Condor Capital Reviews 3rd Quarter 2021

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After a string of positive quarters, domestic equities finished the third quarter relatively flat, with the S&P 500 ending the period up 0.58%.

There was major divergence between developed international markets and emerging markets, as China struggled with multiple headwinds in the quarter.

Fixed income markets turned slightly negative with the exception of high yield corporate bonds. Investors' focus remains on the Federal Reserve and what it will do next.

After a string of positive returns, the domestic equity market posted a relatively flat third quarter of 2021. After inching higher for the majority of the period, U.S. stocks gave back some gains in the quarter's final weeks, with the S&P 500 Index hanging on to finish 0.58% higher. As always, COVID played a factor as investors monitored the path of the Delta variant, case counts, and reopening efforts. Politics reared its head as well, with debates over the debt ceiling and potential tax increases for high earners both making headlines. Labor and supply shortages for many sectors of the economy were a third concern, and widespread industries from personal electronics to automobiles are reworking their supply chains to adjust. Meanwhile, core market drivers keep chugging along, as corporate earnings continue to grow at a robust rate and individual demand trends and savings rates remain strong.

Overseas, Chinese real estate developer Evergrande made global headlines late in the quarter when it missed an interest payment to its bondholders. With over $300 billion in liabilities, the firm's missed payment sparked fears of a broader default and raised concerns over some of the practices in China's real estate sector. Chinese officials are also in the midst of a sweeping crackdown on specific industries like payment processing, video games, and cryptocurrencies. In developed markets, Japan significantly accelerated its domestic vaccine production and the European Union allowed members to reopen to vaccinated U.S. tourists, a massive move given the role of tourism in many European economies. As a result, emerging markets fell by just over 8%, weighed down by a 17.93% loss for the MSCI China Index, while Japan gained over 5% and Europe finished the period slightly negative.

Fixed income markets were generally flat to down in the third quarter, though high-yield corporate bonds led the pack. For the municipal bond market, rising uncertainty over increasing the debt ceiling was an additional headwind, as programs like the State & Local Government Series Securities program that states use to bolster their finances can be put on hold when federal funds get tight. The Federal Reserve remains a focal point here, and investors came away from the Fed's September meeting taking special note of Chairman Jerome Powell's comments that tapering "may soon be warranted," perhaps in a matter of months. That said, the Fed remains tremendously accommodative, and the more impactful move of raising interest rates still appears far off.

Outlook

Moving forward, we will continue to monitor the growing list of risks and opportunities in the current market. One cause for optimism is the state of corporate earnings. Companies across the board have exploded out of their COVID lows, and analysts are forecasting earnings for S&P 500 companies to grow 27.6% and 21.5% in the third and fourth quarters of this year, respectively. These forecasts take supply chain issues into account, showing just how durable firms' bottom lines are right now.

Another positive trend is the setup in service industries. Demand for both durable and non-durable goods has long since recovered beyond pre-pandemic levels but spending on services has just started to come back to where it was in early 2020. This recent surge gives hope that a spending shift from goods towards services could fuel the next leg of the recovery. While services are not immune from inflationary pressures, and labor shortages are of particular concern for many service sectors, the end of extended unemployment benefits may help stem the tide here and consumers generally appear hungry and able to maintain demand even if companies have to pass on the cost of higher wages.

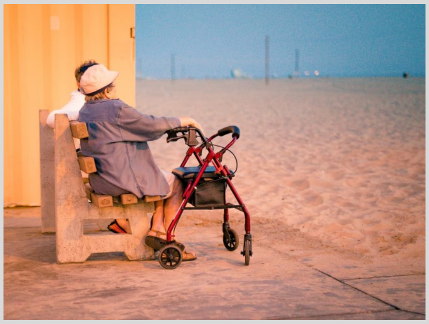
As for inflation, we have been in a disinflationary environment for so long now that any uptick can understandably be jarring. While many still question whether recent inflation readings are permanent or simply transitory as supply chains grasp to regain their equilibrium, the lumber market may serve as a harbinger. For example, the lumber market had severe supply and labor shortages in early 2021, with prices peaking at an astronomical $1,681 per 1,000 board feet in May. Yet the industry was able to iron out kinks in the supply chain and fill up staffing, and the price has now plummeted to back around $635 per unit. This is just one example, but it could be a leading indicator given the early timeline of lumber shortages. If other industries are able to smooth out idiosyncrasies in their own supply chains, many of the inflationary pressures felt today may abate in the coming year.

