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THE HARBOR ADVISOR

It is more about the economy than the election-

It is proving to be an eventful fall which at this point in 2020 should not surprise anyone. We are getting a lot of questions around the election and what we think might happen with the markets. Our response is that, while no one knows, likely the markets will move independently of a Democratic or Republican candidate winning the presidency. Historically the political party in office does not make much of a difference over the long term.

An overview of the economy indicates that we are in good shape, interest rates will likely remain low as will inflation for the foreseeable future. Analysts are projecting average GDP growth for 2021 and 2022, and equities while somewhat above fair pricing may continue to drive market prices upward given the growth trajectory for a few U.S. and global companies. You cannot ignore the weight of these global mega corporations nor the effect they have on our economy.

While the markets have been driven by a few technology companies, there are other segments performing quite well, new economy and ESG (Environmental/Social/Governance), home building, some retail sectors and medical device and equipment companies. I have mentioned before that there will be winners and losers in this recession, this is normal. Having successfully navigated this year so far, we have shifted our focus to what will be the best sector and investment areas to research for investment for 2021 and beyond.

Logic and well researched opinion aside, the reality is that there is a lot of fear mongering taking place with our political parties and press related to the virus. Not only is this adding unnecessary stress at a time we are already stressed it has a negative effect on our portfolios. Decision making based on fear and incorrect or incomplete information is detrimental to a productive portfolio. Fear encourages selling investments at the wrong time and rebuying, again, at the wrong time. I have seen numerous down and up market cycles since 1982 and throughout almost all the basic investment principles apply. Clear thinking with the long term in mind, staying with one's convictions and personal plan is a recipe for success. It also carries much lower stress.

In keeping with well researched opinion we are hosting webinars focusing on timely topics such as the election, post Covid-19 investment idea winners, and ESG (Environmental, Social and Governance) investing. We hope you can join us!

Enjoy the beautiful Fall!

October 20, 2020

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Women and Finance

1844: Maine becomes the first state to guarantee women the right to 'separate economy'.



Third Quarter 2020 Market Recap

US Equity markets posted further gains in the third quarter, but it was a turbulent ride. Across the country, lockdown restrictions were loosened, further hope for fiscal and monetary policy was on the horizon, and familiar names in the tech sector boomed. The S&P 500 was up 14.1% from July 1st to September 1st. The strong rally started to fade as concern around Congress' ability to pass further stimulus weighed on the markets. In addition, uncertainty surrounding the economic effects of the pandemic added to volatility with the expectation that cases will sharply increase during the fall and winter months. In September, the S&P 500

fell 3.8%, but the gains of the first two thirds of the quarter bolstered the overall quarter's performance and the S&P 500 finished third quarter up 8.47%. Other major equity indexes were positive as well with the MSCI EAFE 4.20%, the small-cap Russell 2000 Index up 4.6%, and the Barclays Agg up 0.62%. Equity markets continued to be sustained by low bond yields and optimism surrounding an eventual vaccine for the coronavirus.

By Emily Lucero

"Truth is ever to be found in simplicity, and not in the multiplicity and confusion of things." Sir Isaac Newton

Fund Focus: TIAA-CREF Core Impact Bond Fund (TSBIX)

By Jennifer Baham

TIAA-CREF Core Impact Bond Fund (TSBIX) is a new addition to the Harbor portfolios. This bond fund focuses on high-quality fixed income funds that are screened for their environmental, social and governance (ESG) rankings. The fund starts by filtering the fixed income sectors through an ESG screen and only securities that score in the top half of their peer group are considered. 30% to 40% of the assets are allocated to impact investments, which may fall outside the screen but have a "direct and measurable" impact on social or environmental improvement. The focus is on areas of affordable housing, community and economic development, renewable energy and climate change and natural resources. The fund is comprised of 1,059 positions and it invests primarily in investment grade, U.S. denominated fixed income. It is an actively managed fund that carries an expense ratio of 0.36%, which is low for its peer group.

