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1Q | 2Q | 3Q | 4Q | 2020

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WEALTH ADVISORS FOR LIFE

WELCOME

Nathan Mersereau, CFP®

Welcome to a long-awaited New Year! With 2020 now in the rearview mirror, I reflect on a T.S. Eliot poem from 1942 in which he notes that "last year's words belong to last year's language."

As we settle into 2021, I look forward to replacing the words pandemic, quarantine and unprecedented, with recovery, togetherness and back to normal. Thankfully, I believe there's good reason for optimism.

In a year filled with extreme measures of stock market volatility, the financial markets ended 2020 at record highs and investors who maintained their resolve were rewarded. You can read our in-depth Investment Commentary section on page 7 for a detailed assessment and analysis of the financial markets, but the CliffsNotes version is we expect that the economic recovery will continue in 2021. The combination of the Covid-19 vaccine being more widely distributed, the continuation of accommodative governmental monetary policies and low interest rates should allow both businesses and consumers to return to a more recognizable "normal." Moreover, the fact that many investors have stockpiled cash in money markets and low-interest savings accounts means there's a tremendous amount of sidelined money that could flow back into the stock market.

Does this mean that there's no more turbulence to get through? No. But I do believe better days are indeed ahead for the economy and that the world is in the process of turning the page on this pandemic.

On a personal level, I'm excited about what's in store in 2021 for Planning Alternatives. Now more than ever, our firm will be both high-touch and high-tech. The breadth of our team's knowledge and various strengths is great, with a wider range of certifications and backgrounds than ever before. You can continue to count on us – no matter the life stage or event you're navigating – to provide you with highly personalized care and guidance. I'm also looking forward to the continued launch of our eMoney tech platform, which will help you to organize your finances even more effectively, and more easily benchmark and track your financial goals. (Read all about the eMoney tool on page 5.)

The year 2020 was a memorable one. But adversity has a unique way of meaningfully deepening relationships. I know I can speak for the entire team when I say thank you for the trust, the authentic conversations and the ability to serve you during a truly tumultuous stretch of our country's history.

We made it through 2020 together and we will do the same this year. We have plenty in store for you. Please join our annual Outlook event, to be held virtually on February 10, to gain more insight into the year ahead. Whether it's via Zoom or hopefully in-person later in the year, we remain here for you.

Nathan Mersereau

Nathan Mersereau, CFP®
President

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How to Protect Yourself Against Charity Fraud

Many people make charitable contributions throughout the year as a way of giving back to the community, supporting worthy causes, and as part of their financial planning strategy. Unfortunately, unscrupulous individuals and organizations sometimes take advantage of other people's desire to give to charities. This is not only a significant breach of trust, it can also impact a donor's financial plans. It's important to understand how to spot charity-related fraud when it happens and learn how to keep safe in your philanthropic endeavors. Here's what you need to know.

What Is Charity Fraud?

The FBI defines charity fraud as schemes that seek donations for organizations that do little or no work — instead, the money goes to the fake charity's creator. The fraud often takes familiar forms: emails, phone calls, social media posts and crowdsourcing platforms. Here are some examples of how charity fraudsters operate:

Fake Charities

A fake charity is an organization that claims to serve a charitable purpose, but instead collects funds that are never used for the organization's stated mission. In some cases, there isn't even an actual charity, just one or two people who hide behind an organization's name and try to persuade others to give money to their cause via door-to-door collections, business collection boxes, mail or phone solicitations and other methods.

Unauthorized Collectors

Unauthorized collectors may conceal their activities under the guise of doing business or holding a fundraiser to benefit a legitimate charity. However, the charity in question has never authorized the fundraiser – and never receives funds from the event.

An example of this is a business announcing that it is donating a portion of its profits to a charity, motivating consumers to make purchases. Another twist on this is a fundraising event in which the perpetrator sells tickets to a show or raffle, for instance, and promises to donate all or some of the proceeds to the charity. In both cases, the money raised by the "effort" ends up in the pockets of the unauthorized or unscrupulous collector of the funds.