On the domestic political front, while we continue to believe that politics generally play a minor role in investing, especially when gridlock can help stop proposals that would be more disruptive to markets, we are monitoring potential changes closely. There is a chance that some tax and estate policy changes will be passed, and our financial planning professionals are working to ensure that we can provide you with the optimal advice if and when anything changes.

We also continue to monitor the situation in China closely. One thing to note that has been highlighted by several China experts: both the Winter Olympics and the Chinese Communist Party National Congress take place in 2022. While we are beyond the point where we can confidently assess what the Chinese government will or will not do, China's leadership will have a serious interest in bolstering their global image, and numerous experts expect that they will take steps to get their house in order and project growth and stability to the outside world sooner than later as the global spotlight approaches. For example, the Chinese government could maintain or expand policies like cash injections into its banking system and interest rate adjustments to assist their economy, and we maintain that any fallout to U.S. investors stands to be relatively tame. Within Condor's portfolios, we have long favored domestic equities and are not overly exposed to China in the first place. As a result, your accounts are relatively insulated from some of these risks.

Overall, the market pause late in the quarter feels like a rational assessment of the above risks. Markets cannot go up in a straight line forever, and without periodic resets like this, the market only sets itself up for a harsher reckoning later. Furthermore, some of the worst days in recent weeks have come on relatively low trading volumes during a historically seasonally weak part of the year. All told, we appreciate your continued trust and will keep working hard to ensure your portfolios are positioned as effectively as possible to navigate this current environment.

See disclaimer on final page



Today, though the scope of Social Security has been widened to include survivor, disability, and other benefits, retirement benefits are still the cornerstone of the program.

The material for this article has been prepared by Broadridge Advisor Solutions.

Social Security Retirement Benefits

Social Security was originally intended to provide older Americans with continuing income after retirement. Today, though the scope of Social Security has been widened to include survivor, disability, and other benefits, retirement benefits are still the cornerstone of the program.

How do you qualify for retirement benefits?

When you work and pay Social Security taxes (FICA on some pay stubs), you earn Social Security credits. You can earn up to 4 credits each year. You generally need 40 credits (10 years of work) to be eligible for retirement benefits.

How much will your retirement benefit be?

Your retirement benefit is based on your average earnings over your working career. Higher lifetime earnings result in higher benefits, so if you have some years of no earnings or low earnings, your benefit amount may be lower than if you had worked steadily. Your age at the time you start receiving benefits also affects your benefit amount. Although you can retire early at age 62, the longer you wait to retire (up to age 70), the higher your retirement benefit.

You can find out more about future Social Security benefits by signing up for a my Social Security account at the Social Security website, ssa.gov, so that you can view your online Social Security Statement. Your statement contains a detailed record of your earnings, as well as estimates of retirement, survivor, and disability benefits. If you're not registered for an online account and are not yet receiving benefits, you'll receive a statement in the mail every year, starting at age 60. You can also use the Retirement Estimator calculator on the Social Security website, as well as other benefit calculators that can help you estimate disability and survivor benefits.

Retiring at full retirement age

Your full retirement age depends on the year in which you were born.

If you were born on January 1 of any year, refer to the previous year to determine your full retirement age.

If you retire at full retirement age, you'll receive an unreduced retirement benefit.

