

the WealthWATCHSM



The Markets Don't Pick Sides

by Jim Lineweaver, CFP®, AIF®



While Covid-19 has largely stolen the headlines this year, we expect an increasing focus on the presidential election as we enter the end of the year. In dealing with extreme uncertainty, we find looking to history can often be the best starting point to understand what comes next.

Since 1926, the average annual return of the S & P has been about 10%, whereas in presidential election years, the market has historically performed slightly better at just over 11%. During election years where the current President has been re-elected, or a different President from the same party has been elected, the S & P 500 averaged growth of 16%. However, when the parties switch, the return averaged just 5%.

One of the reasons for this is very simple – the fact that markets dislike change or the unknown. But generally, it seems more likely to us that the Presidency switched parties because the economy wasn't particularly strong, rather than the Presidential campaign driving the market. It's good to recall that Presidents don't have as much power over the economy as most people think they do, but, for better or worse, that doesn't really matter too much during an election. If voters think the president has control over the economy, they will vote accordingly. In short, what's going on in the markets will tell you about the election, rather than the election telling you what will happen in the markets.

However, we understand that the Presidential election isn't the only one on people's minds, many also have concerns about who will control the houses of Congress as well. Over the past 94 years, there has been an equal number of years where the government was controlled by the same party vs being divided among parties – 47 years each.

History suggests that when the government is controlled by the same party, the market tends to get a bit of a lift in the first year before normalizing to a 3 year return roughly in line with historical averages.

While we're cautiously optimistic about the election and the economic outlook overall, there are headwinds that are cause for concern. For example, unemployment remains at levels last seen during the Great Recession in 2008-2009. The lack of national strategy for dealing with Covid-19 has led to protracted recovery, stimulus talks in Congress have stalled, and geopolitical tensions continue between the U.S. and China.

In an average year, we tend to adjust strategic allocations quarterly, but have already actively adjusted client portfolios 5 times to help keep clients ahead of rapidly changing market conditions, the most recent being October 9th. In 2016, we reallocated shortly after the elections, and anticipate making a similar move this fall. Our analysts will continue to closely monitor the market conditions and will continue to make changes to your portfolio based on your financial needs, goals, and risk tolerance.

Source: Blackrock Student of the Market Special Election Edition August 2020

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INSIDE THIS ISSUE

The Markets Don't Pick Sides
(Page 1)

Special Announcement
(Page 2)

HealthWATCH
(Page 3)

Economic Commentary
(Page 3)

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SPECIAL ANNOUNCEMENT FROM THE PRESIDENT

by Jim Lineweaver, CFP®, AIF® President and Founder

As many of you know, one of the divisions of our company provides specialized advisory services for state and city employees. I'm particularly excited to announce a new book I've written to specifically help first responders, state, and municipal employees.

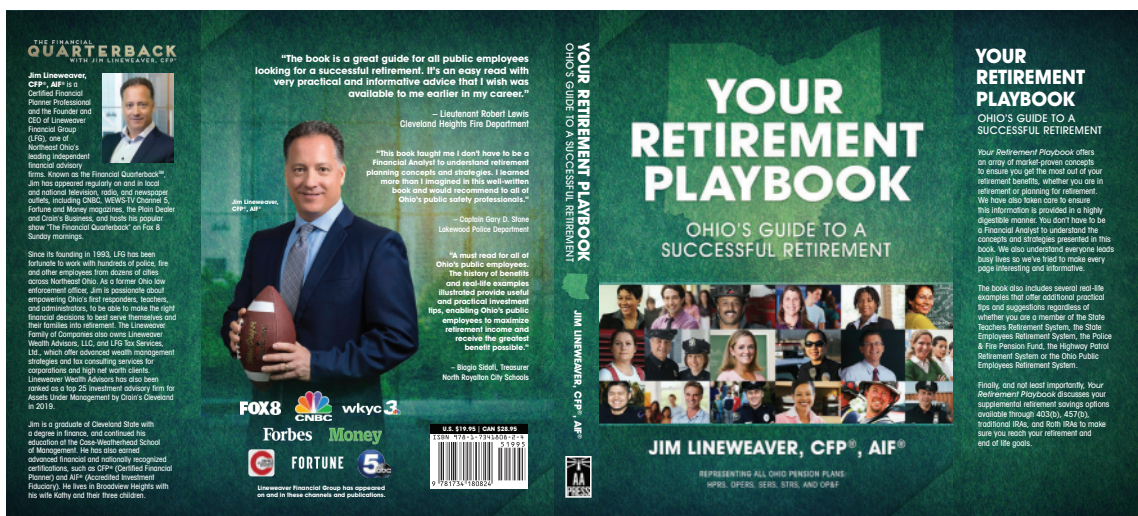
Your Retirement Playbook offers an array of market-proven concepts to ensure you get the most out of your retirement benefits, whether you are in retirement or planning for retirement.

We have also taken care to ensure this information is provided in a highly digestible manner. You don't have to be a financial analyst to understand the concepts and strategies presented in this book. We also understand everyone leads

busy lives so we've tried to make every page interesting and informative.

