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Market Strategies: Three Ways to Play Defense in Your Stock Portfiolio

Defensive investment strategies share a common goal — to help a portfolio better weather an economic downturn and/or bouts of market volatility. But there are some key differences, including the specific criteria by which particular stocks are selected. If you are nearing retirement or just have a more conservative risk tolerance, one of these defensive strategies may help you manage risk while maintaining a robust equity portfolio.

Tilt toward value

Growth and value are opposite investment styles that tend to perform differently under different market conditions. Value stocks are associated with companies that appear to be undervalued by the market or are in an out-of-favor industry. These stocks may be priced lower than might be expected in relation to their earnings, assets, or growth potential, but the broader market is expected to eventually recognize the company's full potential.

Established companies are more likely than younger companies to be considered value stocks. These firms may be more conservative with spending and emphasize paying dividends over reinvesting profits. Unlike value stocks, growth stocks may be priced higher in relation to current earnings or assets, so investors are essentially paying a premium for growth potential. This is one reason why growth stocks are typically considered to carry higher risk than value stocks.

Seek dividends

Whereas stock prices are often unpredictable and may be influenced by factors that do not reflect a company's fiscal strength (or weakness), dividend payments tend to be steadier and more directly reflect a company's financial position. Comparing current dividend yields, and a company's history of dividend increases, can be helpful in deciding whether to invest in a stock or stock fund. The flip side is that dividend-paying stocks may not have as much growth potential as non-dividend payers, and there are times when dividend stocks may drag down, not boost, portfolio performance. For example, dividend stocks can be sensitive to interest rate changes. When rates rise, the higher yields of lower risk fixed-income investments may become more appealing, placing downward pressure on dividend stocks.

Temper volatility

All stocks are volatile to some degree, but some have been less volatile historically than others. Certain mutual

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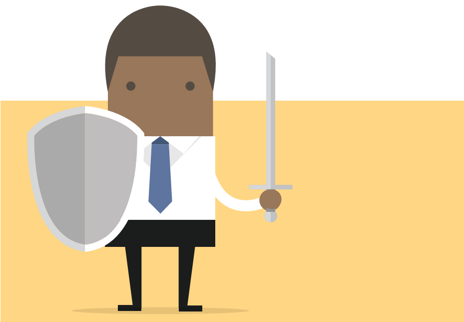

Market Strategies: Three Ways to Play Defense in Your Stock Portfolio

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funds and exchange-traded funds (ETFs) labeled "minimum volatility" or "low volatility" areconstructed with an eye toward reducing risk during periods of market turbulence.

One commonly used measure of a stock or stock fund's volatility is its beta, which is typically published with other information about an investment. The U.S. stock market as a whole is generally considered to have a beta of 1.0. In theory, an investment with a beta of 0.8 might experience only 80% of losses during a downswing — and thus would have less ground to regain when the market turns upward again.

The return and principal value of all investments fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Investing in dividends is a long-term commitment. The amount of a company's dividend can fluctuate with earnings, which are influenced by economic, market, and political events. Dividends are typically not guaranteed and could be changed or eliminated. Low-volatility funds vary widely in their objectives and strategies. There is no guarantee that they will maintain a more conservative level of risk, especially during extreme market conditions.

Mutual funds and exchange-traded funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

Life Insurance with Long-Term Care Benefits

If you are concerned about the high costs of long-term care but don't want to purchase traditional long-term care (LTC) insurance, you might consider two strategies that combine permanent life insurance coverage with long-term care benefits.

Keep in mind that any payouts for covered LTC expenses reduce (and are usually limited to) the life insurance death benefit that would go to your heirs, and benefits can be much less than those of a traditional long-term care policy.

Accelerated death benefit (ADB) rider

An ADB rider attached to a permanent life insurance policy allows the insured to begin receiving benefits while he or she is still living, under specific circumstances. In the past, ADB riders only paid when a policyholder was diagnosed with a terminal illness. However, more insurers now offer riders that start paying when a policyholder is diagnosed with a chronic illness, is permanently disabled, or needs to enter a nursing home.

