**JULY 2021**

# 2021 OUTLOOK Q2

## THE TOPIC THAT KEEPS RISING TO THE TOP: INFLATION

*By Tom Kelly, CFA*

As the summer vacations and barbeques kick back into full swing, one conversation topic continues to rise to the top—inflation. Thankfully, for many of us, gone are the days of masks, social distancing, and awkward elbow bumps. The new "fear" is now, "Are things in the economy too good?" What a difference a year makes!

In last quarter's outlook, our headline piece asked, "Inflation: Necessity or Risk? And What Should We Do?" Since then, inflation has continued to rise, as we've seen year-over-year inflation rates come in at 4.2% in April 2021 and 5.0% in May 2021, leading to continued questions and worries of "hyperinflation."[1] However, before worrying too much about runaway prices and the inability to pay the rising costs, we believe it's important to look at a few underlying factors.

As I mentioned earlier, what a difference a year makes. If you think back to all the uncertainty, and therefore lack of spending, that existed in spring 2020, you would not be surprised to know that inflation was falling and near zero at this point last year. The year-over-year inflation numbers, which make the headlines, look a bit magnified because of where we were last year. When

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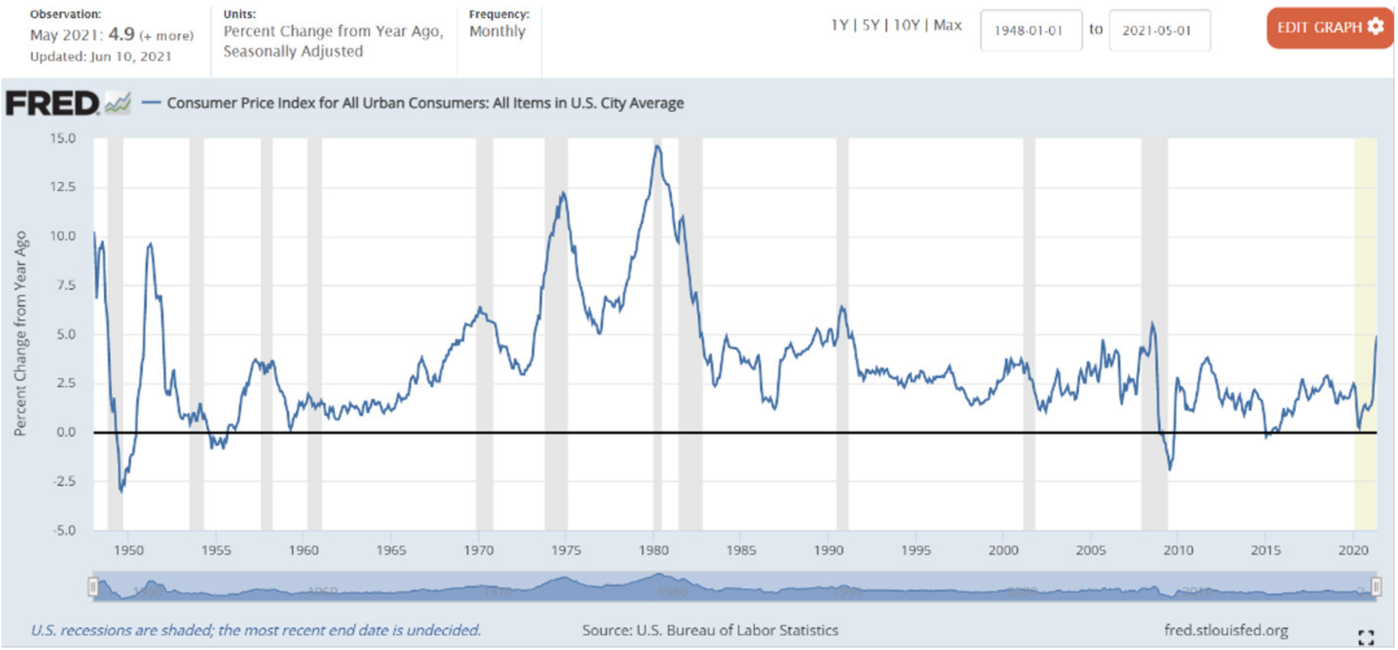
looking at prices compared to “pre-pandemic” levels, by observing annualized inflation over the last two years, inflation was only 2.5% in May.[1]




Source: “Consumer Price Index for All Urban Consumers: All Items in U.S. City Average.” U.S. Bureau of Labor Statistics, May 2021, fred.stlouisfed.org.

Additionally, when breaking down some of the components of inflation, indications point to some of the main causes of the recent rise as more transitory vs. pervasive. As of May 2021, areas such as airline fares (up 24% from a year ago) and used cars and trucks (up 30% from a year ago, due largely to the chip shortage) suggest that pent-up demand and temporary supply chain bottlenecks will lead to the dramatic rises being short-lived rather than enduring.[2,3]

We welcome the continued growth of the economy and potential of increased inflation as opposed to the alternate reality of stagnation and a weak economy. Could inflation become a major problem? Certainly. Do we think inflation is a major problem right now? Probably not. Should you make drastic moves to ward it off? Not prudent, in our opinion. As Mark Twain purportedly said, “It ain’t what you don’t know that gets you into trouble. It’s what you know for sure that just ain’t so.” We continue to be humble about what we don’t know—the direction of inflation and corresponding market movements included—and focus on what we can control: designing portfolios to help you achieve your financial goals and putting you first. All the time. Every time.

