MARKET INSIGHTS

What an unbelievable year! It is hard to imagine that just one year ago was the first time we heard the term coronavirus.

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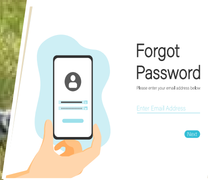

TIPS FOR MANAGING PASSWORDS

Keeping track of passwords for all your online accounts can feel like a full-time job. It doesn't have to.

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ADVANCE CAPITAL MANAGEMENT

FINANCIAL LIVING

volume Q1 2021

A QUARTERLY NEWSLETTER FOR THE CLIENTS AND FRIENDS OF ADVANCE CAPITAL MANAGEMENT

AT&T Retirement Benefit Changes Impacting Managers

Recently, Advance Capital hosted a webinar about three major changes announced by AT&T that affect retirement benefits for management employees.

Starting in 2022, there will be an adjustment to the way future pension credits are calculated, along with the elimination of retirement health insurance and a reduction in retiree life insurance.

Pension calculation change

For those in AT&T's Legacy Management Program, both the annual basic and supplemental pay credits will be lower. For those in AT&T's Nonbargained Program, the percentages applied to the career average compensation and Pension Band Minimum formulas are getting cut.

What this all means in simple terms is that management employees who retire in 2022 or later can expect a lower pension than they would have received under current calculation formulas.

If you want to see exactly how your pension will be impacted, Fidelity will be updating its estimator tool February 19.

Elimination of Medicare subsidy

The pre-Medicare (before age 65) medical and dental subsidy will be eliminated for those who retire on January 1, 2022, or later.

What this means is that AT&T will not pay for a portion of your monthly premium for medical and dental benefits in retirement. However, eligible retirees and dependents will continue to have the ability to enroll in the AT&T group medical and dental programs at the full cost of coverage.

Retiree life insurance and death benefit reduction

AT&T is also reducing retiree life insurance and death benefit amounts, effective January 1, 2022. Depending on your specific situation (marital status, dependents, etc.) you may need to seek supplemental coverage elsewhere, or this change may not impact you.

Ultimately, it may make sense for some AT&T managers to consider retiring in 2021 to ensure you can take advantage of the higher pension calculation and receive the pre-Medicare health subsidy.

Therefore, we encourage AT&T managers to learn more by watching a recorded version of our recent webinar at https://acadviser.wistia.com/medias/a67c79936o (also available in the Education Center of our website).

Market Insights: Q4 2020

What an unbelievable year! It is hard to imagine that just one year ago was the first time we heard the term coronavirus. The cascading events that ensued changed nearly every aspect of our lives: wearing masks, working from home, and ordering nearly everything online.

Yet, the ingenuity and determination of our society to confront and change our dire circumstances was truly impressive. Health care workers rose to the challenge to help those inflicted with the virus. Scientists raced for better therapeutics and a viable vaccine. The federal government initiated a massive program to provide much needed support for small businesses along with higher unemployment benefits for those out of work. At the same time, the Federal Reserve dropped interest rates to zero and embarked on several new and unprecedented stimulus programs to back-stop the credit markets and provide relief for the beleaguered economy. While not perfect, most people did their part to help quell the spread of the virus and, at the same time, keep the economy from falling into another Great Depression. Today, the economic engine has restarted, and although the virus is still raging, we have developed a vaccine and a sense of "normalcy" appears within reach.

State of the capital markets

As these crazy events unfolded during the year, the capital markets went on a wild and volatile ride. In early February, the stock market as measured by the S&P 500 Index hit a new all-time high. By late March, the market had fallen about 34 percent as the virus raged with investors uncertain about its path and impact on the economy. Through the spring and summer, the data suggested the virus was waning, but scientists cautioned about a second wave, which hit with a vengeance later in the year. During the crisis, both the Federal Reserve and government unleashed unprecedented stimulus to try halting the devastating economic impact of the virus. The Federal Reserve dropped interest rates to zero, unveiled massive programs to backstop the credit markets and provided new credit lines to businesses. The federal government embarked on massive deficit spending with aid to small businesses and additional unemployment benefits to individuals along with other historic steps to provide an economic "bridge" to get through this mess.

State of the economy

Today, the combined efforts to save our economy and the lives of those affected by the virus is showing nascent signs of helping. First, two new vaccines by Pfizer and Moderna were recently approved by the FDA for emergency use. Hospitals around the country have started vaccinating the most vulnerable and frontline workers. This process is expected to take months.