Although some policies may include an ADB rider at little or no cost, ADB riders are generally optional and will increase the premium.

Hybrid life—LTC policy

This type of policy combines permanent life insurance and long-term care coverage. Many such policies require a substantial up-front premium, but buyers don't have to worry about future rate increases or the issuer canceling the policy.

For the same premium, a hybrid policy typically has a smaller death benefit than a life policy with an ADB rider. However, the LTC coverageis more generous than an ADB rider. Benefits under a hybrid policy typically begin when the policyholder needs help with two or more activities of daily living such as eating, bathing, and dressing.

With an optional continuation-of-benefits rider, payouts for covered LTC expenses could continue for a specified period or your lifetime, even if they exceed the death benefit.

Financial flexibility

Another advantage of these strategies is that policyholders can tap into the cash value of the permanent life policy during retirement if money is needed for income or emergencies. Loans and withdrawals will reduce the policy's cash value and death benefit.

Other considerations

It would be wise to explore your LTC options while you are healthy. If you consider a a life insurance policy with an ADB rider or a hybrid life-LTC policy, you should have a need for life insurance and evaluate the policy on its merits as life insurance.

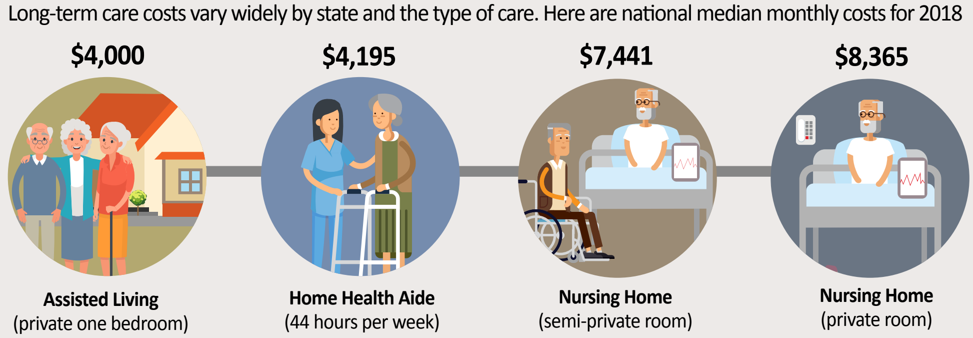
The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. In addition to the life insurance premiums, other costs include mortality and expense charges. If a policy is surrendered prematurely, there may be surrender charges and income tax implications.

Any guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company. Riders are subject to the contractual terms, conditions, and limitations outlined in the policy, and may not benefit all individuals.

Chart below: *Source: Genworth Cost of Care Survey, 2018*

Cost of Care

Long-term care costs vary widely by state and the type of care. Here are national median monthly costs for 2018



Should You Invest Internationally?

Investing in foreign stocks provides access to a world of opportunities outside the United States, which may help boost returns and manage risk in your portfolio. However, it's important to understand the unique risk/return characteristics of foreign investments before sending a portion of your money overseas.

REASONS TO GO ABROAD

Here are some of the potential benefits of international investing.

Additional diversification. Other countries may be at a different stage in the business cycle than the U.S. economy. They could recover more quickly (or more slowly) from a recession.

Long-term growth potential. Some of the world's most rapidly growing economies are located in emerging markets that may be reaping the benefits of new technologies, a growing consumer base, or natural resources that are in high demand.

Possible hedge against a weaker dollar. The U.S. dollar has been strong investments denominated in foreign currencies may help offset (or even take advantage of) any future dips in its value.

REASONS TO PROCEED WITH CAUTION

Here are just some of the potential risks.

Politics and economic policies. A nation's political structure, leadership, and regulations may affect the government's influence on the economy and the financial markets.

