LEGACY WEALTH MANAGEMENT | Right by you.

Fourth Quarter 2020

Year In Review

As I sit down to write this Investment Insight to close out 2020, it is impossible to summarize all that we have endured and continue to endure during this crazy year. The economy was strong, and the markets were touching new highs in February as we started the year with a positive outlook. That all changed very quickly with the onset of Covid-19 in late February and early March. The economy literally ***closed***, which in itself is an amazing statement to make! Markets obviously followed and fell 35% from peak to trough. At this point in the year, people were worried that this would wipe out both businesses and wealth across the board.

On March 26th (as it turns out, the bottom of the market occurred on/about this date), we sent a commentary that had the following points in its executive summary:

- *Fear and anxiety are natural in the current environment. Human biology plays a huge part in this. We have been programmed to run when we sense danger.*
- *We have two main sections in our brains. One is wired for fight or flight in the face of danger, the other is more reflective. The reflective portion is needed much more in the current situation and Legacy is here to help you navigate these competing thoughts.*
- *The weight of history is on our side. In every past stock market dislocation, it has fully recovered and will again.*
- *The ingenuity of people, especially free people in a great country/economy like the U.S., is on our side. We adapt and come together as a nation in times of crisis.*

As professional investors and financial planners, we understood in the midst of the chaos of March that the economy would survive and eventually thrive and that markets would follow. Markets have indeed recovered and the economy is making great strides, and many client portfolios are now up double digits for the year! See your individual report to see your personal results. We are very pleased to be able to report these results to you for a year that everyone is glad to see in the rear-view mirror!