On the economic side, several key data points are recovering after a severe contraction earlier in the year. During the depths of the crisis, the nation's unemployment rate quickly jumped to around 15 percent, from a near historic low of 4 percent at the start of the year. The eventual partial re-opening of many businesses helped some jobs return and the unemployment rate fell back to a more modest range of around 6.7 percent. Although many service-related jobs were severely impacted, including restaurants and retail, many manufacturing and housing jobs quickly came back. The combination of low mortgage rates and new remote work arrangements prompted an exodus of homeowners from large cities to suburbs, and generally allowed people more mobility during the pandemic. Consequently, after a steep drop in the spring, the demand for new and existing homes has increased dramatically. The homebuilder sentiment index recently hit an all-time high and building of new homes is the strongest in over a decade. Signs of improvement.

2021 Outlook

Looking ahead to 2021, both the economy and capital markets appear poised to continue the healing process. The economy is expected to grow around 3-4 percent next year, as pent-up consumer demand along with better corporate capital spending should result in an improving employment picture and overall better growth. This thesis is predicated on a widespread distribution of the coronavirus vaccine and a much lower infection rate within the next year. With the continued help of the Federal Reserve, interest rates are expected to remain low, while a flood of liquidity should continue to buoy the credit markets and keep investors searching for a reasonable yield and modest returns. Further, the federal government is expected to provide much needed financial aid to the unemployed, small businesses and state governments to help "bridge" the financial gap until a more normal environment returns.

Although valuations are elevated for both stocks and bonds, the combination of low interest rates, modest growth and an expected rebound in corporate earnings should provide stability for the capital markets. We

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It is not possible to invest directly into an index. The indices mentioned in this article are unmanaged and are not affiliated with Advance Capital Companies.

Mortgage Refinancing Pros & Cons

With interest rates at record lows, refinancing has many positive benefits – only if you are prepared.

A financial resource that can help you sleep at night is literally the place where you sleep at night. Your home – and other real estate properties – are likely one of your largest financial assets.

With record low interest rates, refinancing your mortgage can give you some breathing room by lowering your monthly payments and saving you money over time. By some estimates, applications to refinance a home loan surged by more than 100% for the year.

When you refinance, you're essentially taking out a new loan on your property, often for the remainder that you owe. The intention is to set up a new loan that comes with better terms than your old one. The factors that determine those terms include how much equity you have in the house (how much of the mortgage you've already paid off) and your current credit score.

Refinancing sounds attractive, especially in a time of historically low rates, but it is not guaranteed to put you in a better position. It's important to consider the pros and cons as they related to your personal situation.

Pros of refinancing your mortgage

Every home loan is different. Depending on the kind you qualify for, refinancing may benefit you in one or more ways, such as:

- Lower interest rate (APR)
- Lower monthly payment
- Shorter payoff term
- Cash from your equity

Perhaps, the most common reason for refinancing is to lower your mortgage payment, freeing up room in your monthly budget. This is welcome relief to people who suffer from a decrease in income (losing a job) or those with higher costs of living (having a new baby). And it is especially advantageous to those near or in retirement living off of a fixed income.

Refinancing can also give you a chance to pay off your mortgage faster. You can change the term of your current mortgage from a 30-year term to 15 years. This will likely change your monthly payment amount, depending on the interest rate you qualify for. But with your mortgage paid off faster, you have significantly less debt and more flexibility in using your home for income in retirement.

Speaking of income, refinancing can be an opportunity to use some of the cash from your home's value toward other costs. This money can go toward other needs, such as paying off credit card debt or putting it in a college savings fund.

Cons of refinancing your mortgage

While refinancing has many benefits, it can have significant drawbacks if you're not prepared. These include:

- Closing costs
- Wasting equity
- Longer term

Refinancing can save you money, but it isn't free. There are closing costs just like when you originally purchased the property. They range from appraisal fees and title services to lender origination fees and underwriting fees. These can cost up to thousands of dollars in total, depending on where you live, the value of your house and the size of your loan.

When lenders offer no costs to refinance, what they really mean is that the closing fees are being added to the amount of your loan. Paying those closing costs only makes sense if you intend to keep the property long enough to at least break even from the savings on your new monthly payment. For example, let's say your closing costs are $5,000 and your monthly payment is $500 lower. You would break even in just 10 months. But if you only save $200 a month, you won't truly start saving until after 25 months. If you move before then, refinancing your mortgage will end up actually costing you money.