Image Source: iStock

Fake Fundraising Scams

People are often motivated to help others in need, particularly if an individual has suffered a serious illness, has been injured in an accident or has acted in a heroic way. GoFundMe and other crowdfunding platforms have made it easy for people to help others. While the GoFundMe site warns consumers to protect themselves against fraudulent activities, con artists can still attempt to use these platforms to scam well-intended individuals out of their money.

GoFundMe scams operate like other types of charity fraud. Perhaps the most infamous GoFundMe scam involved a married couple and a homeless veteran who conspired to fool the public with a heartwarming tale of the homeless man helping a woman whose car had broken down. The couple set up a GoFundMe with the agreement that all three would divide the money raised, which totaled more than $400,000.

Another type of GoFundMe scam is a spin on the unauthorized collector: A person or family has a legitimate need, like mounting hospital bills, and a person close to the situation, such as a neighbor, friend, or relative, sets up a GoFundMe without consulting the person for whom the funds are being collected, and then keeps the money for themselves.

Nonprofit Fraud

Not all organizations that are legally recognized at the state and federal level as not-for-profit organizations operate ethically. Some of these organizations solicit donations and then spend an outsize proportion of funds on administrative costs, misappropriate funds for personal use and receive kickbacks from dishonest vendors. While some of the money may be used for actual charitable purposes, much of it is used to subsidize the lifestyles of the group's founders and high-level employees.

Charity Fraud Consequences

The consequences of charity fraud are significant. There can be the loss of public trust as donors and volunteers reckon with the fact that their resources have been misused. Even worse, donors may find that their plan to claim a tax deduction for their donation is no longer feasible because the organization lied about its federal status. This can throw financial plans for a year or more into disarray as the donor and his or her financial advisors attempt to make tax adjustments.

Charity Fraud Red Flags

There are several things to look out for when considering whether to contribute to a charity or appeal for funds. Here are three red flags:

- **Legal Status**

  If you hope to reap tax benefits from making a donation, do your due diligence to ensure that contributions to the organization qualify for a deduction. This means that the IRS has granted the organization 501(c)(3) status. State registration as a not-for-profit organization is not the same as this IRS status and does not make contributions tax deductible. You can check an organization's federal status at the IRS's Tax Exempt Organization Search page.

- **High-Pressure Tactics**

  Administrators of legitimate charities know that contributions are always voluntary and that people have a right to make up their minds about what to do with their money. If a charity representative tries to guilt you into making a contribution or rush your decision, be on your guard and wait to do some research and find out more information.

  If you did make a donation under pressure and find yourself second-guessing that decision, check your bank and credit card statements often to verify you weren't charged more than you intended to give and to make sure you didn't unwittingly sign up for recurring donations.

- **Ambiguity About Use of Funds**

  Reputable charities are transparent about how funds are used. You can make use of online resources such as GuideStar, CharityNavigator and others to check a charity's reputation and financial filings. AARP says a general rule of thumb is that at least 65% of a reputable charity's total expenses should go directly to serving its mission.

Getting Help

If you hope to include charitable donations in your short- and long-term financial plans, consider speaking with your Wealth Advisor. By getting sound financial advice and researching charities before you donate, you can help yourself from a tax perspective, give back to your community and assist those in need – a win for all involved.

OUTLOOK 2021

Our annual Outlook event will be held virtually on

February 10, 2021 at 11 a.m. ET.

Andrew Busch
Economist, Speaker, and Futurist

Please join us as we discuss our perspective on financial markets, planning strategies and expectations for 2021 and beyond.

We are pleased to present **Andrew Busch** as our featured speaker. He is a noted economist, futurist and markets expert. Busch served as the first-ever Chief Market Intelligence Officer (CMIO) for the U.S. government. He's led global economic research on government policy for investment banks and now regularly consults with Fortune 500 companies about the latest economic trends. You might remember Busch as co-host of the CNBC show "Money in Motion."

Registration information is available on our website.

NEW YEAR, NEW LOOK

We are excited to share a fresh new look for Planning Alternatives. check out our brand new logo! Created by the minds behind the Pure Michigan campaign, our logo reflects stability in our history but momentum toward a promising future – a combination that has served our clients for decades.

Planning Alternatives
Wealth Advisors For Life

New website coming soon!