The book also includes several real-life examples that offer additional practical tips and suggestions regardless of whether you are a member of the State Teachers Retirement System, the State Employees Retirement System, the Police & Fire Pension Fund, the Highway Patrol Retirement System or the Ohio Public Employees Retirement System.

Finally, and not least importantly, *Your Retirement Playbook* discusses your supplemental retirement savings options available through 403(b), 457(b), traditional IRAs, and Roth IRAs to make sure you reach your retirement and end of life goals.



Your Retirement Playbook is launching October 20th!
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Biagio Sidoti, Treasurer
North Royalton City Schools

"A must-read for all of Ohio's public employees. The history of benefits and real-life examples illustrated provided useful financial strategies, enabling Ohio's public employees to maximize retirement income and receive the greatest benefit possible."

The opinions provided are related to the book and not advisory and/or broker dealer service. Each individual's situation is unique. He or she should consult a financial professional before taking action. There is no guarantee of results.



HEALTHWATCH

In light of the coronavirus, many are taking steps to ensure everything they touch is clean and sanitized. This is even more true when it comes to our kitchen, a place where we are constantly handling foods. It's hard to know what products or methods are effective and which ones aren't.

1. Gas Stove

It's important to make sure you are cleaning your gas stove after every meal with either soap and water or detergent and water. A gas stove is an area in your home that can become a breeding ground for infections over time, if not regularly cleaned.

2. Kitchen Counters & Slabs

Many keep their fruits, vegetables and other ingredients on their counters or slabs before being washed. It's recommended that you keep this area particularly clean with a mixture of salt and lemon water.

3. Fruits & Vegetables

When it comes to items we are consuming, we want to be especially sure it has been cleaned properly to lower the risk of contamination. Trying to find a cleaning product for our fruits and vegetables especially one that is natural, *and* that removed germs, pesticides and waxes without the use of harsh chemicals can be difficult. Don't give up, they are out there!

4. Utensils & Storage

The utensils that we are using to eat our food can be easily contaminated. It's essential that these are washed after every use with a soap or detergent-based solution, and make sure they are completely dry before putting them away.

5. Equipment

Anything that is used in the kitchen must be spotlessly clean as a rule of thumb. This includes, microwaves, mixers, grills, toasters, etc. The microwave can be a common place to find dirt, it's recommended to use vinegar and water based cleaner to avoid mixing harsh chemicals with your food.

Source: <https://food.ndtv.com/health/5-expert-tips-to-keep-your-kitchen-sanitized-clean-and-germ-free-2288516>

ECONOMIC COMMENTARY

THE U.S. ECONOMY

Many positive signals appeared in the quarter. Millions of Americans went to work again; monthly net job growth topped 1.7 million in July and 1.3 million a month later. Unemployment, which had hit 14.7% in April, fell from 10.2% in July to 8.4% in August, and the U-6 rate counting both underemployed and unemployed Americans declined from 16.5% to 14.2%.^{1,2}

Consumer confidence, as measured by the Conference Board's monthly index, leaped to 101.8 in August from 86.3 in July. Households kept up their buying—retail sales were up year-over-year through August even though supplemental unemployment benefits expired at the end of July.¹

Industries also grew, according to research from the Institute for Supply Management. When ISM's Monthly Purchasing Manager Index for the manufacturing and services sector surpasses 50, those sectors are judged by ISM to be expanding. ISM's services PMI was at 58.1 in July and 56.9 in August; its manufacturing index reached 54.2 in July (a month that saw a 6.4% rise in U.S. factory orders) and 56.0 in August.¹

Home sales soared as summer began, and although that momentum tailed off, sales did not retreat. Residential resales were up 24.7% in July, and another 2.4% in August. New home buying increased 4.8% for August after a 14.7% July climb. Housing starts and building permits were both up 17.9% in the first month of the quarter, but then they both declined; permits dipped 0.9% and starts 5.1% in the eighth month of the year.¹

For more than a century, the Federal Reserve has had two primary monetary policy objectives: to manage inflation and to guide the economy toward a state of maximum employment. Historically, managing inflation has come first. So, it made news on August 27 when Fed Chairman Jerome Powell announced that the central bank would "seek to achieve inflation that averages 2 percent over time," rather than proactively adjust short-term interest rates when inflation approaches that established target. In other words, it would tolerate a little more inflation than it had in the past as a trade-off for spurring the economy. The Fed kept the federal funds rate in the 0%-0.25% range in the quarter, and its September consensus interest rate forecast showed it expected no change for short-term interest rates through 2022.^{2,3}

1. Investing.com, September 30, 2020
2. Forbes, September 16, 2020
3. New York Times, August 27, 2020



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EMPLOYEE SPOTLIGHT

Fran Anello



Fran Anello is the newest member of the Lineweaver Financial Team. Fran is our Director of Retirement Plan Services and will be assisting our current and future 401 (k) clients.

Fran joined us from Charles Schwab, and has 23 years of experience working with executive teams and investment committees in the retirement plan space. He received his bachelor's degree from Cleveland State in Economics, holds his series 7, 63, and his Ohio Life Insurance license.

Trivia:

The popular fall tradition of bobbing for apples dates back as far as when the Romans invaded Britain. The conquering army celebrated by bringing an apple tree, their representation of the goddess of plenty, to celebrate their victory.

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