Farmers Trust Company

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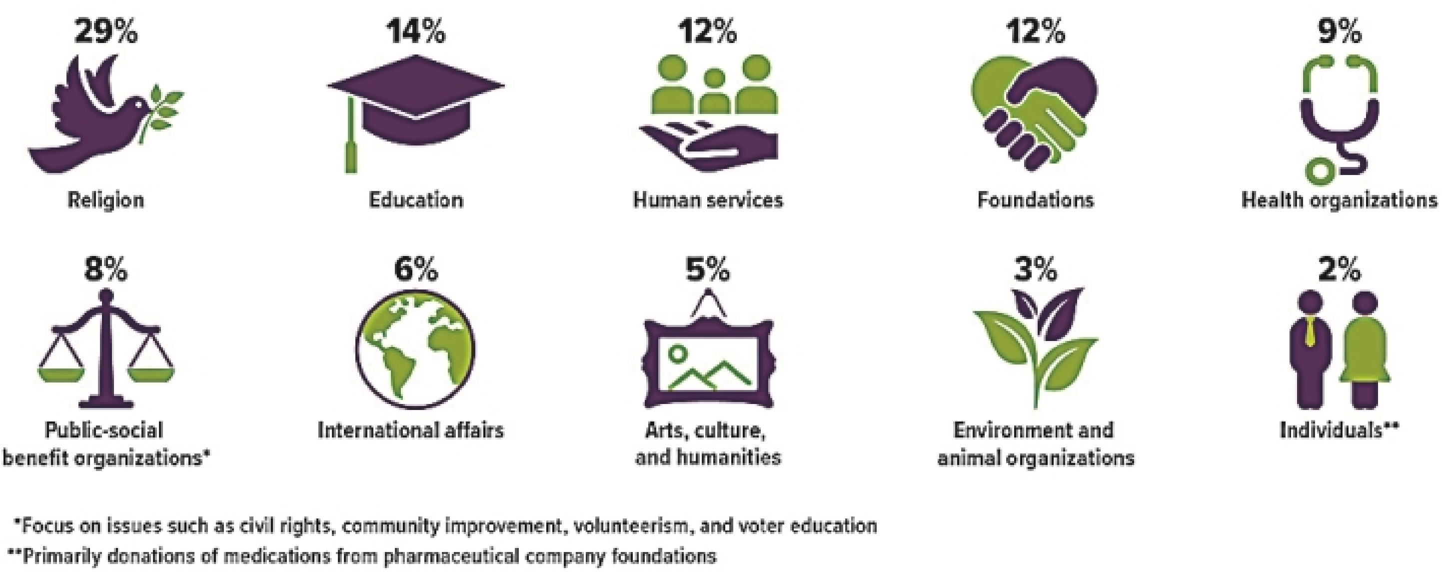
Please make sure to read John Stewart's article "Santa Claus Rally" below.

Spreading Generosity

Americans gave almost $450 billion to charity in 2019, an increase of 4.2% over the previous year. Individuals accounted for more than two-thirds of this amount, followed by contributions from foundations, bequests, and corporations. Here is a breakdown of the recipients of this generosity, by percentage of total charitable contributions.



Source: *Giving USA 2020*

Santa Claus Rally

There is an old axiom on Wall Street called the “Santa Claus Rally.” This refers to the general tendency of the stock market to perform well during the last couple of weeks of December through the first week of January. There are several theories as to why this phenomenon occurs – general optimism due to the lifting of holiday spirits, delayed stock sales for tax reasons, and the investing of holiday bonuses. This year we have another potential reason: the rollout of a vaccine for COVID-19. While the vaccine has been widely anticipated for several weeks now, the fact that actual vaccinations are starting to take place has helped to lift investor sentiment and stock prices to all-time highs. The question now becomes whether or not the good news is fully priced into the equity markets, and are we now vulnerable to downside risks should things not go as smoothly as currently anticipated?

After several years in which just a select few of the largest growth and technology stocks powered the market higher, the biggest shift we have seen in the character of the stock market rally in recent weeks has been broader participation from smaller companies and cyclical sectors like energy and financials. Stronger economic growth (which is now widely expected in 2021) and inflationary pressures tend to help these more cyclically-oriented sectors of the market. While we indeed believe that the shift in market leadership that is taking place has some further room to run, the sustainability of the next phase of economic growth will bear close watching. Should the deluge of debt accumulated in 2020 begin to weigh on growth expectations in the back half of 2021, we may return to a more deflationary impulse come late summer. That will have to be balanced against the government’s resolve to spend an ever-increasing amount of money on fiscal support measures that would likely act to further depress the value of the U.S. dollar.

For the time being, accelerating economic growth and building inflationary pressures are likely to continue for at least the next couple of quarters. Therefore, our investment positioning remains much the same as it has been for the past several months. Value stocks should continue to outperform Growth, Commodities and Real Estate should continue to provide inflation protection and diversification, and International equities have become more attractive than they’ve been in recent years. We also continue to recommend options-based investment strategies as a tool to enhance portfolio returns while managing risks. From everyone at Farmers Trust Company, we wish you and yours a very Happy Holiday season and a Happy New Year!

Five 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.[1] 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 heading into the new year, these tips may help you focus and enhance your retirement savings strategy in 2021.