We're also refreshing our website. We are committed to continually providing resources and insights, and hope you enjoy the look of the new website as well as the timely content. We will launch the updated website later this quarter.

Image Source: iStock

TAX TIME IS AROUND THE CORNER

Make sure to begin to organize your financial records and tax documents as you receive them online or in the mail. We look forward to working with you, your tax preparer and anyone else on your professional team to help make tax time as seamless and stress-free as possible. Please contact us if and when you have any questions.

Image Source: iStock

How We're Using Technology to Better Help You in 2021

At Planning Alternatives, we place our focus on our clients and their financial needs. What does this mean? It starts with learning as much as possible about your financial situation. We truly get to know about you, your family, your dreams and how you want to live your life. Simply put, our mission is to understand the life you value most and to utilize all of the tools available to help you achieve it. This requires a personal, high-touch and high-tech view of financial planning.

Our approach includes the use of one of the technologies available, and allows us to dive deeper into your financial plan than ever before. One piece of software that is central to our plan development is a tool known as ***eMoney***. While many of you have noticed the switch to our new format, we encourage all of our clients to explore our upgraded planning tool and to learn more about its many capabilities.

The concept is straightforward. We wanted a program that would allow our clients to see their entire financial picture in one place. With ***eMoney***, your financial information remains fully up to date and allows us to analyze different scenarios and to model changes that may occur as life continues to present us all with unexpected situations.

Four of the main features of ***eMoney*** are:

- Account Integration
- The Client Portal
- Goal-Specific Financial Planning
- Extensive Analytics and Reporting

Account integration enables us to link your financial data into one system. This goes far beyond the accounts that we manage as you are now able to see account data, trends, and specific information related to all of your financial accounts, including those outside of Planning Alternatives. This gives us a holistic view of your entire financial picture. We can also incorporate information about other types of assets such as businesses, real estate, private equity holdings and other personal property. We can analyze insurance, banking and liability information too. Put simply, the more data we have, the better our ability to create the most tailored and comprehensive financial plan for you.

FINANCIAL PLANNING ESSENTIALS

The client portal allows you to access your account information and gain insight into many potential scenarios that we have created together while building your financial plan. You will have the ability to view up-to-date reporting of your account performance, spending trends, goal tracking as well as many other personalized reports specific to your individual plan. The client portal also serves as a secure document- transfer system. We are able to upload and download information easily and seamlessly share documents with each other with unlimited storage capacity – all with just the simple click of a button. We take the security of your information seriously and utilize security features built into the software. We have instituted a two-factor authentication system to help ensure that your information stays private and safe.

The financial planning component of ***eMoney*** is where we get to use our knowledge, experience, and team approach to craft your tailored plan. What would have once been done with calculators and piles of paper is now contained in a system designed for firms like ours who serve clients like you. This allows us to not only create a better plan, but to update your plan for the rapidly changing world we live in. It also allows you to explore how different events, timeframes or unexpected challenges could affect your plan. In advance of making significant life or career decisions, for instance, we can help you evaluate how a particular choice or circumstance may affect your plan. Whether you're wondering about the impact of purchasing a vacation home or getting a divorce or deciding to help your child pay for grad school, our team has the ability to create, stress test and dive deeper into your financial plan's scenarios than ever before.

All of the features are packaged in a way that enables us to produce tailored reports that will provide greater clarity for you. You will then have the ability to recall previous reports and create some of your own based on your personal preferences.

We have selected a technology that allows us to more efficiently create, monitor, redefine and evolve with life's uncertainties. While this article just scratches the surface on the power of this tech tool, we want to reinforce our commitment to providing you with a team of professionals dedicated to helping you reach your goals. If you have any questions about how we can help you with our ***eMoney*** tool, we are only a phone call or email away. As always, we are committed to being your Wealth Advisors For Life.

Image Source: iStock

INVESTMENT COMMENTARY

Jim Long,
CFA , CFP®, CMFC®,
Director of Investments

PERFORMANCE

Continued economic recovery and expectations for a Covid-19 vaccine-led acceleration in 2021 catapulted worldwide stocks higher in the fourth quarter. Developed and emerging markets stocks led the way, even though U.S. stocks continued to set fresh record highs during the quarter. Bonds moved marginally higher in the fourth quarter, and alternative assets recovered some of their lost ground from earlier in the year.

