

HOBART FINANCIAL GROUP

FOREVER YOUNG

ISSUE 10 *Navigating Transitions*

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LETTER *from the* CEO

ON THE ROAD AGAIN

I'm teaching my oldest daughter to drive.

Sloane is 14 and three-quarters. I've been nominated to teach her to drive and I am absolutely terrified.

It's not just because 25 miles per hour suddenly seems fast and my garage door has never seemed so narrow. It's that I've spent years protecting Sloane from danger – and now I'm suddenly supposed to hand over the car keys and let her drive away?

How did we get here? I swear I was just looking at her in the rearview mirror, all cute and giggly in her car seat. And now she's behind the wheel on her way to adulthood, freedom and independence.

I can't believe my firstborn is eligible for this rite of passage. I've known this day was coming since the day she was born, but I guess I just kept blocking it from my mind as if it would never happen.

But that's kind of how life is, isn't it? We think life transitions are so far away, until suddenly we find ourselves in the thick of them. And they suddenly cause us to look at life in a completely different way.

Learning to drive, for instance. It's not just about knowing the rules of the road and where to put



your hands and how to brake and looking both ways before pulling into traffic. It's also about shifting from the mindset of passenger to driver, making the leap from passively going along for the ride to being responsible for the lives of yourself and others.

The transition to retirement is similar. We know it will happen someday; we even spend much of our time planning and saving for it. But when it gets here, we're not always prepared for how quickly it sneaks up on us. And we find ourselves left with a very different view of the road ahead.

Teaching Sloane to drive has provided me with a few lessons on how to navigate life transitions. First, they require a tremendous

amount of patience. Change is hard, and we have to give ourselves – and others – grace as we adapt and adjust.

Second, a sense of humor is critical. So is preparation. (I can't tell you how much time I've spent brushing up on North Carolina driving laws.) Without these things, we'll never navigate life transitions successfully.

Finally, I've learned the importance of focusing on the positive. It's hard to let go of that image of Sloane when she was small, but I'm also excited to look ahead and see the good that comes out of

her driving. She'll drive herself to school. I'll be able to send her on errands. And she can eventually chauffeur her sister around.

If I can teach Sloane one thing, it will be that the road – like life – isn't always smooth. It twists and turns and sometimes there's even a detour. But with the **proper planning and knowledge, we can make it to our destination safely.** And along the way, we can enjoy the ride, both behind the wheel or in the passenger seat.

May you stay Forever Young,

Chris Hobart



FINANCIAL PLANNING

GIVING THROUGH DONOR-ADVISED FUNDS

COREY SUNSTROM, CFP®

Donor-advised funds, or DAFs, allow families and individuals to make tax-advantaged donations to 501(c)(3) charitable organizations. But what benefits do DAFs provide?

Tax Advantage #1:

Multiple Asset Types Are Accepted

Though cash donations provide the largest deduction, individuals can donate multiple types of assets to DAFs – even those that may be difficult to liquidate. Acceptable donations include:

- Cash
- Cryptocurrency
- Stocks
- Real estate
- Money in IRAs and 401(k)s
- Life insurance

While this isn't an exhaustive list, it demonstrates how donors can diversify their donations and potentially increase their charitable giving tax deductions.

Tax Advantage #2: Investments Grow Tax-Free

Assets donated to a DAF are allowed to grow tax-free, enabling you to give a larger sum to charity while gaining the benefit of a deduction in your taxable income for the year in which the contribution was made. In addition, you are not required to donate those funds immediately or even in the year you made the contribution.

Instead, the funds may stay in place and continue to grow over time.

Tax Advantage #3: Offset Capital Gains Tax

When an investor sells a stock for a gain, they may be subject to capital gains taxes, accounting for a significant portion of the stock's total value. (According to the IRS, this portion could be anywhere from 15-20% and beyond, depending on the asset type and income.¹)

If you are considering ways to offset potential capital gains tax, DAFs allow for stocks to be donated at their full value. As a result, both the charity and the donor benefit: The charity receives a larger donation and the donor gets a larger tax break.