Currency exchange. Just as a weak U.S. dollar could work for you, additional strengthening in the dollar could work against you. That's because any investment gains and principal denominated in a foreign currency may lose value when exchanged back.

Financial reporting. Many developing countries do not follow rigorous U.S. accounting standards, which often makes it more difficult to have a true picture of company and industry performance.

RISK/RETURN POTENTIAL

Some international investments may offer the chance for greater returns, but as with other investments, stronger potential comes with a greater level of risk. For example, over the past 30 years, foreign stocks have outperformed U.S. stocks, bonds, and cash alternatives 11 times. However, they have also underperformed 11 times, tying cash for the highest number of lowest-performing years during the same time period.

If you decide to spread some of your investment dollars around the world, be prepared to hold tight during bouts of market volatility. And remember to rebalance your portfolio periodically to help align your asset allocation with your long-term investment strategy.

	Number of Highest-Performing Years, 1989-2018
Cash	4
Bonds	5
U.S. Stocks	10
Foreign Stocks	11

	Number of Lowest-Performing Years, 1989-2018
Cash	11
Bonds	6
U.S. Stocks	2
Foreign Stocks	11

Performance is from January 1, 1989, to December 31, 2018. Cash is represented by the Citigroup 3-month Treasury Bill Index. Bonds are represented by the Citigroup Corporate Bond Composite Index. U.S. stocks are represented by the S&P 500 Composite Price Index. Foreign stocks are represented by the MSCI EAFE Price Index. All indexes are unmanaged, accurate reflections of the performance of the asset classes shown. Returns reflect past performance, which does not indicate future results. Taxes, fees, brokerage commissions, and other expenses are not reflected. Investors cannot invest directly in any index.

The principal value of cash alternatives may fluctuate with market conditions. Cash alternatives are subject to liquidity and credit risks. It is possible to lose money with this type of investment. The return and principal value of stocks may fluctuate with market conditions. Shares, when sold, may be worth more or less than their original cost. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest, whereas corporate bonds are not. The principal value of bonds may fluctuate with market conditions. Bonds are subject to inflation, interest rate, and credit risks. Bonds redeemed prior to maturity may be worth more or less than their original cost. Diversification is a strategy used to help manage investment risk; it does loss.

In April 2019, despite some positive economic developments, the International Monetary Fund cut its outlook for global growth in 2019 to 3.3%, the lowest level since 2009. At the time of that report, IMF Managing Director Christine Lagarde said a recession was not expected in the near term. Source: Bloomberg, April 9, 2019

The risks associated with investing on a worldwide basis include differences in financial reporting, currency exchange risk, and economic and political risk unique to the specific country. These risks may result in greater share price volatility and should be carefully managed in light of your goals and risk tolerance.

What are the Warning Signs of Financial Scams Targeting Older Individuals?

If you or someone you know has been targeted by a scam artist who is trying to steal money or personal information, you're not alone. According to the Senate Special Committee on Aging, older Americans lose an estimated $2.9 billion annually to fraud and exploitation, a number that is probably substantially underreported.[1]

Most scams start with a call, an email, a text, or an official-looking letter that appears to be from a government agency or a legitimate company. Sometimes the scam artist will go door-to-door soliciting business or donations to charity. Scam artists are very good at gaining the trust of well-meaning people by convincingly impersonating someone authoritative, knowledgeable, or trustworthy — such as an IRS agent, a tech repair person, or even a relative. They play on your sympathy or make convincing threats to pressure you to go along with a scam. "Send money or provide personal information right now," they say, "if you want to help someone or prevent something bad from happening." Here are some typical scenarios.

