



THE COMPASS

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APRIL 2021



A DAY WITH WALLY FUNK

By Kat Schraeder, CFP®
RAA Vice President

As the world slowly reopens and RAA returns to in-person meetings and events, a common theme among our advisors, airline

representatives, and clients is the desire to gather to listen to and share stories and, even more importantly, friendship.

I'm pleased to announce that some of these events are being penciled onto the calendar including baseball games in Dallas, Atlanta, and Cincinnati, as well as attendance at Osh Kosh, the Reno Air Show, Tailhook, and an RAA-sponsored Military event. We, of course, will continue to put the safety of our team and clients first but are anxious to return to 'normal' operations. Please watch your email for dates and invitations to these events. We can't wait to see you in person, to catch up and listen to the stories you share.

One of the main events that RAA attends each year is the Women in Aviation International Conference. This year, that conference was hosted in a virtual environment. A great line-up of speakers and education sessions was revealed. The RAA team was able to present how to Navigate Financial Turbulence in Difficult Times. Despite the great line-up and the fact that I knew I was going to be able to virtually connect with friends from the past and meet a lot of interesting people, I was not very enthusiastic about experiencing the conference sitting behind my computer screen.

A few weeks before the conference, I was at a board meeting for the North Texas Chapter of Women in Aviation. Our chapter had received a request for some

grassroots help. The request - Wally Funk had never missed a Women in Aviation Conference and she didn't own a computer. Would a team be willing to go to her home with a computer and help her attend the virtual conference? Several of us quickly volunteered. At the time I volunteered, the name Wally Funk was familiar, but I couldn't quite place it.

My fellow board member, who is a flight instructor at one of the local schools, and I showed up with my computer, coffee, and some breakfast pastries on Friday morning and had the absolute honor of spending the day with a true trailblazer, Wally Funk. She greeted us with enthusiasm and a desire to hurry and get set up so we wouldn't miss the opportunity to listen to the sessions. As I was plugging in the computer, I looked around and found myself engulfed in the best aviation museum I had ever seen.



Wally Funk was the first female to complete many things: the first female flight instructor at a U.S. military base, the first female Federal Aviation Agency (FAA) flight inspector and field examiner, and the first female air safety investigator for the National Transportation Safety Board (NTSB), just to name a few. At 21 years old, she was also the youngest member of the Mercury 13, a group of females that underwent the same rigorous testing as their male counterparts with the hopes of going into space.

I got the computer up and running, and then proceeded to ask Wally about every picture, medal, and plane that I saw on her walls and shelves. She walked through her amazing past and I slowly caught up as she would say, "Oh, this is when Eileen and I celebrated her return. Man, that Eileen is a class act."

I caught up three pictures later when I realized 'Eileen' was Eileen Collins, the first woman to pilot a space shuttle. This happened repeatedly as Wally showed different aviation incidents on which she had been field inspector and I witnessed history coming alive.

We would go back to the computer and watch a session or connect with people in the virtual booths. I went to the section with the 'Pioneer Hall of Fame' and she

shared wonderful personal stories about the ladies that are truly legends in aviation.

My last session to help Wally watch and participate in was the induction of the newest members into the Pioneer Hall of Fame. She happily celebrated the achievements. When I pointed out some of these members were being inducted because she had blazed the trail for them, she humbly thanked me for the acknowledgment but countered that they wanted to do something great and believed they could - they didn't need anyone to pave the way.

This statement reminded me of two traits common in the RAA team and our clients: adaptation and resiliency. It has been amazing to watch both in action over the last year. From Zoom taking over the world and giving people a different way to connect, to neighbors checking in on each other, and to true grassroots efforts taking place to keep people safe and connected, as we emerge from the pandemic, we are stronger than ever.

My day helping Wally navigate the virtual world has been a highlight of this pandemic. I'm grateful for the world slowly reopening but am also thankful for the silver linings.