Why Are International Investments in My Portfolio? by Karen Didde

Investing in a broad selection of companies and countries increases diversification and lowers the overall risk of our portfolios. While many U.S. companies like Google and Nike have operations overseas their exposure to international markets adds to diversification but not to the extent that foreign investments do. True foreign investments are less correlated to domestic investments. They operate in different markets with different types of products and tend to provide ballast when U.S. markets are volatile and when there is a risk that U.S. equities are overvalued.

Many investors question the importance of an international allocation. Performance-wise, there is the perception that U.S. stocks always outperform international stocks. That has not been the case historically. Performance over the past decade favored U.S. equities, with international equities coming out ahead in only a couple of years. However, the previous decade was a different story. From 2000 through 2009, international equities, particularly in emerging markets, beat U.S. equities. Many economists believe that the tide may shift back more toward international investments over the next 10 years for several reasons. Valuations for foreign stocks are attractive and the economies of many international and emerging market countries are expected to grow more than the U.S. Many foreign economies are expected to rebound more quickly from the coronavirus' economic impact than the U.S. because of their stimulus plans in conjunction with other measures to combat the virus' spread. Even though economic activity has slipped with the resurgence of cases in many countries, the economic effect is on a country-by-country basis and has so far been less proportional than it was when the pandemic began. This remains a situation to monitor.

Emerging markets economies continue to have investment potential. Investments in these countries, such as China, South Korea and India, perform differently than investments in developed nations because they operate in economies that are not as mature. Emerging markets may struggle because of their reliance on conventional energy, incomplete infrastructure and immature medical delivery systems, yet demographics favor the markets of many emerging nations over developed nations. Populations in emerging markets are younger, the labor pool is expected to grow faster, and there is a strong potential for higher economic growth. Additionally, the Fed's recent policy shift to weaken the U.S. dollar has benefited trade in foreign countries and should particularly benefit emerging markets, allowing for better competition for goods and services produced globally.

Living Well/Living Smart

Staff Spotlight Series

By Denise Hess

In this newsletter series we will get up close and personal and have some fun with the Harbor team. Each quarter we will spotlight additional team members.

Denise Givens has been with Harbor since 2018. Read her full bio [HERE](#).

What is the one thing you cannot resist? *Dark chocolate – I rarely will spend calories on milk chocolate, but I have to eat at least one piece of dark chocolate every day!*

Where is your favorite place to be? *Walking near the ocean*

Tell us something that might surprise us about you. *I used to be terrified of flying!*

What is something you learned in the past month? *Moving in the middle of a virus pandemic is challenging*

What is the first concert you attended? *The Osmond Brothers – wasn't every young girl in love with Donny at some point?*

What advice would you give to your teenage self? *Don't worry so much about what everyone thinks about you*

Emily Lucero has been with Harbor since 2019. Read her full bio [HERE](#).

What is the most recent downloaded app on your phone? *AirVisual – air quality monitoring app*

What is the one thing you cannot resist? *Warm chocolate chip cookie*

Tell us something that might surprise us about you. *I have never been stung by a bee*

What is the first concert you attended? *Garth Brooks 1998*

What was the last song played on your phone? *Hey Nineteen – Steely Dan*

What advice would you give to your teenage self? *Ask more questions of your elders and continue to be curious!*

See more Q & A's from [Denise Givens](#) and [Emily Lucero](#) on our blog!

COBRA Deadlines Extended Due to Pandemic

By Jennifer Baham

Health insurance is a vital benefit but with record high unemployment numbers, millions of Americans are at risk of losing coverage or already have. COBRA coverage can be a lifeline to employees who are now facing unemployment as it gives them the option to continue with their existing health plan. But these plans can be expensive as employers are no longer contributing to the premium, leaving the individual responsible for the full premium, plus an additional 2% administration charge.

