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Commerce Concepts

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

Raising Smart Spenders and Savers

Talking to kids about money can be awkward, but it's important. That's the takeaway from a recent T. Rowe Price survey, which showed that parents consider topics like death and politics easier to discuss with kids than saving for a goal. A full 85% wanted to avoid the issue by signing their kid up for a personal finance course.

Though a class might help, your children are still taking their cues from you. Here we offer essential financial lessons to teach your kids at each age and stage.

Ages 3-6

Don't underestimate them – at three, your kids can grasp basic financial concepts, and by age seven, they have already formed money habits, according to a Cambridge University study. Start with the basics, such as the idea that you work to earn money for what you want and need, and help your kids understand the difference.

Another money milestone mapped out by the experts at the Consumer Financial Protection Bureau is the ability to focus and persist through tasks. Saving for retirement takes large amounts of patience and self-control, so we might as well start teaching them early.

Recognizing tradeoffs is another important early milestone. Whether a trade involves money, treats, or time, discuss with your child how every decision has consequences.

Around age five, give kids some cash to manage. A regular allowance allows them to start thinking in terms of financial tradeoffs, and you can offer them a three-part piggy bank (save, spend, and share) so they begin to understand the different functions of money.

By age six, your child should be able to focus on completing small chores to earn money and understand the value of different coins and bills well enough to sort and count them.

Ages 7-12

As your child grows, help them develop values such as empathy and gratitude. Knowing that some families live in poverty and need assistance is part of financial literacy. Using a site like Dollar Street (https://www.gapminder.org/dollar-street) that shows photos of different families around the world living on a variety of incomes can help. Another possibility is to let your child have a say in where the family's charitable dollars will go.

It's also a good idea to pass down family stories to the next generation – a money mistake you made and learned from, your first big purchase, or how saving habits helped you weather the ups and downs of life. These tales can help them understand their place in the world and develop perspective on what has value in life.

These years are also a good time to have your child open a bank account, which can help them claim the identity as a "saver" and associate positive emotions with it. You should also help them track what they are earning in interest. "There's nothing like receiving an interest payment (even if it is a few cents) in your name for the first time," Asheesh Advani, CEO of Junior Achievement Worldwide, told *Inc*. magazine.

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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:

Andrea Chairez of Eastern Oregon Support Services Brokerage

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:

By what age have children typically already formed money habits?

Market Update

Through June 30, 2021

		Trailing Returns			
		3 mos	12 mos	5 yrs	10 yrs
Blue Chip US Stocks	Dow Jones Industrial Average	5.08%	36.34%	16.66%	13.50%
Large Company US Stocks	S&P 500	8.55%	40.79%	17.65%	14.84%
Small Company US Stocks	Russell 2000	4.29%	62.03%	16.47%	12.34%
Non-US Stocks	MSCI EAFE (Gross Div)	5.38%	32.92%	10.79%	6.38%
US Bonds	Barclay's Capital US Aggregate	1.83%	-0.33%	3.03%	3.39%
Cash Alternatives	ICE B of A 3 Month US Tsy Bill	0.00%	0.09%	1.17%	0.63%

Economic Snapshot

Gross Domestic Product (GDP)
Led by a recovery in consumer services and supported by further vaccination progress, GDP growth is expected to be strong in the near term. Labor market frictions may be a constraint.

Employment
Nonfarm payrolls are still down about 9.5 million from the pre-pandemic trend, but we should see strong gains near term. Matching unemployed workers to available jobs will likely be challenging.

Housing and Construction
Work-from-home has led to strong demand. Supply constraints have limited the pace of construction and home sales. Higher prices have reduced affordability.

Manufacturing
Growth in new orders has remained strong. Supply chain constraints should continue to ease, helping to improve supplier deliveries.

Monetary Policy
Short-term interest rates may be raised a little earlier than previously expected, but not anytime soon. The pace of monthly asset purchases is likely to be tapered later this year or in early 2022.

Inflation
Inflation has picked up, reflecting a rebound in prices that were depressed a year ago, supply chain bottlenecks and materials shortages, and higher prices of used vehicles. However, these pressures are expected to be transitory.

