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Robert G. Elliott's
FINANCIAL NEWS

40 BURTON HILLS BLVD., SUITE 350 • NASHVILLE, TENNESSEE 37215 • PHONE (615) 255-6431, TOLL-FREE 800-827-7862 • WILEYBROS.COM

Bonds: Not Just for Retirement

Bonds can be a good investment alternative at all stages of your life, not just when you retire.

During Childhood

Savings bonds can be a way to teach children the importance of savings and growth. Though these bonds might not have the initial thrill of toys or cash, they can provide a unique opportunity to instill in young people the basics of saving and investing and even increase the probability that you'll raise financially savvy adults. The gift that keeps on giving, savings bonds will not only provide children with intermittent interest payments that they can either invest, save, or spend, but a sizeable return once their bonds mature during their college years and beyond.

In Your 20s

Once you enter your 20s, bonds may no longer hold the appeal they might have afforded you as a child, but they're still useful in a more grown-up way: retirement. Though most of your growth-centered retirement account will likely be in stocks, you might also consider a small allocation of bonds as an anchor that can provide some stability to your investments. After beginning your retirement contribution plan, focus on paying off student loans and building a savings account for emergencies. If you still have extra money to work with and you have a specific goal down the road, such as graduate school or saving for a down payment on a home, annual payments from a fixed-income investment such as bonds can help you reach your goals with minimal risk. Depending on the type of bond you purchase, bonds don't come with early withdrawal penalties should you run into an emergency.

In your 30s and 40s

Though it may seem like a lifetime away, you're now a decade or two closer to retirement, so it's time to rethink your asset allocation. Even though you're more likely to be serious about investing and retirement – perhaps opening an IRA or increasing your 401(k) contributions with raises and bonuses – you may want to rethink your risk tolerance, even if you're just getting started in the investment arena. Should the market happen to take a downturn and you're still entirely invested in stocks, you no longer have as much time to recover, particularly if you plan on retiring younger. Bonds can lend more security to your portfolio, allowing you to still work toward financial goals but in a less risky way.

By now, you may have also inherited money from a grandparent, great uncle, or even parent. If you'd like to invest this money for a specific goal down the road, such as your children's college education or a kitchen remodeling, individual bonds can provide you with semi-annual interest payments, and depending on the bond type and grade, a guaranteed total return.

Approaching Retirement

Now that you're inching closer to retirement, it may be time to take a more conservative approach with your investments rather than exposing them to the volatility of the stock market. Whereas before you might have been more aggressive with your portfolio growth, you may want to consider protecting what you've worked so hard to establish by transitioning a larger portion of your portfolio to bonds.

Beyond retirement planning, bonds can now help you reach specific goals, such as funding a new grandchild's college education down the road or achieving your dream of a vacation home in the tropics. Because bonds come with a variety of maturity dates, whether your goals are approaching in 20, 10, or even 5 years, bonds can help achieve them, with less risk than stocks but most likely a better return than the savings account at your credit union.

Your Golden Years

Collecting your Social Security benefits is one thing, but you may not be as thrilled about taking any kind of distribution that might dip into your retirement principal. This can be an ideal time to begin focusing predominately on bonds, which can offer numerous advantages throughout retirement years. At this point in your life, the goal is to retain your principal as long as possible, since it's impossible to predict how long you'll live. Additionally, the more you can preserve in the long-run, the more you can leave to loved ones when you die. You'll need an investment plan that maximizes your retirement accounts by affording you with enough interest to live comfortably without liquidating your principal. Because your income is likely entirely dependent on Social Security benefits and investments, it may not be prudent to expose your retirement funds to the volatility of the stock market. A bond fund can provide enough interest to subsidize your income while preserving enough of your principal to outperform inflation. Furthermore, tax-exempt municipal bonds can help shelter you from a higher tax bracket.

The best financial strategy at any age is an asset allocation tailored specifically to your personal goals and risk tolerance. Please call to discuss this in more detail.

Personal Note

As many of you know, I have been in the investment business with Wiley Bros. since 1992 and will soon begin my 30th year in the investment business. Time flies! Over the past few decades I have read and reviewed thousands of articles and publications about investments, taxes, estate planning, insurance, world markets, politics, economic forecasts, and numerous op-ed's from the "experts" on what will happen next regarding all-of-the-above. So far I've never found an "expert" who can predict the future with even a smidge of certainty. Yet, I continue to search for the elusive crystal ball! If you are reading this newsletter you are also likely a consumer of financial information. Instead of covering the topics normally discussed in financial publications, I am going to begin a series that will continue over the next few newsletters and share some important items that are rarely discussed:

Things Most Advisors Don't Tell You:

#1 The Importance Of Avoiding Burnout

Burnout, of course, is a "physical or mental collapse caused by overwork or stress."[1] Anyone who has ever worked a demanding job or raised children has probably experienced it at some point or another. But what does this have to do with your financial goals?