You also need to have a plan for how you'll use any money you free up when you refinance. This is especially important if you want to cash out your equity. If you want to use your equity on remodeling or another financial like education, be sure to weigh the costs versus the rewards.

And if you intend to refinance with the goal of paying off high-interest debt, which many homeowners do, make sure you have a clear plan to avoid overspending or accumulating debt in the future.

Remember, if you spend the equity, you'll have to wait until your home value increases and you've put more years of payments toward the mortgage, before you're able to tap into that source of cash again.

Therefore, before refinancing, make a plan for what you want to do with the property and what you plan to do with the savings. If you decide to refinance, shop around to compare rates, terms and programs. ■

Tips for Managing All Those Passwords

Are you best friends with the "forgot your password" button? If so, you're not alone.

Keeping track of passwords for all your online accounts can feel like a full-time job. The average person has 70-80 passwords, according to research by the password manager NordPass.

That leads many people to create passwords that are easy to remember but highly unsafe. Even with news stories of security breaches and identity theft, the most popular password is still 12345.

Security is a top priority at Advance Capital, which is why we have our own experienced information technology team to ensure our digital systems are safe and secure.

We asked Advance Capital's Chief Information Officer, Tim Wilson, about what best practices he recommends for creating and managing passwords. Here are his five tips:

1. **Do not use the same combination of user ID and login names at more than one place.** Databases of these compromised credentials are readily available to criminals who will use your stolen credentials from one site (e.g. online retail store) to try to access another (e.g. your bank).

2. **Avoid using common or publicly available information in your passwords, such as birthdates and the names of your children or pets.** That will make it harder for criminals to hack or guess your passwords.

3. **Use a respected password manager like LastPass, Dashlane or 1Password,** which allows you to manage all your logins and passwords under a single sign-on so you only have to remember one password. These applications assist you in creating, saving and securely storing unique passwords everywhere. They also work across different websites and have the ability to fill in web forms, including logins, without you needing to remember or type in your passwords each time. Most offer free versions.

4. **Enable what is called Multi-Factor Authentication (MFA) on your important accounts**. It adds an extra layer of security so even if your login and password is compromised, a thief would also need access to your cell phone to gain access.

5. **Pay special attention to protecting and securing your main email account.** Not only does email often house all of our personal data, it is often used for password resets. A hacked email account potentially means a hacker has the keys to the kingdom. They can quickly find sensitive information from past emails, including what bank you use, your social media information, etc. They can also request password resets on your online accounts and reset the password using your hacked email account. ■

Florida & Spring Client Meetings Update

Regretfully, we will not be holding in-person meetings in Florida this March, as we normally do. We want to be sure to keep both you and our staff safe, therefore, we will be holding all Spring Client Meetings virtually again this year. Look for more details in future communications for dates and webinar registration details.

Market Insights *(Continued from page 2.)*

expect value stocks, which have significantly underperformed growth for years, to finally start to show signs of life. Also, the massive deficit spending in the U.S. is likely to pressure the dollar and result in an outperformance for foreign markets. Although the path is clearer than a few quarters ago, we still expect heightened volatility and uncertainty as we collectively work our way through these many social and economic issues.

As always, investing in capital markets comes with some risk and uncertainty. We thank you for your continued support of our investment process as we work hard to deliver positive risk-adjusted portfolio returns to our clients. Should you have any questions, please do not hesitate to reach out to your financial adviser. ■

HEADQUARTERS
One Towne Square
Suite 444
Southfield, MI 48076
(800) 345-4783
(248) 350-0115 Fax

GRAND RAPIDS, MI
625 Kenmoor Avenue SE
Suite 307
Grand Rapids, MI 49546
(800) 444-1053
(616) 954-2499 Fax

LISLE, IL
4225 Naperville Road
Suite 160
Lisle, IL 60532
(800) 327-3770
(630) 955-3404 Fax

INDEPENDENCE, OH
Crown Centre
5005 Rockside Rd, Ste 215
Independence, OH 44131
(800) 457-4304
(216) 520-1535 Fax

DALLAS, TX
325 N. Saint Paul St.
Suite 3100
Dallas, TX 75201
(800) 345-4783
(248) 350-0115 Fax