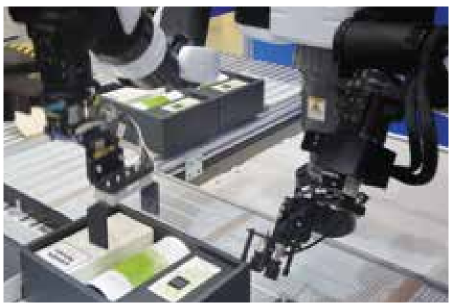


Artificial Intelligence
Back in the day, when a machine was programmed to do a task, it didn't stop to think about the best possible solution. It just did what was asked. With the latest updates, machines are using artificial intelligence (AI) and machine learning to not merely execute orders, but to creatively discover better, more efficient ways to solve problems. The possibilities are limitless. Medical diagnoses, customer support, advanced analytics, and real-time language processing are just a few of AI's use cases. While future uses are most exciting, for tech industry leaders, AI is already impacting financial results. By applying AI to core products and services, such as to search engines and news feeds, the major tech giants are boosting product quality and raising barriers to entry. Investors may find these less cutting-edge updates just as worthwhile.

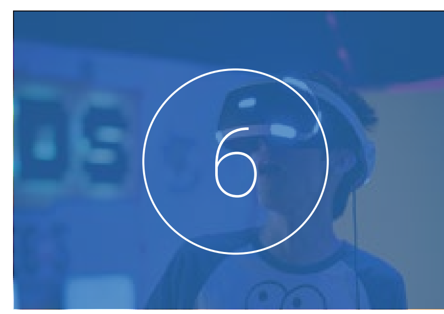
Digitalization of Payments
Stay-at-home orders and mass quarantines have brought online transactions to the forefront of people's minds, but the trend started long before the Coronavirus. For years, the major payment processors have continuously expanded their networks, slowly whittling away cash as the preferred payment method. The shift from cash to card, as well as an ongoing trend to subscriptions and micro-transactions, has further boosted the growth in digital payments. Operating as a kind of financial 'toll-road', the payment processors take a cut of each transaction, benefiting from every additional payment that moves onto their networks. An economic downturn may temporarily slow this shift, but over the long-run, it will be little more than a bump in the road for this trend.

Semiconductors
Sometimes the best investment opportunities are the ones below the surface. Consumer demand for smart technology is surging into a wide array of new industries. Automobiles, smart homes, and security systems are all examples of the 'Internet of Things,' an ongoing trend to a world where everything is connected. By everything, we mean everything: doorbells, cameras, fans, lights, locks, thermostats, speakers, TVs, and even window shades. Rather than buying into all these different things, we dug a bit deeper. All of these smart devices need smart hardware and powering all of them are microchips and memory. Although these are cyclical industries, with a proper analysis of supply and demand, we believe there is value to be found underneath this trend.







Biopharma

Pharmaceutical pricing has been under regulatory watch for several years now, and the global pandemic is only adding to the scrutiny. While the political overhang has, at times, impacted stock performance, the fundamental story remains as attractive as ever. Research and development is accelerating, and drug pipelines and FDA approvals are increasing. At the same time, technological advancements are enabling a dramatic improvement in our understanding of diseases. Scientific barriers to developing new treatments are falling, allowing complex and targeted therapies, such as gene therapy, to become more prevalent than ever. We are firm believers that company fundamentals always win out, and over the long run, we expect biopharma to be rewarding for both patients and patient investors.

Cloud Computing

The cloud is transforming enterprise IT and unlocking enormous growth potential. Gone are the days of companies building and maintaining self-hosted datacenters and IT infrastructure. They are outsourcing this work to fast-growing cloud computing providers who only charge customers for the resources they use. This infrastructure consolidation is driving massive economies of scale for platforms, as well as cost savings for customers. Customers are reinvesting much of these cost savings into new ‘born-in-the-cloud’ workloads that are growing the size of the cloud pie. The result is a very attractive market, characterized by large barriers to entry, high recurring revenue, and rapid growth. With less than 25% of existing applications run in the cloud today, we believe the sky is the limit for the dominant cloud providers.

Gaming

The video game business has evolved. Consoles are no longer required for gaming. With incredibly powerful supercomputers in everyone’s pocket, casual gamers can dive into imaginary worlds right on their cellphones—a convenient entertainment option for prolonged stay-at-home orders. Your smartphone is always connected and ready to play, and it’s bringing in a staggering number of new players who rarely gamed before. Have a free fifteen minutes? Solve a puzzle. Want to compete with friends? Play a real-time multi-player survival game from afar. Our phones have become a kind of 24/7 arcade. Add in easy in-app purchases for all kinds of power-ups, new looks, and paid extras, and the game companies are sitting on a cash cow. The coins might be virtual, but the profits are very real.

It Isn't Magic

Building Wealth the Right Way

Investors want a wealth manager with a demonstrated history of success. But lasting investment success doesn't come easy. It takes time, skill, and discipline to generate the results you need.

For most people and organizations, juggling all the complexities of do-it-yourself investing is too fraught with risk. The stakes are high, and a few bad decisions in volatile markets can make an enormous difference.

Over the past two decades, investors who missed out on the best 10 days generated less than half the wealth of those who stayed invested! It takes strong risk management to resist the effects of volatility. At Manning & Napier, this kind of discipline is a part of our DNA.

In our 50-year history, we have a demonstrated track record of strong results across market environments. This isn't magic, it is by design. We work to provide substantial downside protection for clients in bear markets, while participating in the growth of up markets. We believe this is the best way to generate sustainable, long-term success.

Sometimes, if markets are very strong, our disciplines may cause us to mildly underperform; and at other times, if markets are turning down, our disciplines help us better protect from losses. Our clients prefer this more stable strategy that works to create a smoother ride.

This performance pattern is a staple of who we are at Manning & Napier, particularly for wealth management clients in our multi-asset class solutions. Our flagship Long-Term Growth strategy has a track record stretching back to January 1973. Over 47 years, this globally diversified, dynamically allocated portfolio of stocks, bonds, and real estate has compounded at 9.3% per annum, net of fees.

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The Manning & Napier Long-Term Growth Composite (M&N Long-Term Growth) is a weighted average of discretionary separately managed accounts, and may include proprietary mutual fund and collective investment trust fund accounts with a Long-Term Growth objective. Accounts in this composite must have a market value greater than $500,000 and tenure of at least one month under our management. Long-Term Growth is a blended investment objective that invests in equities, primarily U.S. with some non-U.S., and fixed income securities. The primary investment objective of accounts in this composite is long-term growth, and the secondary objective is preservation of capital. Equity exposure for accounts in this composite typically ranges from 30% to 80% with situational adjustments within this range at our discretion. This composite includes separately managed accounts that may have a portion of their assets invested in proprietary asset class mutual funds, which may be declined or may not be permitted through the selection of some custodial programs. Prior to 01/01/2009, proprietary mutual fund and collective investment trust fund accounts with a Long-Term Growth objective were excluded from the composite. Fees used for calculations are firmwide rates prior to 2001 and specific to this composite for 2001 onward. Net-of-fee returns are based off of actual fees. They are after brokerage commissions, reinvested income, advisory fees, and if applicable, the fees of the Investor's Personal Financial Advisor, but before custodian costs. Also, accounts subject to solicitation fees may incur as much as 0.15% in additional expenses. Fees will vary with size and circumstances and these fee differentials would impact returns accordingly. All data are subject to revision. Data as of 03/31/2020.

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