In a word: Everything.

You see, there's a reason we call it "working towards your financial goals." Because it's a lot of work! It's not uncommon to take *decades* to accomplish what you value most.

During that time, you may work at the same job for many years. Or, you may change jobs frequently. You may set aside money for the future only to be forced to use it when times are tough. As a result, there may be occasions where the daily grind just doesn't seem like it's getting you anywhere. In other words, you get burned out.

Some common symptoms of burnout include:

•Fatigue that just doesn't seem to go away

•An inability to complete projects, or get started on new ones

•Apathy about your job or your goals

•An increase in addictive behavior (like eating unhealthy foods or watching too much TV)

•A drop in efficiency, competence, or productivity in your work

Here's why this matters from a financial standpoint. People who are burned out often start making short-term decisions that *delay* their long-term goals. For example, instead of investing for the future, they start spending more on instant gratification. Instead of planning ahead and being proactive, they procrastinate. Instead of making consistent, steady progress towards the things they want most, they get side-tracked by things they only want right now. That's why, as a financial advisor, I try to teach my clients how important it is to do everything you can to avoid burnout. Here are a few methods I've found effective:

Take the idea of *time management* seriously. Time management might seem dry and boring, but in truth, it's an incredibly useful skill that helps you *get more* out of your day while *doing more* of what you love! There are several methods, but most have the following in common: Setting aside specific times and time limits for specific activities every day.

Take *smart* vacations. Going on vacation is a common remedy for burnout, but some vacations are more therapeutic than others. If you're trying to avoid burnout, don't go somewhere far away that you've never been to. Those types of destinations, while rewarding, can also cause a lot of stress. (Ever wanted a vacation from your vacation?) Instead, revisit somewhere you *know* you'll enjoy and have little trouble navigating.

Make physical and mental health your first priority. Take power naps every day. Work out. Eat healthy. Schedule times to pursue your passions. The more you take care of yourself, the more armored you'll be against burnout. After all, you shouldn't have to wait until retirement to start enjoying life!

Delegate/ask for help. Burnout is often a result of trying to do too much by yourself. While society often lauds "the rugged individual" or "do-it-yourself" types, the truth is, you are not alone. Don't hesitate to delegate responsibilities to family members or ask neighbors and coworkers for help with projects! It can make a huge difference in avoiding burnout.

Working towards your financial goals involves more than just money. It involves *taking care of yourself* so that you keep moving forward, step by step, day after day.

In my next letter, we'll dive more into the concept of time management, including how to balance the short-term and the long-term. In the meantime, have a great fall!

1 Vanessa Loder, "How to Prevent Burnout," Forbes, January 30, 2015. https://www.forbes.com/sites/vanessaloder/2015/01/30/how-to-prevent-burnout-13-signs-youre-on-the-edge/#4f241d604e3d

Allie, Bob, & Sarah

A Note from Sarah

This summer I was able to enjoy a few trips with friends and family. I got to visit Alaska where I fly-fished for the first time and went on a couple hikes with incredible views. Seeing Denali National Park was amazing and the mountain was in full view all day which is very rare. I also got to eat lots of salmon and I even caught one too! I took a few trips to the beach which is always a summer highlight for me. I'm looking forward to the fall and cooler weather so I can take Sammy on some hikes and outdoor adventures around middle Tennessee.

A Note from Allie:

My husband, Jack, and I have been very busy this summer! We were able to do some beach travel to Spanish Wells, Bahamas and Amelia Island, FL as well as spend some long weekends at our favorite nearby escape of Center Hill Lake. Our weekends at home have been equally busy, as we are preparing for the arrival of our first child in early December! Jack has been very helpful (and patient!) completing my never-ending to-do lists while still finding time to sneak in plenty of golf games!

We are currently looking forward to a nice fall with plenty of football games and enjoying the last of our quick weekend trips before entering this next exciting phase of life!

Municipal Bonds

We offer the following bonds subject to prior sale or change in price as of September 7, 2021.

