VOLUME 27, ISSUE 1, 1ST QUARTER 2021

Commerce Concepts

Market Updates, Asset Allocation, and Investment Education for Plan Participants and Individuals

Six Tips to Regain Your Retirement Savings Focus in 2021

In early 2020, 61% of U.S. workers surveyed said that retirement planning makes them feel stressed. Investor confidence was continually tested as the year wore on, and it's likely that this percentage rose — perhaps even substantially. If you find yourself among those feeling stressed as we enter into the new year, these tips may help you focus and enhance your retirement savings strategy in 2021.

1. Revisit your goals

When you first started saving and planning for retirement, you may have estimated how much you might need to accumulate to retire comfortably. If you experienced any major life changes during the past year — for example, a change in job or marital status, an inheritance, or a new family member — you may want to take a fresh look at your target figure, as well as the assumptions used to generate it. As circumstances in your life change, your savings strategy will likely evolve as well.

2. Consider your tax strategy

It makes sense to review your retirement plan contributions periodically in light of your current tax situation.

Every dollar you contribute to a traditional (non-Roth) retirement savings plan at work reduces the amount of your current taxable income. Contributions to a traditional IRA may also be deductible up to annual limits, depending on your income and whether you or your spouse are covered by a plan at work. Note that you will have to pay taxes on contributions and earnings when you withdraw the traditional money.

Contributions to a Roth plan at work or a Roth IRA don't give you an immediate tax benefit, but can be a powerful tool in planning to keep your taxes low in retirement and potentially reduce your overall lifetime tax burden. This is because qualified distributions from a Roth account trigger no income tax, so the earnings your money accumulates over time may be entirely tax-free.

3. Rebalance, if necessary

Market turbulence throughout the past year may have caused your asset allocation to shift toward a more aggressive or conservative profile than is appropriate for you. If your portfolio is not rebalanced automatically, now might be a good time to see if adjustments need to be made. Contact your financial advisor or email advice@thecommco.com to have your account reviewed.

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WIN A $25 GIFT CARD

to your choice of Powell's or Amazon! (See page 2 for details)

Congratulations to our most recent winner:

Shane R. of AbSci, LLC

Visit ***thecommco.com/commerce-concepts*** *for the answer to last issue's question.*

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Retirement & Investment Services

Indexes are unmanaged and cannot be invested in directly. Past results are not predictive of future results. Individual results will vary. The trailing returns shown include dividends. See page four for index definitions.

Source:
Raymond James Financial Services

To be entered into a drawing to win a

$25 Gift Card,

email free@thecommco.com with the answer to this question:

Which hypothetical twin enjoys a more secure retirement, Irma or Steve?

Market Update

Through December 31, 2020

		Trailing Returns			
		3 mos	12 mos	5 yrs	10 yrs
Blue Chip US Stocks	Dow Jones Industrial Average	10.73%	9.72%	14.65%	12.97%
Large Company US Stocks	S&P 500	12.15%	18.40%	15.22%	13.88%
Small Company US Stocks	Russell 2000	31.37%	19.96%	13.26%	11.20%
Non-US Stocks	MSCI EAFE (Gross Div)	16.09%	8.28%	7.97%	6.00%
US Bonds	Barclay's Capital US Aggregate	0.67%	7.51%	4.43%	3.84%
Cash Alternatives	ICE Bof A 3 Month US Tsy Bill	0.03%	0.67%	1.20%	0.63%

Economic Snapshot

Gross Domestic Product (GDP)

Growth in the first half of 2021 is expected to be moderate, reflecting the recent surge in COVID-19 cases, but activity should pick up in the second half.

Employment

Job growth in early 2021 is expected to be lackluster, but we should see a sharper recovery in the second half of the year.

Monetary Policy

Fed officials expect short-term interest rates to remain low through 2023. The monthly pace of asset purchases is likely to be reduced at some point in 2021, but monetary policy remains very accommodative.

Inflation

Inflation may pick up as the economy strengthens, but that is more likely in 2022. There will still be a lot of slack in the economy in 2021.

Manufacturing

Operations adapted to the pandemic, but global demand weakened. A pickup in global growth should help in 2021, but more so in the second half of the year.

Housing and Construction

Low mortgage rates and a shift to work-from-home boosted housing demand in 2020 and that should continue into 2021. Supply constraints will continue to lift home prices, reducing affordability.

Investment Strategy Quarterly: Published by Raymond James and Associates, January 2021 . For a complete PDF copy of the January 2021 issue of Investment Strategy Quarterly, click here or email newsletter@thecommco.com.