- IRS scam: "You owe back taxes and penalties. Send payment immediately via a wire transfer, or you will be arrested."
- Sweepstakes scam: "Congratulations, you've won a prize! To collect it, provide us with your bank account number so we can deposit a check."
- Grandparent scam: "Hi Grandma, it's me. Don't you recognize my voice? I've been in an accident and need money for car repairs. Send giftcards, and don't tell anyone because I'm embarrassed."
- Home repair scam: "I was just doing some work down the street for your neighbor, Bob, and I saw that you need some shingles replaced. I can do that for half the price I usually charge if you pay me in cash today."

If you are targeted, never give out personal information or send money. You don't need to make a quick decision. Call a friend, a relative, or the police for advice. Report the scam immediately to a fraud hotline such as the Senate Committee's toll-free hotline, (855) 303-9470.

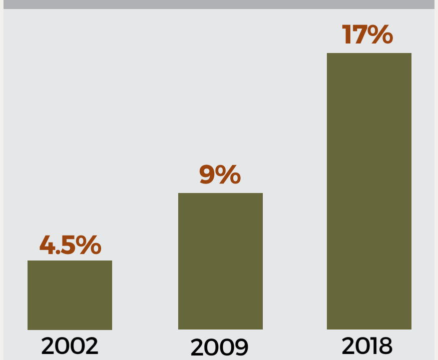
1 U.S Senate Special Committee on Aging, 2019

Mutual Funds: Wading into the Passive vs. Active Debate

It's fairly difficult — even for professional investors — to consistently "beat the market." This realization led to the creation of index mutual funds, which are passively managed investment vehicles designed to match the performance of a particular market index by owning the same securities included in the index.

Today there are hundreds of indexes and index funds tracking various types of assets.[1] Still, index funds are not the only game in town, and there is plenty of discussion in the financial media around whether investors are better off using passive or active investing strategies.

SHARE OF TOTAL U.S. STOCK MARKET VALUE HELD BY INDEX FUNDS



Source: The Wall Street Journal, November 29, 2018

According to Morningstar, just 38% of active U.S. funds outperformed their benchmarks during the 12 months ending in December 2018, and success rates are even lower over longer periods. Even so, active and passive funds tend to perform differently during different market cycles, and they may serve a variety of purposes in your portfolio.[2]

Here are some pros and cons associated with both types of mutual funds.

A PASSIVE APPROACH

Many of the well-known, third-party indexes that are commonly tracked by index mutual funds are broad based and capitalization weighted. Thus, index investing traditionally involves buying all the securities in a market or market sector and weighting them based on their value in the marketplace.

Passively managed index funds have less managerial involvement, so fees are often lower than they are for actively managed funds. Index funds may also buy and sell assets less frequently, and lower turnover may help minimize distributions subject to the capital gains tax. Tax efficiency may be an important consideration when mutual funds are owned in taxable accounts.

The money flowing in and out of index funds has become a more powerful force in the financial markets, and it's possible that their structure may be distorting prices of the individual assets in the index. For example, when investors buy or sell shares of an index fund, all of the underlying companies are treated the same (rewarded or punished) whether they deserve it or not.[3]

A HANDS-ON STRATEGY

Active fund managers strive to outperform benchmarks by hand picking securities based on rigorous research and a defined investment strategy. Thus, an actively managed fund offers investors the chance to outperform the overall market, although most of them historically have not.

An actively managed mutual fund may be more diversified than an index fund holding stocks in the same asset category, simply because the performance of a market-weighted index can be dominated by a small number of the largest companies. Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against loss. Active managers also have more flexibility and may use a variety of trading strategies to help manage risks. For these reasons, some actively managed funds may offer defensive benefits when markets are falling.

DECLARE A DRAW

There is no need to pick a side in the active-versus-passive debate. Depending on your goals and risk profile, there may be plenty of room in a well-diversified portfolio for both types of mutual funds. The return and principal value of stocks and mutual funds fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. The performance of an unmanaged index is not indicative of the performance of any specific security. Individuals cannot invest directly in an index.