STOCKS

Renewed optimism for 2021 continued to propel U.S. stocks, even though some areas of the country have persistently high coronavirus case numbers and hospitalization rates. A strong rotation into small-sized (S&P SmallCap 600) companies in Q4 2020 suggests the beginning of a new business cycle: returns for small-cap stocks more than doubled those of large-sized (S&P 500) companies and comfortably outpaced mid-sized (S&P MidCap 400) as well. Overall, U.S. stocks (Russell 3000) were up 14.7% for the quarter. Corporate earnings recovered with strength in the second half of 2020, a trend we anticipate will roll into the spring and summer of 2021. More widespread vaccinations will likely drive consumer demand higher, joining ongoing governmental monetary and fiscal support to potentially trigger strong growth in the second half of the year.

International stocks (MSCI All Country World Index ex-U.S.) exhibited strong returns over the three months, gaining 17% to outpace their U.S. counterparts. Emerging markets (MSCI EM) bettered returns from developed markets (MSCI EAFE) on a relative basis, although both had strong absolute performance. Apart from some more restrictive public health measures re-imposed in select European countries, most international countries returned to fairly open economies. International stocks also benefitted from a general weakening in the U.S. dollar, a trend that we see persisting over the next few years.

BONDS

Bonds (Barclays US Aggregate index) rose 0.7% during the quarter. Longer-term interest rates rose modestly, reflecting a better outlook for future economic growth, while the Federal Reserve continued to keep short-term rates pegged near zero. The majority of calendar year bond returns were realized during the spring and early summer, when managers bought bonds that had fallen in price during the all-asset selloff and realized the benefit when markets returned to more normal conditions.

ALTERNATIVES

Natural resources (S&P Global Natural Resources) rose sharply to lead the category for the quarter, while global real estate (FTSE EPRA/NAREIT Developed) continued its strong 2020 performance, and commodities (Bloomberg Commodity) rose to a lesser extent. Overall, alternative assets rose 15% for the quarter.

Asset Class Returns Quarter 4

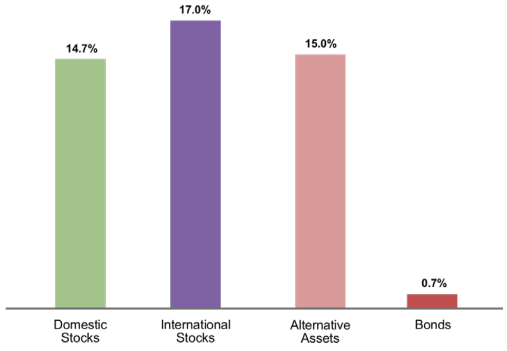

Chart Source: Planning Alternatives

Sub-Asset Class Returns Quarter 4

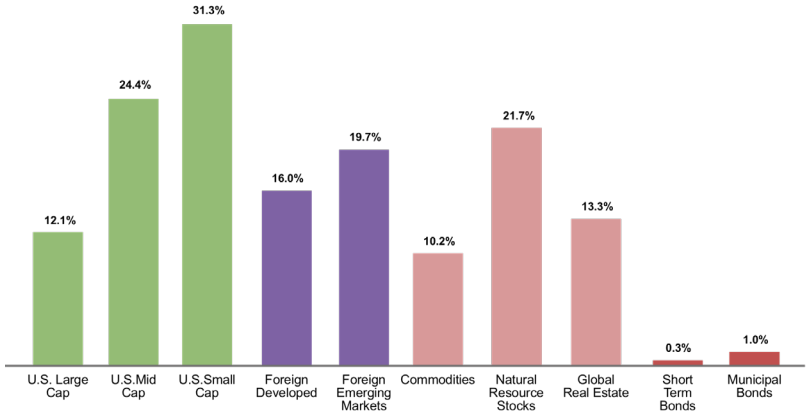

Chart Source: Planning Alternatives

PERSPECTIVE

"I like the dreams of the future better than the history of the past."
– Thomas Jefferson

"An optimist stays up until midnight to see the New Year in. A pessimist stays up to make sure the old year leaves."
– William E. Vaughn

All of us likely have both optimist and pessimist inside of us at the moment. 2020 was challenging in so many ways that our inner-pessimist just had to ensure that the clock struck midnight on New Year's Eve even as the optimist in us flashed a brief smile at the promise of a fresh start. While 2021 has certainly gotten off to a rocky, eventful beginning in the United States, there is reason to be optimistic about how markets will ultimately perform this year.