The Department of Labor has offered some relief in response to the COVID-19 pandemic by extending the election period for COBRA coverage. Pre-pandemic, you had 60 days to elect COBRA coverage once you had a qualifying event. The 60 days remains the same, but under the new rule, the clock does not start until the end of the Outbreak Period, which ends 60 days after the National Emergency ends. So, you effectively have 120 days after the National Emergency ends to opt in.

This extends the window for eligible individuals who have not already opted out of COBRA coverage to still get coverage. However, retroactive premiums will be due. Under the prior rules, premiums would be due 45 days after election, with a 30-day grace period. The new rule extends these deadlines beyond the Outbreak Period.

If you find yourself in the position of no longer having employer coverage, it is important to review your options. While COBRA coverage provides consistency with a plan that you are already familiar with, it can be an expensive choice. Review options to switch to a spouse's employer-based plan if available. There is also the Affordable Care Act (ACA) marketplace to consider. When weighing your options, compare the benefit coverage, cost, deductibles and factor in if you have already met the deductible for your employer plan. Also, consider if switching plans will affect which doctors are in your network. Though you have extended time to elect COBRA, you only have 60 days from separation to sign up for ACA or 30 days to switch to your spouse's employer-based plan, otherwise you will have to wait until open enrollment.



Contact Tracing Technology

by Jordan Nelson

There has been much speculation on how to tackle the challenging complications of COVID-19. One idea utilizing technology is wide-spread contact tracing. Contact tracing provides the ability to track where COVID-19 is spreading. Hypothetically, a system such as this could allow users to be notified if they are at-risk of contracting COVID-19.

Recently both New York and New Jersey launched contact tracing apps. The new apps first and foremost keep user identities anonymous; this was a major concern regarding contact tracing technology. These apps work by notifying users if they have been in contact with a COVID-19 positive individual who is using the same app.

This technology had flaws when originally announced, both in the eyes of the users and developers, such as Google and Apple. When contact tracing first was announced, it was imagined that this could be a massive privacy breach. Many governments around the globe such as the Irish government demanded a centralized model of contact tracing where people's health information would be reported into one large database to be studied. Instead, tech companies stood up for the user's privacy rights and did not support a centralized model of contact tracing. Governments have finally relinquished this idea and have instead opted for a decentralized means of contact tracing. This decentralized method of contact tracing is ideal for users as it allows them to use a contact tracing app without fear of their private medical information being shared.

Although not perfect, it is great to see modern technological solutions for contact tracing used for the centuries old problem of containing the spread of illness.

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Images: Nat Arnett

Harbor Happenings

Harbor is Working Remotely

In support of the various governmental guidelines to combat the spread of the COVID-19 virus, Harbor is working remotely, and our office is closed. We can still be reached at our individual email addresses and our main phone number of 303-939-8788, or direct staff phone lines. When it has been established that we are safe to reopen our office, we will send out a communication. If you have any questions, please feel free to reach out to us. We wish all our clients and partners well during this challenging time.

Harbor is now on Instagram!

Visit our new Instagram account to see some fun facts and tips on managing your finances! Watch for our Instagram Stories!

<https://www.instagram.com/harborwealthmanagement/?hl=en>

2020 and Early 2021 Office Closures

Our office is closed on the following New York Stock Exchange holidays in 2020 and early 2021: November 26, Thanksgiving Day; November 27, half day; December 24 half day, Christmas Eve; December 25, Christmas; January 1 2021, New Year's Day.

Year End is Around the Corner!

Year-end continues to get more challenging for the financial industry every year. Consider acting now to make sure everything needed is completed before the end of the year.

Possible tasks:

- If applicable, determine if you want to take your required distribution from your IRA or inherited IRA.
- Make a contribution to your child's 529 account.
- Consider any estate planning that might need to be done before year-end and phone your attorney for an appointment.
- Discuss with your accountant whether or not you might be eligible to contribute to a Roth or Traditional IRA and, if needed, contact us to open the account.
- Take care of any gifting, transfers of stock or cash that might need to be done by year-end.

Please contact our office today if we can help with any of these items. Thank you!

Securities Offered Through Schwab Institutional. Member FINRA and SIPC.