Tax Advantage #4: Simplified Reporting

Usually, donors need to report each donation to individual charities on their yearly taxes. But utilizing a DAF can simplify the process, as donors instead report the fund's earnings and withdrawals instead of individual contributions.

DAFs provide individuals with the opportunity to max out charitable contributions. In some situations, much of the tax savings and account growth that occurs is directly passed on to the charity of the donor's choice. These benefits make DAFs an enticing strategy for charitable individuals and tax-minded investors.

¹ IRS. March 12, 2021. "Topic No. 409 Capital Gains and Losses." <https://www.irs.gov/taxtopics/tc409>. Accessed June 30, 2021.



ASK HOBART

SIMPLIFYING LIFE

Q: My retirement date is coming up, and I'll need to decide whether to take my pension as an annuity or lump sum. Which should I choose?

A: Deciding how to take your pension is a big decision, based on several factors. Your employer may offer the choice to receive monthly payments for the rest of your life (and in some cases, the life of your spouse). Or they may offer a one-time, lump-sum payment that you can invest or use as you see fit.

Several factors play into your decision, including taxes, how much income you need in your later years, and what happens to the pension when you die. It's a good idea to schedule a meeting with your advisor and review your options thoroughly before making your decision.

MEET THE CLIENT SERVICES TEAM



MEGAN ROBINSON,
FPQP™
CLIENT SERVICES
MANAGER

When I joined the firm over two years ago, I was excited to begin building relationships with our clients. I have been lucky to celebrate so many of their milestones: new grandkids, once-in-a-lifetime trips, and exciting career transitions, just to name a few. I love my role in ensuring that whatever happens, our clients know we have our eyes on all the moving parts of their financial lives.

Several months ago, I approached our leadership team with an idea. What if our clients could hear from us more frequently – and what if we could proactively communicate changes to a clients'

advisor before their regularly scheduled reviews? After all, life doesn't wait for account reviews and sometimes updates need to be made sooner.

As a result of that conversation, our client service team has grown! We're available to help with whatever you need, including distribution requests, updating contact information, changing beneficiaries, logging in to the website, and so many other things. Most importantly, you can expect to hear from me frequently in the coming months as our department gets fully up to speed and our new outreach program rolls out.

If you have questions or updates for your accounts, you can email us any time at care@hobartwealth.com. I've been privileged to be part of so many events in our clients' lives over the last two years – and I'm excited to see what's still in store!

RETIRE^{Someday} D WITH PURPOSE

THE BEAT GOES ON

SPOTLIGHT ON JOHN CZERWINSKI

JOHN CZERWINSKI IS ALREADY SETTING THE RHYTHM FOR HIS RETIREMENT.

As the Project Manager (PMO) for Daramic, LLC, John still has a few years before he retires. But he already knows one thing that will help him fill the time after he leaves his current corporate career: Music.

A drummer and vocalist, John has played many gigs around Charlotte since moving here 16 years ago. “I play almost every weekend,” he said. “Even during COVID. It looked different, but most places had limited capacity and closed earlier. There were outdoor venues. I was grateful to be able to keep playing.”

John’s passion for music began at age 5, but was further spurred by his father, who passed away six years ago. “When I was 13, we were eating dinner when Dad surprised me and said we were going to a show,” John said. “We showed up at this high school auditorium. The place was packed, and everywhere I looked there were people older than me – I was the only kid. The curtain opens and there he was: The greatest jazz drummer of all time, Buddy Rich.

“It was incredible to watch him play,” John continued. “I still remember that night and being there with my dad. I remember him looking at me looking at Buddy. I think the look on my face made him smile more than Buddy’s playing did.” After that, it was attending hundreds of rock concerts, with all the saved ticket stubs displayed on a board in his practice room.