If you were born in:	Your full retirement age is:
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Retiring early will reduce your benefit

You can begin receiving Social Security benefits before your full retirement age, as early as age 62. However, if you retire early, your Social Security benefit will be less than if you wait until your full retirement age to begin receiving benefits. Your retirement benefit will be reduced by 5/9ths of 1 percent for every month between your retirement date and your full retirement age, up to 36 months, then by 5/12ths of 1 percent thereafter. For example, if your full retirement age is 67, you'll receive about 30 percent less if you retire at age 62 than if you wait until age 67 to retire. This reduction is permanent — you won't be eligible for a benefit increase once you reach full retirement age.

However, even though your monthly benefit will be less, you might receive the same or more total lifetime benefits as you would have had you waited until full retirement age to start collecting benefits. That's because even though you'll receive less per month, you might receive benefits over a longer period of time.

Delaying retirement will increase your benefit

For each month that you delay receiving Social Security retirement benefits past your full retirement age, your benefit will increase by a certain percentage. This percentage varies depending on your year of birth. For example, if you were born in 1943 or later, your benefit will increase 8 percent for each year that you delay receiving benefits, up until age 70. In addition, working past your full retirement age has another benefit: It allows you to add years of earnings to your Social Security record. As a result, you may receive a higher benefit when you do retire, especially if your earnings are higher than in previous years.

Working may affect your retirement benefit

You can work and still receive Social Security retirement benefits, but the income that you earn before you reach full retirement age may affect the amount of benefit that you receive. Here's how:

- If you're under full retirement age: $1 in benefits will be deducted for every $2 in earnings you have above the annual limit
- In the year you reach full retirement age: $1 in benefits will be deducted for every $3 you earn over the annual limit (a different limit applies here) until the month you reach full retirement age

Once you reach full retirement age, you can work and earn as much income as you want without reducing your Social Security retirement benefit. And keep in mind that if some of your benefits are withheld prior to your full retirement age, you'll generally receive a higher monthly benefit at full retirement age, because after retirement age the SSA recalculates your benefit every year and gives you credit for those withheld earnings.

Retirement benefits for qualified family members

Even if your spouse has never worked outside your home or in a job covered by Social Security, he or she may be eligible for spousal benefits based on your Social Security earnings record. Other members of your family may also be eligible. Retirement benefits are generally paid to family members who relied on your income for financial support. If you're receiving retirement benefits, the members of your family who may be eligible for family benefits include:

- Your spouse age 62 or older, if married at least one year
- Your former spouse age 62 or older, if you were married at least 10 years
- Your spouse or former spouse at any age, if caring for your child who is under age 16 or disabled
- Your unmarried child under age 18
- Your unmarried child under age 19 if a full-time student (through grade 12) or over age 18 and disabled if disability began before age 22

Your eligible family members will receive a monthly benefit that is as much as 50 percent of your benefit. However, the amount that can be paid each month to a family is limited. The total benefit that your family can receive based on your earnings record is about 150 to 180 percent of your full retirement benefit amount. If the total family benefit exceeds this limit, each family member's benefit will be reduced proportionately. Your benefit won't be affected.

How do you apply for Social Security retirement benefits?

The SSA recommends that you apply three months before you want your benefits to start. To apply, fill out an application on the SSA website, call the SSA at (800) 772-1213, or make an appointment at your local SSA office.

How do you know if the seemingly attractive offer you've received is a good one? By evaluating it carefully to make sure that the offer fits your needs.

The material for this article has been prepared by Broadridge Advisor Solutions.

Evaluating an Early Retirement Offer

In today's corporate environment, cost cutting, restructuring, and downsizing are the norm, and many employers are offering their employees early retirement packages. But how do you know if the seemingly attractive offer you've received is a good one? By evaluating it carefully to make sure that the offer fits your needs.

What's the severance package?

Most early retirement offers include a severance package that is based on your annual salary and years of service at the company. For example, your employer might offer you one or two weeks' salary (or even a month's salary) for each year of service. Make sure that the severance package will be enough for you to make the transition to the next phase of your life. Also, make sure that you understand the payout options available to you. You may be able to take a lump-sum severance payment and then invest the money to provide income, or use it to meet large expenses. Or, you may be able to take deferred payments over several years to spread out your income tax bill on the money.