1-2 Morningstar, 2018-2019   3 Bloomberg.com, December 4, 2018

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

FIVE Questions to Ask Yourself Before Investing in Collectibles

If you're interested in diversifying your portfolio with collectible investments, such as coins, stamps, or antiques, you'll want to ask yourself the following questions before doing so.

1 WHAT? What are the risks associated with investing in this collectible, and am I comfortable taking them?

2 WHEN? When will I be able to liquidate this investment, and will the timing meet my need?

3 WHERE? Where will I store my collectibles to make sure they're properly maintained?

4 WHY? Why am I investing in this particular type of collectible? Does it bring me joy, or do I think it will earn a profit?

5 HOW? How much do I know about this collectible's value and history?

Remember that all investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. *Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.*

KEY ESTATE PLANNING DOCUMENTS

Estate planning is the process of managing and preserving your assets while you are alive, and conserving and controlling their distribution after your death. There are four key estate planning documents almost everyone should have regardless of age, health, or wealth. They are: a durable power of attorney, advance medical directives, a will, and a letter of instruction.

Durable power of attorney

Incapacity can happen to anyone at any time, but your risk generally increases as you grow older. You have to consider what would happen if, for example, you were unable to make decisions or conduct your own affairs. Failing to plan may mean a court would have to appoint a guardian, and the guardian might make decisions that would be different from what you would have wanted.

A durable power of attorney (DPOA) enables you to authorize a family member or other trusted individual to make financial decisions or transact business on your behalf, even if you become incapacitated. The designated individual can do things like pay everyday expenses, collect benefits, watch over your investments, and file taxes. There are two types of DPOAs: (1) an immediate DPOA, which is effective at once (this may be appropriate, for example, if you face a serious operation or illness), and (2) a springing DPOA, which is not effective unless you become incapacitated.

Advance medical directives

Advance medical directives let others know what forms of medical treatment you prefer and enable you to designate someone to make medical decisions for you in the event you can't express your own wishes. If you don't have an advance medical directive, health-care providers could use unwanted treatments and procedures to prolong your life at any cost. There are three types of advance medical directives. Each state allows only a certain type (or types). You may find that one, two, or all three types are necessary to carry out all of your wishes for medical treatment.

- A living will is a document that specifies the types of medical treatment you would want, or not want, under particular circumstances. In most states, a living will takes effect only under certain circumstances, such as a terminal illness or injury. Generally, one can be used only to decline medical treatment that "serves only to postpone the moment of death."
- A health-care proxy lets one or more family members or other trusted individuals make medical decisions for you. You decide how much power your representative will or won't have.
- A do-not-resuscitate (DNR) order is a legal form, signed by both you and your doctor, that gives health-care professionals permission to carry out your wishes.

Will

A will is quite often the cornerstone of an estate plan. It is a formal, legal document that directs how your property is to be distributed when you die. If you don't leave a will, disbursements will be made according to state law, which might not be what you would want.

There are a couple of other important purposes for a will. It allows you to name an executor to carry out your wishes, as specified in the will, and a guardian for your minor children. The will should be written, signed by you, and witnessed. Most wills have to be probated. The will is filed with the probate court. The executor collects assets, pays debts and taxes owed, and distributes any remaining property to the rightful heirs. The rules vary from state to state, but in some states smaller estates are exempt from probate or qualify for an expedited process.

Letter of instruction

A letter of instruction is an informal, nonlegal document that generally accompanies your will and is used to express your personal thoughts and directions regarding what is in the will (or about other things, such as your burial wishes or where to locate other documents). This can be the most helpful document you leave for your family members and your executor. Unlike your will, a letter of instruction remains private. Therefore, it is an opportunity to say the things you would rather not make public. A letter of instruction is not a substitute for a will. Any directions you include in the letter are only suggestions and are not binding. The people to whom you address the letter may follow or disregard any instructions.

Take steps now

Life is unpredictable. So take steps now, while you can, to have the proper documents in place to ensure that your wishes are carried out.