Ref No	Issuer	Maturity Date	Coupon	Yield to Maturity	Yield to Call	Call Date	Rating	Price
1	Knoxville TN WstWtr Sys Rev	04/01/50	3.000	2.544	1.697	04/01/29	Aa2/AA	109.208
2	Clarksville TN Wtr Swr & Gas	02/01/45	5.000	3.212	1.629	02/01/31	Aa2	129.252
3	Hendersonville TN Utility Dist	08/01/33	2.000	1.738	1.620	08/01/29	AA	102.804
4	Franklin TN Wtr & Swr Sys Rev	02/01/38	4.000	2.353	1.450	02/01/31	Aa2	122.282
5	Rutherford Cnty TN	04/01/33	4.000	1.550	1.140	04/01/31	Aaa/AA+	125.836

Callable at 100% beginning of the call date above and every call date thereafter with 30 days notice.

In addition to the bonds listed, we have several other corporate bonds available. If you are looking for a specific bond or maturity, please feel free to contact me with your requests.

We are also interested in buying corporate bonds. If you have bonds for sale, please call me for a bid and details on how you can convert your present bonds to cash or alternative investments.

Finally, new bonds are coming to market every day. If you give me a call, I will be more than happy to go over current market offerings and conditions with you.

Although the information and statistics are not guaranteed, they have been obtained from reliable sources and are believed to be accurate. All put/call information may not be displayed and Wiley Bros.-Aintree Capital assumes no responsibility for such undisclosed features or omissions. All are subject to market conditions and/or prior sale.

What is Tax-Loss Harvesting?

Tax-loss harvesting is choosing to sell some investments at a loss to reduce taxes on realized capital gains from other investments. The key to successful tax-loss harvesting is to identify investments that have lost value and then determine which to sell, while staying true to your target investment mix and diversification strategy. Following are things to consider to see if tax-loss harvesting can help you lower your tax bill.

Assess Your Capital Gains

Thoroughly review your investments to determine a rough estimate of your capital gains. If you frequently buy and sell, you most likely have both short-term and long-term gains and losses. Long-term capital gains are those on investments you've held longer than one year, while short-term capital gains are those held for one year or less.

Estimate Your Tax Liability

After figuring out the potential amount of your capital gains, you will want to estimate your potential taxes from realized gains based on the type of gain it is and your income.

In taxable accounts, the long-term capital gains tax rate is 15% to 20% (0% for taxpayers under certain income limits), while short-term capital gains are taxed at ordinary income tax rates (10%, 12%, 22%, 24%, 32%, 35%, or 37%). Dividend income received by individual taxpayers from a domestic or qualified foreign corporation is also taxed at the same rate as long-term capital gains.

Harvesting Losses

Once you have an understanding of what you will owe in capital gains taxes, you can start looking for investments you want to sell. You may first want to consider investments that no longer fit into your strategy or those that have poor prospects for growth in the future.

To increase your potential tax savings, try to apply as much of your capital loss to short-term gains, because they are taxed at a higher rate. The tax code states that short-term and long-term losses have to first be used to offset gains of the same type. If you have losses of one type that exceeds what you have gained, you can then apply the excess to the other type of capital gains. For example, let's say you sell a long-term investment at a $16,000 loss but only had $5,000 in long-term gains for the year, you could then apply the excess of $11,000 to any short-term gains.

Additionally, if you don't have any gains in a given year, the tax code allows you to apply up to $3,000 capital losses to reduce your ordinary income, which is the same rate as short-term capital gains.

Watch Out for the Wash-Sale Rule

After you've sold the investments with losses, you will most likely start looking for new investments. Even though you took a loss on an investment to reduce your capital gains taxes, you may decide that it is still an attractive investment because it has good potential and still fits within your investment strategy. Be careful when you buy it because the wash-sale rule will disallow your tax-write-off if you buy the same security, an option to buy the security, or a substantially identical security within 30 days before or after the date you sold the security with the loss.

Please call if you'd like to discuss this in more detail.

COMMUNITY SPOTLIGHT

Human trafficking occurs in EVERY CITY, EVERY COUNTY and EVERY ZIP CODE in Middle Tennessee.

End Slavery Tennessee (ESTN) works tirelessly to advocate for human trafficking victims, educate communities across the state and the region, and inform legislators about the critical need to enact tougher laws so that traffickers are duly prosecuted. These important efforts have resulted in vigorous laws that make Tennessee one of the toughest states in prosecuting human trafficking violations. It also resulted in ESTN's designation as the Single Point of Contact in Middle Tennessee for victim referrals.

ESTN provides specialized case management and comprehensive aftercare for human trafficking survivors and tactically addresses the problem through advocacy, prevention and training of front-line professionals.

Support the work of End Slavery Tennessee and learn more at endslaverytn.org.

WILEY BROS. INVESTMENTS SINCE 1945
Wiley Bros. Aintree Capital, LLC. - Member SIPC

40 Burton Hills Blvd., Suite 350
Nashville, Tennessee 37215
Phone (615) 255-6431, 800-827-7862
Fax (615) 244-7646