SMART MONEY

INVESTMENT INSIGHTS

This Months
WATCH SMART MONEY VIDEO

Find the Q1 - SMART MONEY VIDEO from Brandon Masbruch, Vice President & CIO, on the MFG's YouTube Channel.

Welcome 2021...

Have you looked forward to a New Years Day as much as you did this year? If there was a common theme among everyone that I talked to throughout December, they all were anxiously waiting for 2020 to come to an end. 2020 certainly provided lots of reasons to wish for its end: a global pandemic, massive disruptions to family, jobs, and the economy, continued divisiveness in Washington as well as in state governments, the fastest drop in the markets followed by the fastest recovery, and a truck load of uncertainty for 2021. All these themes will continue in to 2021 and it is unlikely that a return to pre-pandemic economic and personal activity levels will be found in the first half of 2021.

Brandon Masbruch

Certified Financial Fiduciary®
Financial Advisor
Vice President & CIO

MIDWEST FINANCIAL GROUP INC

1806 Seminole Hwy.
Madison, WI 53711
(608) 807-4775
www.mfgteam.com

SMART MONEY

INVESTMENT INSIGHTS

While it may not feel like it, we have significantly more certainty on many items than we did three months ago, and yet much that we don't know yet. We know that in a few weeks we will have a new administration in the White House, we do not know which party will control Congress. I predicted that we wouldn't have a clear picture on Washington going into January, but this isn't the order I thought it would be. The elections in Georgia will determine the makeup of the Senate and will dictate how much of the Biden administrations agenda will brought from plan to paper. The number one piece on their agenda is a change in taxation. How they attempt to accomplish this and what programs may get included with it is yet to be known. Tax planning has always been a part of the service and care that you have received at Midwest Financial Group and will continue to be a key part of ensure that you are able to keep as much of what you have worked to save as is possible.

As we look back on 2020, all of our managed portfolios have performed well, and sticking with the plan that you laid out with your advisor worked well for you. While I am not allowed to speak to the specific levels of return in a medium like this, you will see when meeting with your primary advisor this spring that our management continues to provide the level of return needed to meet your financial planning goals. At the beginning of the summer, we had added an active manager to the US small company asset class of our portfolios. With the January 2021 rebalance, we will be doing the same to the US mid company sleeve of the portfolio for our two growth-oriented models. Those more focused on income will maintain current positioning. Overall, we are remaining US-centric in our income portfolios and only have emerging international as non-US holdings in our growth portfolios. The European continent and their inter-dependent economies are still not in a position to believe that they will provide performance that will exceed that of the US, and while it is likely that there will be a year coming up where they do outperform the US, they would have to have enough outperformance to make up for the years of underperformance. We do not believe they will.

As we move in to 2021, we all need to be very aware of the fact that interest rates at the federal level have made a return to near zero. As we closed out the year the effective federal funds rate closed at 0.09%. The federal funds rate is the rate set by the FOMC and is used as the baseline for the build out of all the other interest rates you may see. This low interest rate has a lot of positives tied to it. You can purchase or refinance a mortgage at significantly lower rates, you can consolidate debt, businesses can invest in their growth, and the government is able to borrow the trillions of dollars they have spent this year at a good rate. The other side of historically low interest rates though is the lack of interest income. Think about what the bank is paying you to hold your money; it is below the rate of inflation in almost all cases. It also means that we have spent 8 of the last 11 years in this type of interest rate environment. This level and duration of low interest rates has never been seen before and will make it continuingly more difficult to find positive total return in fixed income investments, as interest rates and bond par value have an inverse relationship. It will be very important to keep this front of mind over the next several years as the fed begins to look for a way to unwind the steps they needed to take over the last several months.

Visit the
Midwest Financial Group
website for the latest Market
Updates, Newsletters and
much more....

WWW.MFGTEAM.COM

With all of the volatility that you may think of when it comes to stock investing, and with the concerns regarding the economy and chaos in government, it may be easy to say that you want to hibernate your assets in safety. Unfortunately, something like that does not exist. Safe is a word that investment salespeople use to play on your fear. Every time you remove volatility, you are giving up potential return. We know that if your money is at the bank, the dollars and cents are protected. But, we also know that they will lose value every day to inflation. It is finding the correct balance of stability and growth that is key. We continue to believe that a strong equity position is going to be key to achieve necessary long-term return and that the ups and downs cannot be predicted. Because of this our planning will continue to be a stability first and bottom-up approach to ensure that you have necessary liquidity and stability should you need to access additional funds during one of the many common down turns in the market. This approach will then allow you to remain invested in a more stock heavy position to take advantage of the higher potential long term return.

So, with all of the uncertainty, noise, and fear that is promulgated throughout the media, what is one to do? Return to your plan. Pablo Picasso said, “Our goals can only be reached through a vehicle of a plan, in which we must fervently believe, and upon which we must vigorously act”. Remaining true to the financial plan put in place with our team of advisors will always put you in a more stable position than reacting to the noise that is going on around you. If your goals or situation in life haven’t changed, then changing your actions would not be advisable. If your goals or situation have changed, the next step is to set up an appointment to meet with your primary advisor to update your plan based upon this new information. Then, with your updated plan in place, you can continue to move forward knowing that you’re making decisions based upon your individual needs, not based upon the emotions of the world around you.

We will continue to be in touch with updates as we move through 2021 and look forward to meeting with you, hopefully in person, this year.

Brandon Masbruch
Certified Financial Fiduciary®
Financial Advisor
Vice President & CIO

MIDWEST FINANCIAL GROUP INC MFG Team

Certified Financial Fiduciaries

Matthew Cuplin
President/Chief Executive Officer
Certified Financial Fiduciary®
CERTIFIED FINANCIAL PLANNER® professional
Financial Advisor
matt@mfgteam.com

Brandon Masbruch
Vice-President/Chief Investment Officer
Certified Financial Fiduciary®
Financial Advisor/CPFA
brandon@mfgteam.com

Eric Iwanski
Certified Financial Fiduciary®
Financial Advisor
eric@mfgteam.com

Curt Arnold
Certified Financial Fiduciary®
Certified Plan Fiduciary Advisor
Financial Advisor
curt@mfgteam.com

Steve Stewart
Insurance Specialist
steve@mfgteam.com

Scott Wieland
Employee Benefits Specialist
scott@mfgteam.com

Jacqueline Frazee
Business Manager
Chief Operating Officer
jackie@mfgteam.com

Kristen Temby
Vice-President of Marketing
Certified Meeting Professional
kristen@mfgteam.com

Ryan Lee
Financial Assistant/Office Manager
ryan@mfgteam.com

Kathy Thomas
Registered Financial Assistant
katherine@mfgteam.com

Lori Denoyer
Receptionist/Administrative Assistant
lori@mfgteam.com

Janice Hites
Insurance & Benefits Assistant
janice@mfgteam.com

We are a financial and insurance services firm committed to helping people pursue and protect their financial goals and have been helping individuals, families and business owners since 1991.

Offices: Madison-East & Madison-West, and Platteville
www.mfgteam.com | www.sparksociety.net | (608) 807-4775