

Flourish Wealth Management

Quarterly Newsletter

News From Flourish

APRIL 2021

Spring has sprung in Minneapolis (minus this little cold snap we're digging out of) and we are grateful to see the trees budding and hear the birds chirping. Perhaps everything feels a little brighter as we seem to be emerging from a long and challenging year of global pandemics, market volatility, civil unrest, and of course the many personal challenges we have all had to face.

Jay, Grace, Maddy, Fernando, and I took a little time away over the winter and have recently returned from Palm Springs. Working remotely has afforded many people, ourselves included, a new perspective on how work is done in our daily lives. Those who never thought that a remote environment would work for them or their business have now become converts, finding it difficult to conceive of a five-day week at the office.

In my view, the coming months will be all about perspective, learning from the past, and endeavoring to make positive changes in the future based on what we have learned. For the Flourish team, this has meant regular meetings that we are calling Lunch and Learns in which each team member discusses a topic or something they have read or watched that had an impact on them and the way they think about their daily life or the world writ large. Our most recent topics included "Socioeconomic Disparities in Minnesota" and "The Power of Vulnerability".

We have also been thinking about the impact we have on the world for and with our clients. Our team has initiated or revisited client conversations about the opportunity to fully align their investments with their values. The use of Socially Responsible Investments (SRI) and Environmental Social Governance (ESG) is an important opportunity to put investment dollars behind themes that can influence the future while making a profit. We provide all clients with education about ESG investment opportunities with the ability to build customized portfolios to reflect their values. ESG investing is incorporated in many of our

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client portfolios and leverages research and technology from ETHOS, an independent Financial Technology firm specializing in ESG ratings for companies.

In the past, many people thought that Impact or ESG investing was more of a labor of love than a worthwhile strategy. But more recently, with many companies investing in conscious capitalism ideals and holding themselves to a higher standard of environmental impact, social justice and corporate governance, the pool of investments to choose from has grown as has the demand for more companies to follow suit. The quarterly article, written by Jay Pluimer, Director of Investments, discusses thematic investing as it relates to ESG and our client-tailored strategy that we are rolling out slowly over the next few months. [Visit our ESG page on our website for more information.](#)

Q1 2021 QUARTERLY ARTICLE

Customized ESG Solutions for Every Investor

Explore the ESG Themes Your Investments can Support



By: Jay Pluimer, AIF®, CIMA®

Director of Investments

Flourish Wealth Management has designed a client-centric solution to building portfolios that incorporate Environmental Social Governance (ESG) strategies. There are a variety of ESG investment solutions to choose from, all of which focus on underlying themes that resonate with personal values. A sampling of ESG themes include avoiding carbon emissions, supporting renewable energy, ensuring availability of clean water, promoting inclusive societies, achieving gender equality, and supporting equal pay initiatives. The broad array of investment themes creates an opportunity for mutual fund and Exchange Traded Fund (ETF) investments to focus on specific themes in their investment strategy. For example, the *Pax Ellevest Global Women's Leadership Fund* only invests in companies that have at least 2 women on the Board of

Directors and favors companies with a female CEO or CFO. On the other hand, the *Change Finance Fossil Fuel Free ETF* has no exposure to companies that use fossil fuels or have fossil fuel reserves and also has a much lower carbon footprint than other US Stock strategies.

Based on the diverse set of investment options and ESG themes to choose from, we decided to ask our clients to tell us what themes are most important to them and reflect their personal values. We created an ESG Survey that gives clients an opportunity to identify these themes, specify how much (if any) of their portfolio they would like to invest in ESG strategies, and give our team a better understanding of the impact they are hoping to create with their dollars. This is where our team is able to leverage the resources of ETHOS, a local Financial Technology firm specializing in ESG that uses data from over 200 sources to grade over 10,000 individual companies, then uses those company scores to create a mutual fund or ETF grade. In addition, the ETHOS tools give us the flexibility to determine how the combination of multiple investment strategies (Stocks, Bonds, US and International) will generate a portfolio that aligns with the themes identified by our client. The end result is a customized portfolio of ESG investment strategies that is fully aligned to the impact goals of the client. We believe that this client-centric approach leads to investments that will align with our clients' impact goals while maintaining the same long-term investment return expectations as a traditional portfolio.

Market Commentary

FIRST QUARTER 2021



By: Jay E. Pluimer, AIF[®], CIMA[®]

Director of Investments

The strong market recovery that started in late March 2020 has continued through the early months of 2021. The S&P 500 Index of large US companies is up over 80% since the market bottom on March 23rd last year, reflecting the strength of the US economy before the Coronavirus Crisis along with expectations for higher growth in a post-

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pandemic economy. Vaccinations have been a crucial driver of Stock market returns over the past few months because they bring the hope of “herd immunity” in mid-2021, providing people with the opportunity to return to a semblance of normalcy with an emphasis (from an economic standpoint, anyway) on spending money. Consumer spending represents two-thirds of Gross Domestic Product (GDP) and COVID created a significant safety issue that prevented people from spending money on travel or entertainment. After experiencing an economic decline of almost 4% last year most economists are projecting a gain of over 6% in 2021 with continued growth around 3% in 2022 and 2023. These elevated growth expectations help explain the strong stock market returns to start 2021, even after a surprisingly positive year in 2020.

Our primary investment concern at the moment is the Bond portion of client portfolios. Bonds have generally provided consistent returns of 2% to 5% per year while generating income and providing a safety net for Stock market volatility. However, we started 2021 with historically low interest rates which started to go up in the first quarter, reflecting the positive economic environment. Bond rates and prices move in opposite directions, so higher interest rates mean lower prices leading to flat or negative returns from the Bond portion of client portfolios during the first quarter. We expect this environment of rising rates to last for the next two or three years, at least, which creates a significant headwind for a diversified portfolio. Bond investments still play an important role in reducing overall portfolio risk and provide a safety net for client cash flow plans, but we are recommending that clients shift some of their Bond allocation to Stocks over the next year or two. This change should provide more upside return opportunities for clients while being mindful of the additional portfolio risk during this time period. Federal Reserve Chair Jay Powell was recently interviewed on *60 Minutes* and reiterated his commitment to supporting the economic recovery by keeping short-term rates close to 0% until late 2022 or early 2023, meaning we could be in a tough Bond environment until then.

For more information on investments and the markets you can reference our [Quarterly Market Review](#).

If you found this content helpful, I encourage you listen to my weekly podcast, Flourish Insights, available on [Apple Podcasts](#), [Alexa](#), or wherever you get your podcasts.

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CONCLUSION

As always, we are here to listen to our clients and share our perspective. We hope that our newsletter and articles provide you with inspiration and useful information. We encourage you to share our resources with family and friends who you think would benefit from them. Have a safe, healthy, and happy spring!



Sincerely,

Kathy Longo, CFP[®], CAP[®], CDFA[®]

& the Flourish Team

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