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

June Equity Markets End in Positive Territory

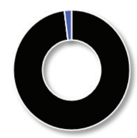
- Inflation was top of mind for investors throughout June, as the core Consumer Price Index (CPI) notched its highest increase since 1992. Despite what are expected to be transitory inflation pressures, the growth outlook for this year remains strong. Recent data suggests a quick recovery as the economy reopens, but the pace may not be quite as brisk over the second half of the year, says Raymond James Chief Economist Scott Brown. Rapid growth has strained supply chains and there are enormous difficulties in matching millions of unemployed workers to available jobs, although Brown expects those issues to resolve over time.

- Bipartisan negotiations continue in Washington, D.C., around tax changes, national spending and the infrastructure bill. With the path forward highly uncertain, domestic equity markets may experience increased volatility over the later part of the summer, says Raymond James Washington Policy Analyst Ed Mills.

For additional asset allocation and disclosure information, please click here or visit the Resources section of our website at thecommco.com

Strategic Asset Allocation Models

As of July 2021

Equities Fixed Income Cash Alternatives					
	Conservative	Moderate	Balanced	Growth	Aggressive
Equity	**30%**	**50%**	**67%**	**83%**	**98%**
Equity allocation comprises:					
U.S. Large Cap Blend	20%	24%	29%	35%	41%
U.S. Large Cap Growth	0%	3%	5%	7%	8%
U.S. Large Cap Value	0%	3%	5%	7%	8%
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%	15%
Non-U.S. Emerging Market Equity	0%	0%	4%	4%	5%
Fixed Income	**68%**	**48%**	**31%**	**15%**	**0%**
Fixed income allocation comprises:					
Investment Grade Intermediate Maturity	45%	32%	21%	12%	0%
Investment Grade Short Maturity	13%	7%	5%	0%	0%
Non-Investment Grade (High Yield)	7%	6%	5%	3%	0%
Non-U.S. Fixed Income	3%	3%	0%	0%	0%
Multi-Sector Fixed Income	0%	0%	0%	0%	0%
Alternative Investments	**0%**	**0%**	**0%**	**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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Ages 13-18+

Credit cards, investing, taxes: As your child becomes a young adult, it's time to step up your game to help them with these complex topics and more. You can help them get started with the SIFMA Foundation's annual Stock Market Game simulation (https://www.stockmarketgame.org), let them take control of buying their school supplies on a budget, or help them calculate credit card interest.

Talk about which data sources can be trusted. Share how you research financial decisions, and urge your teen to keep digging if what they're being told doesn't add up. For example, if your child is researching colleges, encourage them to do research beyond the school's brochure.

Many successful people trace their money skills back to a formative moment: getting a job as a teen. There's no better way to experience firsthand the effect of taxes, having a boss, being part of a team, and managing your time to fit in schoolwork. A seasonal job during school holidays or a part-time gig could help your teen better grasp the working world and how they picture themselves in it.

Finally, come up with a savings plan for long-term goals, like a car or college tuition. You can use a budgeting app (e.g. Goalsetter or Mint) that helps them visualize their progress, keeps spending in check, and gives them a sense of ownership and confidence in their future.

Start the conversation

Whether your child is seven or 17, they are ready to hear money talk from their parents and grandparents. After all, financial literacy is not just about dollars and cents. You're really showing them how to think for themselves, develop values, and make sound decisions. In the space of a few teachable moments, you can empower them to take control of their future – a worthy investment.

For help with how to understand, explain, and talk through specific financial topics at different ages, email us at newsletter@thecommco.com.

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.

Sources: T. Rowe Price 2019 Parents, Kids & Money Survey; Forbes; Inc. magazine; CNBC Millionaire Survey; U.S. Consumer Financial Protection Bureau; Sallie Mae's 2019 Majoring in Money report; mtmfec.org The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Expressions of opinion are as of this date and are subject to change without notice. Commerce Concepts is a quarterly publication produced by the team at The Commerce Company. The opinions, commentary and topics are those of the professionals of The Commerce Company and not of Raymond James Financial Services, Inc. or Raymond James & Associates. Registration does not imply endorsement. If you have any questions call Jed Schlanger, Branch Manager, at (503) 203-8585.