Armor Investment Advisors, LLC

Count Your Blessings

Markets continued their upward trajectory in the first quarter, after a remarkable run in a chaotic though profitable 2020. The vaccination tsunami has hit the beach, and stocks continue to soar to new highs. Everyone in our office has received their jab in the arm. It is a wonderful thing, and can only get better, right?

The day-traders of yesteryear have re-emerged in droves, many of them teenagers investing(?) their hard-earned stimulus bucks (tongue-in-cheek) in GameStop and other so-called Meme stocks. You can't lose – these neo-masters of the universe have discovered the market is more fun than high school. Doesn't anyone find it a little troubling that much of this mania is fed through accounts offered by a firm named Robin-Hood? Party like its 1999. All I can say is I've lived through 7 corrections, and many of these new "investors" have yet to see one.

There are now 7,500 crypto-currencies, several hundred SPACS (special purpose acquisition corporations), something called "Non-fungible Tokens (NFTs), and the aforementioned Meme stocks, all trading for hundreds of Billions, if not Trillions, of dollars. There is no shortage of experts proclaiming the "inherent" value of each of these modern wonders of the financial world. We are thriving in a sea of new paradigms - Yippee ki yay!


By Jeffrey R. Miller, CFA®

Buyers beware. Much of this is being financed by the US Federal Reserve Bank spewing digital dollars. Cash is very fungible asset that like water will flow through an economy any which way it can. All of that free money from the Government is the same as water flowing from a burst dam, running down the valley, with much of it accruing to the benefit of asset price inflation. Tried to buy a house lately? You will know what I mean. The equity markets are equally blessed, as more funds than an economy can absorb are driven to shares of anything new and shiny, including cryptos, SPACS, NTFs, and Memes.

The contradiction of this in a world concerned with income inequality is that the top 10% who own the bulk of assets being inflated get richer, while the rest of the population has its standard of living slowly devalued away. It is a long-known concept called money illusion where today's promise of more free stuff only results in diminished spending power over time.

There will be a cost to this. Today's gain will lead to long-term pain. Hopefully, it will only be an acceleration of inflation, and a lowering of living standards. But money doesn't grow on trees.

In the short-term, funds flows will power up an economy in recovery. We expect that markets will move higher for the rest of 2021.

But Seriously folks…

The most frequent question I have been asked for the last couple of months is "What are the implications of trillions of dollars of deficit spending on my retirement portfolio?" Addressing the pandemic in 2020, the US and other world governments ginned up several trillion of debt-funded cash as a necessary response to the pandemic. No one questioned the need for it.

However, an election is behind us. The new the administration is proposing additional Trillions of dollars for any number of programs, including infrastructure, the green economy, and income re-distribution. Few voices are standing up and alerting us to the fiscal risks. And the proposed tax increases won't even come close to paying for the new largesse.

Please see disclosures on page 4

There is no shortage of pundits claiming the necessity to support an economy in dire straits, and Modern Monetary Theory supports this way of thinking. The US needs infrastructure spending, we must save the planet from fossil fuels, and stop the seas from rising. These claims are easy to ascribe to despite varying levels of veracity, as long as no one is feeling any pain from receiving free money. This is a political calculation, not an economic one.

Most Wall Street economists and strategists support the view that markets will continue to rise in 2021, and inflation will be subdued, for now. We agree partially, though inflation has already started to accelerate. At some point it will become a problem, and then someone will (presumably) act to control it. It is easy to promise relief "at some point in the future", but current promises receive no accountability down the road.

Our Responsibility

The interests of our clients are our top priority. In anticipation of the changing fiscal environment we will seek to shift assets to those areas of the economy which provide the following:

1) Inflation protection – equities, real assets, and industrial commodities.
2) Continue seeking real growth in excess of inflation.
3) A core of defensive positions in solid value-based equities paying steady dividends.

The world around us is experiencing an increasing rate of change, and as always it is incumbent upon us to try and stay ahead of the curve of opportunity. We expect to see much growth in the areas of electric vehicles and transportation, clean energy, genomics, logistics, and internet-based industry.

We expect that bonds will continue to provide minimal opportunity as long as global deficits remain high. Governments in Japan and Europe have maintained low to negative interest rates for many years – they simply cannot afford an economy where interest rates are market driven – higher rates will explode already problematic deficits. The US is pushing itself in that direction. The result of this policy long-term is diminished prospects for economic growth.

The rules of math are fixed by the laws of the universe, and pretending otherwise is delusional. In the economic world it is money illusion. Our effort as advisors is to continue the search to stay above water in an increasingly turbulent financial sea.

Afterword

Alfred E, Neuman, late of the now defunct Mad Magazine was famous for his line "What, Me Worry?" That is our job.

Armor Happenings

Armor Gives Back Join us this quarter for our Armor Volunteer Day as we Hike for Hope during Mental Health Awareness Month on Friday, May 7, 2021. Sponsored by the North Carolina chapter of the American Foundation for Suicide Prevention, Armor intends to host a casual hike through The North Carolina Museum of Art.

We extend an invitation for all to join us, as well as welcome any suggestions for volunteer initiatives you are passionate about. Reach out to Allison at amiller@armorinvestmentadvisors.com with suggestions for future events, requests to participate, or if you would like to donate towards this cause.