1. Consider increasing your savings by just 1%. If you participate in a retirement savings plan at work, try to increase your contribution rate by just 1% now, and then again whenever possible until you reach the maximum amount allowed. The accompanying chart illustrates the powerful difference contributing just 1% more each year can make over time.

2. Review your tax situation. It makes sense to review your retirement savings strategy periodically in light of your current tax situation. That's because retirement savings plans and IRAs not only help you accumulate savings for the future, they can help lower your income taxes now.

Every dollar you contribute to a traditional (non-Roth) retirement savings plan at work reduces the amount of your current taxable income. If neither you nor your spouse is covered by a work-based plan, contributions to a traditional IRA are fully deductible up to annual limits. If you, your spouse, or both of you participate in a work-based plan, your IRA contributions may still be deductible unless your income exceeds certain limits.

Note that you will have to pay taxes on contributions and earnings when you withdraw the money. In addition, withdrawals prior to age 59½ may be subject to a 10% penalty tax unless an exception applies.

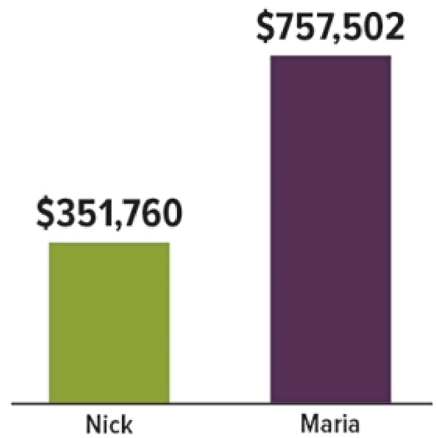
3. Rebalance, if necessary. Market turbulence throughout the past year may have caused your target asset allocation to shift toward a more aggressive or conservative profile than is appropriate for your circumstances. If your portfolio is not rebalanced automatically, now might be a good time to see if adjustments need to be made.

Typically, there are two ways to rebalance: (1) you can do so quickly by selling securities or shares in the overweighted asset class(es) and shifting the proceeds to the underweighted one(s), or (2) you can rebalance gradually by directing new investments into the underweighted class(es) until the target allocation is reached. Keep in mind that selling investments in a taxable account could result in a tax liability. Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.

4. Revisit your savings goal. When you first started saving in your retirement plan or IRA, 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 overall savings goal as well as the assumptions used to generate it. As circumstances in your life change, your savings strategy will likely evolve as well.

The Power of 1%

Maria and Nick are hired at the same time at a $50,000 annual salary. Both contribute 6% of their salaries to their retirement accounts and receive a 3% raise each year. Nick maintains the 6% rate throughout his career, while Maria increases her rate by 1% each year until she hits 15%. After 30 years, Maria would have accumulated more than double the amount that Nick has.



Assumes a 6% average annual rate of return. This hypothetical example of mathematical compounding is used for illustrative purposes only and does not represent the performance of any specific investment. It assumes a monthly contribution and monthly compounding. Fees, expenses, and taxes were not considered and would reduce the performance shown if included. Actual results will vary.

5. Understand all your plan's features. Work-based retirement savings 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? Under what circumstances might you access the money? 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 to ensure you take maximum advantage of all your plan has to offer.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

1) Employee Benefit Research Institute, 2020

Four Steps to Rebuilding Your Business

Few business owners have escaped the financial effects of stay-at-home orders, new safety protocols, and consumer fears related to the pandemic. Even if you took advantage of temporary federal, state, or local relief funds to help you stay afloat during the worst months, you could be expecting significantly lower sales and profits for 2020 overall.

The short- and mid-term outlook for small businesses is still uncertain and varies by region and industry. In fact, challenging economic conditions could persist locally and/or nationally for a while. As the situation changes, you may need to think on your feet and approach some aspects of your operation in new ways.

It may help to visualize what a recovery might look like for your business as the economy inches toward normalcy. Here are four steps to get you started.

1. Take a hard look at your losses. Update your financial statements regularly and compare the numbers to last year's performance. It's possible the damage may not be as bad as you feared. However, you might need to adjust your revenue goals for upcoming quarters if they are no longer realistic.

2. Think and act like a start-up. There has never been a better time to update your business strategy or experiment with a new business model altogether, especially if it involves technology that might help you reach new customers, cut costs, or improve efficiency.

Start by questioning all pre-crisis business processes and spending priorities. Research nationwide industry trends, your local market, and how your competitors are responding. Finally, consider whether there is emerging or rising demand for a product or service that your business is positioned to fulfill.

3. Have cash or credit ready to go. If you are short on working capital, you might secure financing that could be used to fill short-term revenue gaps or pursue new opportunities. Open or expand a business line of credit or, alternatively, a home-equity line of credit, even if you aren't sure you will need the money. Other potential funding sources include Small Business Administration (SBA) loan programs; term loans from banks, credit unions, or online lenders; vendor tradelines; and accounts receivable financing.

4. Don't go it alone. SCORE has partnered with the SBA to offer access to remote mentoring services, free webinars, and digital guides designed to help small businesses recover from the COVID-19 crisis. The National Federation of Independent Business and the U.S. Chamber of Commerce are providing similar resources on their websites.