An extraordinary effort by the global scientific and medical community to produce a coronavirus vaccine has seen the first fruits of their extensive labor, as vials were shipped to locations around the world. As of the end of 2020, more than four million doses had been administered in the United States.

Unfortunately, the extreme level of partisan vitriol surrounding the election results spilled into the U.S. Capitol during the process of approving the Electoral College vote, producing unprecedented and disturbing images. Once an incoming President Biden takes office, he could have some difficulty enacting comprehensive and sweeping legislative initiatives due to the thin majorities for Democrats in the House and the Senate. Under a unified Democrat government, we would expect additional spending on coronavirus relief, infrastructure, and health care, along with some changes to tax policy.

Our expectation for 2021 is for markets to exhibit price volatility throughout the first quarter, giving way to a general upward trend beginning in late spring or early summer. It will take some time for the vaccine to be broadly distributed, and we expect economic data to continue to be uneven as long as broad swaths of the country remain under various restrictions.

Additionally, the recently discovered and more contagious variant strain of the coronavirus poses a threat to the recovery. While the coronavirus relief provisions included in the spending bill that was signed into law by President Trump on December 27 will provide businesses and individuals a measure of support through this last leg of the pandemic, it is possible that even more fiscal relief will be approved.

Once the vaccine has been widely distributed, pent-up demand will be released for travel, dining out, and other experiences once taken for granted – all likely providing a sizeable boost to the services sector of the economy. Corporate earnings rebounded remarkably well during the second half of 2020; we expect this trend to only improve throughout 2021 with improving economic activity. Anticipation for continued government fiscal support, combined with central banks signaling that short-term interest rates will be kept low throughout 2021, should also help support stock prices.

Long-term interest rates have ticked up recently, reflecting an increased expectation for growth this year. Although sharply rising rates and higher inflation are not expected in 2021, odds are increasing that both will arise at some point within the next several years – putting pressure on future bond returns. Bonds still provide diversification benefits and typically serve as the most effective way to offset risk from higher fluctuating stock returns. However, utilizing select alternative strategy funds may become helpful to offset upcoming headwinds faced by bonds.

POSITIONING

We are fully committed to the key principles reflected in how we construct our clients' core investment portfolio: asset allocation, global diversification, cost sensitivity, and matching investment strategy to a comprehensive financial plan. Utilizing different exposures across asset classes and across geographic regions has historically been an effective way to reduce overall portfolio risk and the chance of a significant portfolio loss. While overall portfolio performance is always an important barometer, we believe that the greatest measure of success is how well our clients are tracking toward goals identified during construction of their financial plan.

In 2020, we made some adjustments to our core portfolio. In U.S. stocks, we increased our small-cap and value factor exposures, market sectors that typically lead out of recessions. We remain committed to our significant international allocation, and have added an actively-managed international stock fund to complement our stable of indexed exchange traded funds (ETFs). In the fall of 2020, we undertook an extensive search to identify a fund well-positioned to help us capitalize on our belief that international stocks are poised for a period of outperformance relative to U.S. stocks, which culminated in our selection of a firm (GQG Partners) with historically strong results in the space.

Our investment team at Planning Alternatives is busy positioning client portfolios with an eye toward the future. We've adjusted our U.S. stock exposure slightly, seeking to benefit from the recovery we see continuing in 2021. Additionally, at this time when stock and bond valuations are both elevated, we continue to vet investments with risk and return profiles different from traditional asset classes that have the potential to reduce overall volatility and enhance return.

Whatever the election results, we at Planning Alternatives are committed to helping you reach your financial goals and stand ready with insights and advice to guide you along the way.

Please contact us with questions, or just to chat!