Social Security: Shoring Up America's Safety Net

Ever since a legal secretary named Ida May Fuller received the first Social Security retirement check in 1940, Americans have been counting on Social Security to provide muchneeded retirement income. For many older Americans, Social Security is their main source of guaranteed retirement income — income that continues throughout their lifetimes and is indexed for inflation every year (in 2019, the cost-of-living adjustment, or COLA, was 2.8%).

Social Security provides more than just retirement income, though. It also provides disability and survivor insurance benefits. About 62 million people — more than one in six U.S. residents — collected some type of Social Security benefit in 2018, with approximately 80% of these recipients receiving Social Security retirement or survivor benefits.[1]

How Social Security works

Social Security is a pay-as-you-go system, which means that payments from current workers (in the form of payroll taxes) fund benefits for current beneficiaries. The payroll tax rate for Social Security is 12.4%, with 6.2% paid by the employee and 6.2% paid by the employer (self-employed individ uals pay the entire 12.4%). These payroll taxes are deposited into the Old-Age and Survivors Insurance (OASI) trust fund (for retirement and survivor benefits) and the Disability Insurance (DI) trust fund (for disability payments). Because of demographic and economic factors, including higher retirement rates and lower birth rates, there will be fewer workers per beneficiary over the long term, worsening the strain on the trust funds. This year, the trustees of Social Security reported that the OASI trust fund is projected to run out in 2034. *(Continued on back cover)*

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Social Security: Shoring Up America's Safety Net *(Continued from page 5.)*

After that, payroll tax revenue alone would be sufficient to pay 77% of scheduled benefits. Ideas for reform There has been little national consensus by policymakers on how to deal with Social Security's looming demographic challenges. Meaningful reform will require broad bipartisan support, and the trustees have urged Congress to address Social Security's challenges sooner rather than later, so that solutions will be less drastic and can be implemented gradually, lessening the impact on the public. Some Social Security reform proposals on the table include:

- Raising the current Social Security payroll tax rate — according to the 2019 trustees report, an immediate and permanent payroll tax increase to 15.1% (up from the current 12.4%) would be necessary to address the long-range revenue shortfall (16.05% if the increase started in 2035)
- Raising or eliminating the ceiling on wages currently subject to Social Security payroll taxes ($132,900 in 2019)
- Raising the full retirement age beyond the currently scheduled age of 67 (for anyone born in 1960 or later)
- Reducing future benefits — to address the long-term revenue shortfall, the trustees have noted that scheduled benefits would have to be immediately and permanently reduced by about 17% for all current and future beneficiaries, or by approximately 20% if reductions were applied only to those who initially become eligible for benefits in 2019 or later
- Changing the formula that is used to calculate benefits
- Changing the formula that is used to calculate the annual cost-of-living adjustment for benefits

Understand your retirement benefits

The amount you'll receive from Social Security is based on the number of years you've worked, the amount you've earned over your lifetime, and the age when you file for benefits. Your benefit is calculated using a formula that takes into account your 35 highest earnings years, but you don't need to work for that long to qualify for retirement benefits. Generally, you need to have earned a minimum of 40 work credits, which is about 10 years of work in a job covered by Social Security. If you haven't worked long enough to qualify on your own, you may qualify for spousal benefits based on your spouse's work record. A spousal benefit claimed at your full retirement age is generally equal to 50% of the primary worker's full benefit.

You can get an estimate of your future Social Security retirement benefits by visiting the Social Security website at ssa.gov and using the Retirement Estimator tool or by viewing your Social Security Statement. Your personalized statement contains a detailed record of your earnings history, as well as estimates of the retirement, survivor, and disability benefits you can expect at different ages. To view your statement online, you'll first online, you'll receive your Social Security Statement in the mail every year if you are age 60 or older and not yet receiving benefits.

[1] *Top Ten Facts About Social Security, Center on Budget and Policy Priorities, August 14, 2018*