John passed that same love of music to his grown children, both of whom write, play and record original music. His son an accomplished recording/touring guitarist, his daughter an acoustic guitarist / vocalist about to release her first CD. He hopes to spend more time with both kids after he retires (and perform with both of them at the same time:). “Both my kids have their own businesses and are very entrepreneurial,”



he said. “I’ve always tried to lead them by example, especially when it comes to money. I’ve taught them the importance of budgeting, saving early and working with someone you trust.”

He’ll also continue his creative pursuits. “I want to get on the road and play,” John said. “I want to continue to write and record original music. I’m looking for a house with studio space. Maybe I’ll even finish writing a book I started many, many years ago about all the things I wish I’d been taught in high school.”

Does he see fame and fortune coming to him later in life? “You can be famous and rich, but that doesn’t define success for me,” John said. “To me, it’s about being at peace with whatever you’re doing or being. That’s success.”

John encourages everyone to set their own rhythms for retirement. **“I THINK IT’S IMPORTANT TO GO LIVE LIFE, LIKE REALLY LIVE IT,” HE SAID. “DON’T STAND ON THE SIDELINES AND WATCH IT GO BY. PARTICIPATE IN THIS WILD AND WONDERFUL, ONE PRECIOUS LIFE.”**



INVESTMENT PLANNING

SPEEDBOATING ON THE LAKE

JACOB WOODRUM, CFP®

Last month my wife, Allie, and I made the trek up to northern Virginia to Lake Anna to attend her sister's engagement party. Our future brother-in-law pulled off a wonderful surprise. We had an amazing time celebrating the newly engaged couple with our family and friends. The warm sunshine, celebrations, and confetti added to the gaiety of the event. Unbeknownst to me, I would also learn a key lesson about the markets while spending the day boating on the lake.

We began early in the morning when there were just a few vessels out and we enjoyed most of the lake to ourselves. I sat in the front of the boat, and all of us enjoyed the cool breeze blowing through our hair and onto our faces. Once we were out of the marina we began cruising and really opened up the engine. My future brother-in-law was navigating through the cobalt water, unable to quickly correct course when he noticed the turbulent waves ahead.

We were full throttle and cruising at high speeds when the surf crashed into the front of our ship. I was drenched in a matter of seconds. Instantly we all realized we should have pulled back on our speed and adjusted our trajectory sooner. We were all able to laugh about it, after I dried off, and it made me think about the parallel between a surprise soaking on the lake and our investment portfolios.

We all know there are times to be full throttle, pedal to the metal and there are also times when it is safer to decelerate and maneuver through rough waters at calmer speeds. The markets seem to always enjoy trying to surprise us with a cold surge of water. Part of our investment approach is to invest using a strategy that allows us to “throttle up” during the good times and “throttle down” during times of high volatility or market loss.

This strategy is what we consider a “risk on, risk off” approach. It is accomplished by profiting from current market conditions by rotating between stocks, bonds, and cash. These rotations are prompted by key inter-market relationships and systematic principles. The objective is to stay invested during the good times and duck and cover during times of high volatility.

TOO MANY PEOPLE INVEST IN STRATEGIES NOT UNLIKE THE TITANIC. Once the danger is spotted, it is too late, and they are unable to change direction quickly before crashing. We choose to utilize an agile and nimble speedboat strategy as part of our overall investment selection to do our best to avoid any startled soakings. This strategy may be good for a portion of a portfolio that wants to experience some market potential but also wants to have some preservation built in.

¹ J.B. Maverick. Investopedia. Feb. 19, 2020. “What Is the Average Annual Return for the S&P 500?” <https://www.investopedia.com/ask/answers/042415/what-average-annual-return-sp-500.asp>. Accessed March 15, 2021.

INFLATION & *your retirement*



Have you experienced sticker shock lately? As the U.S. has opened back up for business, prices on everything from groceries and gas to cars and clothing has shot up. Headlines everywhere have suddenly invoked that dreaded word: Inflation.

Inflation isn't always negative. After all, without it we'd probably still be making the same wages as people in the 1950s and '60s. The problem with inflation is that wage increases typically don't keep up with the price of goods we buy – and we lose purchasing power.