Important Disclosure Information and Sources:

[1] “Consumer Price Index for All Urban Consumers: All Items in U.S. City Average.” U.S. Bureau of Labor Statistics, May 2021, fred.stlouisfed.org. US Bureau of Labor Statistics Consumer Price Index All Urban Seasonally Adjusted is a measure of the average monthly change in the price for goods and services paid by urban consumers between any two time periods. It can also represent the buying habits of urban consumers. This particular index includes roughly 88 percent of the total population, accounting for wage earners, clerical workers, technical workers, self-employed, short-term workers, unemployed, retirees, and those not in the labor force.

[2] “Consumer Price Index for All Urban Consumers: Airline Fares in U.S. City Average.” U.S. Bureau of Labor Statistics, May 2021, fred.stlouisfed.org.

[3] “Consumer Price Index for All Urban Consumers: Used Cars and Trucks in U.S. City Average.” U.S. Bureau of Labor Statistics, May 2021, fred.stlouisfed.org.

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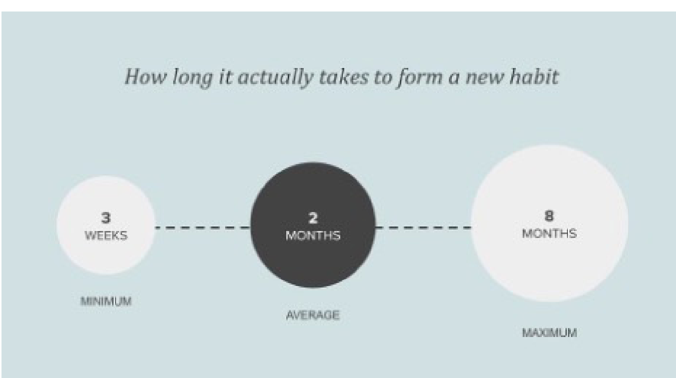
# TRANSITION FROM WORK INCOME TO RETIREMENT INCOME

*By Jennifer Smiljanich, CFP®*

Retirement. There is a lot of emotion and change tied up in this single word—beginnings, endings, opportunities, uncertainties, regrets, excitement. In our conversations with clients over the last 25-plus years, we have observed that one of the most challenging transition points in life is the move from "work" to "retirement." In some ways, as much as this change results in a physical shift—no longer going to work—the mental shift from saving to spending sometimes is a bigger adjustment.

We spend a lot of our adult lives developing habits—hopefully, most of them good ones! Author James Clear has written about human behavior and how we form habits. He commented on a study by Phillippa Lally that found that people take somewhere between 18 and 254 days to form a new habit, depending on behavior, the person, and the circumstances.[1] So if we think about developing a retirement mindset as a new habit, transitioning from the idea of saving our nest egg to being comfortable spending it, it might take between two and eight months to gain comfort. Clear's takeaway is that "understanding this (is a process) from the beginning makes it easier to manage your expectations."




Source: "Creating Habits: How Long Does It Take to Form a Habit?" Anne-Laure Le Cunff, nesslabs.com.

So how do we get comfortable with transitioning our nest egg to an income stream? In our working lives, we are used to receiving a regular income stream, whether from a biweekly paycheck, paid invoices for consulting income, or payment on completion of a project. So why should it be different in retirement? Receiving a distribution of income on a regular basis—monthly or even twice a month—helps to create that regularity that is comforting. Others may find that a quarterly distribution is adequate for meeting cash flow needs. Consider the frequency that seems most comfortable, and we can work with you to support it!

Second, the need for emergency or "rainy day" funds doesn't go away. Just because you may now be retired, the twists and turns of life don't stop. Emergency funds can cover pleasant opportunities like taking an unplanned trip, or they might be available to cover unexpected necessities like an air conditioning unit that suddenly needs replacement or a bill for a dental emergency. We typically recommend setting aside three to six months' worth of expenses, so when life throws a new opportunity or cost our way, we can feel a little more comfortable knowing there is some financial leeway!


Source: "How to Build an Emergency Fund." 23-Aug-2019, utimf.com.

Source: "Retirement Planning." Joanne Sammer, 06-Nov-2020, shrm.org.

Third, we understand that your "routine" is bound to change. As you have more time to spend time with family, friends, and loved ones, to enjoy new or old hobbies and activities, to travel, or to focus on all those neglected home projects, normal routine is about to be redefined. Take some time to find the rhythm of your new life and endeavors, and we will help guide you along the way.