RMD REMINDER

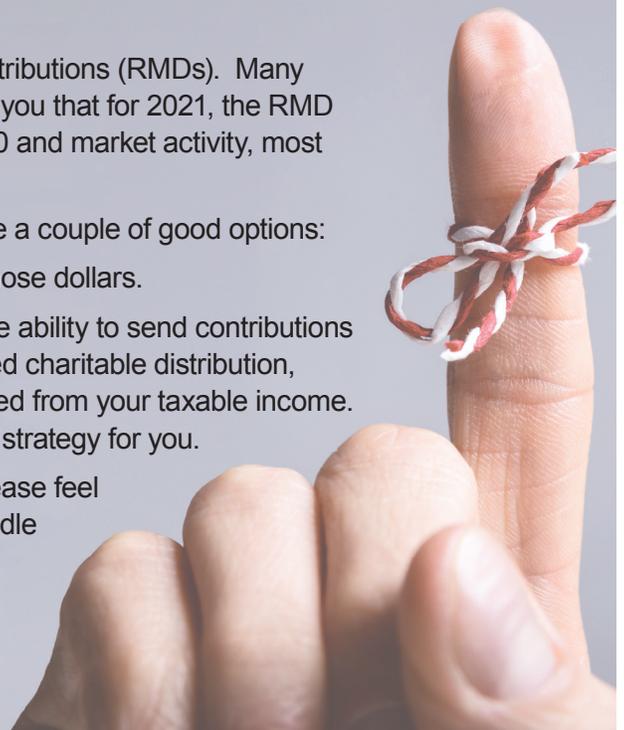
Last year, Congress granted a waiver on Required Minimum Distributions (RMDs). Many of you took advantage of this opportunity. We wanted to remind you that for 2021, the RMD once again applies to eligible accounts. Due to the delay in 2020 and market activity, most RMD amounts are higher than in 2019.

For clients who may not need the entirety of their RMD, there are a couple of good options:

- Open an after-tax account with RAA and we can re-invest those dollars.
- Use the money for your charitable contributions. We have the ability to send contributions directly to a charity on your behalf. By making such a qualified charitable distribution, known as a QCD, you are able to exclude the amount donated from your taxable income. Your advisor can work with you to determine if this is a good strategy for you.

It is never too early to start planning and we are here to help. Please feel free to contact your advisor to discuss how you would like to handle your RMD or if you need assistance with determining your RMD amount.

Note: Please don't forget to update your tax withholding as this is a taxable transaction.





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IMPORTANT ESTATE PLANNING TERMS TO KNOW

It's a tough topic.

And we certainly understand why some people pass away without ever having done any estate planning. Unfortunately, not putting at least a will in place thrusts family members into an incredibly awkward and stressful situation that can ruin lives.

When it comes to estate planning, a little education can go far. Here are five end-of-life estate planning questions that everyone should be familiar with.

1. What is probate?

Probate is the legal process through which a will is “proved” and accepted by the state as valid. The validity of a will is concerned with things such as it being the last true will and testament at the time of death, and that the estate and its assets are being distributed in accordance with the law.

The amount of time it takes an estate to pass “through” probate, and the costs associated with it, can shock people. It varies by state, but, depending on where you live, probate can eat up a whopping 10% of an estate's value and take years to complete.

2. What is a will?

A will (also referred to as a “testament”) is a legal document that contains a person's wishes regarding how they want their assets and property distributed at the time of their death. The will also identifies an executor, who is the person that will manage the process and oversee the completion of the distribution of the property and assets in accordance with the wishes of the deceased person.

While not foolproof, a well-conceived will takes the burden of deciding “who gets what” out of the hands of the heirs and beneficiaries. And, contrary to popular

belief, while it makes the process much smoother, a will does not preclude your estate from passing through probate.

3. What is a beneficiary?

When a person creates a will, it will include beneficiaries. In the most general sense, a beneficiary is a person or entity who is listed to receive money from the deceased benefactor.

Importantly, if an asset held by a financial institution (such as a retirement account), has a “named beneficiary,” then that asset goes directly to the named person without having to pass through probate. Other assets that allow for named beneficiaries are life insurance, checking, savings, and brokerage accounts. There are different ways to add a beneficiary to accounts depending on the type of account registration. You may see these forms titled beneficiary forms, Transfer on Death (TODs), or Payable on Death (PODs).

Because named beneficiaries supersede anything in your will, always make it a point to update them anytime you experience a big life event such as marriage, divorce, re-marriage, etc.

4. What is a revocable trust?

Usually concerned with non-qualified assets such as houses or property, a revocable trust, or living trust, avoids probate by listing the beneficiaries who will receive the asset upon the death of the owner. A revocable trust can also allow more control over how assets are utilized and accessed, even after death.

Property in a revocable trust is not dependent on the will. The trust allows the property owner to pass the asset to the intended recipient rather than having it first

pass through the court system. One of the key benefits of a revocable trust is that it can be altered or changed at any time.