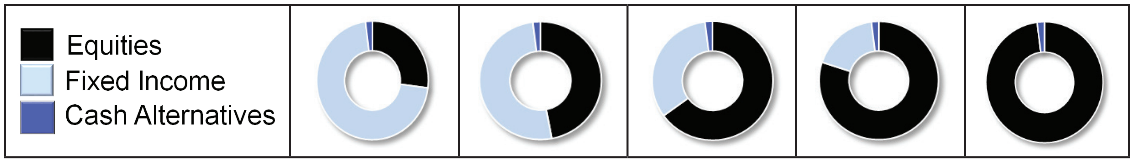
Reviewing 2020 and Looking Ahead to 2021

- For much of 2020, the story in equities was about big technology stocks and then everything else. For example, the tech-focused NASDAQ closed the year up 43%. In the last months of the year market strength broadened, with small-cap stocks, international equities, and lagging sectors like energy and financials outperforming the average. The S&P 500 reported a smaller, but still surprisingly strong result through 2020, gaining approximately 15%. International equities also ended the year trading at near all-time highs, as recorded by the MSCI EAFE index.
- The pandemic is expected to continue dominating the economic outlook in the first part of the year, with continued restraint on consumer services. As vaccines are distributed, people should become more comfortable going out again. Activity in face-to-face industries, such as travel, hotels, restaurants and in-person entertainment, should pick up substantially in the second half of the year.

Asset allocation models can be viewed online anytime at ***thecommco.com***

Strategic Asset Allocation Models

As of January 2021



	Conservative	Moderate	Balanced	Growth	Aggressive
Equity	**27%**	**47%**	**65%**	**80%**	**98%**
Equity allocation comprises:					
U.S. Large Cap Blend	17%	19%	25%	30%	36%
U.S. Large Cap Growth	0%	3%	5%	7%	8%
U.S. Large Cap Value	0%	5%	7%	9%	10%
U.S. Mid Cap Equity	4%	7%	9%	11%	13%
U.S. Small Cap Equity	1%	3%	5%	7%	8%
Non-U.S. Developed Market Equity	5%	10%	10%	12%	17%
Non-U.S. Emerging Market Equity	0%	0%	4%	4%	6%
Fixed Income	**71%**	**51%**	**33%**	**18%**	**0%**
Fixed income allocation comprises:					
Investment Grade Intermediate Maturity	46%	34%	22%	12%	0%
Investment Grade Short Maturity	13%	9%	5%	3%	0%
Non-Investment Grade (High Yield)	7%	6%	3%	3%	0%
Multi-Sector Bond	5%	2%	3%	0%	0%
Cash & Cash Alternatives	**2%**	**2%**	**2%**	**2%**	**2%**
Totals	**100%**	**100%**	**100%**	**100%**	**100%**

These asset allocation targets are based on our changing views of the risk and return in the various asset classes, looking out over three or more years. The models assume fully allocated portfolios and do not take into account outside assets, additional cash reserves held independent of these models, or any actual investor's unique circumstances. Investors should consult their financial advisor to decide how these models might assist in the development of their individual portfolios. Material is provided for informational purposes only and does not constitute a recommendation.

The investment profile is hypothetical, and the asset allocations are presented only as examples and are not intended as investment advice. Asset allocation and diversification do not assure a profit or protect against loss. Investing involves risk and investors may incur a profit or a loss, including the loss of all principal. International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility. Investing in small- and mid-cap stocks generally involves greater risks, and therefore may not be appropriate for every investor. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. High-yield bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio. Commodities and currencies are generally considered speculative because of the significant potential for investment loss. They are volatile investments and should only form a small part of a diversified portfolio. Real estate investments can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.

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Retirement & Investment Services

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4. Understand your plan's features

Retirement plans can vary from employer to employer. How familiar are you with your plan's specific features? Does your employer offer a matching and/or profit sharing contribution? Do you know how it works? Are company contributions and earnings subject to a vesting schedule (i.e., a waiting period before they become fully yours) and, if so, do you understand the parameters? Does your plan offer loans or hardship withdrawals? Can you make Roth or after-tax contributions, which can provide a source of tax-free income in retirement? Review your plan's Summary Plan Description (SPD) to ensure you take maximum advantage of all your plan has to offer.

5. Consider increasing your savings by just 1%

If you participate in a retirement savings plan at work, try to increase your contribution rate by 1% now, and then again annually on your birthday or other memorable date. A 1% difference is hardly noticeable on a check-by-check basis (especially if you can time it to coincide with a pay increase), but over the course of a career, this habit can have a dramatic impact on your balance at retirement – and consequently, in the quality and security of your retirement years.

For example, consider hypothetical twins Steady Steve and Increasing Irma. They both enroll in their company's retirement plan at age 30 and begin by contributing 3% of their salary, with no employer match. They both earn $50,000 per year to start, with 3% raises annually. Steve keeps his contribution the same throughout his career, while Irma increases hers by 1% each year until she reaches 10%. Assuming a 7% annualized return, by the time they turn 65, Steve has accrued just under $320,000, while Irma's account holds over $925,000

6. Talk with your advisor

If a call or Zoom meeting with our team can help you get your your 2021 finances off to a good start, email us at newsletter@thecommco.com to schedule a conversation.

Index definitions: The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations. The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The ICE BofAML 3-Month US Treasury Bill index consists of a single issue that is purchased at the beginning of the month and held for a full month. At month's end, that issue is sold and rolled into a newly selected issue, which is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. The selected issue must have settled on or before the month-end rebalancing date.