Finally, we can help you answer the questions of "how much to withdraw" and "from what account do I take it." We can model how your nest egg can best supplement income from part-time work, pensions, and/or Social Security to meet your lifestyle needs, as well as when you might start those different income streams. In collaboration with your tax professionals, we can help evaluate whether your income should come from after-tax or retirement accounts. Likewise, we can help you determine the stock-to-bond mix that supports the growth you might need, at a risk level you are comfortable with.

When we spend as much as 30 or more years of our life working and saving for retirement, the idea of "undoing" our life's work might seem a little unsettling. At SJS, we have had the privilege of guiding many of our clients through the preparation and transition to retirement. We are here for you, to lend an ear, to listen, and hopefully to help make the transition a more smooth and enjoyable one!

Important Disclosure Information and Sources:

[1] "How Long Does It Actually Take to Form a New Habit? (Backed by Science)." James Clear, jamesclear.com.

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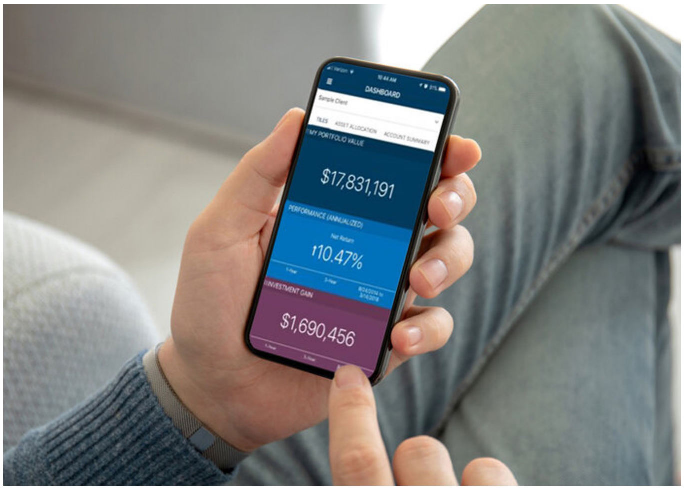


## MYSJS APP: YOUR FINANCES AT YOUR FINGERTIPS

In today's increasingly digital world, it has never been more important for us to deliver an engaging online experience. More investors of all ages are now using cloud software and mobile apps to access their financial information.

We want to remind you about our MySJS performance-reporting software and easy-to-use mobile app as a part of our ongoing commitment to provide a top-of-the-line investment experience for you. Your MySJS portal provides one simple place for you to see your daily account values, and you can quickly and securely find your quarterly reports and other important financial information via your document vault.

Additionally, the MySJS portal and mobile app now offer a dashboard that can give you a complete picture of your finances, including all your assets, liabilities, and accounts held at other places. We have how-to guides on how you can customize your MySJS portal, or we can help you see what you want to see.

You can access your MySJS portal through our website, or you can download the "SJS Investment Services" app in the Apple App Store or the Google Play Store.

If you have any questions about the MySJS portal and mobile app, please don't hesitate to reach out to us.

## SJS INVESTMENT SERVICES WELCOMES TIFFANY WILSON!

We would like to welcome Tiffany Wilson to the SJS Team in Sylvania, Ohio! Tiffany serves as Manager of Human Resources, helping with personnel decisions, employee benefits, payroll, and other related tasks.

A Michigan native, Tiffany received a Bachelor in Business Administration degree with a Human Resources focus from Eastern Michigan University. She began her career as a Human Resources professional at Riverbend Timber Framing, which was subsequently acquired by PFB Corporation. At PFB, she continued her work as a Human Resources professional, helping with personnel decisions, employee benefits, payroll, and working through mergers & acquisitions.

After 17 years with Riverbend & PFB, Tiffany transitioned to a Human Resources position with Cousino Restoration in Perrysburg, Ohio. And now we are excited that she decided to join SJS!

Tiffany has also received a master's degree in Human Resources and Organization Development from Eastern Michigan University. Additionally, Tiffany is a member of the Society of Human Resource Management (SHRM).

Outside of work, Tiffany loves her time with her husband and two boys, ages 10 and 12. She enjoys going to her children's sporting events, boating at their lake in Michigan, downhill skiing, and traveling.

Please join us in welcoming Tiffany to the SJS Team!

## OH, BABY! SMALL MIRACLES BRIGHTEN UP SJS!


A happy new addition to the SJS Family! Ellie Audene Schaetzke was born to first-time parents Andrew and Rochelle Schaetzke on Monday May 24, 2021. Ellie weighed 9 pounds, 6 ounces, and was 22 inches long. Everyone is doing well, and Andrew and Rochelle feel extremely blessed. Congratulations, Andrew and Rochelle!

## ABOUT SJS INVESTMENT SERVICES

SJS Investment Services has been serving as investment advisor and co-fiduciary for individuals, foundations, public entities, retirement plans, financial institutions and corporations since 1995 through our proprietary process called MarketPlus Investing.

With more than $2.5 billion* in assets under management, we bring you major money center investment experience and a team of people whose small-town values put you first, all the time, every time.

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SJS Investment Services

P (419) 885.2626 (800) 434.4406 F (419) 885.2236
6711 Monroe Street; Building IV; Suite A—Sylvania, OH 43560
SJSinvest.com

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