5. What is power of attorney?

Also known as “letter of attorney,” power of attorney is written authorization for someone to act on behalf of another - legally or financially. This can include private affairs, business decisions, or, really, just about any decision or action.

The person granting permission for others to act on their behalf is called the grantor, principal, or the donor of the power. The person who is granted power of attorney is referred to as the “agent.” Those granted power of attorney can only act for a person while they are living. Upon death, a trustee of the trust or an executor of the will becomes responsible for the estate.

One of the biggest reasons we recommend working with an estate planning specialist is because the transfer of assets is such an important part of the financial planning process. You’ve accumulated wealth and, while it’s difficult to consider your own mortality, most people want to protect and preserve their hard work for the benefit of those they care about.

By understanding the purpose of these five questions and the protection each element provides, you can be better prepared to secure the future of your loved ones and legacy.

If you would like to discuss your estate plan and how it fits into your overall financial life, please contact your advisor. Our team of estate planning experts is here to answer any questions you may have.

DO YOU HAVE A LIFE BOOK?

Once you have completed your estate plan and have your necessary documents in place, it’s important to determine a secure, centralized location where this information can be easily found when needed.

This task may seem daunting and does not need to be done all at once.

This is why we like to offer an organizational tool that will get the process of organizing your estate plan on track. We call it a “LIFE” book (Look Inside For Everything).

This tool can help you organize, keep track of, and consolidate the important documents and information that relate to your financial life.

Please let us know if you would like to request a copy of the LIFE Book, have questions about populating your LIFE Book, or need any guidance regarding your estate plan.



MARKET UPDATE

By Andy Stout, CFA, CFP® - Chief Investment Officer

The start of spring is one of my favorite times of the year, with winter in the rearview mirror and baseball's Opening Day providing optimism for fans of every MLB team. It seems only fitting that with spring just underway the economic reopening is also ramping up.

Medical progress is fueling economic optimism (in the U.S.)

The economy is showing signs of life because more people feel comfortable going out in public after they've been vaccinated. With three approved for use in the U.S., the vaccines are becoming more available. This has resulted in about 34% of the population receiving at least one dose, and approximately 20% having already been fully vaccinated.

As the vaccine campaign in the U.S. charges ahead, in many areas, local governments are relaxing economic restrictions, allowing businesses to more fully open.

Unfortunately, the same isn't true outside of the U.S. In the European Union (EU), which doesn't include the United Kingdom, roughly just 14% of the population has received at least one dose.

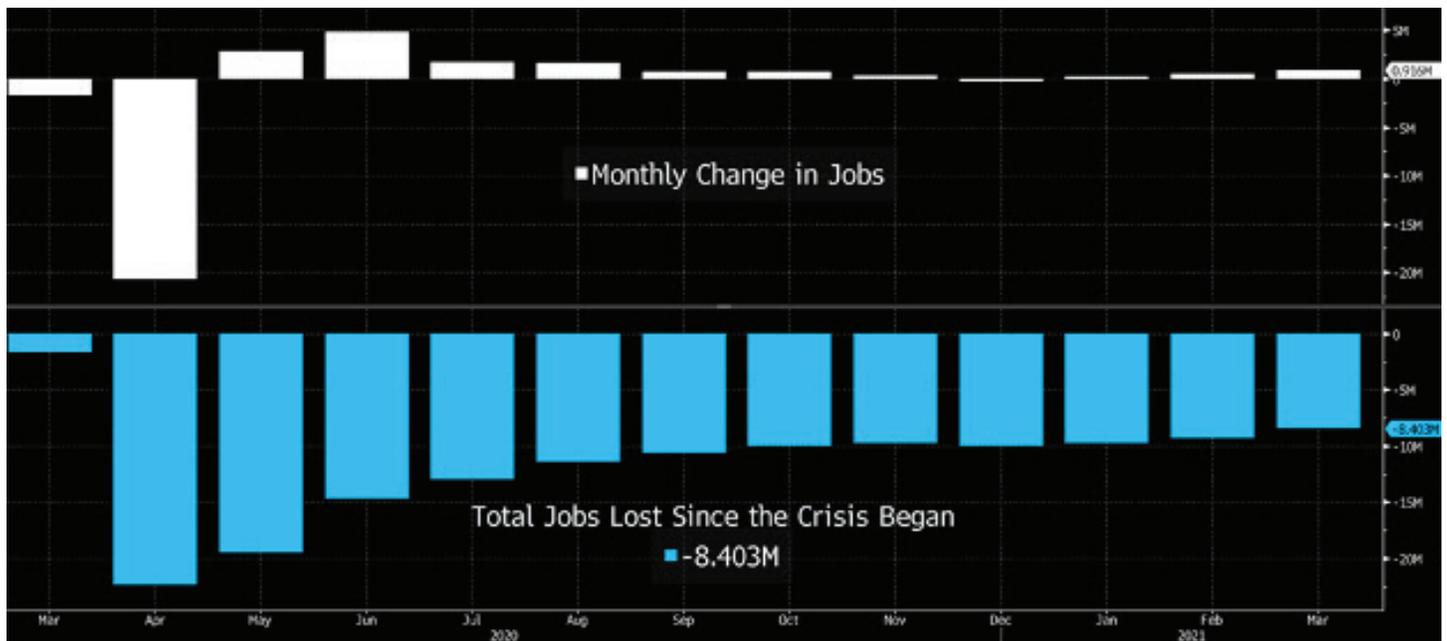
This disastrous vaccine rollout is part of the reason that daily new cases are close to record levels overseas. This has caused strict lockdowns to remain in force in most of the EU. In France, for example, all schools are going to remote learning and all non-essential shops are closed. Other tight restrictions are in place across most of the continent.