Webinars This quarter our webinar will focus on the current state of Long-Term Care Insurance, the developing landscape, and considerations for self-insuring versus insurance. Keep an eye out for the email invitation the week of April 26th. Please reach out if you do not receive the invitation. Feel free to share with family, friends, and colleagues that may find the information helpful.

Contemplating Your New Freedom

Do you believe in life after retirement? (Thanks Cher.)

As a 29-year-old, the thought of retirement is nothing but an exciting and far-fetched concept filled with endless opportunity and a laundry list of things I hope to experience one day. Those wistful feelings can change dramatically as retirement becomes a quick approaching reality. Frequently, we work with clients who are overcome with anxiety as the one thing they have consistently done for the last forty years suddenly disappears along with its steady paycheck. Net worth does not matter, even Roy Williams admitted last week that he is "scared to death of the next phase."

By Allison Miller, CFP®

A recent study surveying adults and retirees found that the four key focuses to living a healthier life in retirement are health, family, purpose, and finances. As financial planners, we spend decades before retirement helping create a roadmap for clients to ensure that finances will not be a source of anxiety in retirement. Upon reaching retirement, we work to alleviate concerns around health as we utilize our resources to help navigate Medicare, social security, long-term care insurance and retirement communities. By working alongside us to create a well-thought-out plan to address those key focuses, clients can concentrate on determining how and where to plan their time between family and purpose.

Often, people overlook the unease they may experience in retirement. In that same study, 31% of participants who had been retired for less than five years grappled with finding purpose in their retirement. Once in retirement, you will likely have 20-30 active years left, creating a plan for how to spend that time is a no-brainer!

You have worked your whole life for this moment and have devoted time and energy to working and raising a family. Like many in this situation, you might have sacrificed your own hobbies and goals for many years to focus your time on your children's school, friends, extra-curriculars, college, you name it.

Now is the time to dust off those old hobbies and see if they still bring you happiness. Or if they do not bring joy, discover new hobbies and activities. While retirement can be filled with purpose by checking off the long list of things to get done around the house, that list is only so long. According to research, retirees most often seek purpose by getting involved in at least one of three things: spiritual worship, community outreach, and checking things off their bucket list.

Perhaps you have always wanted to hike the Appalachian Trail or mountain bike in Sedona, AZ. Maybe you prefer to give back to your community by tutoring students or assisting low-income families with tax preparation. Possibly, retirement does not mean the end of working, but rather a change in the focus of that work by lending your experience and knowledge to nonprofits or sitting on the board of directors at an organization for which you feel passionately.

Whatever the focus of your retirement, be sure to plan for how to spend your time. Whether it is traveling the world or spending your weekends at grandchildren's soccer games, an intentional retirement will help create more happiness with less stress and anxiety.

To Buy or not to Buy (That is the Question…)

A common question which comes up early in one's career and shortly after escaping the education system is: should I buy my own home, and if so, when can I comfortably do so? The current low interest rate environment and work-from-home protocols have made purchasing a home a more attractive option for many, but there are personal and market variables which may complicate the decision even if affording the down payment is within reach.

In scenarios where a potential homebuyer is not able to commit to staying in one location for more than a few years – or where there is an extreme disparity in home prices over rental rates – it would be prudent to consider renting instead. However, without mitigating circumstances such as these there are several key financial advantages to owning over renting:

By Graham Shepherd, CFP®

Cashflow – In many markets, mortgage payments are less than the cost of renting an equivalent residence. Furthermore, with a fixed mortgage the payment amount remains the same over time, potentially leading to savings in the monthly budget versus rental rates which increase with inflation over the years.

Net Worth – This one is obvious, but by purchasing a home you will be the proud owner of an asset at the end of the day.

Barring a crazy local housing market or a lack of certainty about the future ability to work from home or remain in a particular location for the long haul, it is also vital to consider the less obvious costs of home ownership, such as closing costs, maintenance, insurance, and property taxes. Having a strong emergency fund, manageable level of debt, and risk mitigation strategies are critical to help avoid unpleasant surprises down the road.

With all of these considerations in mind, it is important to have a strong process in place. At its core, the purpose of financial planning is to establish a framework for making intentional financial decisions. It is important to have a plan – not to mention foundational financial security – in place before making the leap into homeownership. Please let us know if you or a friend are considering purchasing a first home. We can help provide an objective assessment of their situation.

Core Macro Asset Allocation

Strategy 4 Moderately Aggressive

2nd Quarter 2021

Equities	**80%**	Large Cap US Equities	46%
		Small and Mid-Cap US Equities	10%
		International Large Cap Equities	12%
		Emerging Markets	6%
		Real Estate Investment Trusts	6%
Alternatives	**8%**	Multi-Source Income	5%
		Long/Short Strategy	3%
		Commodities	0%
Fixed Income	**12%**	Long-term Bonds	0%
		Intermediate/Floating/Preferred	5%
		Short-term Bonds	5%
		High Yield Bonds	0%
		Global Bonds	0%
		Cash/Money Market	2%

This is for illustrative purposes only. Actual allocations may vary from this representation when a portfolio is invested.

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