How does all of this affect your pension?

If your employer has a traditional pension plan, the retirement benefits you receive from the plan are based on your age, years of service, and annual salary. You typically must work until your company's normal retirement age (usually 65) to receive the maximum benefits. This means that you may receive smaller benefits if you accept an offer to retire early. The difference between this reduced pension and a full pension could be large, because pension benefits typically accrue faster as you near retirement. However, your employer may provide you with larger pension benefits until you can start collecting Social Security at age 62. Or, your employer might boost your pension benefits by adding years to your age, length of service, or both. These types of pension sweeteners are key features to look for in your employer's offer — especially if a reduced pension won't give you enough income.

Does the offer include health insurance?

Does your employer's early retirement offer include medical coverage for you and your family? If not, look at your other health insurance options, such as COBRA, a private policy, dependent coverage through your spouse's employer-sponsored plan, or an individual health insurance policy through either a state-based or federal health insurance Exchange Marketplace. Because your health-care costs will probably increase as you age, an offer with no medical coverage may not be worth taking if these other options are unavailable or too expensive. Even if the offer does include medical coverage, make sure that you understand and evaluate the coverage. Will you be covered for life, or at least until you're eligible for Medicare? Is the coverage adequate and affordable (some employers may cut benefits or raise premiums for early retirees)? If your employer's coverage doesn't meet your health insurance needs, you may be able to fill the gaps with other insurance.

What other benefits are available?

Some early retirement offers include employer-sponsored life insurance. This can help you meet your life insurance needs, and the coverage probably won't cost you much (if anything). However, continued employer coverage is usually limited (e.g., one year's coverage equal to your annual salary) or may not be offered at all. This may not be a problem if you already have enough life insurance elsewhere, or if you're financially secure and don't need life insurance. Otherwise, weigh your needs against the cost of buying an individual policy. You may also be able to convert some of your old employer coverage to an individual policy, though your premium will be higher than when you were employed.

In addition, a good early retirement offer may include other perks. Your employer may provide you and other early retirees with financial planning assistance. This can come in handy if you feel overwhelmed by all of the financial issues that early retirement brings. Your employer may also offer job placement assistance to help you find other employment. If you have company stock options, your employer may give you more time to exercise them. Other benefits, such as educational assistance, may also be available. Check with your employer to find out exactly what its offer includes.

Can you afford to retire early?

To decide if you should accept an early retirement offer, you can't just look at the offer itself. You have to consider your total financial picture. Can you afford to retire early? Even if you can, will you still be able to reach all of your retirement goals? These are tough questions that a financial professional should help you sort out, but you can take some basic steps yourself.

Identify your sources of retirement income and the yearly amount you can expect from each source. Then, estimate your annual retirement expenses (don't forget taxes and inflation) and make sure your income will be more than enough to meet them. You may find that you can accept your employer's offer and probably still have the retirement lifestyle you want. But remember, these are only estimates. Build in a comfortable cushion in case your expenses increase, your income drops, or you live longer than expected.

If you don't think you can afford early retirement, it may be better not to accept your employer's offer. The longer you stay in the workforce, the shorter your retirement will be and the less money you'll need to fund it. Working longer may also allow you to build larger savings in your IRAs, retirement plans, and investments. However, if you really want to retire early, making some smart choices may help you overcome the obstacles. Try to lower or eliminate some of your retirement expenses. Consider a more aggressive approach to investing. Take a part-time job for extra income. Finally, think about electing early Social Security benefits at age 62, but remember that your monthly benefit will be smaller if you do this.

What if you can't afford to retire? Finding a new job

You may find yourself having to accept an early retirement offer, even though you can't afford to retire. One way to make up for the difference between what you receive from your early retirement package and your old paycheck is to find a new job, but that doesn't mean that you have to abandon your former line of work for a new career. You can start by finding out if your former employer would hire you as a consultant. Or, you may find that you would like to turn what was once just a hobby into a second career. Then there is always the possibility of finding full-time or part-time employment with a new company.