Economic 'green shoots' abound

In March and April of last year, a staggering 22 million jobs were lost in the U.S. when the economy completely shut down. A partial reopening led to some quick gains during the summer months, but by the end of the year, we were still 10 million jobs shy of where we were before the crisis.

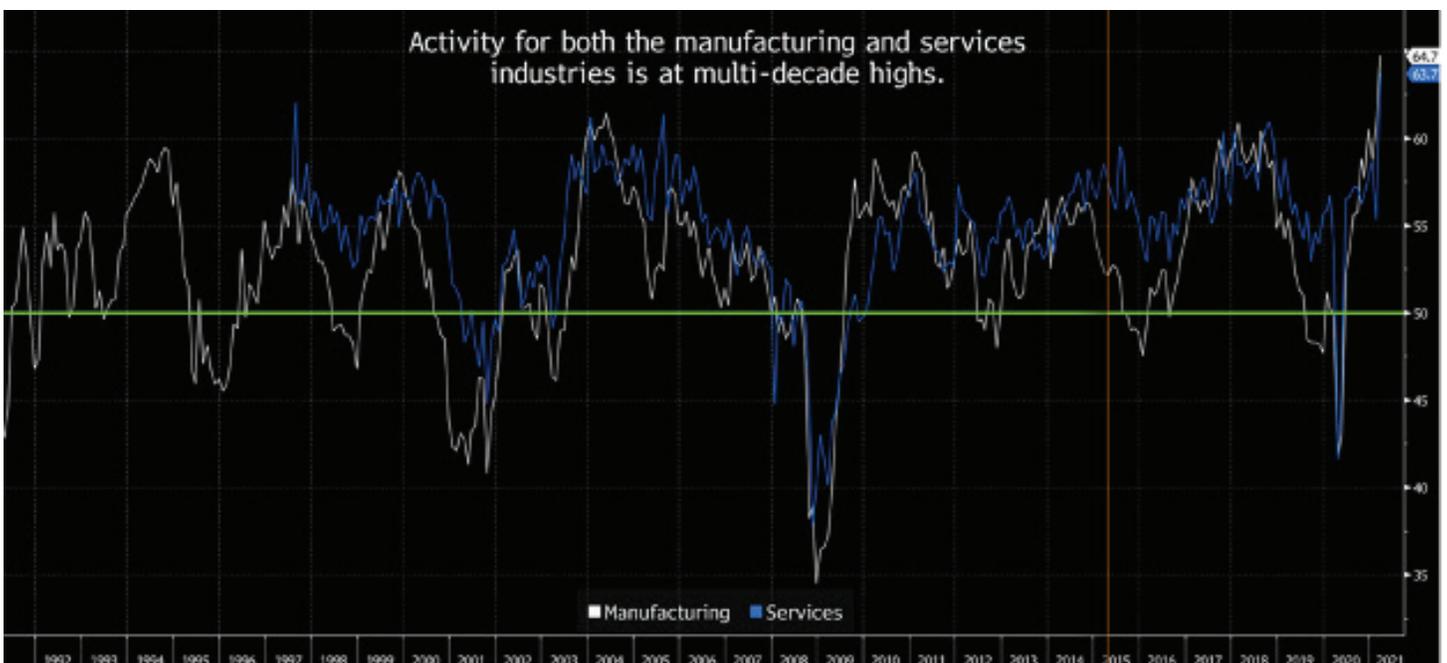
However, over the past three months, economic momentum has picked up. With 233,000 in January, 468,000 in February, and 916,000 in March, the jobs report has shown an increase each month in the number of new hires.