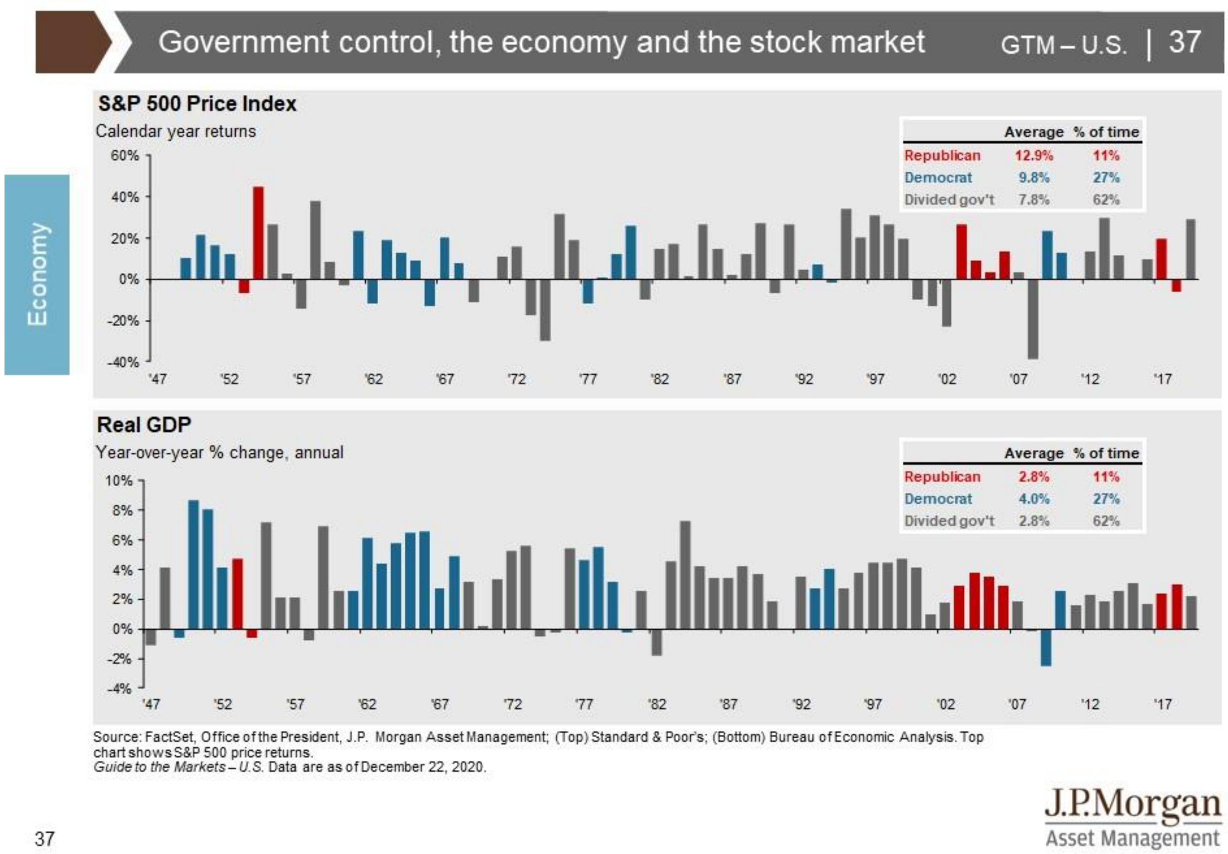
Looking Ahead

So what does the future hold? Headed into 2021 we have multiple vaccines that are approved and are beginning to be distributed. We anticipate that by June-September very large portions of the population will have received the vaccine which will in turn help us to get back to “normal”. The Federal Reserve continues to support the economy through monetary policy with very low interest rates and many programs to support various parts of the bond and lending markets. Congress in turn recently passed another stimulus bill designed to help individuals and small businesses bridge the gap between today’s very difficult Covid-19 environment and a return to “normal” sometime later in 2021. The overall economy is strong and is expected to grow stronger as we move farther into 2021 and on into 2022/2023.

The concerns that we hear from clients and friends today are more focused on the political realm. The White House and House of Representatives will be controlled by the Democrats, though a narrower lead exists in the House than was expected. Control of the Senate came down to the two runoff elections in Georgia that occurred on January 5th resulting in Democratic wins and control of the Senate.

Now that we know the Democrats won both Senate seats in Georgia, does that mean that all Democratic policy proposals are a sure thing? Does that further mean that such policies as higher corporate taxes, higher individual taxes, more regulation, etc. are detrimental to the economy and markets? In our opinion, the answer to these questions is “No”. Both the House and Senate are very evenly divided. There exists in both houses some members who would be considered moderate or centrist that could help moderate more radical changes in policy that might be proposed by either party. For those who have expressed concern about some of President-Elect Biden’s policy proposals, some of them will find support, but that doesn’t mean that they are destined to harm the economy or markets, particularly over the long-term.

The following charts illustrate the point by showing market and economic indicators over different makeups of our government (all control to the Republicans, all control to the Democrats, or divided government):



Presidential Performance by Party

Since 1953

Party	GDP (real)	Real Worker Earnings*	Employment	Real Disposable Personal Income	Housing Starts	Inflation	Stocks	American Dream
Republicans (39 years)	2.6%	-0.2%	1.4%	3.1%	0.2%	3.7%	7.4%	58.3%
Democrats (28 years)	3.6%	0.4%	1.6%	3.4%	3.1%	3.1%	10.3%	58.0%

Since 1993

Party	GDP (real)	Real Worker Earnings*	Employment	Real Disposable Personal Income	Housing Starts	Inflation	Stocks	American Dream
Republicans	2.3%	0.3%	0.9%	3.0%	-3.0%	2.6%	2.8%	58.9%
Democrats	2.8%	0.9%	1.2%	2.8%	4.5%	2.0%	13.0%	57.4%

2020 data is excluded due to the COVID-19 pandemic for the purpose of the webinar

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Average per Annum Percent Change

**Private sector production and nonsupervisory employee earnings*

Congressional Economic Barometers

Since 1993

Congress (sessions)	GDP (real)	Real Worker Earnings*	Employment	Real Disposable Personal Income	Housing Starts	Inflation	Stocks
Democrats controlled Congress (3)	1.5%	0.7%	0.0%	1.7%	-11.7%	2.2%	3.7%
Republicans controlled Congress (7)	3.5%	0.8%	1.7%	3.5%	3.0%	2.3%	14.1%
Unaligned Congress (4)	1.4%	1.0%	-0.0%	2.6%	9.7%	2.0%	5.2%

ITR ECONOMICS First In Forecasts Worldwide

Average Per Annum % Change

**Private sector production and nonsupervisory employee earnings*

Some of the data samples here are relatively small, but the point is that the economy and markets adjust to politics and policies over time and continue to grow. With continued support from the Federal Reserve and the real possibility of more stimulus now that the Democrats have control of the Senate, combined with the strength of a rebounding economy already in place, we believe 2021 and beyond should be supportive of rising stock markets. As we stated in our October Insight focused on the elections, “Don’t let how you feel about politics overrule how you think about investing.”

Thank You

We want to thank each of you for trusting us enough to work with us through this unprecedented year. We take very seriously the fact that you have entrusted us with your hard-earned nest egg. In the

March 26 commentary referenced above, we also pointed out that “As financial planners and long-term investors, we turn to our reflective brains, think twice, and do our best to make good decisions for you and for ourselves. That is where the collective experience of our Investment Committee comes into play. Our committee assesses facts, makes assumptions, argues with itself a bit, and comes to decisions that we believe to be in the best interests of our clients.” Our Investment Committee was busy throughout 2020 working on many portfolio decisions behind the scenes. We will continue that work as we head into 2021 and will adjust as appropriate. Combining this continuous oversight with a sound financial plan focused on your particular future is a recipe for success and peace of mind.

HAPPY NEW YEAR!!!