However, for the employee who has 20 years of service with the same company, the prospect of job hunting may be terrifying. If you have been out of the job market for a long time, you might not feel comfortable or have experience marketing yourself for a new job. Some

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companies provide career counseling to assist employees in re-entering the workforce. If your company does not provide you with this service, you may want to look into corporate outplacement firms and nonprofit organizations in your area that deal with career transition.

Note: Many early retirement offers contain non-competition agreements or offer monetary inducements on the condition that you agree not to work for a competitor. However, you'll generally be able to work for a new employer and still receive your pension and other retirement plan benefits.

What will happen if you say no?

If you refuse early retirement, you may continue to thrive with your employer. You could earn promotions and salary raises that boost your pension. You could receive a second early retirement offer that's better than the first one. But, you may not be so lucky. Consider whether your position could be eliminated down the road.

If the consequences of saying no are hard to predict, use your best judgment and seek professional advice. But don't take too long. You may have only a short window of time, typically 60 to 90 days, to make your decision.

Establishing a Financial Safety Net

In times of crisis, you don't want to be shaking pennies out of a piggy bank. Having a financial safety net in place can ensure that you're protected when a financial emergency arises. One way to accomplish this is by setting up a cash reserve, a pool of readily available funds that can help you meet emergency or highly urgent short-term needs.

How much is enough?

Most financial professionals suggest that you have three to six months' worth of living expenses in your cash reserve. The actual amount, however, should be based on your particular circumstances. Do you have a mortgage? Do you have short-term and long-term disability protection? Are you paying for your child's orthodontics? Are you making car payments? Other factors you need to consider include your job security, health, and income. The bottom line: Without an emergency fund, a period of crisis (e.g., unemployment, disability) could be financially devastating.

Building your cash reserve

If you haven't established a cash reserve, or if the one you have is inadequate, you can take several steps to eliminate the shortfall:

- Save aggressively: If available, use payroll deduction at work; budget your savings as part of regular household expenses
- Reduce your discretionary spending (e.g., eating out, movies, lottery tickets)
- Use current or liquid assets (those that are cash or are convertible to cash within a year, such as a short-term certificate of deposit)
- Use earnings from other investments (e.g., stocks, bonds, or mutual funds)
- Check out other resources (e.g., do you have a cash value insurance policy that you can borrow from?)

A final note: Your credit line can be a secondary source of funds in a time of crisis. Borrowed money, however, has to be paid back (often at high interest rates). As a result, you shouldn't consider lenders as a primary source for your cash reserve.

Where to keep your cash reserve

You'll want to make sure that your cash reserve is readily available when you need it. However, an FDIC-insured, low-interest savings account isn't your only option. There are several excellent alternatives, each with unique advantages. For example, money market accounts and short-term CDs typically offer higher interest rates than savings accounts, with little (if any) increased risk.

Don't confuse a money market mutual fund with a money market deposit account. An investment in a money market mutual fund is not insured or guaranteed by the FDIC. Although the mutual fund seeks to preserve the value of your investment at $1 per share, it is possible to lose money by investing in the fund.

When considering a money market mutual fund, be sure to obtain and read the fund's prospectus, which is available from the fund or your financial advisor, and outlines the fund's investment objectives, risks, fees, and expenses. Carefully consider those factors before investing.

It's important to note that certain fixed-term investment vehicles (i.e., those that pledge to return your principal plus interest on a given date), such as CDs, impose a significant penalty for early withdrawals. So, if you're going to use fixed-term investments as part of your cash reserve, you'll want to be sure to ladder (stagger) their maturity dates over a short period of time (e.g., two to five months). This will ensure the availability of funds, without penalty, to meet sudden financial needs.

Review your cash reserve periodically

Your personal and financial circumstances change often--a new child comes along, an aging parent becomes more dependent, or a larger home brings increased expenses. Because your cash reserve is the first line of protection against financial devastation, you should review it annually to make sure that it fits your current needs.