The top panel of the following graph shows monthly job changes, and the bottom panel shows the total job change since March 2020.



While this still leaves us 8.4 million jobs short of where we were, the job gains should continue in the months ahead with millions added this year.

Optimism is also extraordinarily high when we look at the U.S. economy through the lenses of the manufacturing and services industries. The ISM Manufacturing and Services surveys are both near (or at) their highest all-time levels. This suggests very robust economic growth in the coming months. (In the graph below, readings above 50 point to expansion and below 50 suggest contraction.)



Biden lays out a \$2.25 trillion infrastructure plan

All that, and now there's another economic accelerant being added to the mix. President Biden unveiled a massive spending plan designed to boost the economy. Included are \$620 billion for transportation infrastructure, \$580 billion for manufacturing, and \$400 billion for care for the elderly and people with disabilities. This spending – spread out over eight years – is expected to be paid for by an increase in the top corporate tax rate from 21% to 28% and by a minimum 21% tax on global corporate earnings. To garner more support, there's speculation that the corporate tax rate might only be raised to 25%.

If it's passed, higher taxes would be a hit to corporate profits, but total spending would still be a net positive for the economy.

Best year in 30?

This planned infrastructure spending is in addition to the \$900 billion fiscal stimulus passed in December, and the \$1.9 trillion stimulus passed in March. Together, these two spending packages resulted in checks totaling up to \$2,000 being sent to millions, while the unemployed saw an extension of the \$300 extra weekly jobless benefits through September.

With economic data coming in much better than expected, the reopening gathering steam, and the government spending trillions of dollars, the U.S. economy has the potential to grow 7% (or more) this year. If that comes to pass, this would be the biggest year of economic growth in more than 30 years.

But there are risks that cannot be ignored. One is uneven global vaccination progress. As mentioned earlier, the EU is significantly behind the U.S. in its vaccination campaign. Unfortunately, it's not an exception. For example, about 11% of Brazil's population and only 6% of India's population have received at least one dose. Further, many countries in Africa didn't even receive their first vaccine shipments until March.

The slow global vaccination rate could allow for many virus mutations, and this means the virus could be an economic factor for years to come.

Another risk we are closely monitoring is inflation. In the coming months, we expect that year-over-year inflation will hit some of the highest levels in years. But, as we discussed last month, we believe it will be manageable. Of course, should the secondary economic effects be more significant than our base-case scenario, we will re-evaluate this inflation outlook.

There are other factors as well, such as valuations and rising interest rates, that we are analyzing as we manage the investment mix of our clients' personalized financial plans.

As always, if you have any questions about your overall financial plan or the factors that influence it, please contact your advisor.

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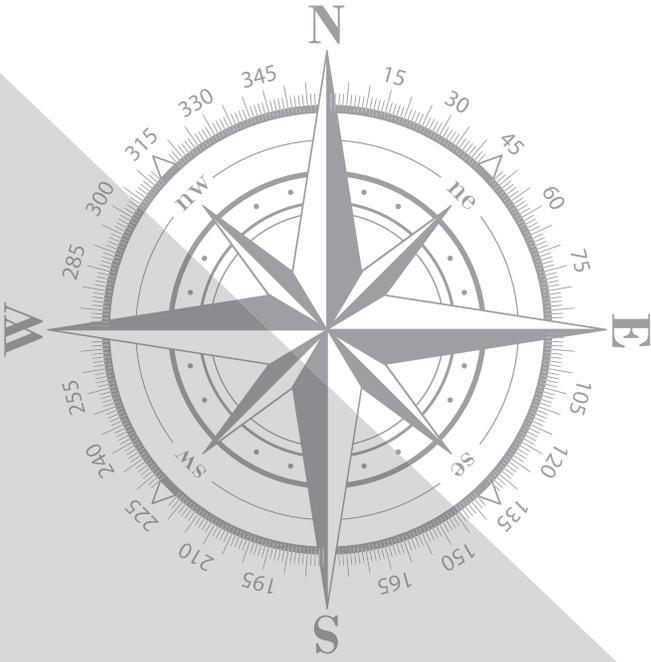
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