While the current talk around inflation has been alarming, it's important to keep perspective. An economy is generally considered health at a steady inflation rate of 2%.¹ In 2020, the U.S. average annual inflation rate was 1.2%.² Between January and May, 2021, the average rate of inflation was 2.98%.³

What's causing the current rise in prices? For one, manufacturers got behind in production due to the pandemic. Additionally, Americans have been spending more as we've gotten back to normal. The increased spending combined with decreased supply have pushed prices higher over the past few months.

Although some economists predict heightened inflation in the long-term, it's still too soon to tell if prices will come back down as we return

to normal following the pandemic. If you're concerned about the potential impact of inflation on your retirement plan, give us a call. We can help you assess your portfolio and make sure your retirement income won't be impacted by rising costs in the future.

U.S. INFLATION RATES THROUGH THE DECADES

1930	-6.4%*
1940	0.7%
1950	5.9%
1960	1.4%
1970	5.6%
1980	12.5%
1990	6.1%
2000	3.4%
2010	1.5%
2020	1.2%

SOURCE: Kimberly Amadeo. The Balance. March 1, 2021. "US Inflation Rate by Year from 1929 to 2023." <https://www.thebalance.com/u-s-inflation-rate-history-by-year-and-forecast-3306093#:~:text=U.S.%20Inflation%20Rate%20History%20and%20Forecast%20%20,Hoover%20tax%20hikes%20%2035%20more%20rows%20>. Accessed July 6, 2021.

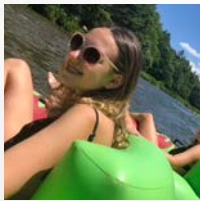
¹ Ramsay Lewis. *Business Insider*. May 6, 2021. "What is inflation? Why the cost of goods rise over time and what it means for the value of your money." <https://www.businessinsider.com/what-is-inflation>. Accessed July 1, 2021.

² US Inflation Calculator. "Historical Inflation Rates: 1914-2021." <https://www.usinflationcalculator.com/inflation/historical-inflation-rates/>. Accessed July 1, 2021.

³ *Ibid.*

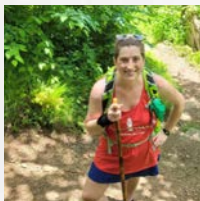
SUMMER LOVIN' – HAD ME A BLAST

Summer is upon us! We asked our team: What summer activities do you enjoy?
What are you planning to do for fun as the weather gets warmer?



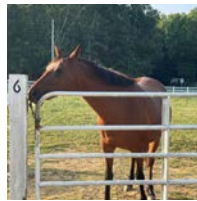
AMANDA HOGAN
Client Service Specialist

We visit Zaloo's Canoes in Jefferson, NC, a few times a year to go tubing or kayaking. It is so much fun and my girls really enjoy it. Whitewater rafting is also on our list!



KELLY STILLMAN SABIN
Client Service Specialist

We're planning on spending lots of time outdoors this summer – hiking, camping, backpacking, kayaking and paddleboarding. I'm also looking forward to trying out a few new things in my garden that are different from what I did last year. (Wish me luck!) I'm excited to be able to go to restaurants and breweries this year. We're typically pretty introverted and spend a lot of time at home, but we really missed going out last year. And of course, living on the lake, I absolutely love being able to get back out on the water.



THOMAS HAMILTON
Chief Compliance Officer
Investment Policy
Committee Member

I'm excited to be a homeowner again! Even though it may come with some pitfalls, it feels good knowing I can hang this here, move that there, and the whole thing is "mine" and not someone else's (except the bank). Our new home has a screened-in back porch that will allow us to sit and watch the horses in the pasture next to us while drinking a cup of coffee in the mornings or simply relaxing after a long day at work. Summer also means grilling, and I love breaking out my grill to showcase some world-class meals. Our extended family will also spend extra time together, and we'll hang out in the pool and go shopping around Charlotte.



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