Jim Long, CFA, CFP®, CMFC®
Director of Investments

DISCLOSURES & FOOTNOTES

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1. **Asset Classes:** Domestic Stocks are represented by the Russell 3000 Index, which measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. stock market. International Stocks are represented by the MSCI ACWI ex U.S. Index, a market capitalization weighted index that is designed to measure the global stock market performance of developed and emerging non-U.S. markets. Alternative Strategies are represented by the Morningstar Multialternative Fund Category, which consists of mutual funds that provide exposure to different alternative investment strategies that may take short positions, invest in currencies, derivatives or other alternative asset classes. Alternative Assets are represented by a blend of three indices: 33% *(Commodities)* Bloomberg Commodity TR Index, which is a broadly diversified index composed of 19 commodity futures contracts on physical commodities in seven sectors; 33% *(Natural Resource Stocks)* S&P Global Natural Resources Index, which is comprised of 90 of the largest publicly traded companies in natural resources and commodities businesses that meet investability requirements; 34% *(Global Real Estate)* FTSE EPRA/NAREIT Developed Index, which is designed to track the performance of listed real estate companies and REITs worldwide. Bonds are represented by the Barclays Capital Aggregate Bond Index, which represents most intermediate, investment grade bonds traded in the U.S., including Treasury securities; government agency bonds; mortgage-backed bonds; corporate bonds and a small amount of foreign bonds traded in the U.S. Short-term Bonds are represented by the Barclays U.S. Govt/Credit 1-5 Yr. TR index, which measures the performance of U.S. dollar-denominated U.S. Treasury bonds, government related bonds and investment grade U.S. corporate bonds that have a remaining maturity of greater than or equal to one year and less than five years. Municipal Bonds are represented by the Barclays 1-10 Year Municipal Blend Index, which is an unmanaged, total return, market value-weighted index that tracks the short and intermediate components of U.S. investment-grade tax-exempt bond market, including General Obligation, Revenue, Insured and Prerefunded bonds with a remaining maturity from 1 up to 12 years. Large Cap Stocks are represented by the S&P 500 Index, a group of 500 large companies selected by S&P and weighted by market capitalization. Mid Cap Stocks are represented by the S&P 400 Index, which is a group of 400 mid-size companies selected by S&P and weighted by market capitalization. Small Cap Stocks are represented by the S&P 600, which is a group of 600 small-size companies selected by S&P and weighted by market cap. Foreign Developed Stocks are represented by the MSCI EAFE Index, a market capitalization weighted index designed to track the performance of stocks in developed markets (excluding the U.S. and Canada). Emerging Market Stocks are represented by the MSCI Emerging Markets Index, which is a market capitalization weighted index designed to capture the stock market performance of emerging markets. Long/Short Stocks are represented by the Morningstar Long/Short Equity category, which captures the performance of mutual funds that hold sizable stakes in both long and short stock positions. Long/Short Bonds are represented by the Morningstar Nontraditional Bond category, which captures the performance of mutual funds that pursue strategies divergent in one or more ways from conventional practice in the broader bond-fund universe, such as tactical management of bond exposures, active management of duration, currency trading and/or shorting. Managed Futures are represented by the Morningstar Managed Futures category, which captures the performance of mutual funds that trade liquid global futures, the majority of which follow a trend-following strategy. Performance data is from Morningstar Office, Bloomberg and Tamarac Advisor View.

2. **Benchmark Performance:** The components of the benchmarks are listed below. Data from Tamarac AdvisorView/Schwab PortfolioCenter.

Benchmark	Domestic Stocks (Russell 3000)	International Stocks (MSCI ACWI x US)	Bonds (Barclays US Agg. Bond)	Cash (BOA/ML US T-Bill 0-3 Mo.)
Conservative 20-80	15%	5%	78%	2%
Moderate Conservative 40-60	30%	10%	58%	2%
Moderate Conservative Plus 50-50	37.5%	12.5%	48%	2%
Moderate 60-40	45%	15%	38%	2%
Moderate Plus 70-30	52.5%	17.5%	28%	2%
Moderate Aggressive 80-20	60%	20%	18%	2%
Aggressive 100-0	74%	24%	0%	2%